KAZKOMMERTSBANK

JSC Kazkommertsbank

(incorporated in the Republic of Kazakhstan under the Joint Stock Companies Law with registered number 4466-1910-AO)

Offering of Global Depositary Receipts at an offer price of US$18.50 per Global Depositary Receipt

This Prospectus relates to an offering (the ''Global Offer'') by JSC Central Asian Investment Company (''CAIC''), Mr. Nurzhan Subkhanberdin and the European Bank for Reconstruction and Development (the ''EBRD'', together with CAIC and Mr. Subkhanberdin, the ''Selling Shareholders'') of an aggregate of 82,286,472 common shares (the ''Shares'') (assuming no Over-Allotment GDRs (as defined below) are offered) in the capital of JSC Kazkommertsbank (the ''Bank'') in the form of 41,143,236 global depositary receipts (the ''GDRs''), each representing two Shares, at an offer price (the ''Offer Price'') of US$18.50 per GDR being offered in the Global Offer (the ''Offer GDRs'').

The Bank intends to undertake an offering of newly issued Shares (the ''New Shares'') to holders of Shares as at a record date expected to be the date of this Prospectus (but in any event before the Closing Date) in the ratio of approximately 220 New Shares for each 1,000 existing Shares then held (the ''Domestic Offer''). The holders of GDRs subscribed for in the Global Offer will not be entitled to participate in the Domestic Offer. The Bank will not directly receive any proceeds from the Global Offer. The Selling Shareholders (other than the EBRD) have, however, committed to apply for New Shares in the Domestic Offer in an amount not less than the number of Shares represented by the Offer GDRs sold by them. See ''*Details of the Domestic Offer*.''

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the ''UK Listing Authority'') for up to 150,000,000 GDRs to be admitted (''Admission'') to the official list of the UK Listing Authority (the ''Official List''). The GDRs are admitted to trading under the symbol ''KKB'' on the market for listed securities of the London Stock Exchange plc (the ''LSE'') through its International Order Book. The LSE is a regulated market for purposes of Investment Services Directive 93/22/EC. It is expected that Admission will become effective and that unconditional dealings in the Offer GDRs on the LSE will commence on 8 November 2006. Prior to that time, it is expected that conditional dealings in the Offer GDRs will commence on the date of this Prospectus and that the earliest date for settlement of such dealings will be 8 November 2006. This date may change.

Application has also been made to have the Rule 144A GDRs (as defined herein) designated eligible for trading in The PORTAL Market of the NASDAQ Stock Market, Inc. (''PORTAL'').

In connection with the Global Offer, Mr. Subkhanberdin will sell 4,571,470 GDRs (the ''Over-Allotment GDRs'') to J.P. Morgan Securities Ltd. and UBS Limited (the ''Underwriters'') for the purpose of making over-allotments and to conduct stabilisation activities in the GDRs. Under the over-allotment structure, Mr. Subkhanberdin will grant the Underwriters a put option (the ''Underwriters' Put Option''), exercisable for a period of up to 30 days from the commencement of dealings on the LSE in the Offer GDRs, to put back to Mr. Subkhanberdin up to 4,571,470 GDRs which have been purchased in the market as a result of stabilisation activities.

The Offer GDRs are of a specialist nature and should only be bought and traded by investors who are particularly knowledgeable in investment matters. See *"Risk Factors"* for a discussion of certain factors that should be considered in connection with an investment in the Offer GDRs.

The Offer GDRs have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act"), and may not be offered or sold within the United States (as defined in Regulation S under the US Securities Act ("Regulation S")) except to certain "qualified institutional buyers" ("QIBs") (as defined in Rule 144A under the US Securities Act ("Rule 144A")) in reliance on Rule 144A or pursuant to another exemption from, or transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers are hereby notified that the Selling Shareholders may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Offer GDRs and the distribution of this Prospectus, see *"Details of the Global Offer."*

The Offer GDRs are being offered to certain institutional investors in the United Kingdom, QIBs in the United States and certain institutional investors in the rest of the world.

Ownership of Shares and the exercise of certain rights (including voting rights) are subject to certain legislation restrictions under Kazakhstan law. See ''*Risk Factors — Risk factors relating to the Bank's Shares and GDRs — There are restrictions and prohibitions under Kazakhstan law on the exercise of shareholders' rights (including voting rights) with respect to the GDRs and the ownership of the Shares*.''

The Offer GDRs will be issued in global form and will be evidenced by a Master Rule 144A GDR and a Master Regulation S GDR registered in the name of Cede & Co., as nominee for The Depository Trust Company (''DTC''). It is expected that delivery of the Offer GDRs will be made against payment therefor in US dollars in same-day funds through the facilities of DTC on or about 8 November 2006. See *''Settlement and Transfer.''*

Joint Global Co-ordinators

JPMorgan **UBS Investment Bank**

Kazkommerts Securities

The date of this Prospectus is 3 November 2006.

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

J.P. Morgan Securities Ltd. and UBS Limited, which are regulated in the United Kingdom by the Financial Services Authority, are acting exclusively for the Bank, CAIC and the EBRD and no-one else in connection with the Global Offer and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Global Offer.

This document comprises a prospectus relating to the Bank in respect of the Offer GDRs prepared in accordance with the prospectus rules of the UK Listing Authority issued pursuant to Section 73A of the FSMA (as defined below) (the ''Prospectus Rules'').

In connection with the Global Offer, the Underwriters and any of their affiliates, acting as investors for their own accounts, may take up Offer GDRs in the Global Offer and in that capacity may retain, purchase, sell, offer to sell or otherwise deal in for their own accounts such securities and any other securities of the Bank or related investments and may offer or sell such securities or other investments other than in connection with the Global Offer. Accordingly, references in this Prospectus to the Offer GDRs being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting as an investor for their own accounts. The Underwriters do not intend to disclose the extent of any such investments or transactions other than in accordance with any legal or regulatory obligation to do so.

The Shares represented by the GDRs rank *pari passu* in all respects with all other existing Shares and with the Shares to be issued in the Domestic Offer, including the right to receive dividends or other distributions declared, made or paid on the Shares after Admission.

Investors should rely only on the information in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Bank, the Selling Shareholders and/or any of the Underwriters or any affiliate of any thereof. Without prejudice to any obligation of the Bank and the Selling Shareholders to publish a supplementary prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000, as amended (''FSMA'') and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any purchase made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank and its consolidated subsidiaries as well as LLP Moskommertsbank (together, the ''Group'') since, or that the information contained herein is correct as of any time subsequent to, the date of this Prospectus.

The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Neither the Bank nor the Selling Shareholders nor any of the Underwriters is making any representation to any offeree or purchaser of Offer GDRs regarding the legality of an investment by such offeree or purchaser.

The information contained in this Prospectus has been provided by the Bank, the Selling Shareholders and other sources identified herein. None of the Underwriters makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank, any Selling Shareholder or the Underwriters that any recipient of this Prospectus should subscribe for or purchase Offer GDRs. Each potential investor in the Offer GDRs should read this Prospectus in its entirety and determine for itself the relevance of the information contained in this Prospectus and its subscription of Offer GDRs should be based upon such investigation as it deems necessary. In making an investment decision, prospective investors must rely upon their own examination of the Group and the terms of this Prospectus, including the risks involved.

The distribution of this Prospectus and the offer and sale of the Offer GDRs in certain jurisdictions may be restricted by law. No action has been taken by the Bank, the Selling Shareholders or the Underwriters that would permit a public offer of Shares or Offer GDRs or possession, publication or distribution of this Prospectus (or any other offer or publicity material or application form relating to the Offer GDRs) in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of

the securities laws of any such jurisdiction. This Prospectus does not constitute an offer of, or an invitation to subscribe or purchase, any Offer GDRs in any jurisdiction in which such offer or sale would be unlawful. For further information with regard to restrictions on offers and sales of Offer GDRs and the distribution of this Prospectus, see *"Details of the Global Offer."*

Save as provided below under "*Notice to Prospective Investors in the Republic of Kazakhstan,*" this Prospectus may be provided to investors in the Republic of Kazakhstan for information purposes only and may not be relied upon by such investors. Neither of J.P. Morgan Securities Ltd. or UBS Limited is offering Offer GDRs or Shares in the Republic of Kazakhstan, and accordingly neither they nor any of their affiliates will have any liability to any person in the Republic of Kazakhstan in connection with either the Global Offer or the Domestic Offer.

Each subscriber or purchaser of Offer GDRs, in making its subscription or purchase, will be deemed to have made certain acknowledgements, representations and agreements. See *"Details of the Global Offer."*

Ownership of the Shares is subject to certain legislative restrictions under Kazakhstan law. Specifically, (a) legal entities registered in certain specified off-shore jurisdictions such as Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria and the Philippines or which have affiliates registered in such jurisdictions (except for international banks having a credit rating of "A" or above from certain rating agencies) or (b) physical persons who are participants or shareholders in such legal entities may not directly or indirectly own Shares. Accordingly, holders of GDRs falling under (a) or (b) above are not entitled to vote through the Depositary at meetings of shareholders, cannot exchange GDRs into Shares and cannot own, hold or dispose of the Shares. See *"Risk Factors — There are restrictions and prohibitions under Kazakhstan law on the exercise of shareholders' rights (including voting rights) with respect to the GDRs and the ownership of the Shares"* and *"Description of Share Capital and Certain Requirements of Kazakhstan Legislation — Disclosure of Beneficial Ownership."*

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE SHARES AND OFFER GDRS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS. NEITHER THE US SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF KAZAKHSTAN

The Offer GDRs may only be offered or sold to persons or entities who or which are established, domiciled or have their usual residence outside Kazakhstan or to professional market participants in Kazakhstan, including banks, brokers, dealers participants, pension funds, and collective investment institutions, as well as central government, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities, and individuals. Neither of J.P. Morgan Securities Ltd. nor UBS Limited is offering Offer GDRs or Shares in Kazakhstan, and accordingly neither they nor any of their affiliates will have any liability to any person in Kazakhstan in connection with either the Global Offer or the Domestic Offer.

AVAILABLE INFORMATION

The Bank has agreed that, so long as any of the GDRs are ''restricted securities'' within the meaning of Rule 144(a)(3) under the US Securities Act, in order to permit holders of GDRs to effect resales under Rule 144A, the Bank will, during any period in which the Bank is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the ''U.S. Exchange Act''), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon written request, to any holder of GDRs, or any prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Bank and the Selling Shareholders (other than the EBRD) are incorporated under the laws of and/or are residents of the Republic of Kazakhstan and all of their respective operations are located in the Republic of Kazakhstan. None of the directors or executive officers of the Bank or CAIC is a resident of the United States and all of the Bank's and such Selling Shareholders' assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Bank, such a Selling Shareholder or such persons or to enforce against any of them judgments of US federal or state courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States.

Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom or the United States.

STABILISATION

In connection with the Global Offer, J.P. Morgan Securities Ltd. (the ''Stabilising Manager'') or any person acting on behalf of the Stabilising Manager may over-allot Offer GDRs or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons 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 Offer GDRs 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 date of this Prospectus and 60 days after the date of the allotment of the Offer GDRs.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH IN THIS PROSPECTUS WITH RESPECT TO US FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE US INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE OFFER GDRS. THIS DESCRIPTION IS LIMITED TO THE US FEDERAL TAX ISSUES DESCRIBED IN THIS PROSPECTUS. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE US FEDERAL TAX TREATMENT OF AN INVESTMENT IN THE SHARES OR GDRS, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY

CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books of account in Tenge in accordance with the relevant laws in Kazakhstan and with the regulations of the National Bank of Kazakhstan.

The financial information set forth herein relating to the Bank has not been audited and, unless otherwise indicated, has been derived from its audited consolidated balance sheets and statements of income, cash flows and changes in equity as at and for the years ended 31 December 2005, 2004 and 2003 (the ‘‘Audited Financial Statements’’) and its unaudited consolidated balance sheet and statements of income, cash flows and changes in equity as at and for the six months ended 30 June 2006 (the ‘‘Unaudited Financial Statements’’ and, together with the Audited Financial Statements, the ‘‘Financial Statements’’) prepared in accordance with International Financial Reporting Standards (‘‘IFRS’’) as promulgated by the International Accounting Standards Board. The Audited Financial Statements have been audited by Deloitte, LLP in accordance with International Standards on Auditing. The Financial Statements, including, with respect to the Audited Financial Statements, the audit opinion and, with respect to the Unaudited Financial Statements, the review report, of Deloitte, LLP, are set forth elsewhere in this Prospectus. The Financial Statements reflect the restatements described in Note 3 to the Audited Financial Statements and Note 3 to the Unaudited Financial Statements, respectively. As described in Note 3 to the Audited Financial Statements, a restatement was made to comply with IAS 1 ‘‘Presentation of Financial Statements’’ and IAS 39 ‘‘Financial Instruments: Recognition and Measurement’’ effective for periods beginning on or after 1 January 2005. A restatement also corrected an error in previously reported financial statements in respect of the accounting treatment of the Preference Shares (as defined herein) under IAS 32 ‘‘Financial Instruments: Presentation.’’ The Financial Statements included in this Prospectus differ in certain respects from the Financial Statements contained in the preliminary Prospectus dated 20 October 2006 and investors should accordingly refer to the Financial Statements contained herein.

Investors should not rely on interim results as being indicative of results the Bank may expect for the full year.

The Bank publishes audited consolidated full-year financial statements in accordance with IFRS. It also publishes unaudited condensed consolidated interim financial statements in accordance with IFRS. These financial statements are not filed with or furnished to the US Securities and Exchange Commission.

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

The Bank has obtained certain statistical and market information that is presented in this Prospectus on such topics as the Kazakhstan banking sector and the Kazakhstan economy in general and related subjects from certain third-party sources described herein. This third-party information is presented in the *‘‘Summary,’’ ‘‘Risk Factors’’, ‘‘Banking Sector in Kazakhstan’’* and *‘‘Management’s Discussion and Analysis of Result of Operations and Financial Condition.’’* The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the Bank’s estimates are based on such third-party information. Neither the Bank nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies.

The Bank has derived substantially all of the information contained in this Prospectus concerning its competitors from publicly available information, such as annual reports, and has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Bank has relied on the accuracy of this information without independent verification. In addition, some of the information contained in this Prospectus has been derived from official data of the FMSA, the NBK and the NSA. Official data published by Kazakhstan governmental or regional agencies is substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the FMSA, the NBK and the NSA, may be produced on different bases than those used in more developed countries. Any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

In this Prospectus:

- The “Bank” refers to JSC Kazkommertsbank and, where the context permits, the Bank and its consolidated subsidiaries, namely Kazkommerts International B.V., Kazkommerts Finance II B.V., Kazkommerts Capital II B.V., JSC OCOPAIM Grantum Asset Management, JSC Grantum APF, JSC Kazkommerts Securities, JSC SK Kazkommerts-Policy, OJSC Kazkommertsbank Kyrgyzstan and LLP Processing Company, as well as LLP Moskommertsbank which is not a subsidiary but is controlled by the Bank;
- “Basel Accord” refers to the 1988 Capital Accord adopted by the Basel Committee on Banking Supervision, then known as the Basel Committee on Banking Regulations and Supervisory Practice;
- “Basel II” refers to the report titled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework” of the Basel Committee on Banking Supervision;
- “CAIC” refers to JSC Central Asian Investment Company;
- “CIS” refers to the Commonwealth of Independent States;
- “Clearstream” means Clearstream Banking, société anonyme;
- “DBK” refers to the Development Bank of Kazakhstan;
- “EBRD” refers to the European Bank for Reconstruction and Development;
- “EU” refers to the European Union;
- “euro” and “€” refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- “Euroclear” means Euroclear Bank S.A./N.V.;
- “Fitch” refers to Fitch Ratings Ltd.;
- “FMSA” refers to the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations;
- “FMSA Regulations” refers to the regulations published by the FMSA;
- “GDP” refers to the gross domestic product of Kazakhstan;
- “Government” refers to the government of Kazakhstan;
- “Group” refers to the Bank and its consolidated subsidiaries as well as LLP Moskommertsbank;
- “JSC Law” refers to the Joint Stock Companies Law of Kazakhstan;
- “KASE” refers to the Kazakhstan Stock Exchange;
- “Kazakhstan” refers to the Republic of Kazakhstan;
- “KCD” refers to the Kazakhstan Central Depositary;
- “Moody’s” refers to Moody’s Investor Service, Inc.;
- “NBK” refers to the National Bank of Kazakhstan;
- “NBK Regulations” refers to the regulations published by the NBK;
- “NSA” refers to the National Statistical Agency of Kazakhstan;
- “OECD” refers to the Organisation for Economic Co-operation and Development;
- “RUR” refers to Russian roubles, the lawful currency of the Russian Federation;
- “SME” refers to small- and medium-sized enterprises;
- “S$” refers to the lawful currency of the Republic of Singapore;
- “Tenge” and “KZT” refer to Kazakhstan Tenge, the lawful currency of Kazakhstan;
- “United States” or the “US” refers to the United States of America; and
- “US$” and “US dollars” refer to the lawful currency of the United States.

Solely for the convenience of the reader, this Prospectus presents unaudited translations of certain Tenge amounts into US dollars at specified rates. The Bank has translated the summary income statement information for the year ended 31 December 2005 and for the six months ended 30 June 2006 into US dollars at the rates of US$1.00 = KZT132.87 and US$1.00 = KZT127.16, respectively, and the summary balance sheet information as at 31 December 2005 and 30 June 2006 at the rates of US$1.00 = KZT133.98 and US$1.00 = KZT118.69, respectively. See *"Exchange Rates and Exchange Controls."*

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

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "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. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Bank's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Bank's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Bank's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- anticipated growth of the Bank's corporate, SME, retail, insurance and investment banking businesses, anticipated growth of its cross-selling activities among client segments and products, and anticipated diversification of its deposit base;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance revenue growth; and
- estimates and financial targets for increasing and diversifying the composition of the Bank's loan portfolio.

Factors that could cause actual results to differ materially from the Bank's expectations are contained in cautionary statements in this Prospectus and include, among other things, the following:

- overall economic and business conditions, including commodity prices;
- the demand for the Bank's services;
- competitive factors in the industries in which the Bank and its customers compete;
- changes in government regulations;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

The sections of this Prospectus entitled *"Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Condition," "The Bank"* and *"Selected Statistical and Other Information"* contain a more complete discussion of the factors that could affect the Bank's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur.

The Bank does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

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; however, in April 1999, the NBK and the Government of Kazakhstan publicly announced that they would cease to intervene in the foreign exchange markets, allowing the Tenge to float freely. As a result, the Tenge depreciated from a pre-announcement rate of KZT88 per US dollar to a rate of approximately KZT130 per US dollar in May 1999. For the next three years, the Tenge generally continued to depreciate in nominal terms against the US dollar, although since 2002 it has, overall, strengthened against the US dollar.

The following table sets forth the period-end, average and high and low rates for the Tenge, each expressed in Tenge and based on the KZT/US dollar exchange rates on the KASE, as reported by the NBK:

Year ended 31 December	Period end	Average[1]	High	Low
2000	144.50	142.13	144.50	138.20
2001	150.20	146.72	150.20	145.00
2002	155.60	153.28	155.60	150.60
2003	144.22	149.50	155.89	143.66
2004	130.00	136.07	143.33	130.00
2005	133.98	132.88	136.12	129.83
2006				
January	132.17	133.13	133.85	132.05
February	130.30	131.40	132.37	130.30
March	128.45	128.76	130.35	127.40
April	124.11	126.94	128.95	122.92
May	121.48	122.62	124.42	121.00
June	118.69	119.76[2]	121.26	118.26
July	118.41	118.13	118.49	117.25
August	125.24	122.63	125.24	118.41
September	127.22	126.20	127.22	125.32
October	127.82	127.66	127.86	127.22

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

(2) As at 30 June 2006, the average rate for the preceding six months was KZT127.11.

The daily average KZT/US dollar exchange rate on the KASE, as reported by the NBK, on 1 November 2006 was KZT127.84 per US$1.00.

Exchange Controls

Kazakhstan has accepted the conditions of paragraphs 2, 3 and 4 of Article VIII of the Charter of the International Monetary Fund 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 legislation, all current account operations, including transfers of dividends, interest and other investment income, may be made without restriction and only outflowing capital account operations need to be licenced by or registered with the NBK. Capital inflows are registered and monitored for statistical purposes only, but are not restricted.

Following the inflow of US dollars into Kazakhstan due to rising oil prices, a number of steps aimed to liberalise the currency control regime were taken between 2002 and 2005 substantially easing the rules for international and foreign direct investment. Specifically, no NBK licence is currently required for a Kazakhstan financial organisation to open accounts with foreign banks in connection with transactions in financial instruments on international securities markets, for a Kazakhstan legal entity to secure its obligations towards non-resident lenders, for certain Kazakhstan financial organisations or other residents acting through a licensed professional securities market participant to acquire foreign securities or to enter into derivative transactions with non-residents or for the acquisition by residents of more than 10 per cent. of the voting shares of a non-resident company.

Currency control limitations were further eased for Kazakhstan banks in 2005 and currently, with respect to most of their offshore operations, Kazakhstan banks are only obliged to notify the NBK as to such operations.

DIRECTORS AND ADVISERS

Board of Directors of the Bank	Nurzhan S. Subkhanberdin Daulet H. Sembaev Nina A. Zhussupova Gail Buyske all at the Bank's Registered Office	
Registered and Head Office of the Bank	135 Zh Gagarin Avenue Almaty 050060 Republic of Kazakhstan	
Counsel to the Bank	White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom	White & Case Kazakhstan LLC 117/6 Dostyk Avenue Almaty 05009 Republic of Kazakhstan
Joint Bookrunners and Underwriters	J.P. Morgan Securities Ltd. 10 Aldermanbury London EC2V 7RE United Kingdom	UBS Limited 1 Finsbury Avenue London EC2M 2PP United Kingdom
Domestic Lead Manager and Domestic Settlement Agent	JSC Kazkommerts Securities 135 Zh Gagarin Avenue Almaty 050060 Republic of Kazakhstan	
Joint Global Co-ordinators	J.P. Morgan Securities Ltd. UBS Limited JSC Kazkommerts Securities	
US and UK Counsel to the Joint Bookrunners and Underwriters	Linklaters One Silk Street London EC2Y 8HQ United Kingdom	
Kazakhstan Counsel to the Joint Bookrunners and Underwriters	Aequitas 47/49 Abai Avenue Almaty 050000 Republic of Kazakhstan	
Auditors	Deloitte, LLP 240-V Furmanov Street Almaty 050059 Republic of Kazakhstan	
Depositary	The Bank of New York 101 Barclay Street, 22nd Floor New York, New York 10286 United States of America	

SUMMARY

The following summary information should be read as an introduction to this Prospectus. Any decision by a prospective investor to invest in the Offer GDRs should be based on consideration of this Prospectus as a whole and not solely on this summarised information. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area ("EEA") civil liability will attach to the directors of the Bank in any such member state for this summary, including any translation hereof if, but only if, this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA states, be required to bear the costs of translating this Prospectus before legal proceedings are initiated.

Prospective investors should carefully read the entire Prospectus, including the Financial Statements and related notes, before making an investment decision. In particular, prospective investors should consider carefully the factors set forth in this Summary under the heading "Risk Factors."

Overview of the Business

Established in 1990, the Bank is one of the leading banks in Kazakhstan. As at 30 June 2006 it was the market leader as measured by total assets and loans, third largest in terms of deposits and fourth largest in terms of number of branches (according to the NBK).

The Bank provides a full range of corporate, SME and retail banking services and insurance, pension, asset management and other financial services through a network of 22 full-service branches and 68 outlets in Kazakhstan. The Bank has a well-developed alternative channel distribution network including internet banking, 454 ATMs (including 224 new ATMs since 2004, of which 49 are multi-function ATMs), over 3,200 point-of-sale terminals and a call centre. Through its international subsidiaries and affiliates the Bank provides corporate, SME and retail banking services in Russia and Kyrgyzstan.

The Bank is the largest lender to medium- and large-sized Kazakhstan companies and international companies operating in Kazakhstan with a 28.2 per cent. market share in corporate lending as at 30 June 2006 (according to the NBK). The Bank provides a comprehensive range of products to its corporate clients including trade and structured finance products, project finance services, transactional services, e-banking and asset management services, as well as short-term credit facilities and other general banking services. As at 30 June 2006, the Bank's gross corporate loan portfolio was KZT837,295 million and its corporate deposits were KZT204,967 million, up 24.9 per cent. and 4.9 per cent., respectively, from 31 December 2005.

The Bank also has a strong retail business and believes that it is the leading bank in Kazakhstan servicing high net worth individuals. The Bank offers its retail customers a comprehensive range of retail products including residential mortgages, consumer loans, e-banking, debit and credit cards and deposit and current accounts. It holds one of the top three positions in terms of market share in residential mortgages, credit cards and ATM services (according to the NBK). The Bank had approximately 253,000 retail customers (as at 30 June 2006) and in the future intends to focus on growing its retail operations. As at 30 June 2006, the Bank's gross retail loan portfolio amounted to KZT129,140 million and its retail deposits amounted to KZT128,872 million, up 26.8 per cent. and 19.4 per cent., respectively, from 31 December 2005.

The Bank also intends to expand its operations abroad through LLP Moskommertsbank in Russia and OJSC Kazkommertsbank Kyrgyzstan in Kyrgyzstan. The main purpose of the Bank's presence in Russia and Kyrgyzstan is to meet the interests of its corporate clients with business ties to Russia and Kyrgyzstan.

The Bank also engages in treasury operations, investment banking and brokerage services. The main objective of the Bank's Treasury Department is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets, thereby 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 size of the Bank's trading portfolio decreased by 8.8 per cent. to KZT127.9 billion as at 30 June 2006 from KZT140.3 billion as at 31 December 2005 and KZT74.8 billion as at 31 December 2004, which in turn represented a 5.1 per cent. increase from KZT71.2 billion as at 31 December 2003. Investment banking and brokerage services are undertaken by the Bank through its subsidiary JSC Kazkommerts Securities, which is one of the leading underwriters of corporate domestic bonds in Kazakhstan. JSC Kazkommerts Securities is well placed to take advantage of growth in the domestic equity market; as at 30 June 2006, it had KZT1,144 million in assets.

Key Strengths

The Bank believes it has the following strengths that will enable it to maintain its position as one of the leading financial institutions in Kazakhstan:

- Largest bank by total assets and total loans in the growing Kazakhstan market.
- A broad customer base with leading positions in serving large corporates and high net worth individuals.
- An established presence in the growing middle-class market segment.
- A clearly defined strategy for growth in the SME segment.
- An experienced management team with a proven track record.
- A strong balance sheet with conservative risk management.
- Strong profitability and cost efficiency.
- An advanced and integrated information technology platform.
- A presence in non-banking financial services and other markets.

Strategy

As the Kazakhstan economy continues to grow and the private sector continues to expand, the Bank expects strong demand for financial service products from both private and public sector companies, SME and retail clients. The Bank intends to further consolidate its position across each individual market segment, whilst maintaining strong discipline in risk and expense management, with the primary goal of achieving high profitability:

- *Corporate Banking.* The Bank intends to maintain its leadership position in corporate banking by expanding its customer base and increasing product cross-sales and commission income. The Corporate Banking Division is responsible for cross-selling cash management, e-banking, structured finance, project and corporate finance products for international corporations, large domestic corporations and pension funds.
- *SME Banking.* The Bank intends to increase its SME loan portfolio, in terms of both volume and number of clients, and establish a leading position in this market segment. The Bank intends to establish a distinct SME Banking Division which now operates the SME business within the Corporate Banking Division. The Bank provides working capital, capital expenditure and trade finance facilities for SMEs.
- *Retail Banking.* The Bank intends to focus on retail banking and expand its high net worth and middle-income customer base as well as expand its branch network to cover all of Kazakhstan's major urban areas by 2010. The Bank also plans to employ alternative distribution channels.

The Bank's operational and strategic goals include:

- Maintaining strong management information systems and operating efficiencies.
- Expanding into other financial services markets in Kazakhstan.
- Developing the Bank's presence in Russia and Kyrgyzstan.
- Diversifying its funding base.

Risk Factors

Prior to investing in the Offer GDRs, prospective investors should consider, together with the other information contained in this Prospectus, the risks associated with an investment in the Offer GDRs, including the following risks:

Risks factors relating to the Bank:

- The Bank's rapid growth subjects it to numerous risks.
- The lack of statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately.
- The Bank faces significant competition, which may increase in the future.

- Changes in the regulation of the banking industry in Kazakhstan may adversely affect the Bank's business and existing regulations are not as developed as in many Western countries.
- The Bank's success depends on the continued services of its key personnel.
- New anti-monopoly legislation has been recently enacted in Kazakhstan and its impact is uncertain.
- Any failure or interruption in or breach of the Bank's information systems, and any failure to update such systems, may have a material adverse effect on the Bank's business, financial condition or results of operations.
- The Bank's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks.
- The Bank's share ownership is highly concentrated.
- There are risks associated with the Bank's Preference Shares.
- The recently introduced Kazakhstan Corporate Management Code has not yet proven effective at ensuring strong corporate governance practices in Kazakhstan and the Bank does not currently comply with certain corporate governance requirements under Kazakhstan law.

Risk factors relating to Kazakhstan:

- Political and regional considerations in Kazakhstan impose risks.
- Macroeconomic considerations concerning Kazakhstan impose risks.
- There are risks associated with the underdevelopment and evolution of the legislative, tax and regulatory framework in Kazakhstan.
- Kazakhstan has a less developed securities market than the United States and Western Europe.

Risk factors relating to the Shares and GDRs:

- There are restrictions and prohibitions under Kazakhstan law on the exercise of shareholders' rights (including voting rights) with respect to the GDRs and the ownership of the Shares.
- There has to date been only a limited trading market for the GDRs.
- Shares and GDRs may be subject to market price volatility and the market price of the Shares and the GDRs may decline disproportionately in response to adverse developments that are unrelated to the Bank's operating performance.
- US and some other non-Kazakhstan holders of the Bank's Shares or GDRs may not be allowed to exercise pre-emptive rights.
- GDR holders may be subject to taxation in Kazakhstan.

Please see *"Risk Factors"* for a description of some of the risk factors facing the Bank.

Summary Financial and Other Information

The following table sets forth summary financial information as at the dates indicated. The data has been extracted without material adjustment from the Financial Statements.

	As at 30 June 2006		As at 31 December 2005	
	(US$ thousands)	(KZT millions) (restated)	(US$ thousands)	(KZT millions) (restated)
Total assets	10,563,906	1,253,830	8,918,264	1,194,869
Total net loans	7,743,685	919,098	5,447,410	729,844
Total customer accounts	2,812,697	333,839	2,264,554	303,405
Total shareholders' equity	837,408	99,392	606,770	81,295
Net profit attributable to equity holders of the parent	129,553	16,474	138,421	18,392

Use of Proceeds

The gross proceeds to the Selling Shareholders from the Global Offer will be US$761,149,866, assuming no over-allotment of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters' Put Option in full, or US$845,722,061 assuming that the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option. CAIC and Mr. Subkhanberdin have agreed to apply for a number of New Shares in the Domestic Offer which is not less than the number of Shares represented by the Offer GDRs being sold by each of them and (in the case of Mr. Subkhanberdin) the Over-Allotment GDRs (less those represented by the GDRs put back to him pursuant to the Underwriters' Put Option) and have agreed to subscribe for those New Shares allotted to them. The Bank intends to use the proceeds from the subscription of New Shares in the Domestic Offer to increase its core capital thereby supporting its growth strategy. The Bank will not receive any proceeds from the sale of Offer GDRs other than to the extent that the proceeds received by CAIC and Mr. Subkhanberdin are used to subscribe for New Shares in the Domestic Offer. Assuming all 103,500,000 New Shares are subscribed in the Domestic Offer, the Bank will receive gross proceeds in the Domestic Offer of US$957,375,000. The Bank will pay underwriting commissions in respect of the Offer GDRs and the Over-Allotment GDRs sold by CAIC and Mr. Subkhanberdin, as well as certain fees and expenses of approximately US$2,970,000 in connection with the Global Offer.

SUMMARY OF THE GLOBAL OFFER

The Bank	JSC Kazkommertsbank.
The Selling Shareholders	JSC Central Asian Investment Company ("CAIC"), Mr. Nurzhan Subkhanberdin (the Chairman of the Bank's Board of Directors) and the EBRD.
The Global Offer	The Selling Shareholders are offering in aggregate 82,286,472 Shares represented by 41,143,236 GDRs, assuming no Over-Allotment GDRs are offered; if the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option, the Selling Shareholders will be offering in aggregate 91,429,412 Shares represented by 45,714,706 GDRs. The Offer GDRs are being offered in the United States to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act and outside the United States and the Republic of Kazakhstan to certain persons in offshore transactions in reliance on Regulation S. The GDRs will be issued by The Bank of New York, as depositary.
The Shares	The Bank's authorised share capital consists of 700 million shares, of which 575 million are Shares and 125 million are non-voting preference shares (the "Preference Shares"). The Bank's issued and outstanding share capital consists of 471,493,095 Shares and 124,956,845 Preference Shares, all of which are fully paid.
The GDRs	Each Offer GDR will represent two Shares. The Offer GDRs will be issued by the Depositary pursuant to a deposit agreement (the "Deposit Agreement") between the Bank and the Depositary dated on or about 8 November 2006. The Offer GDRs will be evidenced initially by a Master Regulation S GDR and a Master Rule 144A GDR. Except in the limited circumstances described herein, definitive certificates will not be issued to holders in exchange for interests in the GDRs represented by the Master GDRs. Subject to the terms of the Deposit Agreement, interests in the Master Regulation S GDR may be exchanged for interests in the corresponding number of GDRs represented by the Master Rule 144A GDR, and vice versa.
Offer Price	US$18.50 per Offer GDR.
Closing Date	8 November 2006.
Over-Allotment	In connection with the Global Offer, Mr. Nurzhan Subkhanberdin is expected to sell 4,571,470 GDRs (the "Over-Allotment GDRs") (equivalent in size to approximately 10 per cent. of the Global Offer) to the Underwriters for the purpose of making over-allotments and to conduct stabilisation activities in the GDRs. Under the over-allotment structure, Mr. Nurzhan Subkhanberdin will grant the Underwriters a put option, exercisable for a period of up to 30 days from the commencement of dealings in the Offer GDRs on the LSE, to put back to Mr. Nurzhan Subkhanberdin up to 4,571,470 GDRs which have been purchased in the market as a result of stabilisation activities.
The Domestic Offer	The Bank intends to undertake an offering of New Shares to holders of Shares as at a record date expected to be the date of this Prospectus (but in any event before the Closing Date) in the ratio of approximately 220 New Shares for each 1,000 existing Shares. See *"Details of the Domestic Offer."* Holders of GDRs subscribed for in the Global Offer will not be eligible to participate in the Domestic Offer.

Lock-up	The Bank, the Selling Shareholders and certain directors of the Bank have agreed, subject to certain exceptions, not to offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of, directly or indirectly, any Shares or GDRs or securities convertible or exchangeable into or exercisable for any Shares or GDRs for a period of 180 days from the Closing Date, without the prior written consent of the Underwriters. See *"Details of the Global Offer — Lock-up Arrangements."*
Transfer and Ownership Restrictions	The Shares and the GDRs will be subject to certain restrictions on transfer; see *"Terms and Conditions of the Global Depositary Receipts," "Summary of Provisions Relating to GDRs while in Master Form," "Description of Share Capital and Certain Requirements of Kazakhstan Legislation"* and *"Details of the Global Offer."* These restrictions include limitations on the ability of legal entities registered in, or with affiliated entities registered in, certain specified jurisdictions or individual shareholders participating in companies registered in such jurisdictions to own Shares or to withdraw Shares represented by GDRs. See *"Risk Factors — There are restrictions and prohibitions under Kazakhstan law on the exercise of shareholders' rights (including voting rights) with respect to the GDRs and the ownership of the Shares."*
Dividend Policy	See *"Dividend Policy."*
Listing and Market for the Shares and GDRs	Application has been made to the UK Listing Authority for up to 150,000,000 GDRs to be admitted to the Official List. The GDRs are admitted to trading on the LSE's market for listed securities through the IOB under the symbol KKB. Application has also been made to have the Rule 144A GDRs designated eligible for trading in PORTAL. It is expected that Admission will become effective and unconditional dealings in the Offer GDRs on the LSE will commence on 8 November 2006. Prior to that time, it is expected that conditional dealings in the Offer GDRs will commence on the date of this Prospectus and that the earliest date for settlement of these dealings will be 8 November 2006. This date may change.
Settlement Procedures	Payment for the Offer GDRs is expected to be made in US dollars in same-day funds through the facilities of DTC. The Depositary has applied to DTC to have the Regulation S GDRs and the Rule 144A GDRs accepted into DTC's book-entry settlement system. The Master Rule 144A GDR and the Master Regulation S GDR will be held in book-entry form and will be issued to DTC and registered in the name of Cede & Co., as nominee for DTC. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the corresponding Master GDR only through DTC, whether directly or through DTC participants including Euroclear and Clearstream. Transfers within and between DTC, Euroclear and Clearstream will be in accordance with their usual rules and operating procedures.
Voting	The Deposit Agreement contains arrangements allowing holders of GDRs to vote the underlying Shares in accordance with Kazakhstan law, which restricts certain entities registered in, or with affiliated entities registered in, certain specified jurisdictions or individual shareholders participating in companies registered in such jurisdictions from voting. Holders of Shares are entitled to one vote

	per Share at a shareholders' meeting. See *"Terms and Conditions of the Global Depositary Receipts — Condition 12 (Voting of Shares)"* and *"Description of Share Capital and Certain Requirements of Kazakhstan Legislation — Summary of the Charter — General meetings" and "— Disclosure of Beneficial Ownership."*	
General Information	Shares	
	ISIN:	KZ1C00400016
	KASE trading symbol:	KKGB
	Regulation S GDRs	
	CUSIP:	48666E608
	ISIN:	US48666E6086
	Common Code:	027206298
	Rule 144A GDRs	
	CUSIP:	48666E509
	ISIN:	US48666E5096
	Common Code:	027206212
	LSE GDR trading symbol:	KKB
	PORTAL Rule 144A GDR trading symbol:	SKGRNP103

RISK FACTORS

In addition to other information in this Prospectus, prospective investors should carefully consider the following risk factors before investing in the Bank's securities. The risks and uncertainties described below are not the only ones the Bank faces. Additional risks and uncertainties that the Bank is not aware of or that the Bank currently believes are immaterial may also adversely affect the Bank's business, financial condition or results of operations. If any of the possible events described below occurs, the Bank's business, financial condition or results of operations could be materially and adversely affected.

Risk Factors Relating to the Bank

The Bank's rapid growth subjects it to numerous risks.

The Bank's net loan portfolio as at 30 June 2006 was KZT919,098 million compared to KZT729,844 million as at 31 December 2005 which in turn represented a 47.5 per cent. increase from KZT494,931 million in 2004. The significant and rapid increase in the loan portfolio size has increased the Bank's credit exposure and will require continued and improved monitoring by the Bank's management of credit quality and the adequacy of its provisioning levels through the Bank's credit risk management programme. The anticipated increase in the overall level of lending and, in particular, in the level of lending to SMEs as well as to retail customers, may further increase the credit risk of the Bank. SMEs and retail customers typically have less financial strength than large companies, the Bank's core customer base, and negative developments in the Kazakhstan economy could affect these borrowers more significantly than large companies. This could result in higher levels of classified and non-performing loans and, as a result, higher levels of provisioning.

In addition, the Bank's loan portfolio has grown much more rapidly than its deposit base, its aggregate loan to deposit ratio increasing to 275 per cent. as at 30 June 2006 compared to 187 per cent. as at 31 December 2003. The Bank has funded itself, and expects to continue funding itself, through long-term interbank funding and the issuance of securities in the international capital markets. If interest rates rise, the Bank's cost of funding could increase, which could adversely affect its business, financial condition and results of operations. Moreover, the Bank has been reliant on foreign investment in Kazakhstan to support its loan growth, and a decline in the rate of growth of such foreign investment could adversely affect the Bank.

Growth rates such as those experienced by the Bank in the last two years also require the Bank to attract and retain a significant number of qualified personnel, not only to monitor asset quality but also to ensure access to appropriately flexible funding sources. In addition, the Bank plans to expand substantially its number of branches, and it may have difficulty attracting and retaining suitably qualified staff for such branches. Furthermore, the development of relatively new products such as fixed rate mortgages and financing packages for SMEs requires not only credit assessment skills and personnel, but also appropriate risk management systems, some of which were only recently introduced at the Bank. The Bank's branch expansion plan also subjects itself to the risk of rising real estate costs. 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 business, financial condition and results of operations.

Concentration of the Bank's loan portfolio subjects it to risks from default by its largest borrowers and from exposure to particular sectors of the Kazakhstan economy.

The Bank intends to seek to continue to diversify its portfolio and reduce concentrations in its lending, both in terms of customers and sectors. As at 30 June 2006, the Bank's top 20 borrowers comprised 27.8 per cent. of its total loans to customers and contingent liabilities. A substantial portion of the Bank's borrowers are engaged in the construction and oil and gas industries and the Bank intends to concentrate on credit quality and the development of financial and management controls to monitor this credit exposure. However, if these efforts fail, any resulting default and any sustained adverse market developments in the industries to which the Bank is exposed across Kazakhstan could have a material adverse effect on the Bank's business, financial condition and results of operations.

The lack of statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately.

Kazakhstan's system for gathering and publishing statistical information relating to the economy generally, or specific economic sectors and companies within Kazakhstan and the publication of corporate and financial information relating to companies and other economic enterprises, is not as comprehensive as those of many countries with established market economies. Moreover, the Bank's customers, particularly in the SME sector, may not have detailed financial information regarding their creditworthiness. Underreporting of income in Kazakhstan, which is common, also makes it more difficult for the Bank to accurately make credit assessments. Thus, the statistical, corporate and financial information, including audited financial statements, available to the Bank relating to its prospective corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Bank ordinarily makes an estimation of the net realisable value of collateral on the basis of which it determines applicable provisioning and collateralisation requirements, the absence of additional statistical, corporate and financial information may limit the accuracy of the Bank's assessments of credit risk.

The Bank, in co-operation with other Kazakhstan commercial enterprises and Experian, an international credit reference agency, established a credit reference bureau in Kazakhstan in 2004 to provide information about potential borrowers. However, the credit reference bureau is not yet a mature business and the quality of information it provides may not be accurate or sufficient, in which case the Bank will continue to have limited information on which to base its lending decisions.

The Bank faces significant competition, which may increase in the future.

In common with other Kazakhstan banks, the Bank is subject to significant competition from both domestic and foreign banks. As at 30 June 2006, there were 34 commercial banks in Kazakhstan (excluding the NBK and the DBK), of which 14 were banks with foreign participation, including subsidiaries of foreign banks. In addition, regulatory changes may make it easier for foreign banks to increase their penetration in Kazakhstan. This large number of corporate lenders in Kazakhstan has led banks to find other sources of revenue, primarily in SME and retail banking, where the barriers to entry are lower and a number of the smaller banks are seeking to grow their market share. Moreover, there are relatively few large corporate customers that have not established banking relationships, which means that competition in this sector is intense. The Bank has faced strong competition in the retail loan market, where its market share has declined from approximately 24 per cent. as at 31 December 2004 to approximately 14 per cent. as at 30 June 2006. The Bank believes that foreign banks, some of which may have significantly greater resources, existing global relationships with foreign companies operating in Kazakhstan, and a cheaper funding base than the Bank, have become the Bank's main competitors in the corporate banking sector. Whilst subsidiaries of foreign banks do not currently provide significant domestic competition, as they are not active in the retail banking sector, competition may be affected by regulatory changes which may make it easier for foreign banks to increase their penetration in retail banking.

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

The Bank faces the risk of changes in certain legislative and regulatory acts that may have an adverse effect on its business, results of its operations or the liquidity and market value of the Shares and the GDRs. The Government of Kazakhstan may implement additional regulations or policies, including with respect to taxation, interest rates, inflation and exchange controls or may 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 Shares and the GDRs.

Notwithstanding regulatory standards in Kazakhstan, prospective investors should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the regulators may differ from those applicable to banking operations in countries with more highly developed regulatory regimes. As a result, investors may not have the benefit of all of the protections available in such other countries. See *"Risk Factors Relating to Kazakhstan — There are risks associated with the underdevelopment and evolution of the legislative, tax and regulatory framework in Kazakhstan."*

Changes to Kazakhstan banking regulations imposed by the NBK and the FMSA may adversely affect the Bank.

In July 2005, a new regulation was enacted by the FMSA requiring banks to increase the multiplier for risk-weighted assets for all non-resident lending to non-resident borrowers having debt ratings less than "BB-" (or the equivalent), or no rating, from 100 per cent. to 150 per cent.

Recent changes to NBK minimum reserve requirements and potential restrictions imposed by the FMSA on attracting short-term indebtedness may affect the Bank's ability to attract foreign and short-term funding. In July 2006, the NBK introduced new reserve requirements in an effort to limit borrowings, including foreign borrowings, as a result of concerns about an excessive supply of money in the economy predominantly resulting from foreign borrowings. The new rules will increase reserve requirements for borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (regardless of residence) to 8 per cent., from 6 per cent., although domestic borrowings from residents except as mentioned above will remain at 6 per cent. In common with a number of other banks in the country, a significant portion of the Bank's funding is in US dollars from syndicated loans and the capital markets. Thus, the new minimum reserve requirements may have an impact on the Bank's profitability.

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

To address concerns about currency mismatches and management of the Bank's liquidity, the FMSA has also tightened requirements concerning open/net currency positions and has introduced various limits on currency liquidity which may limit the ability of the Bank to conduct operations in certain currencies.

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

In 2001, the Basel Committee issued a proposal for a new capital adequacy framework to replace the Basel Accord. With regard to the risk weightings to be applied to banks' credit exposures, 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 corporations. If adopted, the new framework could require financial institutions lending to Kazakhstan banks to be subject to higher capital requirements as a result of the credit risk rating of Kazakhstan. As a result, the Bank may be subject, along with other Kazakhstan banks, to higher borrowing costs, which may adversely affect the Bank's business, results of operations and financial condition.

The Bank's success depends on the continued services of its key personnel.

The Bank's growth, development and implementation of its strategy can be attributed, in particular, to the knowledge and experience of a small number of senior managers. The loss of services of these individuals for any reason could have a material adverse effect on the Bank's business, results of operations and financial condition. As the Bank's business grows (including via planned branch expansion), its success will depend, to a large extent, on its ability to attract and retain additional employees who are skilled in its business. The Bank is continually seeking to attract and retain new key employees. The banking industry is relatively new in Kazakhstan and there are a limited number of experienced banking managers in the country. The Bank believes that there is also a high level of competition for the services of these individuals. While the Bank believes it has been successful in attracting skilled and motivated employees and officers, it may be at risk of losing qualified personnel in the increasingly competitive environment.

New anti-monopoly legislation has been recently enacted in Kazakhstan and its impact is uncertain.

In July 2006, the Parliament of Kazakhstan adopted new laws which replaced the previous anti-monopoly legislation. The new law extends the definition of a dominant (monopoly) position to include up to three entities, even if they are separate and unrelated, if such entities (i) have the biggest market share, and (ii) the sum of their market share is 50 per cent. or more of the entire market. An entity having a dominant position may become subject to anti-monopoly review by the Kazakhstan Anti-Monopoly Body and, if found to be abusing its dominant position, it may be subject to fixing of prices to its products and other types of anti-monopoly restrictions and sanctions. The amended anti-monopoly legislation is new and untested in practice and no guidelines have yet been adopted on how the amended legislation will be implemented. Accordingly, it is uncertain what impact this amended legislation may have on the Bank once implemented, and it is possible that this legislation could have a material adverse effect on the Bank's business, financial condition and results of operations.

Any failure or interruption in or breach of the Bank's information systems, and any failure to update such systems, may have a material adverse effect on the Bank's business, financial condition or results of operations.

The Bank relies heavily on information systems to conduct its business. Any failure or interruption in or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing and/or loan organisation systems. Although the Bank has developed back up systems and a fully equipped disaster recovery centre, and may continue some of its operations through branches in case of emergency, if the Bank's information systems failed, even for a short period of time, it might be unable to serve some customers' needs on a timely basis and might lose their business. Likewise, a temporary shutdown of the Bank's information systems may result in the Bank incurring costs associated with information retrieval and verification. In addition, a failure to update and develop the Bank's existing information systems may result in a competitive disadvantage. No assurance can be given that such failures or interruptions will not occur or that the Bank will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions could have a material adverse effect on the Bank's business, financial condition or results of operations.

The Bank's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks.

Although the Bank invests substantial time and effort in the development, implementation and monitoring of risk management strategies and techniques, it may nevertheless fail to adequately manage risks under certain circumstances, particularly when it is confronted with risks that it has not identified or anticipated. If circumstances arise that the Bank has not identified or anticipated in developing its statistical models, its losses could be greater than expected. If its measures to assess and mitigate risk prove insufficient, or if its models yield inaccurate results or incorrect valuations, the Bank may experience material unexpected losses. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values using mathematical models which may be inadequate or imperfect and the values they generate may be incorrect. The deterioration of assets like these could lead to losses that the Bank has not anticipated.

The Bank's share ownership is highly concentrated.

As at 16 October 2006, the Bank's directors and senior management beneficially owned 43.1 per cent. of the Bank's outstanding Shares (including through holdings of GDRs) of which 39.2 per cent. are held through CAIC. 44.8 per cent. of the share capital of CAIC is beneficially owned by Mr. Subkhanberdin. In addition, as at 16 October 2006, the EBRD beneficially owned 11.9 per cent. of the Bank's outstanding Shares. As a result, CAIC (and its controlling persons) and/or the EBRD may be able to control or effect the outcome of any corporate transaction or other matter submitted to the Bank's shareholders for approval, including acquisitions, divestitures, financings or other transactions of the Bank, and also could prevent or cause a change in control. The interests of CAIC (and its controlling persons) and/or the EBRD may conflict with the interests of the Bank's other shareholders. In addition, third parties may be discouraged from making a tender offer or bid to acquire the Bank because of this concentration of ownership. For a description of the ownership of the Bank, see *"Principal Shareholders."*

The shareholders' agreement and the subscription agreement between the Bank and the EBRD may limit and restrict the operations and business of the Bank.

The shareholders' agreement dated 24 June 2005 as amended on 7 December 2005 (the "Shareholders' Agreement") with the Bank and three of the Bank's principal shareholders, Mr. Subkhanberdin, Ms. Nina Zhussupova and CAIC (collectively, the "Majority Shareholders") and the subscription agreement dated 24 June 2005 as amended on 7 December 2005 (the "Subscription Agreement") between the Bank and the EBRD may impose limitations and restrictions on the operations and business of the Bank.

The Shareholders' Agreement requires that the Majority Shareholders shall not vote and shall procure that any of their representatives on the Bank's Board of Directors shall not vote, in favour of resolutions to, amongst other things, amend the Bank's Charter, change the policy statement of the Bank, vary, increase or decrease its authorised or issued share capital or the rights attaching to Shares, grant options, warrants or similar rights convertible into Shares of the Bank, make any distribution, payment or make a return to members of a capital nature, take steps to wind up or dissolve the Bank, make or permit any material change in the Bank's business or sell, lease, transfer, dispose of or acquire a material part of the Bank's assets, in each case without the prior approval of the EBRD. It also provides that, in case of the listing of the Bank's capital on any major stock exchange, the Majority Shareholders shall ensure that the EBRD shall have the same rights as the Majority Shareholders have to dispose of its Shares via such stock exchange. Following any listing of the Shares on any major stock exchange, the EBRD shall be entitled to dispose of its Shares in the Bank held at the time of such listing becoming effective and the Majority Shareholders shall be entitled to dispose of a proportion of their Shares held at the time of such listing becoming effective equal to the proportion of the number of Shares disposed of by the EBRD.

The Subscription Agreement provides that unless the EBRD shall otherwise agree: (a) while the EBRD owns any Shares, the Bank shall not issue any shares of any class, increase its share capital or take any other action which might result in a dilution of the interest in the Bank represented by the Shares held by the EBRD; (b) the Bank shall not make changes, or permit changes to be made, to the nature of its present business or operations and the Bank shall not carry out any business or activity other than banking or financial services business, either directly or through a subsidiary; and (c) the Bank shall not sell, transfer, lease or otherwise dispose of more than a specified percentage of its property or assets (whether in a single transaction or in a series of transactions, related or otherwise) and the Bank shall not undertake or permit any merger, consolidation or reorganisation.

For a description of the Shareholders' Agreement and the Subscription Agreement, see *"Principal Shareholders — Shareholders' Agreement with the EBRD"* and *"Principal Shareholders — Subscription Agreement with the EBRD."*

There are risks associated with the Bank's Preference Shares.

In addition to the Shares, the Bank has 125 million Preference Shares authorised, nearly all of which are outstanding. Each Preference Share entitles the holder to a fixed annual dividend of US$0.04 multiplied by the Tenge/US dollar exchange rate established on the KASE as of the working day immediately preceding the date of the payment of the dividend. If such dividends are not paid, holders of Preference Shares are granted voting rights until all accrued and payable dividends are paid in full. Each Preference Share also entitles the holder to receive the same dividend that may be paid to any holder of Shares, where such dividend paid to any holder of Shares exceeds US$0.04. The Bank may, in its sole discretion, make an offer to the holders of Preference Shares to convert such Preference Shares into Shares or make an offer to buy the Preference Shares from the holders thereof and, upon such acquisition by the Bank, convert such Preference Shares into Shares. Accordingly, the Preference Shares may have a potentially dilutive effect on the interests of holders of Shares and GDRs. Moreover, to the extent that the Preference Shares are reclassified by the relevant regulators and no longer qualify for Tier I treatment, it could adversely impact the Bank's capital adequacy ratios, which could have an adverse effect on the Bank's business, financial condition and results of operations.

The recently introduced Kazakhstan Corporate Management Code has not yet proven effective at ensuring strong corporate governance practices in Kazakhstan and the Bank does not currently comply with certain corporate governance requirements under Kazakhstan law.

In 2001, Kazakhstan introduced the Kazakhstan Corporate Management Code, which became binding for companies listed on the KASE in 2003, and in February 2006 the Bank adopted a Code of Business Ethics which defines the Bank's mission and sets forth principles for the conduct of its employees. However, the Kazakhstan legal system continues to suffer from a lack of effectiveness and fails to provide adequate support for strong corporate governance practices. In addition, as a joint stock company incorporated in Kazakhstan, the Bank is not required to comply with the UK Combined Code on Corporate Governance or similar standards of other European Union member states or the United States and, for example, the Board of Directors has not yet established terms of reference for a nominations committee or a remuneration committee.

Kazakhstan law requires that not less than one-third of the members of the Board of Directors should be independent. The Bank needs to appoint one additional independent member in order to comply with this requirement. Any failure to comply with this requirement may result in invalidation of certain corporate decisions that require approval by the Board of Directors.

Risk Factors Relating to 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. Investors are urged to consult with their own legal and financial advisers before making an investment in the Offer GDRs.

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.

There are risks associated with the rating of Kazakhstan.

Outstanding Eurobonds of the Republic of Kazakhstan are rated Baa1 by Moody's and BBB- by Fitch. 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 current long-term rating is Ba1 by Moody's, and BB+ by Fitch. Any adverse change in the credit rating of either the Bank or the Republic of Kazakhstan could negatively affect the trading price of the GDRs.

Political and regional considerations in Kazakhstan impose risks.

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, 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. 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, natural gas, 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 and has taken various steps to promote regional economic integration among neighbouring countries. However, should access to export 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 terrorism or by military or other action taken against sponsors of terrorism in the region.

Countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and gas 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 gas 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 concerning Kazakhstan impose risks.

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. As a result of these risks Kazakhstan's economy is negatively affected by low commodity prices (including oil and gas prices) and economic instability elsewhere in the world. Although the Government has promoted economic reform, inward foreign investment and the diversification of the economy, low commodity and oil and gas prices and weak demand in its export markets may adversely affect Kazakhstan's economy in the future and which might in turn adversely affect the financial performance of the Bank. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities might have a material adverse effect on the business, financial condition and results of operations of the Bank.

The Government began implementing market-based economic reforms in 1992, including the implementation of a significant privatisation programme, the promotion 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 economic transformation over the last 13 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, 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, 9.3 per cent. in 2003, 9.4 per cent. in 2004 and 9.5 per cent. in 2005. 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.

Exchange rate policies in Kazakhstan impose risks.

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 US 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 US dollar, although at a much slower rate. See *"Exchange Rates and Exchange Controls."*

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.

The implementation of further market-based economic reforms imposes risks.

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 considerable amount of non-cash transactions in the economy and the significant size of the shadow economy (including underreporting of income) 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. In July 2006 the law was adapted, 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. Any positive results of such actions may not materialise until at least the end of the amnesty period in December 2006.

There are risks associated with the underdevelopment and evolution of the legislative, tax and regulatory framework in Kazakhstan.

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 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 to public officials, administrative decisions have been inconsistent, and court decisions have been difficult to predict.

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 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.

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 with such a policy in the future or such policy, if continued, may not ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Bank's business and prospects.

The Bank expects 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 operations of companies operating in Kazakhstan.

Kazakhstan has a less developed securities market than the United States and Western Europe.

Given that an organised securities market was established in Kazakhstan only in the late 1990s, the procedures for settlement, clearing and registration of securities transactions may 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 is available to investors in entities organised in the United States or Western European countries.

Risk Factors Relating to the Bank's Shares and GDRs

There are restrictions and prohibitions under Kazakhstan law on the exercise of shareholders' rights (including voting rights) with respect to the GDRs and the ownership of the Shares.

Ownership of the Shares is subject to certain legislative restrictions under Kazakhstan law. Specifically, (a) legal entities registered in certain specified off-shore jurisdictions such as Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria and the Philippines or which have affiliates registered in such jurisdictions (except for international banks having a credit rating of "A" or above from certain rating agencies) or (b) physical persons who are participants or shareholders in such legal entities may not directly or indirectly own Shares. Accordingly, holders of GDRs falling under (a) or (b) above are not entitled to vote through the Depositary at meetings of shareholders, cannot exchange GDRs into Shares and cannot own, hold or dispose of the Shares. Although the Bank has been advised that such restrictions should not prevent a GDR holder registered in any such jurisdiction (or which has an affiliate registered in such jurisdiction) from exercising or benefitting from other rights (including the right to receive dividends and to have the Depositary exercise pre-emptive rights on their behalf such that holders can receive additional GDRs) there is no guarantee that the FMSA or any other relevant authority such as a Kazakhstan court will not take a different view thereby restricting all such GDR holders from exercising or benefitting from such shareholder rights. Moreover, there can be no assurance that the FSMA or any other relevant authority would not interpret the foregoing legislation as restricting such entities or persons from owning GDRs. See "*Description of Share Capital and Certain Requirements of Kazakhstan Legislation – Disclosure of Beneficial Ownership*."

There has to date been only a limited trading market for the GDRs.

There can be no assurance as to the liquidity of any market that may develop for the GDRs, the ability of holders of the GDRs to sell their GDRs or the price at which such holders would be able to sell their GDRs. Although the Offer GDRs will be listed, the GDRs are already admitted to trading on the LSE. There can be no assurance that, where such listing is obtained, that an active trading market will develop or be sustained. In addition, the liquidity of any market for the GDRs will depend on the number of holders of the GDRs, the interest of securities dealers in making a market in the GDRs and other factors.

Sales, or the real or perceived possibility of sales, of a significant number of Shares or GDRs in the public market could adversely affect prevailing market prices for the Shares and GDRs.

Sales, or the real or perceived possibility of sales, of a significant number of Shares or GDRs in the public market could adversely affect prevailing market prices for the Shares or GDRs. Following the Global Offer and the Domestic Offer, Nurzhan Subkanberdin (both directly and indirectly through CAIC or otherwise) and the EBRD will continue to beneficially own a substantial percentage of the Shares. Mr. Subkhanberdin, CAIC or the EBRD may sell the Shares they own at any time after the expiration of a 180 day period from completion of the Global Offer and, under certain circumstances, beforehand. The Bank cannot predict the effect, if any, that market sales of the Shares and GDRs, or the availability of the Shares or GDRs for future sale, will have on the market price of its Shares and the GDRs, but the availability of Shares that are eligible for public sale could adversely affect the price of the Shares and the GDRs.

Shares and GDRs may be subject to market price volatility and the market price of the Shares and the GDRs may decline disproportionately in response to adverse developments that are unrelated to the Bank's operating performance.

The market has from time to time experienced significant price and volume fluctuations that are not closely related to the operating performance of particular companies. Factors including oil and gas prices, developments in the construction sector, increased competition, fluctuations in the Bank's operating results, the regulatory environment, availability of reserves, general market conditions, natural disasters and war may have an adverse effect on the market price of the Shares and the GDRs.

The price of the Shares and the GDRs may be affected by factors unrelated to the Bank.

The price of the Shares and the GDRs may suffer from price volatility as a result of developments, actual or anticipated, in the Kazakhstan securities market or other markets which are, or are perceived to be, emerging markets which are unrelated to the Bank and its industry.

US and some other non-Kazakhstan holders of the Bank's Shares or GDRs may not be allowed to exercise pre-emptive rights.

Under Kazakhstan law, subject to certain exceptions, prior to the issue of any new Shares for cash, the Bank must offer all holders of existing Shares pre-emptive rights to subscribe and pay for a sufficient number of Shares to maintain their existing ownership percentages.

US holders of Shares or GDRs may not be able to receive, trade or exercise pre-emptive rights for new Shares unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements of the US Securities Act is available. The Bank does not currently plan to register the Shares, GDRs or any future rights under US securities laws. If US holders of Shares or GDRs are not able to receive, trade or exercise pre-emptive rights granted in respect of their Shares or GDRs in any rights offering by the Bank, then they may not receive the economic benefit of those rights. In addition, their proportional ownership interests in the Bank will be diluted. Similar restrictions may apply in other countries.

GDR holders may be subject to taxation in Kazakhstan.

Since Kazakhstan domestic tax law does not contain the concept of constructive or beneficial ownership, income earned by GDR holders, including income received on disposals of GDRs and premiums received by GDR holders (associated with dividends announced with respect to Shares represented by such GDRs), appears to be outside the scope of Kazakhstan income tax. There is some risk, however, that the tax authorities may take into account economic similarities between GDR holders and holders of Shares and attempt to subject GDR holders to tax as constructive owners of Shares.

CAPITALISATION

The following table sets out the Bank's capitalisation as at 30 June 2006, as derived from the Unaudited Financial Statements, as adjusted to reflect the gross proceeds from the issuance of the New Shares in the Domestic Offer at a subscription price payable in Tenge which is the equivalent (calculated at the rate of exchange quoted by the Bank on the date of the actual payment) of the price per Share represented by the Offer Price per GDR, namely US$9.25 per Share, assuming that 103,500,000 New Shares are subscribed in the Domestic Offer and assuming an exchange rate of US$1.00 = KZT118.69 (the exchange rate applied in calculating the US dollar equivalents in the table).

This table should be read in conjunction with *"Selected Consolidated Financial Information"*, *"Management's Discussion and Analysis of Results of Operations and Financial Condition"* and the Financial Statements and the related notes thereto.

	As at 30 June 2006			
	Actual		As adjusted	
	(US$ thousands)	(KZT millions)	(US$ thousands)	(KZT millions)
	(unaudited) (restated)		(unaudited)	
Long-term debt:				
Senior long-term debt[1]	4,197,245	498,171	4,197,245	498,171
Subordinated long-term debt[2]	402,165	47,733	402,165	47,733
Total long-term debt	4,599,410	545,904	4,599,410	545,904
Shareholders' equity:				
Shares	31,848	3,780	40,568	4,815
Preference Shares	10,506	1,247	10,506	1,247
Share capital	42,354	5,027	51,074	6,062
Share premium	138,841	16,479	1,087,495	129,075
Fixed assets revaluation reserve	20,625	2,448	20,625	2,448
Retained earnings	635,589	75,438	635,589	75,438
Total shareholders' equity	837,408	99,392	1,794,783	213,023
Total capitalisation	5,436,819	645,296	6,394,194	758,927

(1) Long-term debt represents liabilities that fall due after more than one year and are not subordinated.

(2) In December 2002, the Bank registered an issue of KZT7.5 billion 8 per cent. subordinated notes due 2009. As at 30 June 2006, the Bank had sold KZT3.7 billion of these notes primarily to pension funds on the domestic market. Subordinated long-term liabilities also include US$0.4 million domestic subordinated notes due 2007 and US$19.9 million of 11 per cent. subordinated notes due 2007. Subordinated long-term debt also includes a subordinated loan from Citigroup Global Markets Deutschland AG & Co. KgaA in the amount of US$100 million which is repayable in 2014 and was funded by an issue of 8.7 per cent. subordinated loan participation notes due 2014. In March and September 2005, the Bank issued US$51.5 million and US$40.7 million, respectively, of 7.5 per cent. subordinated notes due 2015. In November 2005, the Bank issued US$100 million of 9.2 per cent. perpetual loan participation notes.

During January 2006, the Bank registered with the FMSA a new share issue comprising 200 million Shares. The placement of 96.5 million of these Shares was approved by the Bank's Board of Directors on 26 April 2006. The pre-emptive rights period for existing shareholders in relation to the Shares expired on 14 July 2006. Once the total number of acceptances had been confirmed, the remaining unsubscribed Shares were offered to the public in Kazakhstan. The report on the results of this placement has been approved by the FMSA.

Other than as noted above, there has been no material change in the Bank's capitalisation since 30 June 2006.

USE OF PROCEEDS

The gross proceeds to the Selling Shareholders from the Global Offer will be US$761,149,866, assuming no over-allotment of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters' Put Option in full, or US$845,722,061 assuming that the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option. CAIC and Mr. Subkhanberdin have agreed to apply for a number of New Shares in the Domestic Offer which is not less than the number of Shares represented by the Offer GDRs being sold by each of them and (in the case of Mr. Subkhanberdin) the Over-Allotment GDRs (less those represented by the GDRs put back to him pursuant to the Underwriters' Put Option) and have agreed to subscribe for those New Shares allotted to them. The Bank intends to use the proceeds from the subscription of New Shares in the Domestic Offer to increase its core capital thereby supporting its growth strategy. The Bank will not receive any proceeds from the sale of Offer GDRs other than to the extent that the proceeds received by CAIC and Mr. Subkhanberdin are used to subscribe for New Shares in the Domestic Offer. Assuming all 103,500,000 New Shares are subscribed in the Domestic Offer, the Bank will receive gross proceeds of US$957,375,000. The Bank will pay underwriting commissions in respect of the Offer GDRs and the Over-Allotment GDRs sold by CAIC and Mr. Subkhanberdin, as well as certain fees and expenses of approximately US$2,970,000 in connection with the Global Offer.

THE BANK

History

The bank has its origins in JSC Medeu Bank, a small bank formed in 1990 by a group of local businessmen and community organisations in the period of economic liberalisation which preceded the end of the Soviet Union. JSC Medeu Bank had 12 employees and was loss making. The current Chairman of the Bank's Board of Directors, Nurzhan Subkhanberdin, was hired as a manager. By 1991, Mr. Subkhanberdin had organised a new management team and JSC Medeu Bank's name was changed to Kazkommertsbank. During the next few years the Bank's shareholders acquired a number of small banks and transferred their customers to the Bank, but management determined that a period of organic growth was preferable to growth by acquisitions. In 1994, the Bank reached profitability and expanded its customer base, and Mr. Subkhanberdin and other members of his team gained control of the Bank, implementing the understanding between Mr. Subkhanberdin and the Bank's original owners when he joined that management should be rewarded for the value created by their efforts.

In 1997 the Bank was the first bank in Kazakhstan to conduct an initial public offering of global depositary receipts, which resulted in a doubling of the Bank's capital base. Following this offering the Bank received its first rating from an international credit rating agency and became the second largest bank in terms of assets and capitalisation in Kazakhstan. The Bank's first syndicated borrowing was in 1997 and its first Eurobond issue was in 1998. In 1999 the Bank was the first CIS bank to receive two international syndicated loans after the Russian financial crisis. In 2002 the Bank commenced a substantial upgrade of its information technology systems and agreed to take management control of LLP Moskommertsbank and its subsidiary in Kyrgyzstan received a banking licence. In 2003, the EBRD purchased 15 per cent. of the outstanding Shares of the Bank. In October 2005 the Bank acquired its 100 per cent. interest in JSC OCOPAIM Grantum Asset Management and an 80 per cent. interest in JSC Grantum APF and in November 2005 made its first issue under its US$1,500,000,000 Global and Note Programme and also became the first bank from the CIS to issue Tier I hybrid capital.

The Bank has banking licence no. 48 and is registered with the Ministry of Justice under no. 4905-1900-AO. The registered office of the Bank is 135 "Zh" Gagarin Avenue, Almaty 050060, Kazakhstan and its telephone number is +7 3272 585 125.

Overview of the Bank's Business

JSC Kazkommertsbank is the largest bank in Kazakhstan measured by total assets and loans and the third largest bank in terms of deposits as at 30 June 2006 (according to the NBK). The Bank provides a full range of corporate, SME and retail banking services through a network of 22 full-service branches and 68 outlets located in 22 cities in Kazakhstan as at 30 June 2006. In addition, the Bank has well-developed alternative distribution channels including 454 ATMs (including 224 new ATMs since 2004, of which 49 are multi-function ATMs), over 3,200 point-of-sale terminals, a call centre and an internet banking service which served over 53,500 customers as at 30 June 2006. Through its subsidiaries the Bank also provides insurance, investment banking, asset management and pension fund services in Kazakhstan and corporate and retail banking services in Russia and Kyrgyzstan. The Bank also has a representative office in London.

As at 30 June 2006, the Bank was the largest lender to the corporate sector in Kazakhstan with a 28.2 per cent. market share (according to the NBK). Principal services provided to the Bank's corporate and SME clients include trade and structured finance, project finance and credit facilities denominated in Tenge and foreign currencies, predominantly US dollars and euro, as well as other general banking services. The Bank also arranges loans from syndicates of international banks to large corporate clients. In addition, the Bank also provides financing to large corporate clients in Russia and Kyrgyzstan. As at 30 June 2006, the Bank's gross corporate loan portfolio amounted to KZT837,295 million and its corporate deposits amounted to KZT204,967 million, up 24.9 per cent. and 4.9 per cent., respectively, from 31 December 2005.

The Bank offers its retail customers a comprehensive range of products including residential mortgages, consumer loans, debit and credit cards, overdrafts and deposit and current accounts. As at 30 June 2006, the Bank had approximately 253,000 retail customers. The Bank holds one of the top three positions, in terms of market share, in residential mortgages, credit cards and ATM services (according to the NBK) and is particularly strong in servicing high net worth individuals where the Bank believes it is a market leader. As at 30 June 2006, the Bank had KZT129,140 million in retail loans outstanding, KZT128,872 million in retail deposits and had issued over 500,000 debit and credit cards, making it one of the largest payment card issuers in Kazakhstan (according to the NBK).

In addition to corporate and retail banking services, the Bank engages in treasury operations, investment banking, brokerage services and asset management and is a major participant in the securities markets and the foreign currency markets in Kazakhstan. The main objective of the Bank's Treasury Department is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets, thereby 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.

Investment banking and brokerage services are undertaken by the Bank through its subsidiary JSC Kazkommerts Securities, which is one of the leading underwriters of corporate domestic bonds in Kazakhstan and is well placed to take advantage of growth in domestic equity markets. The Bank is authorised to engage in other activities, including the sale, purchase and safekeeping of precious metals (including gold and silver) as well as providing certain derivative services, under the Bank's general banking licence. Since 2001, the Bank has offered asset management services and insurance and pension products to its corporate and retail clients.

Key Strengths

The Bank believes it has the following strengths that will enable it to maintain its position as one of the leading financial institutions in Kazakhstan:

- *Largest bank by total assets and total loans in the growing Kazakhstan market.* The Bank has been one of the leading banks in Kazakhstan for approximately 10 years and, as at 30 June 2006, its market share by total assets was 21.1 per cent. and market share by gross loans was 24.6 per cent. (according to the NBK). In addition, the banking sector in Kazakhstan offers opportunities for continued growth in financial intermediation. As at 31 December 2005, loans and deposits as a percentage of GDP were less than half the levels seen in Western European countries, and given that real GDP has grown by approximately 10 per cent. over the past five years in Kazakhstan the Bank sees opportunities for further growth.

- *A broad customer base with leading positions in serving large corporates and high net worth individuals.* The Bank has been servicing corporate clients for over 15 years and believes that its continuous focus on quality of service has made it the bank of choice for large corporates in Kazakhstan, where it has relationships with a majority of large corporates. The Bank believes that it has particularly strong market positions with respect to high net worth individuals.

- *An established presence in the growing middle-class market segment.* In the retail segment, the Bank actively targets the middle class and plans to launch new marketing campaigns. One of the key objectives of the Bank is to increase its retail customer base and in this regard it has set a goal of increasing its number of branches to 240 by 2010. The Bank believes it can strengthen its retail lending and deposit market position as a result of improved credit check processes, a less risky customer base and by cross-selling among segments as well as product types.

- *A clearly defined strategy to grow in the SME segment.* The Bank has a clearly defined strategy to further develop its SME franchise and has already established a dedicated SME department. The restructuring of the Bank's SME business is centred around increased standardisation and automation of processes and products and will be supported by the planned branch expansion.

- *An experienced management team with a proven track record.* The Bank's management has substantial experience in the Kazakhstan banking industry. Management is focused on introducing and maintaining a Western-style culture with an emphasis on setting and meeting strategic objectives. The Bank's management believes it has consistently demonstrated its ability to deliver on its strategic objectives.

- *A strong balance sheet with conservative risk management.* Despite its growth, the Bank has maintained its focus on conservative risk management. As a percentage of the Bank's total loan portfolio as at 30 June 2006, non-performing loans, that is the portion of loans where principal or interest is more than 30 days overdue, constituted 1.4 per cent. In 2005, the Bank undertook a detailed review of its risk management processes, as a result of which the Bank believes it has advanced its risk management processes and loan approval procedures. The operational improvements in credit risk management have not only strengthened the quality of the Bank's loan portfolio, but have also expedited the loan approval process, which management expects to have a significant impact on volume growth.

- *Strong profitability and cost efficiency.* The Bank believes that it is one of the most profitable financial institutions in Kazakhstan. As at 30 June 2006, its return on average equity was 36.5 per cent., up from 27.2 per cent. as at year end 2005. This result was achieved through a focus on high-margin products as well as increased attention to cost efficiency. The cost-to-income ratio of the Bank as at 30 June 2006 was 22.3 per cent., which the Bank believes was due in substantial part to the automated processes of the Bank and product standardisation.

- *An advanced and integrated information technology platform.* The Bank believes it is the only financial institution in Kazakhstan with integrated real-time information technology systems, giving it a competitive advantage by allowing the Bank to achieve faster customer service, greater centralisation of back-office functions and increased process automation. Over the last three years, the Bank has automated over 200 processes and has substantially enhanced its procurement of information technology equipment.

- *A presence in non-banking financial services and other markets.* The Bank's insurance subsidiary, JSC SK Kazkommerts-Policy, is one of the leading non-life insurers in Kazakhstan with a market share by gross written premiums of approximately 18 per cent. as at 30 June 2006 (according to the FMSA). The Bank's broker-dealer subsidiary JSC Kazkommerts Securities is one of the major underwriters of corporate domestic bonds in Kazakhstan. In addition, the Bank owns stakes in leading companies in the country focusing on asset management and pension fund services. Furthermore, through LLP Moskommertsbank and OJSC Kazkommertsbank Kyrgyzstan, the Bank is present in Russia and Kyrgyzstan, which are developing markets with growth potential.

Strategy

As the Kazakhstan economy continues to grow and the private sector continues to expand, the Bank expects continued strong demand for financial service products from both private and public sector companies and SME and retail clients. The Bank intends to consolidate its position across each key market segment, whilst maintaining strong discipline in risk and expense management, with the primary goal of achieving high profitability. In 2005, the Bank developed a business strategy for 2006 through to 2010, the key elements of which are highlighted below.

Corporate banking

As at 30 June 2006, the Bank held the leading position in lending to corporates with a market share of 28.2 per cent. (according to the NBK). The Bank intends to maintain its leadership position in this segment by implementing the following strategies:

- *Expanding its corporate customer base.* Although the Bank's clients already include a significant portion of corporates in Kazakhstan, the Bank believes there is scope to further increase the number of its corporate clients. The Bank intends to capitalise on high-growth sectors of the Kazakhstan economy by offering lending and other banking services to companies operating in those sectors including construction, natural resources and agriculture. The Bank has established procedures to assess the growth potential of individual sectors of the economy and the risks relating to the Bank's exposure to those segments.

- *Increasing cross-selling and fee and commission income.* The Bank is currently implementing a client relationship management system ("CRM") based on Siebel CRM system software. The CRM system is aimed at building an effective cross-selling model to enable the Bank to target clients with specific products developed according to client demands. To achieve this strategic objective, the Bank plans to further market complementary products such as trade finance, leasing, cash management, insurance, investment banking, custody and asset management services. The Bank expects these efforts will lead to an increase in fee and commission income from the existing clients of the Bank. In addition, the Bank intends to separate the roles of its relationship and product managers for corporate banking to enable it to identify a specific product range responding to individual customer needs and to improve the quality and efficiency of its services.

SME banking

SME banking is a relatively newly defined segment of the Bank's business, and the Bank expects to achieve considerable growth in this developing sector of Kazakhstan's economy. The Bank believes that the development of the SME segment of the economy increasingly requires specialised banking services specifically targeted at SME customers. The Bank's goal is to substantially increase its SME loan portfolio, in terms of both volume and the number of clients, and thereby establish a leading position in this market segment. In this regard the Bank's strategies are as follows:

- *Leveraging its leadership position obtained through participation in the EBRD programme.* The Bank was one of the first banks in Kazakhstan to co-operate with the EBRD in its programme for the development of the SME sector and therefore benefitted from the funding and training which the EBRD provided. As at 30 June 2006, based on the various programme participants' reports to the EBRD, the Bank accounted for approximately 29 per cent. of loans under this programme. The Bank intends to capitalise on this position and evolve as one of the leading SME banks in Kazakhstan.

- *Benefitting from branch network expansion.* As part of its strategy the Bank intends to grow its branch network to 240 branches by 2010 primarily to facilitate its increasing focus on retail banking. A widespread branch network will also provide SME and other banking services. The Bank expects a rapid increase in the number of its SME clients, especially in smaller ones, which the Bank believes display similar characteristics to retail clients.

- *Introducing a differentiated service model.* The Bank intends to attain a competitive advantage through the introduction of a differentiated service model which responds to the particular requirements of SME clients. Larger, more sophisticated SME clients will be targeted by programmes offering specialised products, in particular, loans for capital expenditure, trade finance and project finance. The Bank intends to continue the standardisation of its product range for smaller SME businesses in order to serve a broad SME customer base and effectively manage risks. The approval process for smaller loans is generally on a standardised, risk-based scoring basis. As part of its cross-selling strategy, the Bank intends to sell leasing and factoring products to SME clients, as well as provide these clients and their employees with pension and insurance services. In addition, the Bank intends to introduce CRM systems for SME customers.

Retail banking

The Bank believes that the continued economic development of Kazakhstan and the expected increase in disposable income across the whole population will present a significant opportunity for growth of its retail banking division and for cross-selling of its products and services. In this regard, the Bank's strategies are as follows:

- *Expanding its high net worth and middle-income individual customer base.* The Bank intends to continue to increase its retail banking business by targeting high net worth and middle-income individuals, a market segment that the Bank believes has high growth potential and continues to be underserved by its retail competitors. The Bank believes that it is well positioned to offer higher-margin products, such as mortgages, consumer loans and credit cards, to this customer segment and intends to develop cross-selling initiatives that will enable it to bundle its product offerings, including new insurance products.

- *Developing its distribution network.* The Bank intends to expand its branch network to 240 branches covering the country's major urban areas by 2010. The Bank plans to organise its branch network into three core categories: (i) branches offering the full range of retail products and services; (ii) branches focusing exclusively on certain types of retail services and deposits; and (iii) self-service branches. In 2006, the Bank hired an international design and architecture agency to develop a unique brand design for the branch network. In addition, the Bank plans to leverage its existing relationships with automobile dealers and real estate agencies to facilitate the marketing of automobile loans and residential mortgages. The Bank will continue to modernise and expand its retail network on an ongoing basis, with a particular focus over the next two years on enhancing its reputation and making such facilities more attractive to its customers.

The Bank intends to continue to use its information technology systems in developing automated distribution channels, including its ATM network, the internet and telephone banking. The Bank is aiming to attract new retail clients and retain its existing customer base by providing additional products, such as money transfer payment services, currency exchange facilities and other services, through these alternative distribution channels.

Operational and strategic goals

Aside from the Bank's focus on maintaining or obtaining market leadership positions in all the business segments in which it operates and providing a comprehensive product range for those segments, the Bank's business strategy also focuses on achieving a number of other operational and strategic goals.

Operational:

- *Maintaining strong management information systems and operating efficiencies.* The Bank has been working to improve its operating efficiencies through organisational restructuring and significant investments in human resources and information technology. In 2002 the Bank fully implemented its integrated information system, connecting all of its branches on a real-time basis. The Bank believes that it is the only Kazakhstan bank with integrated real-time information technology systems. The Bank intends to introduce more advanced information systems in the future, including implementing an Oracle-based system for re-engineering business processes, updating its internet banking systems and expanding its call centre.

Strategic:

- *Expanding into other financial services markets in Kazakhstan.* To capitalise on expected opportunities in the financial services markets in Kazakhstan, the Bank is taking steps to better position itself through, among other things, the operations of its subsidiaries such as JSC Kazkommerts-Securities, which provides investment banking and brokerage services, and JSC SK Kazkommerts-Policy, which provides insurance services. The Bank aims to maintain a leading position in the non-life insurance sector. The Bank believes that private pension funds in Kazakhstan will provide strong revenue growth as the sector continues to expand and anticipates high future growth in pension assets. The Bank intends to further increase the cross-selling of non-banking services provided by its subsidiaries to generate additional non-interest income.
- *Developing the Bank's presence in Russia and Kyrgyzstan.* The Bank is planning to develop its foreign presence, principally by expanding its operations in Russia and Kyrgyzstan in order to better service its clients and increase its growth potential. In September 2002, the Bank acquired a controlling interest in OJSC Kazkommertsbank Kyrgyzstan. In conjunction with the EBRD, the Bank also provides financing to SMEs in Kyrgyzstan. The Bank has operating control over LLP Moskommertsbank, a small Russian bank based in Moscow, which the Bank consolidates for financial reporting purposes.
- *Diversifying its funding base.* Concurrent with the expansion of its retail branch network, the Bank expects to increase the funding it receives from retail customers, in particular by increasing its market share in term deposits. Furthermore the Bank intends to increase its capital markets funding through the issuance of subordinated and senior debt and by taking advantage of asset securitisation programmes. In doing so, the Bank expects to diversify its funding sources, increase tenors and lower its overall funding costs.

Corporate Structure

Certain information as at or for the year ended 31 December 2005 regarding the Bank's principal subsidiaries, affiliates and entities over which it exercises management control is set forth in the following table:

Name	Shareholders' equity (KZT millions)	Net income (KZT millions)
Domestic		
JSC UlarUmit Pension Fund[1]	942	422
JSC OCOPAIM Grantum Asset Management	546	36
JSC Grantum APF	661	31
JSC SK Kazkommerts-Policy	2,057	787
JSC Kazkommerts Securities	652	84
LLP Processing Company	—	—
Foreign		
LLP Moskommertsbank[2]	6,093	1,136
OJSC Kazkommerts Kyrgyzstan	528	78
Finance Subsidiaries		
Kazkommerts International B.V.[3]	821	269
Kazkommerts Finance II B.V.[3]	127	(4)

(1) Affiliate.

(2) LLP Moskommertsbank is not a subsidiary, but the Bank exercises managerial control and consolidates the entity in its Financial Statements.

(3) Special purpose vehicle.

Except as described below, all the entities listed above are wholly owned by the Bank.

Domestic

The Bank's principal domestic subsidiaries and affiliates are:

- *JSC UlarUmit Pension Fund.* The Bank owns a 41.2 per cent. minority stake in the JSC UlarUmit Pension Fund which, according to the FMSA, held 17.9 per cent. of Kazakhstan pension funds' assets as at 30 June 2006. The UlarUmit pension fund provides a full range of services from collection of contributions to payments. The Bank believes that its ownership interest in this fund presents cross-selling opportunities.

- *JSC OCOPAIM Grantum Asset Management.* According to the FMSA, as at 30 June 2006 JSC OCOPAIM Grantum Asset Management had a 6.7 per cent. market share of pension fund assets. JSC OCOPAIM Grantum Asset Management is licensed to carry out pension fund investment management, investment portfolio management and broker dealer activity on the securities market.

- *JSC Grantum APF.* The Bank purchased its 80 per cent. stake in JSC Grantum APF from ABN AMRO in 2005 for a total consideration of US$13.3 million. JSC Grantum APF's primary business is pension assets operations and according to the FMSA, as at 30 June 2006, it had a 1.8 per cent. market share by assets.

- *JSC SK Kazkommerts-Policy.* The Bank acquired its 65 per cent. stake in JSC SK Kazkommerts-Policy in 2000. As of June 2006, JSC SK Kazkommerts-Policy was one of the leading non-life insurance companies in Kazakhstan with a market share by gross written premiums of approximately 18.0 per cent. according to the FMSA. JSC SK Kazkommerts-Policy primarily underwrites property and casualty insurance policies for retail and commercial clients while providing cross-selling opportunities for the Bank.

- *JSC Kazkommerts Securities.* JSC Kazkommerts Securities was established to provide investment services to both foreign and domestic clients and to participate in privatisation projects. JSC Kazkommerts Securities is engaged in investment banking and brokerage operations and is one of the major underwriters of corporate domestic bonds in Kazakhstan. As at 30 June 2006, JSC Kazkommerts Securities had KZT1,144 million in assets.

- *LLP Processing Company.* The Bank acquired LLP Processing Company in 2004, a company that provides clearing and settlement of payment card transactions.

Foreign

The Bank's principal foreign subsidiaries and entities over which it exercises managerial control are:

- *LLP Moskommertsbank.* Pursuant to agreements with shareholders of 60 per cent. of LLP Moskommertsbank the Bank acquired managerial control of this entity in 2003. Although it does not own shares in LLP Moskommertsbank, this entity is fully consolidated in the Financial Statements. Though serving mostly corporate clients, LLP Moskommertsbank has a retail licence, and in addition to its current presence in Moscow and St. Petersburg it is planning to open branches in six other major Russian cities. As at 31 December 2005, LLP Moskommertsbank was ranked the 103rd largest bank in Russia by asset size, with total assets of KZT50,238 million. For the year ended 31 December 2005, LLP Moskommertsbank had net income of KZT1,136 million and a total loan portfolio as at 31 December 2005 of KZT30,014 million.

- *OJSC Kazkommertsbank Kyrgyzstan.* OJSC Kazkommertsbank Kyrgyzstan is a commercial bank headquartered in Bishkek with two other branches in Dzhalal-Abad and Osh. The Bank purchased 72.4 per cent. of OJSC Kazkommertsbank Kyrgyzstan in 2002 for KZT244 million and subsequently increased its shareholding to 93.6 per cent. OJSC Kazkommertsbank Kyrgyzstan offers both retail and corporate banking services. While initially focused on servicing the Bank's clients doing business in Kyrgyztan, in 2006, OJSC Kazkommertsbank Kyrgyzstan refocused on the domestic retail and SME segments and in June 2006 introduced a new line of micro-lending products.

Finance subsidiaries

The Bank's principal finance subsidiaries are:

- *Kazkommerts International B.V.* Kazkommerts International B.V. is a finance subsidiary of the Bank which has, since 1998, raised approximately US$3.05 billion in the domestic and international capital markets.

- *Kazkommerts Finance II B.V.* Kazkommerts Finance II B.V is a finance subsidiary of the Bank. In November 2005 Kazkommerts Finance II B.V. raised US$100 million through the issue of perpetual notes in the international capital markets.

Banking Services

Corporate banking

As at 30 June 2006, the Bank was the largest lender to the corporate sector in Kazakhstan with a 28.2 per cent. market share (according to the NBK). The Bank has been servicing corporate clients for over 15 years and believes that its continuous focus on quality service has made it the bank of choice for large corporates in Kazakhstan, where it has relationships with a majority of large corporates in Kazakhstan. As at 30 June 2006 corporate loans accounted for 86.6 per cent. of the Bank's loan portfolio.

The principal products and services offered to corporate clients include short-term, medium-term and project finance and credit facilities denominated in Tenge and foreign currencies, predominantly US dollars and euro, as well as transactional services including trade finance, structured finance and cash management. Trade finance products include letters of credit, guarantees and advance payment facilities. Project finance loans are typically provided in the construction and infrastructure sectors. Loans to the corporate sector generally have a maturity of up to 18 months. The Bank also arranges loans from syndicates of international banks to large corporate clients in Kazakhstan.

As at 30 June 2006, the Bank's gross corporate loan portfolio amounted to KZT837,295 million and its corporate deposits amounted to KZT204,967 million, up 24.9 per cent. and 4.9 per cent, respectively, from 31 December 2005.

The Bank's smaller corporate clients are serviced at the branch level while larger clients are serviced by regional directors or by the head office. A substantial proportion of the routine banking transactions of the Bank's larger corporate clients are processed on-line via the Bank's internet banking facilities.

The main sectors served by the Bank's corporate banking division are construction and commercial real estate development, as well as trade, constituting 32.4 per cent. and 19.5 per cent, respectively, of its loan portfolio as at 30 June 2006. The trade sector includes retail stores and automobile dealerships and much of the Bank's lending in this sector is to SMEs.

SME banking

The Bank believes that the SME sector offers a major opportunity for the growth of its business. The Bank has a substantial number of SME clients with over 12,000 included in the EBRD SME lending programme alone as at 30 June 2006. Historically, the Bank has classified SMEs as clients to which its upper loan exposure is US$5,000,000 and has recently differentiated its SME client base into micro, small- and medium-sized clients, with micro clients borrowing less than US$50,000, small-sized clients borrowing between US$50,000 and US$500,000 in the aggregate, and with medium-sized clients borrowing between US$500,000 and US$5,000,000 in the aggregate. The Bank intends to refine this classification system by taking into account factors such as turnover, industry, business type and number of employees. The range of products offered to SME clients is similar to that offered to large corporate customers, with loans and similar lending products constituting the largest part of the Bank's exposure to this sector. The Bank's lending relationship with an SME customer generally commences with a working capital loan and develops into the financing of capital expenditures as the customer's business grows.

The Bank was one of the first banks in Kazakhstan to co-operate with the EBRD in its programme for the development of the SME sector and thereby benefited from the funding and training which the EBRD provided. The programme commenced in 1998 and established a framework for lending to the SME sector. All of the five largest banks in Kazakhstan have participated in the EBRD development programme and report regularly to the EBRD on the status of their loans to this sector which fall in the US$50,000 to US$200,000 range. As at 30 June 2006, based on the various programme participants' reports to the EBRD, the Bank accounted for approximately

29 per cent. of the loans within this range made by banks participating in this programme. In addition, the Bank is involved in a similar programme in Kyrgyzstan through its subsidiary OJSC Kazkommertsbank Kyrgyzstan.

The Bank intends to attain a competitive advantage in the SME sector through the introduction of a differentiated service model which responds to the particular requirements of these clients. Sales channels will be developed with separate personnel dedicated to SMEs, and the planned branch expansion will enable the Bank to increase its coverage of this sector. Dedicated personnel will be properly incentivised with clear targets and a comprehensive performance-based remuneration system. Larger, more sophisticated SME clients will be targeted by programmes offering specialised products, in particular loans for capital expenditure, generally on a standardised, risk-based scoring basis. Through relationship management and support the Bank aims to develop long-term relationships with its SME clients and to cross-sell to them leasing and factoring products, as well as providing them with pension and insurance services. These will be offered as bundled products which provide cost savings to the customers. The introduction of a scoring system and the transfer of the credit approval process to the Decision Making Centre, as described in *"Risk Management Policies,"* is expected to facilitate faster decision making.

In July 2006, the Bank entered into a new development programme initiated by the Kazakh Fund for the Development of Small Business (the "KFDSB"). The KFDSB acts as guarantor of the loans made to small businesses under this programme by participating local banks, including the Bank.

Retail banking

The Bank believes that the continued economic development of Kazakhstan and the increase in disposable incomes will present a significant opportunity for growth in its retail banking division and for cross-selling its products and services. The Bank seeks to provide a comprehensive range of banking products with the aim of becoming each customer's primary bank. Further, the Bank seeks to maximise revenues per customer by actively pursuing cross-selling activities within its retail target customer base.

The Bank has one of the leading retail banking franchises in Kazakhstan and, according to FMSA data, the Bank had a 15.7 per cent. share of the retail deposit market and held 14.4 per cent. of retail loans as at 30 June 2006. The retail loan portfolio accounted for 13.3 per cent. of the Bank's gross loans to customers and retail deposits accounted for 38.6 per cent. of the Bank's total customer deposits as at 30 June 2006. The Bank offers its retail customers a comprehensive range of retail products including residential mortgages, consumer loans, debit and credit cards and deposit and current accounts. The Bank enjoys strong brand recognition and a good reputation for quality of service, reliability and professionalism. As at 30 June 2006, the Bank had over 250,000 retail current account holders.

Residential Mortgages. In 2002, the Bank was the first bank in Kazakhstan to offer residential mortgages. Residential mortgages comprised 62.1 per cent. of the Bank's gross retail loan portfolio as at 30 June 2006. The residential mortgage market is most developed in Kazakhstan's largest cities where the more established property markets facilitate more accurate valuations. In addition, many developments financed by the Bank include an agreement with the developer to refer prospective purchasers to the Bank for financing. Residential mortgages generally have an initial term of up to 10 years and are always made at a fixed rate of interest. The average maturity of the Bank's residential mortgage portfolio is approximately seven years.

Consumer Loans. Consumer loans consist of automobile loans, loans for consumer durables and express loans, which are loans subject to an expedited loan approval process. The Bank has entered into agency agreements with various automotive dealers and retailers of electronic products and consumer durables under which customers can finance their purchases. These arrangements have proved to be successful in attracting new customers and the Bank intends to increase the number of these agreements.

Debit and Credit Cards. The Bank issues debit cards, credit cards and virtual cards. Virtual cards are a special category of debit card which have particular security features and can only be used for internet transactions. The Bank issues both VISA and Europay/MasterCard cards which provide access to the Cirrus/Maestro system. The Bank is also an authorised agent for distribution of American Express and Diners Club cards. In 2002, the Bank was the first bank in Kazakhstan to issue EMV-standard chip cards for use at certified POS-terminals. In 2003, the Bank was the first bank in Kazakhstan to obtain certification for card servicing under the 3D-Secure protocol developed by VISA International (with the support of MasterCard International) to protect against internet fraud. As at 30 June 2006, the Bank had over 500,000 cards in issue, most of which were payment cards.

The Bank was the first bank in Kazakhstan to offer a credit card providing bonus points for purchases. It is branded as the "GO!Card" and bonus points may be used for purchases at any of the approximately 800 trade partners in the GO!Card network. As at 31 August 2006 the Bank had issued more than 11,000 GO!Cards. Although credit cards are not as heavily used in Kazakhstan as in some other countries, the Bank believes that this market will continue to grow and that at present it is one of the market leaders in terms of volume of card transactions.

Retail deposits. As at 30 June 2006, the Bank had retail customer deposits of KZT128.872 million, which was the third largest retail deposit base in the country (according to the NBK), of which KZT99,661 million were term deposits and KZT29,211 million were demand deposits. The Bank expects the expansion of its branch network to substantially grow its retail deposit base. The Bank is also increasingly focusing on attracting payroll accounts from its corporate clients.

Payment Processing Services. The Bank's settlement and payment system, both at the branch and the internet level, enables individuals to pay a wide variety of bills including utilities, taxes and social security obligations.

Historically, the Bank has focused on high net worth individuals as a target segment of the retail market. In 2005, as part of its new strategy, the Bank decided also to focus on middle-income clients and as a result has increased its retail product range to cater to them. The Bank utilises its growing branch network and alternative distribution channels to attract new customers and enhance its cross-selling opportunities.

The Bank defines high net worth individuals as clients maintaining deposits of at least US$50,000, borrowing secured loans of more than US$200,000 or holding a gold-status credit card with turnover of more than US$3,000 per month or who have a monthly salary of more than US$5,000. High net worth individuals are included in the Bank's VIP programme which is also open to customers who wish to pay an annual fee for the service. Deposits by high net worth individuals constituted 37 per cent. of retail deposits as at 30 June 2006. Middle-income clients are those maintaining deposits of between US$1,000 to US$50,000.

Other banking and financial services

The Bank offers commissions to its managers for their sales of insurance and pension products, as well as offering commissions to managers of its subsidiary businesses for their cross-selling of banking products.

In addition to corporate and retail banking services, the Bank engages in treasury operations, investment banking, brokerage services and asset management, and is a major participant in the securities markets and the foreign currency markets in Kazakhstan. The main objective of the Bank's Treasury Department is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets, thereby 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. Investment banking and brokerage services are undertaken by the Bank through its subsidiary Kazkommerts Securities, which is one of the leading underwriters of corporate domestic bonds in Kazakhstan and is well placed to take advantage of growth in domestic equity markets. The Bank is authorised to engage in other activities, including the sale, purchase and safekeeping of precious metals (including gold and silver) as well as providing certain derivative services, under the Bank's general banking licence. Since 2001, the Bank has offered asset management services and insurance and pension products to its corporate and retail clients.

The Bank offers trust services to its corporate and retail clients, which mostly relate to asset management, and provides custody services to local and foreign investors.

The Bank engages in securities transactions on behalf of its clients. It does not engage in any material volume of proprietary trading of securities. Each of the Bank's securities traders is subject to trading limits which are monitored by the Bank's back-office staff.

Distribution Network

Branches

As at 30 June 2006, the Bank's branch network comprised, in addition to its head office in Almaty, 22 full-service branches in the other main cities of Kazakhstan, including Astana, Zhezkazgan, Ust-Kamenogorsk, Pavlodar and Karaganda, and 68 limited-service branches in towns and villages near to cities in which its full-service branches operate. The Bank plans to increase its network to 240 branches by 2010, primarily in regions which the Bank believes have the highest growth potential. The Bank's branch network includes a "VIP Centre" in Almaty targeting principally high net worth individuals. To support its international activities, the Bank has a representative office in London.

All branches provide both retail and corporate banking services. The operations of each branch are regulated and overseen by the Bank's head office. Each branch has a set lending limit and the branch managers and loan officers report regularly to the Bank's credit committee at the head office. All branches also undergo an annual internal audit. See *''Risk Management Policies''*. The co-ordination and planning of the operations of the branches and internal controls are conducted by the Branch Banking Department, which monitors the operations and financial results of the branches and is responsible for the development of the Bank's regional policies and expansion strategies.

As part of its strategy to increase its retail banking business, the Bank is in the process of redesigning its branches with a common decorative and architectural theme designed to make them more attractive for customers as well as more functional and efficient. The Bank has also implemented an organisational restructuring programme at its head office and throughout its branch network which is intended to increase operational efficiency and reduce overstaffing.

Alternative distribution channels

As at 30 June 2006, the Bank operated 454 ATMs in cities throughout Kazakhstan, and it intends to add up to 95 more ATMs by the end of the year. The Bank believes that its ATM network is the second largest in Kazakhstan and seeks to attract customers to its network by locating machines in densely populated areas and areas of economic activity. The Bank has a policy of placing ATMs only in locations accessible for 24-hour maintenance. It believes that, relative to its competitors, it maintains a high ratio of machines to issued payment cards so as to help ensure good service and the availability of funds. The Bank charges a fee for each ATM withdrawal, including withdrawals by its own account holders. The Bank seeks to recoup the initial cost of an ATM machine within three years of installation, which the Bank believes is a relatively aggressive pay-back period.

As at 30 June 2006, the Bank operated over 3,200 point-of-sale terminals, located at various retail stores, through which customers may make purchases using credit or debit cards.

The Bank was the first local bank to offer telephone banking and internet banking services. Current internet banking services include access to account information and payment of mobile telephone and utility bills. Telephone banking services are currently limited to obtaining account balance information and payment of mobile telephone bills. Up to 45,000 customers can utilise these services at any one time. As at 30 June 2006, over 53,500 customers had registered for internet banking services.

The Bank intends to substantially expand its call centre with the number of staff expected to increase significantly. In addition to telesales, the Bank expects the call centre to engage in debt collection and service the operations of the Bank's international subsidiaries.

In 2005, the Bank entered into an agreement with the Kazakhstan postal service to provide certain retail banking services through local post offices, although as of the date of this Prospectus no system has been put in place. The Bank has also entered into agency agreements with various automotive dealers, retailers of electronic products and consumer durables under which customers can obtain financing for their purchases. These arrangements have proved to be successful in attracting new customers and the Bank intends to continue to develop this service.

Technology

In 2002, the Bank introduced and implemented Equation DBA, a centralised, integrated banking information system which connects the head office and branches, to service its corporate and retail banking operations. The Bank believes that its full implementation of the Equation DBA system has significantly improved the scope and efficiency of its information systems with respect to risk management and financial reporting under IFRS. The Bank believes that it is the only bank in Kazakhstan to have integrated real-time information technology systems, which it regards as a significant competitive advantage.

Moreover, in order to improve its efficiency, the Bank is incrementally introducing up-to-date banking technologies such as its CRM system (based on the integration of Siebel and CallCenter software products), its business processes system (based on WorkFlow Oracle) and the Bank's internet banking system.

The Bank has purchased a credit scoring application from Experian which it is using in connection with the issuance of credit cards and the approval of certain consumer loans. The Bank is extending the use of scorecards for other products including residential mortgages, car loans and some SME loans and also considering a programme for behavioural scoring of certain corporate customers, which is expected to be launched by the end of 2006.

In co-operation with external consultants, the Bank is currently studying ways to further automate its risk management systems and provide real-time monitoring of its risk exposures. Over the next few years the Bank expects to implement increasingly automated risk management software systems as its business expands.

In 2005 the Bank initiated an e-procurement system which now has more than 285 registered suppliers and more than 250 registered users, and has held more than 250 on-line auctions, generating substantial savings to the Bank. As far as the Bank is aware, no other bank in Kazakhstan has a similar e-procurement platform.

The Bank's computer systems are located in a stand-alone data centre in Almaty, which is earthquake and fire resistant and equipped with a back-up power supply system. The data centre has advanced access control and security systems including 24-hour continuous video monitoring. The data centre is also equipped with an intrusion detection system, network monitoring and analysis system. The Bank plans to open a second back-up data centre in Astana which will substantially have the same capabilities as the Almaty data centre and further reduce the possibility of operational failure.

The Bank regularly undertakes emergency drills in order to test its ability to operate via the data centre. The Bank believes that it would be able to re-establish full operational functions within one to ten days, depending on the nature of the relevant incident.

Security and Anti-money Laundering

In co-operation with external consultants, the Bank has implemented security procedures and policies for all of its locations. Each new branch is initially reviewed by the Bank's Security Department to ensure compliance with the Bank's procedures and policies. All of the Bank's branches contain video surveillance systems and each of its ATMs are monitored by a camera.

The Bank maintains a strict anti-money laundering policy in relation to all of its customers. The Bank interviews most applicants and performs background investigations. All applicants are required to provide the Bank with identification documents, as well as their Kazakhstan tax identification number. Each new high net worth customer must be recommended by an existing high net worth customer.

Properties

The Bank owns the majority and leases the remainder of its branch premises, foreign exchange bureau properties, ATMs, residential apartments, garages, warehouses and other facilities in Almaty and in 20 other cities and towns in Kazakhstan. For leased properties, the Bank typically enters into operational leases with terms of between six months and ten years. As at 30 June 2006, the gross book value of the Bank's fixed assets was KZT15.9 billion, including the Bank's head office building which had a gross book value of KZT1.1 billion.

On 25 May 2006, the Bank entered into a general construction agreement with Yuksel Turkuaz-Yda Insaat Ticaret Ltd to build a new head office building for the Bank in the Almaty Finance Centre. The value of the contract is approximately US$66.5 million. The Bank has also entered into a number of other contracts relating to the construction of its new head office and the total cost of the project is estimated to be approximately US$77 million. As at 1 August 2006, the Bank had spent approximately US$16 million in connection with this project.

Insurance

The Bank has a banker's blanket bond insurance provided by JSC SK Kazkommerts-Policy (and reinsured with a leading international reinsurer). This insurance covers losses in relation to banks and financial institutions, computer fraud, safe deposit theft and ATM and internet services fraud. The maximum coverage depends on the type of insurance but will not exceed KZT401 million, either for individual events or in aggregate. Coverage is subject to a number of conditions and qualifications and money-laundering liabilities and losses due to terrorism are specifically excluded.

In addition, the Bank has a number of other insurance policies provided by JSC SK Kazkommerts-Policy, including obligatory insurance of employer's civil liability to employees (maximum coverage KZT4,400 million), third-party liability insurance (maximum coverage KZT150 million) and voluntary property insurance (maximum coverage KZT3,100 million). All policies are generally renewable annually.

Competition

Kazakhstan's banking industry was principally established following the independence of Kazakhstan in 1991. As at 30 June 2006, there were 34 commercial banks in Kazakhstan (excluding the NBK, the DBK and the Housing Construction Savings Bank which do not directly compete with the Bank), of which 14 were banks with a level of foreign ownership, including subsidiaries of foreign banks. Banks in Kazakhstan can be divided into four groups: large banks (including the Bank, Halyk Savings Bank and Bank TuranAlem); state-owned banks (including the Housing Construction Savings Bank and the DBK); subsidiaries of foreign banks (such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan); and smaller banks. The Bank believes that its main competitors are Bank TuranAlem and Halyk Savings Bank. The Bank believes that the banking industry is generally characterised by strong lending margins, adequate capitalisation and a sound regulatory framework relative to other CIS countries.

Competition in the banking industry in Kazakhstan is intensifying and excess capacity in corporate lending has led banks in Kazakhstan to find other sources of revenue, primarily in SME and retail banking, where the barriers to entry are lower than corporate banking and where a number of the smaller banks are seeking to grow their market share.

Whilst subsidiaries of foreign banks do not currently provide significant domestic competition as they are not active in the retail banking sector, competition may also be affected by regulatory changes which may make it easier for foreign banks to increase their penetration of this sector.

The Bank believes that competition in its target markets is primarily driven by brand identity and quality of customer service. The Bank believes that it is well positioned to compete on the basis of its size, broad customer base, clearly defined strategy, strong management team, strong balance sheet, profitability, cost efficiency, sophisticated information technology system and growth opportunities. The following table sets out the top 10 banks (by assets) in Kazakhstan (as provided by FMSA) as at 30 June 2006:

	As at 30 June 2006	
	(US$ thousands)	(%)
Kazkommertsbank	9,823,778	21.2
Bank TuranAlem	9,654,796	20.8
Halyk Savings Bank	6,425,597	13.8
Alliance Bank	4,420,582	9.5
ATF Bank	3,894,177	8.4
Bank CenterCredit	3,459,644	7.5
Bank Caspian	1,432,778	3.1
Nurbank	1,205,550	2.6
Temir Bank	903,281	1.9
ABN AMRO	895,785	1.9
Top 10 Banks	41,895,536	90.3
Others	4,511,226	9.7
Total	46,406,762	100.0

Employees

As at 30 June 2006, the Bank had 4,479 full-time employees, of which 3,340 were employed in its branches, and 1,139 were employed at the Bank's head office in Almaty. The average age of the Bank's employees is 32 years and a large portion of them are university graduates. The Bank has not experienced strikes or other work stoppages resulting from labour disputes and has no unionised employees. The following table shows the number of employees of the Bank (alone) as at the dates indicated:

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
Head Office	1,139	973	874	790
Branches	3,340	2,670	2,314	2,256
Total	4,479	3,643	3,188	3,046

To promote operational efficiency, the Bank emphasises education and experience amongst its employees. As part of an organisational restructuring effort at its head office and throughout its branch network, the Bank has introduced staffing guidelines and a new human resources management policy to improve the quality of the Bank's personnel. The Bank also holds internal and external training and staff rotation programmes designed to improve the skills and cross-selling ability of employees.

Litigation

There are no and have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months prior to the date of this Prospectus, or in the recent past which may have or have had significant effects on the Bank's or the Group's financial position or profitability other than the tax assessment described in *"Management's Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations for the Years ended 31 December 2005, 2004 and 2003 — Taxation."*

RISK MANAGEMENT POLICIES

In 2005 the Bank undertook a major risk management review in conjunction with one of the leading international advisers in risk management and has already implemented many of its recommendations. The Bank has decided to implement further improvements to its risk management systems and the application of best market practices in risk management. While the Bank currently applies Basel II's Standardised Approach, the minimum requirement of the regulatory authorities with respect to risk management, the Bank intends to apply Basel II's Advanced Approach in order to further enhance its risk management processes.

The Bank identifies and manages the following risks:

- credit risks in corporate, SME and retail banking;
- liquidity, currency, interest rate and market risks; and
- operational risks.

Credit Risk

Management of credit risk is an integral part of the Bank's operations. Risk management covers all stages of the credit process, from loan origination and credit approval to collection.

Credit approval structure

Under the Bank's credit approval structure, smaller loans are generally issued by local branches while larger loans are issued by the head office. The Bank has established the following credit committees:

- *Branch committees.* Each of the Bank's branches maintains a credit committee. Excluding the committee for the Almaty branch, each credit committee is authorised to approve loans to small-sized companies of up to US$500,000, loans to medium- and large-sized companies of up to US$750,000 and loans to retail borrowers of up to US$250,000, subject to the following aggregate lending limits, as currently in effect:
  - between US$4 million and US$30 million per branch for lending to small-sized companies;
  - between US$3.5 million and US$238.1 million per branch for lending to medium- and large-sized companies; and
  - between US$2.1 million and US$145 million per branch for retail lending, depending on the size of the branch and experience of its personnel.

The Almaty branch is authorised to extend loans to small companies of up to US$500,000, loans to medium- and large-sized companies of up to US$850,000 and retail loans up to US$500,000, subject to an aggregate lending limit of US$45.7 million for lending to small-sized companies, US$342.6 million for lending to medium and large-sized companies and US$221.2 million for retail lending.

- *Regional committees.* The Bank's regional credit committees cover the central, southern, western, eastern and northern regions of Kazakhstan. The regional committees are responsible for approving loans to medium-sized companies where the proposed loan exceeds the lending limit of a particular branch. Regional credit committees have a lending limit of up to US$750,000 per borrower.
- *Head office committees.* Lending policies and procedures are also monitored at the Bank's head office in Almaty by two credit committees, the Head Office Credit Committee and the Commercial Directorate, and by the Board of Directors:
  - *Head Office Credit Committee.* This committee is authorised to approve loans of up to US$5 million which were originated by a local branch but exceed that branch's lending authority.
  - *Commercial Directorate.* The Commercial Directorate consists of the Chairman of the Bank's Management Board, seven Managing Directors and the Director of the Department of Risk Management and is authorised to approve individual loans of up to the maximum allowed by the FMSA's regulations, namely an amount equal to 25 per cent. of the total capital of the Bank.
  - *Board of Directors.* All loans exceeding 10 per cent. of the Bank's total assets as well as all transactions with related parties have to be approved by the Board of Directors.

Recently the Bank developed a new methodology for monitoring the quality of the portfolios of its branches and in the near future the Bank anticipates that branch aggregate limits will be abolished. The new methodology is based on a set of parameters and controls that will be monitored and checked monthly.

Corporate loan approvals

When considering whether or not to make a corporate loan, in addition to credit proposals by credit managers, the appropriate committee will also obtain advice and recommendations from the following departments and divisions:

- *Department of Risk Management.* The Department of Risk Management considers a prospective corporate loan in several ways. The risk managers of the branches and the regional directorates and analytic group within the head office, which is divided into sub-groups according to industry, provide advice on commercial loans based on their assessment of the borrower's business and/or the project to which the loan relates. Their assessment takes into account the required cash and anticipated return necessary for the borrower to repay the loan. The Department of Risk Management is involved in the Bank's loan portfolio monitoring and in the development of procedures and guidelines with respect to the Bank's lending.

- *Collateral Assessment Department and Debt Restructuring Division.* The Bank requires collateral for almost all of its loans. The Collateral Assessment Department undertakes a valuation analysis with respect to proposed collateral and the Debt Restructuring Division, a division of the Collateral Assessment Department, determines the optimal method for restructuring and obtaining repayment of problem loans.

- *Legal Department.* The Bank obtains legal advice from the Legal Department regarding proposed loans and, receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into the loan transactions and grant collateral.

- *Security Department.* The Security Department provides information on the assets, credit history and reputation of potential borrowers. A central credit bureau has recently been established in Kazakhstan and this should improve the quality of information on the credit history of potential borrowers.

Rating model

In 2005, the Bank developed a rating model for the evaluation of the credit risk of applicants based on the methodologies used by international credit rating agencies. On the basis of financial analysis, industry dynamics and qualitative parameters such as the quality of management, market position and other factors, an applicant is allocated credit points. These points are then used for a risk-weighted assessment of the applicant's credit, which gives the Bank the opportunity to compare the profitability of different applicants in order to choose the most attractive one. The rating model has been successfully tested in several credit departments of the Bank and now is used daily for credit decision making.

Retail and SME loan approvals

Loans to retail customers are subject to a standardised approval procedure. Credit officers in the branches are required to obtain information and documentation from the applicant in accordance with specified criteria and parameters. Loans are subject to maximum limits depending on the applicant's financial standing, stability of future revenues, liquidity and quality of collateral. These limits are set by the Head Office Credit Committee. As part of the loan approval procedure, the credit officer analyses the payment capacity and creditworthiness of the applicant based on information furnished by the applicant. If necessary, a credit officer may request that the Security Department performs a check on the applicant and the information provided by him to the Bank. The analysis of an applicant's payment capacity and creditworthiness is made by the risk manager based on information available about the applicant's income, quality of current debt servicing and his ability to service future debt.

As a part of the process of improving lending policies and credit approval procedures, the Bank has established a new division in the Department of Risk Management, the Decision Making Centre (''DMC''). The DMC approves or declines applications for retail loans on the basis of the standardised information which it receives through the Bank's internal information technology system. The DMC is authorised to approve applications from customers with total single party exposure of up to US$200,000. Applications from retail customers with larger exposures are referred to SME applications with longer exposures are referred to the relevant credit approval committee as described above in ''—*Credit approval structure*.'' The new credit approval procedures have been introduced in 12 branches and the Bank plans to introduce these procedures into all branches by the end of 2006.

The DMC is also in the process of launching a new credit approval procedure for SME and retail applications and in the next six months the Bank plans to transfer to the DMC all decision-making functions for SME applications with a total individual loan exposure of up to US$500,000. SME applications with larger exposures are referred to the relevant credit approval committee as described above in "—*Credit approval structure.*" By introducing this new credit approval procedure, the Bank aims to reduce costs related to SME and retail banking. The new procedure should also allow the Bank to collect statistical data, the analysis of which will further improve the evaluation of customer creditworthiness.

This credit process is fully automated and the documentation is saved in a central database for access by all relevant Bank employees. Under the new system, the role of the credit officer is to consult with the customer, receive documents and initiate the application process by inputting the application data into the automated system.

The Bank anticipates that this new credit process once fully implemented will result in:

- standardisation of the credit approval process;
- significant reduction of application handling time;
- reduction of operating expenses; and
- significant reduction of operational risk.

Consumer durables financing, which is offered on the premises of retailers of consumer durables, has a separate credit approval procedure. Credit approval for consumer durables financing is based on a similar fully automated scoring model, which also facilitates expedited decision making.

Provisioning policy

The Bank establishes an allowance for impairment losses on financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost, the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed. The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

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

It should be understood that estimates of losses involve an exercise of judgment. Whilst it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb probable losses incurred on the risk assets.

On the base of the Bank's provisioning policy described above, a loan is categorised by a loan officer on the basis of the borrower's financial condition and the nature of available collateral. These categories are:

- A — the customer is manifestly capable of repaying principal and interest out of his own working capital and it is anticipated that the customer's financial position will be maintained in the future;
- B — the customer's financial position is stable and there is a low risk that it will deteriorate;
- C — some negative financial aspects exist that might affect the customer's ability to perform his payment obligations;
- D — serious and numerous unsatisfactory financial aspects exist that affect the customer's ability to perform his payment obligations; and
- E — the customer's financial position is so poor that the performance of payment obligations is unlikely.

Loans are then further categorised on the basis of the customer's debt service record into five risk categories ("Standard," "Watch," "Sub Standard," "Doubtful" and "Loss") according to the following matrix:

Basic category	Good debt service	Unsatisfactory debt service	Bad debt service
A	Standard	Watch	Sub Standard
B	Watch	Sub Standard	Doubtful
C	Sub Standard	Doubtful	Loss
D	Doubtful	Loss	Loss
E	Loss	Loss	Loss

In this matrix:

- "Good debt service" means that interest and principal are no more than 15 days overdue and the loan amount does not include any capitalised amounts of previous borrowings.
- "Unsatisfactory debt service" means that principal or interest is overdue by between 15 and 45 days or that the due date for the payment of interest or principal has been extended for a period of three to six months, provided that no interest is overdue.
- "Bad debt service" means that principal or interest is overdue by more than 45 days or that interest and/or principal has been extended for a period of more than six months. Loans on which interest due is rescheduled as a new loan also fall into this category.

When making an assessment of debt service, any overdue payment which is more than 10 per cent. of the loan amount is classified as "unsatisfactory." Overdue payments exceeding 20 per cent. of the loan amount are classified as "bad."

Retail lending requires a different provisioning approach. Because it is not practical, and in many cases not feasible, to monitor the current financial situation of its retail customers, provisioning policy in respect of the retail loan portfolio is based on an analysis of debt service records. The Bank makes 100 per cent. provisions for overdue interest amounts and penalties in respect of retail loans with payments overdue more than 60 days. 100 per cent. provisions are also made for the total amount of indebtedness in respect of car loans (including the collateralised part) with payments overdue more than 60 days. For consumer durables financing if payments overdue more than 30 days, the Bank believes that the future cash flows will be impaired by 50 per cent. and by 100 per cent. if payments are overdue more than 60 days.

Under the FMSA's provisioning policy, provisions are created for potential losses on loans and advances on the basis of the borrower's debt service performance. The FMSA does not require that a general provision be made for loans where payment delays have not been experienced. Thus, under the FMSA's requirements, the creation of a provision is event-oriented, i.e., it relies on a lack of timeliness in respect of interest or principal payments.

Loans are reviewed at least every six months, or annually with respect to loans to established customers, by the appropriate credit committee of the Bank. Problem loans are referred to the Bank's Committee on Problem Loans, which is comprised of representatives of the Department of Risk Management, the Collateral Assessment Division, the Debt Restructuring Division and the Legal Department. Loans may be referred to this committee where there is non-payment of interest or principal or if the Bank otherwise believes there has been an adverse change in the borrower's financial condition. The Bank also conducts a sectoral analysis and reviews lending to specific sectors if it considers that companies in such sectors may face payment difficulties as a result of economic or other factors. In addition, where companies have seasonal businesses, such as companies in the agricultural sector, loans are reviewed on a seasonal basis. The committee decides upon the best course of action with respect to each loan referred to it, which may include court action, the settlement of the outstanding amounts or the restructuring or extension of the loan. As the majority of the Bank's loan agreements provide for out-of-court enforcement proceedings, the Committee on Problem Loans may elect to foreclose on and sell collateral, and in such instances, the Bank's Valuation Department is engaged to seek a private buyer of the collateral.

Loan write-offs

Until early 2004, under applicable regulations, loans were written off when interest and principal were overdue for over 180 days. Since then, the Bank has developed and adopted a new internal write-off procedure which was implemented in 2005. According to the new write-off procedure, a loan is written off after all possible measures have been taken to have that loan repaid and the collateral has been liquidated. The Credit Committee of the relevant branch has the authority to write off loans of up to US$5,000, while loans of over US$5,000 are written off by the Problem Loans Committee at the Bank's Head Office which meets weekly.

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 Assets and Liabilities Management Committee ("ALMC") seeks to control liquidity risk by undertaking a maturity analysis of the loan portfolio and its conclusions are reflected in the Bank's ongoing strategy in subsequent financial periods. Current liquidity is managed by the Treasury Department, which deals in the money markets in order to help facilitate liquidity and cash flow optimisation. The ALMC is chaired by the Chairman of the Bank and includes four Managing Directors and the Director of the Treasury Department. The ALMC meets at least twice weekly to monitor the Bank's exposures on the basis of information about maturities, interest margins, liquidity and the Bank's net foreign currency positions. The Bank's treasury operations and investment strategies are also planned at ALMC meetings.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows from customers and from banking operations. The Management Board sets limits on the proportion of maturing funds available to meet deposit withdrawals and also sets limits on the level on interbank and other borrowing facilities in order to cover withdrawals at unexpected demand.

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 the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by managing the open currency position on the basis of estimated exchange rates and other macroeconomic indicators, which give the Bank an opportunity to minimise losses from significant currency fluctuations. The Treasury Department performs daily monitoring of the Bank's open currency position to comply with the regulatory requirements of the NBK and other relevant regulatory authorities.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the Bank's financial instruments. The ALMC also manages interest rate risk by monitoring the Bank's interest rate position in order to help the Bank maintain a positive interest margin. The Bank's financial control department monitors the Bank's financial performance, estimating on a regular basis the Bank's sensitivity to changes in interest rates and the influence of changes in the Bank's profitability.

The majority of the Bank's loan agreements and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the Bank. The Bank monitors its interest rate margin and does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Market Risk

The Bank is planning to assign market risk including liquidity and interest rate risk management to the Risk management development strategy division within the Risk Management Department. This division will be responsible for measurement, monitoring, and management of market risks and will develop proposals to ALMC on market risk management improvement.

Operational Risk Management

Operational risk management ("ORM") is handled by the Risk Management Department and the Department of Business Process Engineering.

The Bank uses risk self-assessment and an operational loss database (which contains information on operational risk events) for ORM. These instruments allow the Bank to determine the most risky sectors of its the Bank's operations promptly and to undertake proactive measures to control and reduce operational risk.

Risk self-assessment is a structured interactive procedure of identifying and evaluating operational risk. Employees from a particular division participate in the process of operational risk evaluation of this division, and help to establish control measures and make changes to processes and the Bank's products.

The operational loss database contains detailed information on actual losses, as well as, compensated and prevented operational risk events (i.e., problem situations, such as attempts to cause damage to the Bank). All events reflected in the database are classified by the type of event and by business line in accordance with international risk management standards.

The Bank's ORM system has been thoroughly reviewed in conjunction with external consultants and recommendations have been made with respect to its organisational structure, procedures, principles and instruments. In the course of the next six months the Bank expects to take the following steps with respect to ORM:

- organising an ORM Committee;
- developing an ORM organisational structure system;
- approving new ORM policies, procedures and instruments; and
- introducing three new ORM instruments; namely, key risk indicators, operational risk assessment procedure and key operational risks controls.

Since the Department of Risk Management's role in ORM is more strategic, the Bank has involved the Department of Business Process Engineering in implementing three new ORM tools and their further monitoring and use. Currently, the Department of Business Process Engineering is conducting an analysis of types of key risk indicators and key operational risks controls that are most appropriate for each process and division. The Department of Business Process Engineering is also developing operational risk assessment procedures and policies.

BANKING SECTOR IN KAZAKHSTAN

The National Bank of Kazakhstan and the FMSA

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

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

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

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

The principal task of the FMSA is to regulate and supervise Kazakhstan's financial markets and financial institutions, including banks, insurance companies, pension funds and pension asset management companies, as well as professional participants of the securities market. The FMSA is empowered, among other things, to 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 banking system of Kazakhstan

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

Banking reform and supervision

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

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

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

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

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

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

In December 1999, a self-funded domestic deposit insurance scheme was established and as at 30 June 2006, 33 banks, including the Bank and subsidiaries of foreign banks, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. 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 voting shares in a Kazakhstan bank must have a minimum required credit rating from one of the rating agencies.

On 22 November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel Accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives. Further, the new regulations establish reduced capital adequacy ratios for banks one of whose shareholders is a bank holding company. Such reduced rates are 5 per cent. for the K1 ratio (compared to a generally applicable ratio of 6 per cent.) and 10 per cent. for the K2 ratio (compared to a generally applicable ratio of 12 per cent.). A bank holding company is an entity, whether domestic or foreign, that owns more than 25 per cent. of the voting shares of a Kazakhstan bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

Effective as of 14 July 2006, the NBK has implemented new measures to raise reserve requirements for Kazakhstan banks in an effort to limit foreign currency debt issuances amid concerns about currency mis-matches amongst second-tier banks which have significant liabilities in US dollars although they lend predominantly in Tenge. The new rules will increase reserve requirements for currency borrowings from non-residents and borrowings through issuance of notes and subordinated debt instruments (regardless of residence) to 8 per cent. from 6 per cent., although domestic borrowings from residents except as mentioned above will remain at 6 per cent.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth certain historical consolidated financial information derived from the Unaudited Financial Statements and the Audited Financial Statements. The Financial Statements have been prepared in accordance with IFRS and are presented in Tenge.

Solely for the convenience of the reader, the Bank has translated the selected income statement information as at 30 June 2006 and the year ended 31 December 2005 into US dollars at the rates of US$1.00 = KZT127.16 and US$1.00 = KZT132.87, respectively, and the summary balance sheet information as at 30 June 2006 and the year ended 31 December 2005 at the rates of US$1.00 = KZT118.69 and US$1.00 = KZT133.98.

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in *"Capitalisation," "Selected Statistical and Other Information"* and the Financial Statements and the related notes thereto.

	Six months ended 30 June			Year ended 31 December			
	2006	2006	2005	2005	2005	2004	2003
	(US$ thousands) (unaudited)	(KZT millions) (unaudited) (restated)		(US$ thousands) (unaudited)	(KZT millions) (restated)		
Income Statement:							
Interest income	475,621	60,480	38,168	645,676	85,791	56,163	35,712
Interest expense	(269,519)	(34,272)	(19,741)	(345,112)	(45,855)	(27,433)	(19,344)
Net interest income before provisions for impairment losses on interest-bearing assets	206,102	26,208	18,427	300,564	39,936	28,730	16,368
Provision for impairment losses on interest-bearing assets	(58,320)	(7,416)	(6,183)	(134,213)	(17,833)	(11,222)	(5,887)
Net interest income	147,782	18,792	12,244	166,351	22,103	17,508	10,481
Net (loss)/gain on operations with assets held-for-trading	(10,192)	(1,296)	174	5,585	742	22	(317)
Net gain on foreign exchange operations	16,743	2,129	749	12,780	1,698	1,972	1,723
Fee and commission income	60,648	7,712	5,154	85,715	11,389	9,102	7,794
Fee and commission expense	(6,755)	(859)	(378)	(10,220)	(1,358)	(988)	(864)
Net gain from investments available-for-sale	—	—	—	90	12	49	(88)
Dividends received	15	2	10	75	10	15	382
Other income	9,138	1,162	834	20,245	2,690	1,895	1,165
Net non-interest income	69,597	8,850	6,543	114,270	15,183	12,067	9,795
Operating income	217,379	27,642	18,787	280,620	37,286	29,575	20,276
Operating expenses	(61,474)	(7,817)	(6,146)	(100,610)	(13,368)	(9,511)	(8,969)
Operating profit	155,906	19,825	12,641	180,010	23,918	20,064	11,307
Recovery/(accrual) of insurance provisions and provisions for impairment losses on other transactions	87	11	(352)	(6,623)	(880)	(615)	(634)
(Provision)/recovery for guarantees and other off-balance sheet contingencies	(267)	(34)	(529)	(7,970)	(1,059)	(106)	364
Share of results of associates	1,290	164	100	1,310	174	12	(20)
Profit before income tax	157,015	19,966	11,860	166,727	22,153	19,355	11,017
Income tax expense	(21,689)	(2,758)	(1,413)	(17,596)	(2,338)	(9,573)	(2,092)
Net profit	135,326	17,208	10,447	149,131	19,815	9,782	8,925
Attributable to:							
Minority interest	5,772	734	776	10,710	1,423	1,066	407
Equity holders of the parent	129,553	16,474	9,671	138,421	18,392	8,716	8,518

	As at 30 June		As at 31 December			
	2006		2005		2004	2003
	(US$ thousands) (unaudited)	(KZT millions) (unaudited) (restated)	(US$ thousands) (unaudited)	(KZT millions) (restated)	(KZT millions) (restated)	(KZT millions) (restated)
Balance Sheet:						
Assets:						
Cash and balances with the national (central) banks	960,401	113,990	277,870	37,229	66,293	28,485
Precious metals	0	0	0	0	0	300
Assets held-for-trading	1,077,193	127,852	1,047,126	140,294	74,780	71,201
Loans and advances to banks, less allowance for impairment losses	375,819	44,606	1,895,089	253,904	41,834	38,583
Derivative financial instruments	25,141	2,984	605	81	20	15
Loans to customers, less allowance for impairment losses	7,743,685	919,098	5,447,410	729,844	494,931	283,063
Securities purchased under reverse repurchase agreements	179,131	21,261	104,120	13,950	8,402	2,608
Investments available-for-sale	17,676	2,098	3,187	427	489	138
Investments held-to-maturity	3,859	458	4,195	562	64	32
Investments in associates and other entities	5,266	625	3,172	425	218	146
Goodwill	20,263	2,405	17,950	2,405	0	0
Fixed and intangible assets, less accumulated depreciation and amortisation	95,189	11,298	64,651	8,662	7,386	6,304
Other assets, less allowance for impairment losses	60,283	7,155	52,888	7,086	9,640	3,366
Total assets	10,563,906	1,253,830	8,918,264	1,194,869	704,057	434,241
Liabilities:						
Loans and advances from banks	2,436,389	289,175	2,389,125	320,095	170,331	76,222
Securities sold under repurchase agreements	528,107	62,681	441,432	59,143	28,445	37,251
Derivative financial instruments	38,908	4,618	1,411	189	31	1
Customer accounts	2,812,697	333,839	2,264,554	303,405	197,827	151,589
Debt securities issued	2,768,287	328,568	2,262,524	303,133	207,841	98,233
Other borrowed funds	527,534	62,613	377,698	50,604	4,464	3,525
Provisions	39,313	4,666	36,826	4,934	3,087	2,483
Dividends payable	2,629	312	7	1	1	1
Deferred tax liabilities	76,097	9,032	61,875	8,290	6,976	2,945
Other liabilities	32,808	3,894	34,267	4,591	2,832	2,975
Subtotal	9,262,769	1,099,398	7,869,719	1,054,385	621,835	375,225
Subordinated debt	402,165	47,733	389,708	52,213	22,926	11,657
Total liabilities	9,664,934	1,147,131	8,259,427	1,106,598	644,761	386,882
Equity						
Shareholders' equity	837,408	99,392	606,770	81,295	53,828	42,655
Minority interest	61,564	7,307	52,067	6,976	5,468	4,704
Total liabilities and equity	10,563,906	1,253,830	8,918,264	1,194,869	704,057	434,241

	As at or for the six months ended 30 June	As at or for the year ended 31 December		
	2006	2005	2004	2003
Combined Key Ratios:				
Return on average shareholders' equity	36.5%[1,2]	27.2%[1]	18.1%[1]	20.0%[3]
Return on average assets[4]	3.0%[2]	2.5%	1.9%	2.5%
Operating expenses/operating income before provisions for impairment losses	22.3%	24.3%	23.3%	34.3%
Operating expenses/operating income after provisions for impairment losses	28.3%	35.9%	32.2%	44.2%
Provisions for impairment losses on loans to customers/average gross customer loans[4]	2.0%[2]	3.0%	2.9%	2.7%
Profitability Ratios:				
Net interest margin[4][5]	5.0%[2]	5.5%	6.0%	5.2%
Net interest income after provisions for impairment losses/average interest-earning assets[4]	3.6%[2]	3.0%	3.7%	3.3%
Operating expenses/net interest income before provisions for impairment losses	29.8%	33.5%	33.1%	54.8%
Operating expenses/average total assets[4]	1.4%[2]	1.7%	1.8%	2.6%
Balance Sheet Ratios:				
Total net loans to customers/total assets	73.3%	61.1%	70.3%	65.2%
Deposits/total assets	26.6%	25.4%	28.1%	34.9%
Total equity/total assets	8.5%	7.4%	8.4%	10.9%
Liquid assets/customer accounts[6]	85.2%	138.1%	89.3%	82.6%
Liquid assets/liabilities of up to one month[6]	116.4%	156.9%	103.5%	110.5%
Capital Adequacy Ratios:[7]				
Total capital	12.8%	14.4%	15.0%	16.4%
Tier I Capital	8.8%	11.0%	10.5%	13.3%
Credit Quality Ratios:[8]				
Non-performing loans/total gross loans	1.4%	1.3%	1.5%	0.8%
Non-performing loans/total gross loans and guarantees	1.3%	1.1%	1.3%	0.7%
Allowances for impairment losses/non-performing loans	337.5%	423.7%	380.6%	777.4%
Allowances for impairment losses/total gross loans	4.9%	5.5%	5.7%	6.3%
Macroeconomic Data:				
Consumer Price Inflation (for the 12 months then ended)	8.7%	7.5%	6.7%	6.8%
Real GDP (change during the 12 months then ended)	9.3%	9.5%	9.4%	9.3%

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

(2) Annualised.

(3) Based on period end balances.

(4) Averages are based upon average daily balances.

(5) Net interest margin means net interest income before provisions for impairment losses/average interest-earning assets.

(6) Liquid assets include cash and balances with the national (central) banks, loans and advances to banks (with maturities of less than one month), assets held-for-trading and securities purchased under reverse repurchase agreements.

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

(8) For the definition of non-performing loans used by the Bank, see *"Selected Statistical and Other Information — Non-performing Loans."*

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

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Bank's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this review are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors." In this Prospectus, the consolidated Financial Statements presented are those of the Bank. This discussion is based on the Financial Statements of the Bank and should be read in conjunction with the Financial Statements and the accompanying notes appearing elsewhere in this Prospectus. Unless otherwise indicated, all of the financial data and discussions thereof are based upon financial statements prepared in accordance with IFRS.

Introduction

Established in 1990, the Bank is the largest bank in Kazakhstan, measured by total assets and total loans as at 30 June 2006 (according to the NBK), providing corporate, SME and retail banking as well as other financial services. As at and for the six months ended 30 June 2006, the Bank had a net profit attributable to equity holders of the parent of KZT16,474 million, total assets of KZT1,253,830 million and equity attributable to shareholders of the parent of KZT99,392 million.

The Financial Statements have been prepared in accordance with IFRS and are included elsewhere in this Prospectus. The Financial Statements are consolidated and reflect the results of operations of the Bank and its subsidiaries.

The following discussion, which should be read in conjunction with the Financial Statements, is based on the Financial Statements which reflect the restatement of net profit and shareholders' equity described in Note 3 to the Audited Financial Statements and the Unaudited Financial Statements. As described in that Note, the restatement was made to comply with IAS 1 "Presentation of Financial Statements," IAS 39 "Financial Instruments: Recognition and Measurement," effective for periods beginning on or after 1 January 2005, and to correct an error in respect of the accounting treatment of the Preference Shares under IAS 32 "Financial Instruments: Presentation."

Critical Accounting Policies

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

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

Allowance for impairment losses

The determination of the Bank's allowance for impairment losses requires management to make significant judgments and estimates based upon a periodic analysis of its loan portfolio, considering, amongst other factors, current economic conditions, loan portfolio composition, past impairment loss experience, independent appraisals, the fair value of underlying loan collateral, the Bank's customers' ability to pay, selected key financial ratios and other factors believed to be important by management. Because of the nature of the judgments made by management, actual results could differ from the estimates and assumptions relied upon, which could have a material impact on the value of assets and liabilities and other results of operations and the financial condition of the Bank. If actual impairment losses are higher or market conditions are less favourable than those projected by management, additional allowances may be required.

Financial instruments

On 1 January 2001, the Bank adopted IAS 39 "Financial Instruments: Recognition and Measurement." This did not result in any major changes to the financial results of the Bank. However, as no readily available market exists for a large portion of the financial instruments held by the Bank, the Bank's management is required to make judgments to determine the fair value of such instruments based on current economic conditions and specific risks attributable to the instruments.

As at 30 June 2006 and 31 December 2005, 2004 and 2003, certain securities available-for-sale were accounted for at fair value. Such securities were initially recorded at cost, which approximated the fair value of the consideration paid. The fair value of securities available-for-sale was determined by reference to an active market for those securities quoted publicly or in an over-the-counter market. For unquoted securities, the fair value was determined by reference to the market prices of securities with a similar credit risk and/or maturity, in other cases by reference to the share in the estimated equity capital of the investee. If such quotes did not exist, management estimates were used.

Macroeconomic Background

Kazakhstan's economy has in recent years been primarily driven by increasing exports of oil and gas, and other sectors have been growing at an accelerating pace as well. The non-oil economy in Kazakhstan has grown in real terms at a rate from between 7 and 9 per cent. per annum between 2002 and 2004 and grew by 11 per cent. in 2005 (Source: IMF). Those sectors most closely associated with oil have grown fastest, namely, construction and services related to oil extraction, transportation and investment projects, including real estate and related services and, on a lesser scale, financial services and trade.

The table below shows Kazakhstan's GDP, GDP growth and inflation for the years from 2001 to 2005.

	2005	2004	2003	2002	2001
Nominal GDP (KZT billions)	7,457	5,543	4,612	3,776	3,251
Nominal GDP (US$ billions)	56.1	40.7	30.8	24.6	22.2
Real GDP growth (%)	9.5	9.4	9.3	9.8	13.5
CPI (%, year-end)	7.5	6.7	6.8	6.6	6.4
CPI (%, year-average)	7.6	6.9	6.4	5.9	8.4

Source: NBK

Rapid economic growth has helped stimulate employment and raise living standards and according to the NSA unemployment fell from 13.5 per cent. in 1999 to 8.1 per cent. in 2005.

Results of Operations for the Six Months ended 30 June 2006 Compared to the Six Months ended 30 June 2005

Net profit attributable to equity holders of the parent

The following table presents the main components of the Bank's net profit attributable to equity holders of the parent for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June		
	2006	2005	Variation
	(KZT millions) (unaudited) (restated)		(%)
Interest income	60,480	38,168	58.5
Interest expense	(34,272)	(19,741)	73.6
Net interest income before provision for impairment losses on interest-bearing assets	26,208	18,427	42.2
Provision for impairment losses or interest-bearing assets	(7,416)	(6,183)	19.9
Net interest income	18,792	12,244	53.5
Net non-interest income	8,850	6,543	35.3
Operating income	27,642	18,787	47.1
Operating expenses	(7,817)	(6,146)	27.2
Recovery/(accrual) of insurance provisions and provisions for impairment losses or other transactions	11	(352)	n/m
(Provision)/recovery for guarantees and other off-balance sheet contingencies	(34)	(529)	(93.6)
Share of results of associates	164	100	64.0
Profit before income tax	19,966	11,860	68.4
Income tax expense	(2,758)	(1,413)	95.2
Net profit	17,208	10,447	64.7
Attributable to:			
Minority interest	734	776	(5.4)
Equity holders of the parent	16,474	9,671	70.3
Combined Key Ratios			
Return on average shareholders' equity(1)(2)	36.5%	n/a	
Return on average assets(2)(3)	3.0%	n/a	
Net interest margin(2)(3)(4)	5.0%	n/a	

(1) Calculated based on average opening and closing balances for the period.

(2) Annualised.

(3) Calculated based on average daily balances.

(4) Net interest margin means net interest income before provisions for impairment losses/average interest-earning assets.

Interest income

The following table sets out details of the Bank's interest income and its period-on-period growth for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June				
	2006	% of total	2005	% of total	Variation
	(KZT millions except for percentages) (unaudited)				(%)
Interest on loans to customers	53,420	88.3	34,867	91.4	53.2
Interest on loans and advances to banks	2,725	4.5	995	2.6	173.9
Interest on debt securities	3,811	6.3	2,026	5.3	88.1
Interest on reverse repurchase transactions	524	0.9	280	0.7	87.1
Total	60,480	100.0	38,168	100.0	58.5

During the first six months of 2006, total interest income increased primarily as a result of rapid growth in the Bank's interest-earning assets, while interest on average interest-earning assets recorded a marginal decrease. Average interest-earning assets increased 44.7 per cent. by KZT326.5 billion from KZT731.1 billion over the year ended 31 December 2005 to KZT1,057.6 billion over the six months ended 30 June 2006.

The following table sets out the average yield on the Bank's interest-earning assets in the six months ended 30 June 2006 and the year ended 31 December 2005:

	Six months ended 30 June 2006(1)(2)	Year ended 31 December 2005(2)
	(%) (unaudited)	
KZT loans to customers	13.20	13.37
to corporates	12.84	12.97
to individuals	17.40	17.67
Foreign currency loans to customers	13.00	13.26
to corporates	12.81	13.04
to individuals	13.87	14.31
Total gross loans to customers	13.05	13.29
KZT loans to banks	3.69	3.98
Foreign currency loans to banks	5.28	4.12
Total gross loans to banks	4.90	4.11
KZT denominated securities	5.23	4.11
Foreign currency denominated securities	5.49	7.43
Total securities	5.44	5.92
Total average yield on interest-earning assets	11.44(1)	11.73

(1) Annualised.

(2) Based on average daily balances.

Notwithstanding the fact that interest income from loans to customers continued to comprise the largest share of interest income, its share decreased as a percentage of total interest income for the six months ended 30 June 2006 to 88.3 per cent. compared to 91.4 per cent in the same period of 2005. This decrease resulted from the increases in interest income from debt securities, loans to banks and reverse repurchase transactions. The growth in interest on loans to customers, was caused by a 41.1 per cent. (or KZT238.5 billion) increase in the average gross volume of loans to customers, to KZT818.7 billion in the first six months of 2006 compared to KZT580.2 billion in the year ended 31 December 2005. Average interest rates on loans to customers marginally decreased from 13.29 per cent. to 13.05 per cent.

Interest income from loans and advances to banks increased to KZT2,725 million for the six months ended 30 June 2006 due to a KZT14.8 billion increase in the average gross volume of loans and advances to banks and, following increases in LIBOR, to an increase in average interest rates on loans and advances to banks by 0.8 percentage points from the year ended 31 December 2005. The average volume of loans to banks was KZT108.3 billion for the six months ended 30 June 2006 compared to KZT93.5 billion in the year ended 31 December 2005.

Interest income on debt securities increased from KZT2,026 million in the first six months of 2005 to KZT3,811 million in the first six months of 2006. This 88.1 per cent. increase reflected the 99.3 per cent. increase in the average volume of marketable securities held during the first six months of 2006 compared with the year ended 31 December 2005 as the Bank invested its funds raised at the end of that year in marketable securities pending their use in funding customer loans during the first half of 2006. This increase occurred notwithstanding a fall in the average rate of interest earned on these securities from 5.92 per cent. in 2005 to 5.44 per cent. in the first half of 2006, reflecting an increase in the Bank's holdings of lower-yielding foreign currency securities.

Interest expense

The following table sets out details of the Bank's interest expense and its period-on-period growth for the six months ended 30 June 2006 and 2005:

	Six months ended 30 June				
	2006	% of total	2005	% of total	Variation
	(KZT millions except for percentages)		(unaudited) (restated)		(%)
Interest expense on debt securities issued	17,258	50.4	10,760	54.5	60.4
Interest expense on customer accounts	6,267	18.3	4,444	22.5	41.0
Interest expense on loans and advances from banks	8,083	23.6	3,909	19.8	106.8
Interest expense on reverse repurchase transactions	675	1.9	61	0.3	1,006.6
Other interest expense	1,678	4.9	233	1.2	620.2
Dividends on Preference Shares	311	0.9	334	1.7	(6.9)
Total	34,272	100.0	19,741	100.0	73.6

Interest expense increased by 73.6 per cent. (or KZT14,531 million) to KZT34,272 million for the six months ended 30 June 2006 from KZT19,741 million for the same period in 2005, largely as a result of a 50.8 per cent. growth in average interest-bearing liabilities from KZT673.2 billion in 2005 to KZT1,015.4 billion in the first half of 2006.

The following table sets out the average cost of the Bank's interest-bearing liabilities in the six months ended 30 June 2006 and the year ended 31 December 2005:

	Six months ended 30 June 2006(1)(2)	Year ended 31 December 2005(2)
	(%) (unaudited)	
Securities issued	8.92	9.66
in KZT	7.38	7.31
in foreign currency	8.99	9.77
Customer deposits	4.41	4.46
KZT deposits	4.75	4.82
Time deposits (corporate)	6.80	7.08
Time deposits (retail)	8.78	8.89
Demand deposits (corporate)	0.24	0.42
Demand deposits (retail)	—	—
Foreign currency deposits	3.95	4.16
Time deposits (corporate)	4.64	5.06
Time deposits (retail)	6.15	5.72
Demand deposits (corporate)	0.13	0.30
Demand deposits (retail)	—	—
Correspondent accounts	0.20	0.31
KZT	0.32	0.37
Foreign currency	0.09	0.07
Short-term interbank loans	4.62	4.19
KZT	2.86	2.53
Foreign currency	4.78	4.53
Long-term loans from banks	6.20	6.03
KZT	5.69	5.97
Foreign currency	6.21	6.03
Other borrowed funds	6.90	6.22
KZT	2.25	3.01
Foreign currency	6.93	6.29
Average cost of interest-bearing liabilities	6.69	6.71

(1) Annualised.

(2) Based on average daily balances.

Interest expense on securities issued increased 60.4 per cent. in the first half of 2006 compared with the same period in 2005 reflecting the funds raised internationally by the Bank at the end of 2005 and in 2006, namely the US$500 million 8 per cent. notes issued in November, the S$100 million 4.25 per cent. notes issued in February and the €300 million 5.125 per cent. notes issued in March. As a result, the average volume of securities issued increased from KZT242 billion in 2005 to KZT387 billion for the first six months of 2006. The average cost of securities issued decreased from 9.66 per cent. for the year 2005, to 8.92 per cent. in the first half of 2006, reflecting the lower cost of borrowing in euros and Singapore dollars under the Bank's EMTN programme.

Interest expense on customer accounts increased by 41.0 per cent. to KZT6,267 million in the first half of 2006 compared to KZT4,444 million for the six months ended 30 June 2005. This increase was due to a 22.5 per cent. growth in the average volume of customer accounts from 31 December 2005 to 30 June 2006. The average volume of demand deposits was KZT98.2 billion for the six months ended 30 June 2006 in comparison to KZT74.1 billion in 2005. The average volume of term deposits was KZT186.3 billion for the six months ended 30 June 2006 in comparison to KZT158.2 billion in 2005. The average cost of customer deposits decreased overall because of the increased share of demand deposits.

Interest expense on loans and advances from banks increased by 106.8 per cent. to KZT8,083 million for the six months ended 30 June 2006, from KZT3,909 million for the six months ended 30 June 2005. This was due to a 57.4 per cent. increase (from the year ended 31 December 2005 to the six months ended 30 June 2006) in the average volume of borrowing from banks and financial institutions and increases in average interest rates on inter-bank borrowings. The increase in the average volume of borrowings reflected the US$400 million syndicated loan borrowed in August 2005 and the US$1,300 million syndicated loan borrowed in December 2005.

Interest expense on reverse repurchase transactions increased significantly in the six months ended 30 June 2006 as the Bank raised funds from its securities portfolio to respond to the NBK's increased reserve requirements.

Interest expense on other liabilities increased by 620.2 per cent. to KZT1,678 million for the six months ended 30 June 2006 from KZT233 million for the six months ended 30 June 2005, primarily due to interest expense on the US$300 million future flow securitisation in December 2005 and interest paid to multilateral lenders.

Net interest income

The following table sets out certain information relating to the Bank's net interest income in the six months ended 30 June 2006 and 2005:

	Six months ended 30 June		
	2006	**2005**	**Variation**
	(KZT millions) (unaudited) (restated)		**(%)**
Interest income	60,480	38,168	58.5
Interest expense	(34,272)	(19,741)	73.6
Net interest income before provisions for impairment losses	26,208	18,427	42.2
Net interest margin[(1)(2)]	5.0%	n/a	n/a
Net interest income before provisions for impairment losses/total operating income before provisions for impairment losses	74.8%	73.8%	

(1) Net interest margin means net interest income before provisions for impairment losses/average interest-earning assets.

(2) Annualised, based upon average daily balances.

Net interest income before provisions for impairment losses increased by 42.2 per cent. to KZT26,208 million for the six months ended 30 June 2006 from KZT18,427 million for the six months ended 30 June 2005. This resulted primarily from a 44.7 per cent. growth in average interest-earning assets from KZT731.1 billion in the year to 31 December 2005 to KZT1,057.6 billion in the six months to 30 June 2006. Interest expense grew at a faster rate than interest income over the period. Net interest income as a percentage of total operating income has remained relatively stable over these periods.

Provisions for impairment losses

The following table presents data on the Bank's provisions for impairment losses for the first six months of 2006 and 2005:

	Six months ended 30 June 2006	Six months ended 30 June 2005	Variation
	(KZT millions) (unaudited)		(%)
Provisions for impairment losses on loans to customers	8,374	6,020	39.1
Provisions for/(recoveries on) impairment losses on loans to banks	(958)	163	n/m
Total provisions on impairment loan losses	7,416	6,183	19.9
Provisions for impairment losses on loans to customers/average gross customer loans[1]	2.0%	n/a	
Provisions for impairment losses/operating income before provisions for impairment losses	21.2%	24.8%	

(1) Annualised, based upon average daily balances.

Provisions for impairment losses increased by 19.9 per cent. to KZT7,416 million in the six months ended 30 June 2006 from KZT6,183 million in the six months ended 30 June 2005. The growth in provisions for impairment losses on loans to customers of 39.1 per cent. was mainly attributable to an increase in the gross loan portfolio for the same period. Despite the growth of gross loans to customers, the effective rate of provisions on customer loans fell from 3.0 per cent. for the year ended 31 December 2005 to 2.0 per cent. for the six months ended 30 June 2006.

The recovery of provisions on impairment losses on loans to banks of KZT958 million in the six months ended 30 June 2006 was a result of a new provisioning policy for loans to OECD banks under which no provisions are made for such loans reflecting the higher credit quality of such borrowers whereas previously these loans had been subject to a 2.0 per cent. provision.

Net non-interest income

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

	For the six months ended 30 June		
	2006	2005	Variation
	(KZT millions) (unaudited) (restated)		(%)
Net gain/(loss) on assets held-for-trading	(1,296)	174	n/m
Net gain on foreign exchange operations	2,129	749	184.2
Fee and commission income	7,712	5,154	49.6
Fee and commission expense	(859)	(378)	127.2
Net fee and commission income	6,853	4,776	43.5
Dividends received	2	10	(80.0)
Other income	1,162	834	39.3
Total net non-interest income	8,850	6,543	35.3
Net fee and commission income/operating income before provision for impairment losses	19.5%	19.1%	
Net fee and commission income/average total assets[1]	1.2%	n/a	
Total net non-interest income/operating income before provision for impairment losses	25.2%	26.2%	

[1] Annualised, based on average daily balances.

Net non-interest income increased by 35.3 per cent. to KZT8,850 million for the six months ended 30 June 2006 from KZT6,543 million for the six months ended 30 June 2005. This increase was primarily due to the increase in net fees and commissions and net gains from foreign exchange operations, reflecting increases in insurance premiums received and increased volumes of business, respectively. Net fee and commission income constituted 77.4 per cent. of total net non-interest income for the six months ended 30 June 2006 compared to 73.0 per cent. for the six months ended 30 June 2005.

The Bank had a loss of KZT1,296 million from trading securities in the six months ended 30 June 2006 mainly due to an increase in interest rates, the effect of which was a decline in the value of the Bank's holdings of debt securities.

Net gain on foreign exchange operations includes translation differences as well as profits made on foreign currency transactions and in the six months ended 30 June 2006 was KZT2,129 million compared to KZT749 million in the same period in 2005, an increase of 184.2 per cent mainly due to increases in volumes of such transactions and gains from the higher volatility of the Tenge as it appreciated against the US dollar over the six months to 30 June 2006.

In the first six months of 2006 the Bank recognised other non-interest income of KZT1,162 million compared to KZT834 million in the same period in 2005, representing an increase of 39.3 per cent. The major component of other non-interest income was insurance premiums of JSC SK Kazkommerts-Policy, amounting to KZT779 million in the first six months of 2006 compared to KZT736 million in the first half of 2005.

The following table shows the composition of fee and commission income and expense in the periods indicated:

	For the six months ended 30 June		Variation
	2006	2005	2006/2005
	(KZT millions) (unaudited)		(%)
Fee and commission income:			
Cash operations	2,004	1,524	31.5
Settlements	1,071	1,200	(10.8)
Documentary operations	1,584	1,015	56.1
Foreign exchange and securities operations	1,068	553	93.1
Credit card operations	780	516	51.2
Encashment operations	70	63	11.1
Other	1,135	283	301.1
Total fee and commission income	7,712	5,154	49.6
Fee and commission expense:			
Bank card services	307	203	51.2
Insurance activity	177	0	—
Documentary operations	38	39	(2.6)
Foreign currency and securities operations	59	39	51.3
NBK clearing fees	42	40	5.0
Correspondent bank services	51	39	30.8
Other	185	18	927.8
Total fee and commission expense	859	378	127.2

Fee and commission income increased by 49.6 per cent. to KZT7,712 million for the six months ended 30 June 2006 from KZT5,154 million for the six months ended 30 June 2005 primarily as a result of a growing range of banking products sold to an expanding customer base. While most increases in fee and commission income resulted from growing volumes, the growth in other fee and commission income primarily resulted from the fact that the first half of 2006 reflected the consolidated results of the Bank's pension fund and asset management subsidiaries acquired in the second half of 2005 and, hence, the asset management fees and commissions charged by them.

Fee and commission expense increased by 127.2 per cent. to KZT859 million for the six months ended 30 June 2006 from KZT378 million for the six months ended 30 June 2005. In the six months ended 30 June 2006 35.7 per cent. of fee and commission expense were related to payment cards as a result of increases in volume of transactions and the number of cards issued. In the first half of 2005 and periods prior to that the Bank reported insurance claims within other operating expenses. However, it now reports insurance claims as insurance activity within fee and commission expense. For the six months ended 30 June 2005, insurance claims equalled KZT157 million. Other commission expense increased 927.8 per cent. from KZT18 million to KZT185 million in the same period in 2005, mainly due to fees paid for rating services in connection with the Bank's future flow securitisation in December 2005 and consolidation of the expenses of the Bank's asset management and pension fund subsidiaries.

Operating expenses

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

	For the six months ended 30 June				
	2006	% of total	2005	% of total	Variation 2006/2005
	(KZT millions except for percentages) (unaudited)				(%)
Staff costs	3,922	50.2	2,996	48.7	30.9
Depreciation and amortisation	847	10.8	735	12.0	15.2
Lease	431	5.5	227	3.7	89.9
Advertising expenses	379	4.8	226	3.7	67.7
Value added tax	310	4.0	192	3.1	61.5
Fixed assets maintenance	256	3.3	264	4.3	(3.0)
Communication	217	2.8	167	2.7	29.9
Insurance of individual deposits	178	2.3	141	2.3	26.2
Business trip expenses	126	1.6	109	1.8	15.6
Other expenses	1,151	14.7	1,089	17.7	5.7
Total operating expenses	7,817	100.0	6,146	100.0	27.2
Operating expenses/operating income before provisions for impairment losses	22.3%		24.6%		
Operating expenses/average total assets[(1)]	1.4%		n/a		

(1) Annualised, based on average daily balances.

Operating expenses increased by 27.2 per cent. to KZT7,817 million in the first six months of 2006 from KZT6,146 million in the first six months of 2005. However, notwithstanding this growth in operating expenses, the ratio of the Bank's operating expenses to operating income before provisions for impairment losses decreased from 24.6 per cent. to 22.3 per cent., and the ratio of operating expenses to average assets also decreased to 1.4 per cent. reflecting the effectiveness of the Bank's efficiency initiatives.

Staff costs accounted for 50.2 per cent. of operating expenses for the six months ended 30 June 2006 compared to 48.7 per cent. for the six months ended 30 June 2005. Staff costs increased by 30.9 per cent. to KZT3,922 million in the six months ended 30 June 2006 from KZT2,996 million in the six months ended 30 June 2005. This increase reflected an increase in employees' salaries and an increase in the number of employees as the Bank grew its retail business. The number of the Group's employees increased by 25.5 per cent. over the period from 3,818 as at 30 June 2005 to 4,791 as at 30 June 2006. The Bank believes that its salaries are broadly in line with market rates after increases in the second half of 2005.

Depreciation and amortisation costs increased by 15.2 per cent. to KZT847 million in the six months ended 30 June 2006 from KZT735 million in the six months ended 30 June 2005, due to the Bank's investment in its customer service network as well as the upgrading and opening of branches. As a result, average tangible and intangible assets in the first six months of 2006 were 23.6 per cent. higher than the average in 2005. As a percentage of total operating expenses, depreciation and amortisation costs decreased to 10.8 per cent. in the six months ended 30 June 2006 compared to 12.0 per cent. in the six months ended 30 June 2005.

Rental expenses increased by 89.9 per cent. to KZT431 million in the six months ended 30 June 2006 from KZT227 million in the six months ended 30 June 2005 primarily as a result of the Bank opening 13 new branches and entering into rental agreements on additional branch premises which have not been fully refurbished and opened yet. The Bank had 78 branches as at 30 June 2005 and 90 branches as at 30 June 2006.

Expenses relating to maintenance of tangible and intangible assets (including owned and rented real estate, furniture, office and other equipment, software, as well as property insurance) decreased by 3.3 per cent. to KZT256 million in the six months ended 30 June 2006 from KZT264 million in the six months ended 30 June 2005.

Advertising expenses increased by 67.7 per cent. to KZT379 million in the six months ended 30 June 2006 from KZT226 million in the six months ended 30 June 2005 due to an active advertising campaign promoting the Bank and its products and services.

VAT payments increased by 61.5 per cent. to KZT310 million in the six months ended 30 June 2006 from KZT192 million in the first half of 2005 in line with the increase in overall operating expenses and expenditures on fixed assets.

Taxation

The statutory corporate income tax rate in Kazakhstan is 30 per cent. Tax expense increased by 95.2 per cent. in the first half of 2006 to KZT2,758 million from KZT1,413 million in the first half of 2005, as the profit before income tax increased by 68.3 per cent. within the period under review. Under Kazakhstan legislation interest income from residential mortgages is exempt from income tax. This exemption was the primary reason for the low effective tax rate in the periods under review as the Bank's residential mortgage portfolio has grown substantially since January 2005. For the six months ended 30 June 2006 the Bank's effective tax rate was 13.8 per cent. compared to 11.9 per cent. for the six months ended 30 June 2005. This change was due to changes in the composition of the Bank's income and a proportionate decrease in tax exempt income and the removal of tax exemptions on investment loans and government securities which offset the benefits of tax exemptions on residential mortgages.

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

Net profit attributable to equity holders of the parent

The following table presents the main components of the Bank's net profit attributable to equity holders of the parent for the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December			Variation	
	2005	2004	2003	2005/2004	2004/2003
		(KZT millions) (restated)		(%)	
Interest income	85,791	56,163	35,712	52.8	57.3
Interest expense	(45,855)	(27,433)	(19,344)	67.2	41.8
Net interest income before provision for impairment losses on interest-bearing assets	39,936	28,730	16,368	39.0	75.5
Provisions for impairment losses on interest-bearing assets	(17,833)	(11,222)	(5,887)	58.9	90.6
Net interest income	22,103	17,508	10,481	26.3	67.1
Net non-interest income	15,183	12,067	9,795	25.8	23.2
Operating income	37,286	29,575	20,276	26.1	45.9
Operating expenses	(13,368)	(9,511)	(8,969)	40.6	6.0
Recovery/(accrual) of insurance provisions and provisions for impairment losses on other transactions	(880)	(615)	(634)	43.1	(3.0)
(Provisions)/recovery for guarantees and other off-balance sheet contingencies	(1,059)	(106)	364	899.1	(129.1)
Share of results of associates	174	12	(20)	1350.0	(160.0)
Profit before income tax	22,153	19,355	11,017	14.5	75.7
Income tax expense	(2,338)	(9,573)	(2,092)	(75.6)	357.6
Net profit	19,815	9,782	8,925	102.6	9.6
Attributable to:					
Minority interest	1,423	1,066	407	33.5	161.9
Equity holders of the parent	18,392	8,716	8,518	111.0	2.3

Combined key ratios			
Return on average shareholders' equity	27.2%[1]	18.1%[1]	20.0%[3]
Return on average assets	2.5%[2]	1.9%[2]	2.5%[2]
Net interest margin[4]	5.5%[2]	6.0%[2]	5.2%[2]

(1) Calculated based on average opening and closing balances for the period.

(2) Calculated based on average daily balances.

(3) Calculated based on closing balance for the period.

(4) Net interest margin is calculated as net interest income before provisions for impairment losses/average interest-earning assets.

Profit before income tax for the year ended 31 December 2005 increased by 14.5 per cent. compared to 2004 which in turn represented a 75.7 per cent. increase over 2003. The Bank experienced a significant one-off tax charge in 2004, resulting in growth in net income attributable to equity holders in that year of only 2.3 per cent.

Interest income

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

	Year ended 31 December						Variation	
	2005	% of total	2004	% of total	2003	% of total	2005/2004	2004/2003
	(KZT millions except for percentages) (restated)						(%)	
Interest on loans to customers	77,135	89.9	49,790	88.7	30,355	85.0	54.9	64.0
Interest on loans and advances to banks	3,923	4.6	1,029	1.8	1,527	4.3	281.2	(32.6)
Interest on debt securities	4,087	4.8	4,885	8.7	3,775	10.6	(16.3)	29.4
Interest on reverse repurchase transactions	646	0.7	459	0.8	55	0.1	40.7	734.5
Total	85,791	100.0	56,163	100.0	35,712	100.0	52.8	57.3

Total interest income increased primarily as a result of growth in the Bank's interest-earning assets, and a marginal increase of average yields on interest-earning assets. Average interest-earning assets increased by 53.9 per cent. in 2005 to KZT731.1 billion and 49.9 per cent. in 2004 to KZT475.2 billion from KZT317.1 billion in 2003. The primary component of interest income growth in 2005 was loans to customers.

The following table sets out the average annual yield on the Bank's interest-earning assets in 2005, 2004 and 2003:

	Year ended 31 December		
	2005	2004	2003
		(%) (Unaudited)	
KZT loans to customers	13.37	13.99	14.44
to corporates	12.97	13.62	14.26
to individuals	17.67	18.46	18.18
Foreign currency loans to customers	13.26	12.40	14.07
to corporates	13.04	12.07	13.89
to individuals	14.31	14.85	15.68
Total gross loans to customers	13.29	12.64	14.15
KZT loans to banks	3.98	2.83	4.13
Foreign currency loans to banks	4.12	4.25	3.08
Total gross loans to banks	4.11	3.83	3.14
KZT denominated trading securities	4.11	4.68	5.10
Foreign currency denominated securities	7.43	8.82	6.41
Total securities	5.92	6.23	5.79
Total average yield on interest-earning assets	11.73	11.57	11.07

As was the case in 2003 and 2004, interest income on loans to customers continued to make up the largest share of the Bank's total interest income in 2005, constituting 89.9 per cent. of interest income, compared to 88.7 per cent. in 2004 and 85.0 per cent. in 2003. There was a 54.9 per cent. increase in interest income on loans to customers in 2005, mainly due to the 50.9 per cent. growth in the Bank's average loan portfolio from KZT384.6 billion for 2004 to KZT580.2 billion for 2005 and an overall increase in average interest rates on loans to customers from 12.64 per cent. in 2004 to 13.29 per cent. in 2005, notwithstanding a fall in Tenge interest rates which was in line with market trends. Interest income on loans to customers increased by 64 per cent. in 2004 compared with 2003, as a result of an 82.9 per cent. growth in the Bank's average loan portfolio from

KZT210.3 billion in 2003 to KZT384.6 billion in 2004, notwithstanding the decrease in average interest rates on loans to customers from 14.15 per cent. in 2003 to 12.64 per cent. in 2004.

Interest income on loans and advances to banks increased by 281.2 per cent. to KZT3,923 million in 2005 from KZT1,029 million in 2004, compared to a fall of 32.6 per cent. in 2004 from KZT1,527 million in 2003. Interest income on loans and advances to banks constituted 4.6 per cent., 1.8 per cent. and 4.3 per cent. of the Bank's total interest income in 2005, 2004 and 2003, respectively. The increase in interest income on loans and advances to banks in 2005 was primarily attributable to a KZT68.3 billion increase in average loans and advances to banks to KZT93.5 billion in 2005 from KZT25.2 billion in 2004 as well as an increase in average interest rates to 4.1 per cent. in 2005 from 3.8 per cent. in 2004. The fall in interest income from banks in 2004 compared to 2003 was primarily attributable to a decrease in average loans and advances to banks from KZT47.6 billion in 2003 to KZT25.2 billion in 2004.

Interest income on debt securities decreased 16.3 per cent. to KZT4,087 million in 2005 from KZT4,885 million in 2004 which in turn represented a 29.4 per cent. increase from KZT3,775 million in 2003. The decrease in interest income on debt securities in 2005 was due to a decrease in the Bank's average marketable securities portfolio to KZT80 billion in 2005 from KZT85.8 billion in 2004 and a decline in the average yield on marketable securities to 5.9 per cent. in 2005 from 6.2 per cent. in 2004. The increase in interest income on debt securities in 2004 compared to 2003 was due to the increase in the Bank's average marketable securities portfolio from KZT66.2 billion in 2003 to KZT85.8 billion in 2004.

Interest expense

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

	Year ended 31 December						Variation	
	2005	% of total	2004	% of total	2003	% of total	2005/2004	2004/2003
	(KZT millions, except percentages) (restated)						(%)	
Interest expense on debt securities issued	23,420	51.1	15,890	57.9	8,842	45.7	47.4	79.7
Interest expense on customer accounts	10,366	22.6	6,970	25.4	7,773	40.2	48.7	(10.3)
Interest expense on loans and advances from banks	9,863	21.5	3,801	13.9	2,043	10.6	159.5	86.0
Interest expense on repurchase operations	136	0.3	275	1.0	82	0.4	(50.5)	235.4
Other interest expense	1,401	3.1	207	0.8	280	1.4	576.8	(26.1)
Dividends on Preference Shares	669	1.4	290	1.0	324	1.7	130.7	(10.5)
Total interest expense	45,855	100.0	27,433	100.0	19,344	100.0	67.2	41.8

Total interest expense increased by 67.2 per cent. to KZT45,855 million in the year ended 31 December 2005 from KZT27,433 million in 2004, which in turn represented an increase of 41.8 per cent. from KZT19,344 million in 2003. The growth in interest expense in 2005 and 2004 was largely attributable to growth in average interest-bearing liabilities from KZT294 billion in 2003, to KZT442 billion in 2004 and to KZT673 billion in 2005.

The following table sets out the average cost of the Bank's interest-bearing liabilities for the years ended 31 December 2005, 2004 and 2003:

	For the years ended 31 December		
	2005	2004	2003
		(%)	
Securities issued	9.66	9.86	9.97
KZT	7.31	7.00	—
Foreign currency	9.77	9.93	9.97
Customer deposits	4.46	4.11	5.16
KZT deposits	4.82	4.31	4.97
Time deposits (corporate)	7.08	6.89	9.39
Time deposits (retail)	8.89	9.63	12.04
Demand deposits (corporate)	0.42	0.56	0.72
Demand deposits (retail)	—	—	0.22
Foreign currency deposits	4.16	4.01	5.23
Time deposits (corporate)	5.06	3.31	4.85
Time deposits (retail)	5.72	6.24	7.12
Demand deposits (corporate)	0.30	0.67	0.68
Demand deposits (retail)	—	—	1.09
Correspondent accounts	0.31	0.78	1.78
KZT	0.37	0.44	1.41
Foreign currency	0.07	1.14	1.90
Short-term interbank loans	4.19	2.63	2.61
KZT	2.53	2.61	4.22
Foreign currency	4.53	2.64	2.52
Long-term loans from banks	6.03	3.67	3.99
KZT	5.97	—	9.71
Foreign currency	6.03	3.67	3.98
Other borrowed funds	6.22	6.73	7.11
KZT	3.01	1.41	0.93
Foreign currency	6.29	7.15	7.50
Average cost of interest-bearing liabilities	6.71	5.93	6.33

Interest expense on debt securities issued increased in 2005 by 47.4 per cent to KZT23,420 million from KZT15,890 million in 2004 which represented a 79.7 per cent. increase from KZT8,842 million in 2003. The increase in 2005 was partly due to the issuance of US$150 million 7 per cent. notes in February 2005 and US$500 million 8 per cent. notes in November 2005, while the increase in 2004 was due to the issuance of US$400 million 7.875 per cent. notes in April 2004 and US$350 million 7 per cent. notes in November 2004. As a result, the average volume of securities issued grew 59.5 per cent. to KZT242.4 billion in 2005 from KZT152 billion in 2004 which in turn represented a 76.5 per cent. increase from KZT86.1 billion in 2003. The average cost of securities issued has decreased over the period from 9.97 per cent. in 2003 to 9.66 per cent. in 2005, primarily as a result of the issuance of several tranches of Eurobonds in 2005 and 2004 with interest rates lower than the average cost of the securities issued, namely the US$150 million 7 per cent. notes in 2005 and US$300 million 7 per cent. notes and US$400 million 7.87 per cent. notes in 2004.

Interest expense on customer accounts increased by 48.7 per cent. in 2005 to KZT10,366 million from KZT6,970 million in 2004, a 10.3 per cent. decrease from KZT7,773 million in 2003. Interest expense on customer accounts increased in 2005 as a result of a 37.1 per cent. increase in average customer accounts and an increase in average funding costs. Interest expense on customer accounts decreased in 2004 as a result of a fall in interest rates on term deposits and demand deposits. The general trend of decreasing rates on customer deposits is a reflection of the Bank's optimising its cost of funding.

Interest expense on loans and advances from banks grew 159.5 per cent. to KZT9,863 million in 2005 from KZT3,801 million in 2004, an 86.0 per cent. increase from KZT2,043 million in 2003. This was due to an increase in the average volume of borrowings from banks and financial institutions and increasing interest rates on such borrowings.

Other interest expense grew to KZT1,401 million in 2005 from KZT207 million in 2004 a decline from KZT280 million in 2003. The 576.8 per cent. increase in 2005 was mainly attributable to the Bank's future flow securitisation in late 2005.

Dividends on Preference Shares increased to KZT669 million in 2005 from KZT290 million in 2004 due to an additional placement of 51.3 million Preference Shares in 2005.

Net interest income

The following table sets out details of the Bank's net interest income in the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December			Variation	
	2005	2004	2003	2005/2004	2004/2003
		(KZT millions) (restated)		(%)	
Interest income	85,791	56,163	35,712	52.8	57.3
Interest expense	(45,855)	(27,433)	(19,344)	67.2	41.8
Net interest income before provisions for impairment losses	39,936	28,730	16,368	39.0	75.5
Net interest margin[1]	5.5%	6.0%	5.2%		
Net interest income before provision for impairment losses/operating income before provisions for impairment losses	72.5%	70.4%	62.6%		

[1] Based upon average daily balances. Net interest margin is calculated as net interest income before provisions for impairment losses/average interest-earning assets.

Net interest income before provisions for impairment losses increased by 39.0 per cent. in 2005 and by 75.5 per cent. in 2004, in each case due to significant growth in interest income which was driven by an increase in average interest-earning assets. However, interest expense in 2005 grew faster than interest income resulting in a decrease in the Bank's net interest margin from 6.0 per cent. in 2004 to 5.5 per cent. in 2005. In contrast, the increase in net interest margin from 5.2 per cent. in 2003 to 6.0 per cent. in 2004 was primarily due to a decrease in the cost of interest-bearing liabilities from 6.3 per cent. to 5.9 per cent. and an increase in the yield on interest-earning assets from 11.1 per cent. to 11.6 per cent.

Provisions for impairment losses

The following table presents data on the Bank's provisions for impairment losses in the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December			Variation	
	2005	2004	2003	2005/2004	2004/2003
		(KZT millions)		(%)	
Provisions for impairment loss on loans to customers	17,121	11,103	5,694	54.2	95.0
Provisions for/(recoveries on) impairment losses on loans to banks	712	119	239	498.3	(50.2)
Provision for securities purchased under reverse repurchase agreements	—	—	(46)	n/m	n/m
Total provisions for impairment losses	17,833	11,222	5,887	58.9	90.6
Provisions for impairment losses on loans to customers/average gross customer loans[1]	3.0%	2.9%	2.7%		
Provisions for impairment losses/operating income before provisions for impairment losses	32.4%	27.5%	22.5%		

[1] Averages are based upon average daily balances.

The Bank's provisions for impairment losses on interest-earning assets increased by 58.9 per cent. to KZT17,833 million for the year ended 31 December 2005 from KZT11,222 million for the year ended 31 December 2004, which in turn represented a 90.6 per cent. increase from KZT5,887 billion for the year ended

31 December 2003. This increase was attributable to a 50.9 per cent. increase in the average gross loan portfolio to KZT580 billion as at 31 December 2005 from KZT385 billion as at the end of 2004 and a 82.9 per cent. increase in 2004 from KZT210 billion as at 31 December 2003. The effective rate of provisions on customer loans, however, rose over the period from 2.7 per cent. in 2003, to 2.9 per cent. in 2004 and 3.0 per cent. in 2005, reflecting the change in write off policy in late 2003 whereby loans which had previously been written off because they were past due by 180 days or more were restored to the balance sheet with their provisions until such point when recovery was decided to be unlikely. It should be noted that the Bank has a two per cent. minimum provisioning policy for all of its loans (save for loans to OECD banks) even when they are fully performing.

Provisions for impairment losses on loans and advances to banks increased to KZT712 million in 2005 from KZT119 million in 2004, a decrease from KZT239 million in 2003. The increase in 2005 was due to substantial increase in average loans and advances to banks to KZT93.5 billion in 2005 from KZT25.2 billion in 2004 which represented a 47.1 per cent. decline from KZT47.6 billion in 2003.

Net non-interest income

The following table sets out the principal components of the Bank's net non-interest income for the years ended 31 December 2005, 2004 and 2003:

	Year ended 31 December			Variation	
	2005	2004	2003	2005/2004	2004/2003
		(KZT millions) (restated)		(%)	(%)
Net gain/(loss) on assets held-for-trading	742	22	(317)	3,272.7	n/m
Net gain on foreign exchange operations	1,698	1,972	1,723	(13.9)	14.5
Fee and commission income	11,389	9,102	7,794	25.1	16.8
Fee and commission expense	(1,358)	(988)	(864)	37.4	14.4
Net fee and commission income	10,031	8,114	6,930	23.6	17.1
Net gain/(loss) from investments available-for-sale	12	49	(88)	(75.5)	n/m
Dividends received	10	15	382	(33.3)	(96.1)
Other income/(expense)	2,690	1,895	1,165	42.0	62.7
Total net non-interest income	15,183	12,067	9,795	25.8	23.2
Net fee and commission income/total operating income before provision for impairment losses	18.2%	19.9%	26.5%		
Net fee and commission income/average total assets[(1)]	1.3%	1.6%	2.0%		
Total net non-interest income/total operating income before provision for impairment losses	27.5%	29.6%	37.4%		

(1) Averages are based on average daily balances.

Net non-interest income increased by 25.8 per cent. to KZT15,183 million for the year ended 31 December 2005 from KZT12,067 million for the year ended 31 December 2004 which in turn represented a 23.2 per cent. increase from KZT9,795 million for the year ended 31 December 2003. This increase was primarily due to an increase in net fee and commission income which constituted 66.1 per cent. of net non-interest income in 2005, compared to 67.2 per cent. in 2004 and 70.8 per cent. in 2003.

The following tables show the composition of fee and commission income and expense in the periods indicated:

	Year ended 31 December 2005	2004	2003	Variation 2005/2004	2004/2003
	(KZT millions)			(%)	
Fee and commission income:					
Cash operations	3,446	2,786	2,094	23.7	33.0
Settlements	2,418	1,990	1,614	21.5	23.3
Documentary operations	2,233	1,600	1,615	39.6	(0.9)
Foreign exchange and securities operations	1,334	1,237	1,150	7.8	7.6
Credit card operations	1,227	893	627	37.4	42.4
Encashment operations	139	136	112	2.2	21.4
Other	592	460	582	28.7	(21.0)
Total fee and commission income	11,389	9,102	7,794	25.1	16.8
Fee and commission expense:					
Bank card services	468	357	304	31.1	17.4
Insurance activity	368	270	133	36.3	103.0
Documentary operations	117	93	216	25.8	(56.9)
Foreign currency and securities operations	105	82	62	28.0	32.3
NBRK clearing fees	82	63	40	30.2	57.5
Correspondent bank services	77	80	65	(3.8)	23.1
Other	141	43	44	227.9	(2.3)
Total fee and commission expense	1,358	988	864	37.4	14.4

Fee and commission income increased by 25.1 per cent. to KZT11,389 million in 2005 from KZT9,102 million in 2004, primarily as a result of an increase in the range and general volumes of banking products that the Bank provided to corporate and retail clients. This trend was also seen in 2004, when fee and commission income grew 16.8 per cent. from KZT7,794 million in 2003.

Fee and commission expense in 2005 increased by 37.4 per cent. to KZT1,358 million compared to 2004 and, by 14.4 per cent. in 2004 to KZT988 million from KZT864 million in 2003. The rise in fee and commission expense was mainly attributable to growth in the Bank's card operations and fees and commissions relating to the Group's insurance business.

Net gain on assets held-for-trading increased significantly to KZT742 million in 2005 from KZT22 million in 2004, primarily due to an increase in unrealised gains from the revaluation of Kazakhtelecom shares held by the Bank. There was a net loss on assets held-for-trading of KZT317 million in 2003 due to losses incurred on shares in the trading portfolio of LLP Moskommertsbank.

Net gain on foreign exchange operations constituted profits on foreign currency transactions for customers and currency translation differences and remained broadly static over the period.

The Bank received dividends of KZT382 million in 2003 primarily from the Bank's holding in ABN AMRO Bank Kazakhstan, which was sold in 2004.

Other income increased by 42.0 per cent. to KZT2,690 million in 2005 from KZT1,895 million in 2004, which in turn represented a 62.7 per cent. increase from KZT1,165 million in 2003. Insurance premiums received by JSC SK Kazkommerts-Policy comprised 89 per cent. of other income in 2005 as compared to 78.0 per cent. in 2004 and 90.0 per cent. in 2003. Insurance premiums increased by 61.9 per cent. to KZT2,394 million in 2005 from KZT1,479 million in 2004, a 41 per cent. increase from KZT1,049 million in 2003. The Bank believes that growth in insurance premiums over the period under review was a general reflection of the continuing development of the insurance market in Kazakhstan.

Operating expenses

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

	Year ended 31 December						Variation	
	2005		2004		2003		2005/2004	2004/2003
		% of total		% of total		% of total	(%)	
	(KZT millions, except percentages)							
Staff costs	6,517	48.8	3,782	39.8	4,201	46.9	72.3	(10.0)
Depreciation and amortisation	1,564	11.7	1,302	13.7	979	10.9	20.1	33.0
Lease	515	3.9	375	3.9	207	2.3	37.3	81.2
Advertising expenses	587	4.4	417	4.4	379	4.2	40.8	10.0
Value added tax	456	3.4	332	3.5	253	2.8	37.3	31.2
Fixed assets maintenance	666	5	543	5.7	443	4.9	22.7	22.6
Communication	367	2.7	334	3.5	262	2.9	9.9	27.5
Insurance of individual deposits	311	2.3	285	3.0	310	3.5	9.1	(8.1)
Business trip expenses	256	1.9	253	2.7	270	3.0	1.2	(6.3)
Other expenses	2,129	15.9	1,888	19.8	1,665	18.6	12.8	13.4
Total operating expenses	13,368	100.0	9,511	100.0	8,969	100.0	40.6	6.0
Operating expenses/net operating income before provisions for impairment losses	24.3%		23.3%		34.3%			
Operating expenses/average total assets[(1)]	1.7%		1.8%		2.6%			

(1) Averages are based on average daily balances.

Operating expenses increased by 40.6 per cent. to KZT13,368 million in 2005 from KZT9,511 million in 2004, which in turn represented a 6 per cent. increase from KZT8,969 billion in 2003. Operating expenses as a percentage of operating income before provisions for impairment losses remained stable in 2005 at 24.3 per cent. compared to 23.3 per cent. in 2004 and decreased substantially in 2004 compared to 34.3 per cent. in 2003 as growth in operating income of 45.9 per cent. in 2004 outpaced the 6 per cent. growth in expenses over the same period. As a percentage of average total assets, operating expenses decreased to 1.7 per cent. in 2005 from 1.8 per cent. in 2004 and 2.6 per cent. in 2003.

Staff costs continued to constitute the main operating expense, representing 48.8 per cent. of the Bank's operating expenses in 2005, 39.8 per cent. in 2004 and 46.9 per cent. in 2003. Staff costs in 2005 amounted to KZT6,517 million compared to KZT3,782 million in 2004 and KZT4,201 million in 2003. The 72.3 per cent. increase in 2005 was due to an increase in the number of employees and in average salaries which was driven by overall market trends. The decrease in staff costs in 2004 was due to salaries being denominated in dollars until the end of 2004 when a fixed exchange rate was implemented.

Depreciation and amortisation increased by 20.1 per cent. to KZT1,564 million in 2005 from KZT1,302 million in 2004 and by 33.0 per cent. in 2004 from KZT979 million in 2003, due to the Bank's investment in its branch network. As a result, net average fixed and intangible assets increased by 37.8 per cent. in 2005 and by 21.7 per cent. in 2004.

Expansion of its branch network and renovation of its customer service network led to a 37.3 per cent. increase in the Bank's lease expenses from KZT375 million in 2004 to KZT515 million in 2005 and an increase of 81.2 per cent. in 2004, from KZT207 million in 2003.

Advertising costs increased by 40.8 per cent. to KZT587 million in 2005 from KZT417 million in 2004 and by 10 per cent. in 2004 from KZT379 million in 2003 due to a more active advertising campaign promoting the Bank and its products and services.

Fixed asset maintenance costs including all expenses for maintenance and repair of owned and rented buildings, furniture, computers and other facilities, as well as costs for property insurance, increased by 22.7 per cent. to KZT666 million in 2005 from KZT543 million in 2004, an increase of 22.6 per cent. from KZT443 million in 2003.

In 2005, value added tax payments increased by 37.3 per cent. to KZT456 million from KZT332 million in 2004, an increase of 31.2 per cent. from KZT253 million in 2003. Other expenses in 2005 include fines and penalties in the amount of KZT212 million compared with negligible amounts in prior periods. Of the KZT212 million, KZT143 million were penalties paid in 2005 in respect of the audit in 2004 by the Kazakhstan tax authorities of the Bank's accounts relating to the years 1999 to 2002.

Taxation

The statutory corporate tax rate in Kazakhstan is 30 per cent. For the year ended 31 December 2005 the effective tax rate incurred by the Bank was 10.6 per cent. compared to an effective tax rate of 49.5 per cent. in 2004 which resulted mainly from an additional tax charge of KZT4,009 million claimed in 2004 following an audit of the years 1999 to 2002 made by the Kazakhstan tax authorities. The one-off charge resulted mainly from a disallowance of deductions for tax purposes of provisions for loan losses. However, even disregarding the additional charge in 2004, the Bank's effective tax rate was in any event high that year because changes in tax computation rules relating to provisioning in relation to 2004 and 2003 led to increased charges. The Bank's effective tax rate for the year ended 31 December 2003, was 19 per cent. Save for the additional charge in 2004, the Bank's effective tax rate is generally less than the statutory rate because not all of its income is taxable. For example, interest received on residential mortgages is not fully taxable, although tax legislation may change going forward.

Financial Condition as at 30 June 2006 and as at 31 December 2005, 2004 and 2003

Total Assets

The following table presents data regarding the Bank's assets as at the dates indicated:

	As at 30 June		As at 31 December					
	2006	% of total	2005	% of total	2004	% of total	2003	% of total
	(unaudited)		(KZT millions, except percentages)					
Assets:								
Cash and balances with national (central) banks	113,990	9.1%	37,229	3.1%	66,293	9.4%	28,485	6.6%
Assets held for trading	127,852	10.2%	140,294	11.8%	74,780	10.6%	71,201	16.4%
Loans and advances to banks, less allowance for impairment losses	44,606	3.6%	253,904	21.3%	41,834	5.9%	38,583	8.9%
Derivative financial instruments	2,984	0.2%	81	0.0%	20	0.0%	15	0.0%
Loans to customers, less allowance for impairment losses	919,098	73.3%	729,844	61.1%	494,931	70.3%	283,063	65.2%
Securities purchased under reverse repurchase agreements	21,261	1.7%	13,950	1.2%	8,402	1.2%	2,608	0.6%
Investments available-for-sale	2,098	0.2%	427	0.0%	489	0.1%	138	0.0%
Investments held-to-maturity	458	0.0%	562	0.0%	64	0.0%	32	0.0%
Fixed and intangible assets, less accumulated depreciation and amortisation	11,298	0.9%	8,662	0.7%	7,386	1.0%	6,304	1.4%
Other assets less allowance for impairment losses	10,185	0.8%	9,916	0.8%	9,858	1.4%	3,812	0.9%
Total assets	1,253,830	100.0	1,194,869	100.0	704,057	100.0	434,241	100.0

As at 30 June 2006, the Bank had total assets of KZT1,254 billion, an increase of 4.9 per cent. from 31 December 2005. As at 31 December 2005, the Bank had total assets of KZT1,195 billion, an increase of 69.7 per cent. compared to 31 December 2004 which in turn represented a 62.1 per cent. increase from 31 December 2003. The increases in total assets were mainly attributable to strong growth in retail and corporate lending and the rates of net loans to total assets increased to 73.3 per cent. as at 30 June 2006 from 65.2 per cent. as at 31 December 2003. Retail loans as a percentage of total loans have increased from 10.5 per cent. at the end of 2003 to 13.4 per cent. as at 30 June 2006.

The growth of the Bank's assets over the period under review was also attributable to the 507.4 per cent. increase in loans and advances to banks to KZT253.9 billion as at 31 December 2005 from KZT41.8 billion as at 31 December 2004 and KZT38.6 billion at the end of 2003. The increase in 2005 was due to a significant increase in Eurobond and syndicated loan funding in the second half of 2005 as the Bank invested funds raised through inter-bank loans pending their re-deployment in financing customer loans.

The Bank's securities portfolio decreased by 7.7 per cent. to KZT130.4 billion as at 30 June 2006 from KZT141.3 billion as at 31 December 2005 and increased by 87.6 per cent. from KZT75.3 billion as at 31 December 2004. Assets held-for-trading were the main component of the Bank's securities portfolio over the period under review and constituted 98 per cent. of the portfolio as at 30 June 2006.

The Bank's cash and balances with the NBK, the National Bank of Kyrgyzstan and with the Central Bank of Russia increased by 206.5 per cent. to KZT114 billion as at 30 June 2006 from KZT37.2 billion as at 31 December 2005 and KZT66.3 billion as at 31 December 2004, which in turn represented a 132.6 per cent. increase from KZT28.5 billion as at 31 December 2003.

Fixed and intangible assets of the Bank increased by 29.9 per cent. to KZT11.3 billion as at 30 June 2006 from KZT8.7 billion as at 31 December 2005 primarily a result of the expansion of the Bank's branch network. From 2003 to 2005 the Bank's fixed assets grew at a slower rate than total assets and as a result the ratio of fixed assets to total assets decreased from 1.5 per cent. as at 31 December 2003 to 0.7 per cent. in 2005.

The Bank's average daily assets increased by 47.5 per cent. to KZT1,154.1 billion in the six months ended 30 June 2006 from KZT782.6 billion for 2005, KZT514.8 billion for 2004 and KZT350.8 billion for 2003. This increase in the first half of 2006 was mainly due to a 41.8 per cent. increase in the Bank's net average daily loan portfolio to KZT775.9 billion. In addition, the Bank's average daily loans and advances to banks increased 15.9 per cent. and its average daily portfolio of marketable securities increased 99.3 per cent. for the same period. The Bank's average interest-earning assets increased by 44.7 per cent. in the six months ended 30 June 2006 compared to the year ended 31 December 2005.

Total liabilities

The following table presents data regarding the Bank's liabilities as at the dates indicated:

	As at 30 June		As at 31 December					
	2006	% of total	2005	% of total	2004	% of total	2003	% of total
	(unaudited)		(KZT millions, except percentages) (restated)					
Liabilities:								
Loans and advances from banks	289,175	25.2	320,095	28.9	170,331	26.4	76,222	19.7
Securities sold under repurchase agreements	62,681	5.5	59,143	5.3	28,445	4.4	37,251	9.6
Customer accounts	333,839	29.1	303,405	27.5	197,827	30.7	151,589	39.2
Issued debt securities	328,568	28.5	303,133	27.4	207,841	32.2	98,233	25.4
Other borrowed funds	62,613	5.5	50,604	4.6	4,464	0.7	3,525	0.9
Deferred tax liabilities	9,032	0.8	8,290	0.7	6,976	1.1	2,945	0.8
Other liabilities	13,490	1.2	9,715	0.9	5,951	0.9	5,460	1.4
Subtotal	1,099,398	95.8	1,054,385	95.3	621,835	96.4	375,225	97.0
Subordinated debt	47,733	4.2	52,213	4.7	22,926	3.6	11,657	3.0
Total liabilities	1,147,131	100.0	1,106,598	100.0	644,761	100.0	386,882	100.0

As at 30 June 2006, the Bank's total liabilities increased by 3.6 per cent. to KZT1,147 billion from KZT1,107 billion as at 31 December 2005, which in turn represented an increase of 71.7 per cent. compared to KZT644.8 billion as at 31 December 2004, a 66.7 per cent. increase from KZT386.9 billion as at 31 December 2003.

Customer accounts increased 10.0 per cent. to KZT333.8 billion as at 30 June 2006 from KZT303.4 billion as at 31 December 2005, KZT197.8 billion as at 31 December 2004 and KZT151.6 billion as at 31 December 2003. Corporate deposits constituted 61.4 per cent. of total customer deposits as at 30 June 2006 compared to 64.5 per cent. as at 31 December 2005.

Issued debt securities increased by 8.4 per cent. to KZT328.6 billion as at 30 June 2006 from KZT303.1 billion as at 31 December 2005, which in turn represented a 45.9 per cent. increase from KZT207.8 billion as at 31 December 2004, an increase of 111.6 per cent. from KZT98.2 billion at the end of 2003. For details, see "— *Funding and liquidity*". As at 30 June 2006, issued debt securities include Russian promissory notes in the amount of KZT27.1 billion and bonds in the amount of KZT4.4 billion issued by LLP Moskommertsbank.

Loans and advances received from banks decreased by 9.7 per cent. to KZT289.2 billion as at 30 June 2006 from KZT320.1 billion as at 31 December 2005, KZT170.3 billion as at 31 December 2004 and KZT76.2 billion as at 31 December 2003. For details, see *"— Funding and liquidity"*.

The volume of securities sold under repurchase agreements increased to KZT62.7 billion as at 30 June 2006 from KZT59.1 billion as at 31 December 2005 and KZT28.4 billion as at 31 December 2004, which in turn represented a 23.9 per cent decrease from KZT37.3 billion as at 31 December 2003.

Other borrowed funds increased to KZT62.6 billion as at 30 June 2006 compared to KZT50.6 billion as at 31 December 2005 and KZT4.5 billion as at 31 December 2004. The increase from 2004 to 2005 was primarily as a result of an issue in December 2005 of three tranches of floating rate notes totalling US$300 million as part of the Bank's future flow securitisation of its diversified payment rights.

The Bank's outstanding subordinated debt amounted to KZT47.7 billion as at 30 June 2006, a decrease of 8.6 per cent. from KZT52.2 billion as at 31 December 2005, which in turn represented a 127.9 per cent. increase as compared to KZT22.9 billion as at 31 December 2004, a 96.7 per cent. increase as compared to KZT11.7 billion at 31 December 2003. The decrease in the first half of 2006 was due to depreciation of the US dollar against the Tenge. The increase between 2004 and 2005 was due to the Bank's issuance in March 2005 of the fifth tranche of KZT5.5 billion subordinated coupon notes (with a 7.5 per cent. interest rate until the end of March 2007) and an issue of US$100 million 9.2 per cent. perpetual loan participation notes in November 2005.

Equity and capital ratios

The Bank's shareholders' equity increased by 22.3 per cent. to KZT99.4 billion as at 30 June 2006 compared to KZT81.3 billion as at 31 December 2005, which in turn represented a 51.1 per cent. increase from KZT53.8 billion as at 31 December 2004. The increase in the first six months of 2006 was due to a placement of Shares with existing shareholders and net income earned in the six months ended 30 June 2006.

As at 30 June 2006, the Bank's equity capital calculated in accordance with the Basel Accord was KZT148.1 billion (including Tier I capital of KZT101.3 billion), representing a 10.8 per cent. increase from KZT133.7 billion as at 31 December 2005, which in turn represented a 53.3 per cent. increase from KZT87.2 billion as at 31 December 2004.

As at 30 June 2006, the Bank's Tier I capital adequacy ratio and total capital adequacy ratio, each calculated in accordance with the Basel Accord, were 8.8 per cent. and 12.8 per cent., respectively, compared with 11.0 per cent. and 14.4 per cent., respectively, as at 31 December 2005 and 10.5 per cent. and 15.0 per cent., respectively as at 31 December 2004.

The following table sets out information on the Bank's capital and its consolidated capital adequacy ratios as at each of 30 June 2006 and 31 December 2005, 2004 and 2003, all calculated in accordance with the Basel Accord, as currently in effect:

	30 June	31 December		
	2006	2005	2004	2003
	(KZT millions)			
Common share capital	3,781	3,750	3,461	4,019
Share premium	22,883	22,307	11,752	9,453
Retained earnings	58,322	58,544	40,044	31,537
Minorities	7,307	6,976	5,468	4,705
Goodwill	(2,405)	(2,405)	0	0
Hybrid Tier I capital	11,775	13,286	0	0
Total Tier I capital (Basel)	101,663	102,458	60,725	49,714
Total Tier II capital (Basel)	46,451	31,262	26,486	10,929
Total capital (Basel)	148,114	133,720	87,211	60,643
Risk weighted assets	1,153,525	929,898	581,222	369,163
Ratios				
Tier I	8.8%	11.0%	10.5%	13.3%
Total Capital	12.8%	14.4%	15.0%	16.4%

The following table sets out information on the Bank's capital and its consolidated capital adequacy ratios as at each of 30 June 2006 and 31 December 2005, 2004 and 2003, all computed based upon the Bank's consolidated statutory financial statements in accordance with applicable regulations of the FMSA. The information has not, therefore, been prepared in accordance with IFRS.

	FMSA's minimum requirements	As at 30 June 2006	As at 31 December 2005	2004	2003
			(% unless otherwise noted)		
Share capital	Not less than KZT1.5 billion[(1)]	KZT27.9 billion	KZT5 billion	KZT4.2 billion	KZT4.0 billion
K1--Tier I capital to total assets	Not less than 5%	7.1	5.8	6.1	7.0
K2-own capital to total risk weighted assets	Not less than 10%	10.4	11.7	12.2	12.6
K4-current liquidity ratio	Greater than 30%	87	144.0	96.3	90.5
K5-current liquidity ratio	Greater than 30%	88	134.0	102.7	78.2
K6-investments to fixed assets and non-financial assets to equity as a percentage of own capital[(3)]	Not greater than 50%	11.2	8.8	10.6	13.1
Reserve requirements as a percentage of average customer account balances plus qualified international borrowings	Not less than 6%	8.7	7.5	78.9	21.5
Maximum aggregate net open foreign currency position[(2)] as a percentage of own capital[(3)]	30%	7.4 (short)	3.9 (short)	18.7 (short)	7.8 (short)
Maximum currency position in US dollars[(3)] as a percentage of own capital	15%	13.7 (short)	4.6 (short)	19.5 (short)	15.7 (short)
Maximum currency position in Russian roubles[(4)] as a percentage of own capital	5%	2.9 (long)	0.37 (long)	0.2 (long)	0.3 (long)
Maximum aggregate credit exposure to related parties (including on-balance and off-balance sheet exposures) as a percentage of own capital	100%	12.6	10.9	5.9	9.0
Funds placement into internal assets ratio	Not less than 100%	251	204.0	240.0	188.5
Maximum exposure as a percentage of own capital to any single borrower					
— related parties	10%	9.1	5.4	3.1	5.6
— other borrowers	25%	19.8	22.9	18.7	22.4
— on unsecured loans	10%	7.6	9.3	7.2	2.5

Notes:

(1) For newly established banks.

(2) Net currency position.

(3) Open currency position (short or long) in currencies of countries rated A or higher and the euro.

(4) Currency position in currencies of countries rated from B but lower than A.

For purposes of the above ratios:

- Under Kazakhstan law, "share capital" means capital which must be provided in order to establish a company or a bank. A bank's share capital may only be formed with cash contributions. The sources of contributions to share capital are subject to certain limitations and specific disclosure requirements.
- The FMSA's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and, starting from 1 January 2006, Tier III capital (not exceeding 250 per cent. of the portion of Tier I capital aimed to cover market risk) less equity investments. Tier I capital is the sum of share capital plus share premium plus retained earnings less intangible assets and, starting from 22 November 2005, qualified term less debt obligations or Tier I subordinated debt in an amount not exceeding 15 per cent. of Tier I capital. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk weighted assets) plus Tier II subordinated debt (but no more than 50 per cent. of Tier I capital) and, starting from 22 November 2005, Tier I subordinated debt not included into the calculation of Tier I capital. Starting from 1 January 2006, Tier III capital is the sum of Tier III subordinated debt plus Tier II

subordinated debt not included into the calculation of Tier II capital. Since November 2005, for a bank with a banking holding company (that is, an entity holding more than 25.0 per cent. of its voting share capital, alone or together with affiliated companies) among its shareholders, K1 must be not less than 5.0 per cent. and for other banks it must not be less than 6.0 per cent., as before, and K2 must be not less than 10.0 per cent. and for other banks it must be not less than 12.0 per cent., as before. In addition, starting from 1 January 2006, assets weighted by credit, market and operational risk (as opposed to only credit risk) have to be taken into account when calculating the K2 ratio.

- The current liquidity ratio is the ratio of monthly average highly liquid assets to monthly average demand liabilities. For this purpose, "highly liquid assets" include cash, refined precious metals, certain securities issued by the Government, the NBK or certain other Kazakhstan entities, call deposits with the NBK and with banks with an appropriate credit rating, overnight loans to such banks and securities issued by foreign governments with an appropriate credit rating. Demand liabilities include call deposits, interbank overnight deposits and other specified short-term or undated liabilities.
- The short-term liquidity ratio is calculated as the ratio of average monthly assets with a maturity of not more than three months, including highly liquid assets, to average monthly liabilities with a term of not more than three months, including demand liabilities. A bank may include within its assets for this purpose certain securities issued by the Government or the NBK that are not included in the calculation of highly liquid assets if liabilities secured by those securities are included in the calculation of liabilities for this purpose.
- For purposes of calculating the current or short-term liquidity ratio, capital regulations provide that certain assets should not be included in the computation, including claims on non-residents established in jurisdictions that have not assumed information exchange obligations, and if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios shall be deemed to be not satisfied, irrespective of the actual position.
- At no time during the five years preceding the date of this Prospectus has the Bank been in breach of applicable capital adequacy or liquidity ratios.
- With effect from July 2006, the requirement for deposit with the NBK of a minimum monthly average of six per cent. of average customer account balances plus qualified international borrowings has been changed to six per cent. of all domestic liabilities and eight per cent. of all non-domestic liabilities and notes and subordinated debt instruments (regardless of residence of the creditor).
- As from June 2006, the FMSA has introduced three new limits in relation to currency liquidity. The current currency liquidity limit (to be greater than 0.9) is calculated as foreign currency-denominated high liquidity assets averaged monthly divided by paid-on-demand liabilities in the same currency averaged monthly. The short-term currency liquidity limit is calculated similarly to the current currency liquidity limit by taking assets/liabilities with maturities less than three months; this ratio should be greater than 0.8. Similarly, the medium-term currency liquidity limit is calculated by taking assets/liabilities with maturities less than one year; this ratio should be greater than 0.6. Limits are calculated for each foreign currency where liabilities denominated in such currency exceed one per cent. of the monthly averaged liabilities of a bank.
- As from June 2006, the FMSA's limit on maximum aggregate credit exposure to related parties (including on-balance and off-balance sheet exposures) of 100 per cent. of own capital has been replaced with the requirement that the sum of exposures to one borrower where each exposure exceeds 10 per cent. of own capital should not exceed eight times the bank's own capital.

Funding and liquidity

As at 30 June 2006, 52.3 per cent. of the Bank's liabilities had a maturity of less than one year, while 49.1 per cent. of its assets had a maturity of less than one year. The Bank believes that loans with shorter or the same maturity as corresponding funding sources provide stability and flexibility to its funding. The Bank believes that its management of assets and liabilities have allowed the Bank to maintain prudent levels of liquidity from 2003 until now.

As at 30 June 2006, the Bank's funding base consisted of demand and time deposits 29.1 per cent., debt securities issues 28.6 per cent., loans and advances from banks including REPO transactions 30.7 per cent., subordinated debt 4.2 per cent. and other liabilities 7.4 per cent.

The Bank increased its deposit base as total customer accounts increased by 10 per cent. to KZT333,839 million as at 30 June 2006 from KZT303,405 million as at 31 December 2005 and KZT197,827 million as at 31 December 2004, which represented a 53.4 per cent. increase in 2005 and a 30.5 per cent. increase in 2004 from KZT151,589 million as at 31 December 2003. The Bank intends to further increase its domestic funding through increased time deposits, which the Bank regards as a stable source of short- and medium-term funding.

As at 30 June 2006, retail deposits (less interest accrued) comprised 38.6 per cent. of total customer deposits (less interest accrued). The Bank believes that expanding its geographical coverage and the range of services it offers, as well as increasing their quality, will enable it to attract more retail deposits. In accordance with its retail strategy, the Bank believes that by offering a wider range of services, as well as more sophisticated services (such as electronic banking, credit and debit cards, payroll services, utility payments, asset management and insurance products to individuals), it will be able to attract new customers and improve its ability to cross-sell products. See *"The Bank — Banking Services — Retail banking"*.

Over the course of the past several years the Bank and its finance subsidiaries have entered into a number of financing arrangements with commercial banks and international financial institutions, as well as in the domestic and international capital markets. Some of the most important of these are described below.

Since 1994, the Bank has participated in a number of special programmes, arranged and sponsored through the NBK and the Ministry of Finance of Kazakhstan, as well as international financial institutions, such as the EBRD, the International Bank for Reconstruction and Development, the Islamic Development Bank, Kreditanstalt Wiederaufbau and the Asian Development Bank.

In July 1997 the Bank raised US$50 million through an international offering of its Shares in the form of GDRs, which are traded on the London, Istanbul, Frankfurt and Berlin Stock Exchanges. In December 2001, the Bank raised US$21.2 million through a public offering of 55.6 million Preference Shares in Kazakhstan. In 2004 and 2005 the Bank placed 17.9 million and 51.3 Preference Shares raising KZT1,633 million and KZT4,427 million, respectively. In 2003, the Bank raised an additional US$30.6 million by placing Shares with the EBRD.

In September 2002, the Bank signed a US$50 million four-year term-loan agreement with the EBRD. The loan was effectively structured as two tranches: a US$30 million loan for four years provided by the EBRD and a US$20 million loan syndicated with commercial banks for four years with a prepayment option at the EBRD's election after two years. In addition to this facility, as of 31 December 2003, the EBRD had an aggregate of US$53.8 million in different loans outstanding to the Bank.

The Bank obtained its first syndicated loan in 1997. Since then, the Bank has been active in the syndicated loan market and has obtained and repaid a total of 14 international syndicated loan facilities. The Bank is currently looking to raise more funds on the syndicated loan market. In August 2005 the Bank obtained syndicated loan from Asian banks for the amount of US$400 million and in December 2005 the Bank obtained two tranches syndicated loan organised by Bank of Tokyo Mitsubishi for the amount of US$1.3 billion.

The Bank has been active in Eurobond financing market and as at 30 July 2006 had KZT293,888 million of Eurobond borrowings outstanding. In November 2005, the Bank established a US$1.5 billion euro medium-term note programme under which it has raised approximately US$950 million in several syndicated note issuances. The Bank intends to access the international debt capital markets with an issuance of bonds in the near future and may also increase its borrowings under syndicated loan facilities.

In December 2005 the Bank placed three series of bonds under its Future Flow Securitisation Programme in the amount of US$300 million, and in June 2006 placed two additional series of bonds each in the amount of US$100 million.

The following table sets out certain liquidity ratios for the Bank:

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
			(%)	
	(unaudited)			
Liquid assets/total assets	22.7	35.1	25.1	28.8
Liquid assets/total deposits	85.3	138.6	89.3	82.6
Liquid assets/liabilities up to one month	116.6	157.8	103.5	110.5
Loans to customers, net/total assets	73.3	61.1	70.3	65.2
Loans to customers, net/customer accounts	275.3	240.6	250.2	186.7
Loans to customers, net/total equity	861.4	826.8	834.7	597.7

The size of the Bank's trading portfolio decreased by 8.9 per cent. to KZT127.9 billion as at 30 June 2006 from KZT140.3 billion as at 31 December 2005 and KZT74.8 billion as at 31 December 2004, which in turn represented a 5.1 per cent. increase from KZT71.2 billion as at 31 December 2003.

Foreign Currency Position

The following table sets out the net open foreign currency position of the Bank as at the dates indicated:

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
	(unaudited)			
Net long/(short) position (millions of US dollars)	9.5	31.3	(179.7)	(87.3)
As a percentage of shareholders' equity (%)	0.8%	3.1%	(26.8)%	(20.8)%
As a percentage of total liabilities (%)	0.1%	0.4%	(3.6)%	(3.3)%

The FMSA regulates and closely monitors the net open foreign currency position of banks. According to the FMSA's requirements, a bank's aggregate net open foreign currency position may not exceed 30 (25 from 1 September 2006) per cent. of its capital and the open foreign currency position for any single currency of countries with sovereign rating no lower than "A" assigned by Standard & Poor's may not exceed 15 (12.5 from 1 September 2006) per cent. of its capital. The open short and long positions for any currency of a country with a sovereign rating lower than "A" by Standard & Poor's are limited to 5 per cent. of the Bank's capital.

Foreign currency assets include all foreign currency accounts belonging to a bank and the total value of its forward currency purchases. Foreign currency liabilities include all foreign currency accounts held with a bank and the total value of its forward foreign currency sales. At weekly meetings, the Bank's ALMC monitors the size of net open foreign currency positions.

Off-Balance Sheet Arrangements

In the normal course of its activity, the Bank enters into certain financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, which include guarantees, letters of credit, forward contracts and option contracts, involve varying degrees of credit risk and are not reflected in the balance sheet of the Bank. As at 30 June 2006, the Bank had issued outstanding guarantees totalling KZT50,622 million compared to KZT39,928 million as at 31 December 2005; had outstanding open letters of credit totalling KZT59,406 million compared to KZT59,951 million as at 31 December 2005; and had open forward contracts (i.e., foreign exchange, repurchase and swap transactions) totalling KZT129,503 million compared to KZT19,687 million as at 31 December 2005, KZT13,753 million as at 31 December 2004 and KZT17,193 million as at 31 December 2003. As at 31 December 2004, the Bank had issued outstanding guarantees totalling KZT22,972 million; had outstanding open letters of credit totalling KZT41,490 million, respectively compared to KZT22,769 million of outstanding guarantees and KZT23,409 million of outstanding open letters of credit as at 31 December 2003. The Bank's maximum exposure to credit losses for guarantees and letters of credit is reflected in the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total contractual amount does not necessarily represent future cash requirements. Provisions for losses on contingent liabilities are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Contractual Commitments

As at 30 June 2006, provisions for losses on contingent liabilities were KZT2,360 million, as compared to KZT2,589 million as at 31 December 2005, KZT1,530 million as at 31 December 2004 and KZT1,426 million as at 31 December 2003.

The following table sets forth the commitments and contingent liabilities of the Bank in Tenge, by contractual maturity, as at 30 June 2006:

	Up to one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
			(KZT millions)			
Guarantees	4,112	5,106	19,273	19,844	2,287	50,622
Letters of credit	14,777	5,985	34,382	4,262	—	59,406
Forward contracts	49,856	5,394	11,349	62,904	—	129,503
Total	68,745	16,485	65,004	87,010	2,287	239,531

The following table sets forth the commitments and contingent liabilities of the Bank in Tenge, by contractual maturity, as at 31 December 2005:

	Up to one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
			(KZT millions)			
Guarantees	3,337	4,188	13,951	7,806	10,646	39,928
Letters of credit	21,837	9,023	25,929	3,162	—	59,951
Forward contracts	12,760	15	6,845	67	—	19,687
Total	37,934	13,226	46,725	11,035	10,646	119,566

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for its on-balance sheet operations.

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

The following table sets out the Bank's average balance sheets based upon the average of the daily balances of the Bank and its consolidated subsidiaries and affiliates as at 30 June 2006 and as at 31 December 2005 and 2004:

	Six months ended 30 June 2006		Year ended 31 December					
			2005		2004		2003	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Assets:								
Loans to and deposits with other banks, net	107,515	4.94	93,017	4.13	24,762	3.90	47,320	3.16
Loans to and deposits with other banks	108,317	4.90	93,488	4.11	25,215	3.83	47,628	3.14
Tenge	26,005	3.69	7,343	3.98	7,581	2.83	2,822	4.13
Foreign currency	82,312	5.28	86,145	4.12	17,634	4.25	44,806	3.08
Allowance for impairment losses	(802)	—	(471)	—	(452)	—	(308)	—
Tenge	(72)	—	(146)	—	(55)	—	(6)	—
Foreign currency	(730)	—	(325)	—	(397)	—	(302)	—
Correspondent account with NBK	34,903	—	8,073	—	2,860	—	3,122	—
Tenge	31,678	—	5,611	—	2,851	—	3,059	—
Foreign currency	3,225	—	2,462	—	9	—	63	—
Marketable securities	159,392	5.44	79,989	5.92	85,783	6.23	66,169	5.79
Tenge	30,324	5.23	36,514	4.11	53,708	4.68	31,454	5.10
Foreign currency	129,068	5.49	43,475	7.43	32,075	8.82	34,715	6.41
Loans to customers, net	775,959	13.77	547,371	14.09	359,476	13.53	197,709	15.05
Performing loans	802,107	13.32	559,749	13.78	376,197	12.93	205,881	14.45
Tenge	223,093	13.54	157,763	13.94	56,519	14.63	43,343	14.91
Foreign currency	579,014	13.24	401,986	13.72	319,678	12.63	162,538	14.33
Non-performing loans	16,629	—	20,462	—	8,399	—	4,394	—
Tenge	5,692	—	6,743	—	2,555	—	1,419	—
Foreign currency	10,937	—	13,719	—	5,844	—	2,975	—
Allowance for impairment losses	(42,777)	—	(32,840)	—	(25,120)	—	(12,566)	—
Tenge	(11,663)	—	(10,830)	—	(6,019)	—	(3,689)	—
Foreign currency	(31,114)	—	(22,010)	—	(19,101)	—	(8,877)	—
Cash	15,291	—	12,904	—	9,676	—	8,204	—
Tenge	7,794	—	6,634	—	4,670	—	3,579	—
Foreign currency	7,497	—	6,270	—	5,006	—	4,625	—
Correspondent accounts with other banks	14,732	0.97	10,710	0.76	5,223	1.22	5,882	0.54
Tenge	1,429	0.00	1,048	0.00	257	0.00	196	0.00
Foreign currency	13,303	1.07	9,662	0.84	4,966	1.29	5,686	0.56
Fixed and intangible assets, net	11,435	—	9,252	—	6,712	—	5,513	—
Tenge	10,391	—	8,442	—	6,163	—	5,367	—
Foreign currency	1,044	—	810	—	549	—	146	—
Goodwill	2,405	—	254	—	—	—	—	—
Tenge	2,405	—	254	—	—	—	—	—
Foreign currency	—	—	—	—	—	—	—	—
Investments	581	—	328	—	2,664	—	3,221	—
Tenge	581	—	328	—	2,241	—	3,000	—
Foreign currency	—	—	—	—	423	—	221	—
Other assets	31,869	—	20,682	—	17,627	—	13,614	—
Tenge	11,818	—	9,371	—	6,412	—	4,230	—
Foreign currency	20,051	—	11,311	—	11,215	—	9,384	—
Total Assets	1,154,082	10.48	782,580	10.96	514,784	10.68	350,754	10.01
Tenge	339,475	9.65	229,075	10.38	136,883	8.03	94,774	8.63
Foreign currency	814,607	10.83	553,505	11.20	377,901	11.64	255,980	10.52

	Six months ended 30 June 2006		Year ended 31 December					
			2005		2004		2003	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Liabilities:								
Demand deposits	98,154	0.17	74,115	0.32	58,069	0.52	43,711	0.72
Tenge	63,809	0.20	44,897	0.36	32,447	0.49	23,566	0.67
Foreign currency	34,345	0.11	29,218	0.25	25,622	0.56	20,145	0.77
Time deposits	186,347	6.64	158,225	6.40	111,340	5.99	106,948	6.98
Tenge	98,892	7.68	62,161	8.03	28,502	8.66	18,234	10.54
Foreign currency	87,455	5.45	96,064	5.35	82,838	5.07	88,714	6.24
Correspondent accounts of other banks	6,793	0.20	3,200	0.31	1,486	0.78	1,656	1.78
Tenge	3,214	0.32	2,480	0.37	766	0.44	391	1.41
Foreign currency	3,579	0.09	720	0.07	720	1.14	1,265	1.90
Short-term interbank borrowings	24,988	4.62	22,289	4.19	19,948	2.63	9,021	2.61
Tenge	1,992	2.86	3,755	2.53	1,411	2.61	499	4.22
Foreign currency	22,996	4.78	18,534	4.53	18,537	2.64	8,522	2.52
Long-term interbank borrowings	261,258	6.20	160,664	6.03	96,511	3.67	42,792	3.99
Tenge	3,819	5.69	2,939	5.97	—	—	52	9.71
Foreign currency	257,439	6.21	157,725	6.03	96,511	3.67	42,740	3.98
Other borrowed funds	50,833	6.90	12,270	6.22	3,026	6.73	4,238	7.11
Tenge	201	2.25	243	3.01	223	1.41	254	0.93
Foreign currency	50,632	6.92	12,027	6.29	2,803	7.15	3,984	7.50
Debt securities issued	386,996	8.92	242,428	9.66	151,999	9.86	86,061	9.97
Tenge	16,319	7.38	10,409	7.31	3,505	7.0	—	0.00
Foreign currency	370,677	8.99	232,019	9.77	148,494	9.93	86,061	9.97
Other liabilities	41,545	—	32,759	—	19,226	—	17,794	—
Tenge	22,044	—	15,273	—	7,551	—	3,601	—
Foreign currency	19,501	—	17,486	—	11,675	—	14,193	—
Total liabilities	1,056,914	6.43	705,950	6.40	461,605	5.69	312,221	5.96
Tenge	210,290	4.39	142,157	4.36	74,405	3.92	46,597	4.53
Foreign currency	846,624	6.93	563,793	6.91	387,200	6.03	265,624	6.22
Minority interest	7,267	—	6,271	—	4,570	—	3,334	—
Tenge	902	—	—	—	—			
Foreign currency	6,365	—	6,271	—	4,570	—	3,334	—
Shareholders' equity	89,901	—	70,359	—	48,609	—	35,199	—
Tenge	89,901	—	70,359	—	48,609	—	35,199	—
Foreign currency	—	—	—	—	—	—	—	
Total liabilities and equity	1,154,082	5.89	782,580	5.77	514,784	5.10	350,754	5.31
Tenge	301,093	3.06	212,516	2.92	123,014	2.37	81,796	2.58
Foreign currency	852,989	6.88	570,064	6.84	391,770	5.96	268,958	6.14
Average Exchange Rate KZT/US$	127.16	—	132.87	—	136.07	—	149.54	—

The following table indicates average interest-earning assets, average assets, interest income, net interest income before provision for impairment losses, net profit, yield, margin, spread and return on average assets for the six months ended 30 June 2006 and for the years ended 31 December 2005, 2004 and 2003:

	Six months ended 30 June 2006	Year ended 31 December 2005	2004	2003
		(KZT millions, except for percentages)		
Average interest-earning assets[1]	1,057,598	731,089	475,245	317,080
Average assets[1]	1,154,082	782,580	514,784	350,754
Interest income	60,480	85,791	56,163	35,712
Net interest income before provision for impairment loss	26,208	39,936	28,730	16,368
Net profit	17,208	19,815	9,782	8,925
Yield (%)[2]	11.4[6]	11.7	11.8	11.3
Margin (%)[3]	5.0[6]	5.5	6.0	5.2
Spread (%)[4]	4.8[6]	5.0	5.6	4.7
Return on average assets (%)[5]	3.0[6]	2.5	1.9	2.5

(1) Based on average daily balances.

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

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

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

(5) Net profit as a percentage of average assets.

(6) Annualised.

Assets

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

	As at 30 June 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions) (unaudited) (restated)	(%)	(KZT millions)	(%)	(KZT millions) (restated)	(%)	(KZT millions)	(%)
Trading and investment portfolio								
Tenge	36,676	2.9	14,707	1.3	56,227	8.0	29,430	6.8
Foreign currency	94,357	7.5	127,001	10.6	19,324	2.7	42,087	9.7
Total	131,033	10.4	141,708	11.9	75,551	10.7	71,517	16.5
Cash and balances with national (central) banks								
Tenge	104,971	8.4	16,405	1.4	53,298	7.6	22,315	5.1
Foreign currency	9,019	0.7	20,824	1.7	12,995	1.8	6,470	1.5
Total	113,990	9.1	37,229	3.1	66,293	9.4	28,785	6.6
Loans and advances to banks								
Tenge	4,143	0.3	3,731	0.3	4,175	0.6	1,790	0.4
Foreign currency	40,749	3.3	251,418	21.0	38,192	5.5	37,207	8.6
Allowance for impairment losses	(286)	(0.0)	(1,245)	(0.1)	(533)	(0.1)	(414)	(0.1)
Total	44,606	3.6	253,904	21.2	41,834	6.0	38,583	8.9
Securities purchased under reverse repurchase agreements								
Tenge	13,334	1.1	4,628	0.4	3,446	0.5	587	0.1
Foreign currency	7,927	0.6	9,322	0.8	4,956	0.7	2,021	0.5
Total	21,261	1.7	13,950	1.2	8,402	1.2	2,608	0.6
Loans and advances to customers								
Tenge	258,139	20.6	234,046	19.6	120,822	17.2	63,548	14.6
Foreign currency	708,296	56.5	537,960	45.0	403,988	57.4	238,584	55.0
Allowance for impairment losses	(47,337)	(3.8)	(42,162)	(3.5)	(29,879)	(4.3)	(19,069)	(4.4)
Total	919,098	73.3	729,844	61.1	494,931	70.3	283,063	65.2
Goodwill	2,405	0.2	2,405	0.2	—	—	—	—
Other assets	21,437	1.7	15,829	1.3	17,046	2.4	9,685	7.2
Assets								
Total Tenge assets	420,335	33.5	271,121	22.7	240,569	34.2	119,560	27.5
Total foreign currency assets	833,495	66.5	923,748	77.3	463,488	65.8	314,681	72.5
Total assets	1,253,830	100.0	1,194,869	100.0	704,057	100.0	434,241	100.0

Liabilities

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

	As at 30 June 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions) (unaudited) (restated)	(%)	(KZT millions)	(%)	(KZT millions) (restated)	(%)	(KZT millions)	(%)
Loans and advances from banks								
Tenge	10,062	0.9	13,291	1.2	4,298	0.7	1,712	0.4
Foreign currency	279,113	24.3	306,804	27.7	166,033	25.8	74,510	19.3
Total	289,175	25.2	320,095	28.9	170,331	26.4	76,222	19.7
Securities sold under repurchase agreements								
Tenge	0	0.0	6,781	0.6	26,131	4.1	6,833	1.8
Foreign currency	62,681	5.5	52,362	4.7	2,314	0.4	30,418	7.9
Total	62,681	5.5	59,143	5.3	28,445	4.4	37,251	9.6
Customer accounts								
Tenge	226,981	19.8	135,747	12.3	113,169	17.6	49,566	12.8
Foreign currency	106,858	9.3	167,658	15.2	84,658	13.1	102,023	26.4
Total	333,839	29.1	303,405	27.4	197,827	30.7	151,589	39.2
Debt securities issued								
Tenge	3,146	0.3	4,084	0.4	4,079	0.6	0	0.0
Foreign currency	325,422	28.4	299,049	27.0	203,762	31.6	98,233	25.4
Total	328,568	28.6	303,133	27.4	207,841	32.2	98,233	25.4
Other borrowed funds								
Tenge	192	0.0	210	0.0	189	0.0	146	0.0
Foreign	62,421	5.4	50,394	4.6	4,275	0.7	3,379	0.9
Total	62,613	5.5	50,604	4.6	4,464	0.7	3,525	0.9
Subordinated debt								
Tenge	15,917	1.4	16,281	1.5	—	0.0	—	0.0
Foreign currency	31,816	2.8	35,932	3.2	22,926	3.6	11,657	3.0
Total	47,733	4.2	52,213	4.7	22,926	3.6	11,657	3.0
Other liabilities[1]	22,522	1.9	18,005	1.7	12,927	2.0	8,405	2.2
Total liabilities								
Tenge	274,336	23.9	190,522	17.2	158,346	24.6	64,270	16.6
Foreign currency	872,795	76.1	916,076	82.8	486,415	75.4	322,612	83.4
Total	1,147,131	100.0	1,106,598	100.0	644,761	100.0	386,882	100.0

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

Currency Exchange Rate Risk

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

	KZT	USD	EUR	RUR	Other currency	Total
			(KZT millions) (unaudited) (restated)			
Assets:						
Cash and balances with the national (central) banks	104,971	5,905	1,265	1,471	378	113,990
Assets held-for-trading	33,556	75,172	9,907	9,217	—	127,852
Loans and advances to banks, less allowance for impairment losses	4,129	28,492	7,733	3,176	1,076	44,606
Derivative financial instruments	1,846	391	618	—	129	2,984
Loans to customers, less allowance for impairment losses	240,572	659,240	8,719	10,446	121	919,098
Securities purchased under reverse repurchase agreements	13,334	—	—	7,927	—	21,261
Investments available-for-sale	2,077	21	—	—	—	2,098
Investments held-to-maturity	418	—	—	—	40	458
Goodwill	2,405					2,405
Investments in associates and other entities	625	—	—	—	—	625
Fixed and intangible assets, less accumulated depreciation	10,848	—	—	357	93	11,298
Other assets, less allowance for impairment losses	5,554	823	322	432	24	7,155
Total assets	420,335	770,044	28,564	33,026	1,861	1,253,830
Liabilities:						
Loans and advances from banks	10,062	263,219	13,301	2,160	433	289,175
Securities sold under repurchase agreements	—	49,494	9,802	3,385	—	62,681
Derivative financial instruments	3,707	829	80	2	—	4,618
Customer accounts	226,981	86,852	8,538	10,924	544	333,839
Debt securities issued	3,146	266,380	41,942	9,583	7,517	328,568
Other borrowed funds	192	62,276	145	—	—	62,613
Provisions	2,920	1,215	523	2	6	4,666
Dividends payable	312	—	—	—	—	312
Deferred tax liabilities	8,865	—	—	163	4	9,032
Other liabilities	2,234	1,325	108	180	47	3,894
Subordinated debt	15,917	31,816	—	—	—	47,733
Total liabilities	274,336	763,406	74,439	26,399	8,551	1,147,131
Open balance sheet position	145,999	6,638	(45,875)	6,627	(6,690)	
Accounts payable on forward contracts	(57,240)	(69,197)	(3,018)	—	(48)	(129,503)
Accounts receivable on forward contracts	8,953	57,301	49,098	1,481	11,119	127,952
Net derivative financial instruments position	(48,287)	(11,896)	46,080	1,481	11,071	
Total open position	97,712	(5,278)	205	8,108	4,381	

Liquidity and Interest Rate Risk

The Bank's senior management monitors asset and liability maturities to ensure that they are consistent with its strategy, that the Bank has sufficient liquidity and that the Bank is in compliance with limits established by the FMSA and its internal procedures. The Bank's ALMC also reviews the Bank's positions.

The following table summarises the Bank's assets and liabilities by maturity as at 30 June 2006 and contains certain information regarding interest rate sensitivity. The table assumes that the Bank is able to trade Kazakhstan and foreign government securities on the open market and therefore treats them as assets with a maturity of up to one month rather than long-term assets according to their maturity. As at 30 June 2006, the Bank's cumulative positive maturity gap for all periods was KZT30,679 million.

	Up to one month	One to three months	Three months to one year	One to five years	Over five years	Maturity undefined (including allowance for impairment losses)	30 June 2006 Total
				(KZT millions) (unaudited) (restated)			
Assets:							
Cash and balances with national (central) banks	50,000	—	—	—	—	—	50,000
Assets held-for-trading	27,855	28,395	70,153	—	—	—	126,403
Loans and advances to banks	21,258	9,026	12,817	115	1,182	—	44,398
Loans to customers	40,451	48,952	193,587	335,042	281,045	—	899,077
Securities purchased under reverse repurchase agreements	19,571	903	754	—	—	—	21,228
Investments available-for-sale	502	62	118	962	426	—	2,070
Investments held-to-maturity	100	17	23	22	290	—	452
Total interest-bearing assets	159,737	87,355	277,452	336,141	282,943	—	1,143,628
Cash and balances with national (central) banks	63,982	—	—	—	—	—	63,982
Derivative financial instruments	344	911	102	1,627	—	—	2,984
Investments in associates and other entities	—	—	—	—	—	625	625
Goodwill	—	—	—	—	—	2,405	2,405
Fixed and intangible assets	—	—	—	—	—	11,298	11,298
Accrued interest income on interest-bearing assets	6,452	8,710	4,197	2,336	58	—	21,753
Other assets	2,471	2,725	1,276	640	43	—	7,155
Total assets	232,986	99,701	283,027	340,744	283,044	14,328	1,253,830
Liabilities:							
Loans and advances from bank	28,398	69,316	118,581	71,101	631	—	288,027
Securities sold under repurchase agreements	45,201	17,369	—	—	—	—	62,570
Customer accounts	163,877	24,377	80,936	57,735	2,083	—	329,008
Debt securities issued	24	3,638	28,896	130,028	161,306	—	323,892
Other borrowed funds	—	—	96	4,725	57,577	—	62,398
Subordinated debt	—	—	45	29,261	17,748	—	47,054
Total interest-bearing liabilities	237,500	114,700	228,554	292,850	239,345	—	1,112,949
Derivative financial instruments	451	1,153	922	2,092	—	—	4,618
Reserves	492	264	876	666	62	2,306	4,666
Dividends payable	—	—	312	—	—	—	312
Deferred tax liability	—	—	—	9,032	—	—	9,032
Accrued interest expense on interest-bearing liabilities	2,138	2,333	6,094	1,068	27	—	11,660
Other liabilities	3,774	2	80	38	—	—	3,984
Total liabilities	244,355	118,452	236,838	305,746	239,434	2,306	1,147,131
Liquidity gap	(11,369)	(18,751)	46,189	34,998	43,610		
Interest sensitivity gap	(77,763)	(27,345)	48,898	43,291	43,598		
Cumulative interest sensitivity gap	(77,763)	(105,108)	(56,210)	(12,919)	30,679		
Cumulative interest sensitivity gap as a percentage of total assets	(6.2)%	(8.4)%	(4.5)%	(1.0)%	2.4%		

Although the relative maturities of the Bank's assets and liabilities give an indication of the Bank's sensitivity to interest rate movements, it is an imprecise measure as it does not take into account the frequency with which the Bank is able to reprice its assets or with which its liabilities reprice. However, a positive gap by maturities means that an increase in interest rates would, generally, have a positive effect on net interest income. The Bank believes that its sensitivity to interest rate changes is largely reduced due to its ability to reprice certain loans that mature within one year, as well as loans maturing after one year under certain circumstances. In addition, a significant percentage of its loan portfolio maturing after one year is funded by fixed-rate long-term funds. However, if the average maturity of the Bank's loan portfolio increases without a corresponding increase in the average maturity of its liabilities, the Bank will be exposed to increasing interest rate risk.

Securities Portfolio

The size of the Bank's securities portfolio decreased by 7.7 per cent. as at 30 June 2006 to KZT130.4 billion compared to KZT141.3 billion as at the end of 2005. The reduction was mainly in the Bank's trading portfolio (98 per cent. of the Bank's securities portfolio), which decreased by 8.9 per cent., or KZT12.4 billion. This decrease was primarily attributable to the net sale of foreign securities of KZT36.4 billion, net sale of medium-term and long-term notes of the Ministry of Finance of the Republic of Kazakhstan of KZT3.2 billion and Eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan of KZT0.3 billion, while NBK notes were purchased in the amount of KZT10.7 billion and Kazakhstan corporate bonds and municipal bonds in the amount of KZT14.2 billion were purchased. An additional KZT2.6 billion of Russian bonds was also purchased. The portfolio of Eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan decreased to KZT1.8 billion. The Bank continued to invest in securities of prime Kazakhstan companies and Kazakhstan municipal bonds, which portfolio as at 30 June 2006 was KZT28.6 billion. Securities of the Russian entities in the Bank's portfolio totaled KZT9.2 billion as at 30 June 2006.

The following table shows the composition of securities held by the Bank and its investments in associated entities as at the indicated dates:

	As at 30 June 2006	As at 31 December 2005	2004	2003
	(KZT millions) (unaudited)		(KZT millions)	
Assets held-for-trading	127,852	140,294	74,780	71,201
Investments available-for-sale	2,098	427	489	138
Investments held-to-maturity	458	562	64	32
Total	130,408	141,283	75,333	71,371
Investments in associates and other entities	625	425	218	146
Total securities and investments in associates and other entities	131,033	141,708	75,551	71,517

The average portfolio of marketable securities increased by 99.3 per cent. to KZT159.4 billion for the first six months of 2006 from KZT80.0 billion for 2005, whilst average interest rates decreased from 5.9 per cent. in 2005 to 5.4 per cent. in the first half of 2006.

Maturity Profile of Securities Portfolio

The maturity structure of the Bank's securities portfolio in the first half of 2006 indicates that over 50 per cent. of the portfolio had maturities of between three months and one year.

The following table sets forth certain information as to the maturity of the Bank's securities portfolio excluding accrued interest income on these securities as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Up to one month . .	28,457	22.0	43,065	30.8	5,056	6.8	31,092	44.0
From one to three months	28,474	22.1	22,062	15.8	19,036	25.5	12,004	17.0
From three months to one year	70,294	54.5	73,707	52.8	50,483	67.6	14,923	21.1
From one to five years	984	0.8	412	0.3	115	0.1	9,156	13.0
Over five years	716	0.6	377	0.3	0	0	3,422	4.9
Total	128,925	100.0	139,623	100.0	74,690	100.0	70,597	100.0

The following table shows the structure of the average marketable securities portfolio and average interest rates for the six months ended 30 June 2006 and the years ended 31 December 2005 and 2004:

	Six months ended 30 June 2006		Year ended 31 December			
			2005		2004	
	(KZT millions) (unaudited)	(Average interest rate, %)	(KZT millions)	(Average interest rate, %)	(KZT millions)	(Average interest rate, %)
NBK notes	7,612	2.6	18,384	3.9	39,972	4.5
Corporate bonds	42,688	8.2	22,845	9.3	17,530	10.9
Medium-term and long-term notes of the Ministry of Finance of the Republic of Kazakhstan	4,885	4.4	10,354	4.8	10,533	5.5
Eurobonds of foreign governments	94,337	4.4	23,623	4.7	4,157	6.8
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	2,065	5.0	2,215	4.4	5,263	3.5
Eurobonds of Kazkommerts International B.V.	6,721	6.7	1,579	7.1	4,970	7.9
Domestic municipal bonds	508	8.5	514	8.9	896	12.6
Short-term notes of the Ministry of Finance of the Republic of Kazakhstan and Kyrgyz Republic	574	1.9	475	3.2	2,462	4.2
Total	159,390	5.4	79,989	5.9	85,783	6.2

In the last quarter of 2005, the Bank raised from a syndicated borrowing and the measure of Eurobonds, the proceeds of which were initially invested in securities. Those securities were subsequently sold and the proceeds were reinvested in the Bank's loan portfolio by June 2006. However, the Bank continued to hold a significant balance of securities at the end of 2005 which explains the difference between the total of the average marketable securities portfolio between 30 June 2006 and 31 December 2005.

The Bank's Loan Portfolio

Loans, letters of credit and letters of guarantee

The Bank offers a variety of corporate banking products including loans, trade financing, letters of credit and letters of guarantee. The following table sets out the composition of the Bank's loans to customers and contingent liabilities exposure as at 30 June 2006 and 2005 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006	As at 31 December		
		2005	2004	2003
	(KZT millions) (unaudited)	(KZT millions)		
Loans				
Loans to customers	966,435	772,006	524,810	302,132
Allowance for impairment losses	(47,337)	(42,162)	(29,879)	(19,069)
Loans to customers, net	919,098	729,844	494,931	283,063
Contingent liabilities				
Letter of guarantee	50,622	39,928	22,972	22,769
Letter of credit	59,406	59,951	41,490	23,409
Provisions for contingent liabilities	(2,360)	(2,589)	(1,530)	(1,426)
Total contingent liabilities, net	107,668	97,290	62,932	44,752
Total loans to customers and contingent liabilities, net	1,026,766	827,134	557,863	327,815

During the first six months of 2006, the net loan portfolio grew by 25.9 per cent. to KZT919 billion. In 2005, the net loan portfolio grew by 47.5 per cent. to KZT730 billion and by 74.8 per cent. from KZT283 billion at the end of 2003 to KZT495 billion at the end of 2004. As at 30 June 2006, the total net loan portfolio (including letters of credit and letters of guarantee) grew by 24.1 per cent. to KZT1,027 billion from KZT827.1 billion as at 31 December 2005 and KZT558 billion as at 31 December 2004.

Loan portfolio by type

The Bank provides financing for various purposes, although the majority of loans are for working capital purposes and for terms of 12 months or less. As the demand for longer-term financing from existing customers increases, the Bank intends to increase its financing of capital expenditures, provided that the Bank can match its funding base with longer-term financing through an increase in borrowings and time deposits.

The following table shows a breakdown of the Bank's loan portfolio before allowance for impairment losses by type of loan as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Working capital finance	241,867	25.0	206,698	26.8	147,474	28.1	118,094	39.1
Construction repair	237,981	24.6	194,580	25.2	96,729	18.4	36,896	12.2
Fixed asset purchase	132,899	13.8	94,816	12.3	90,112	17.2	44,285	14.7
Real estate purchase	18,097	1.9	76,499	9.9	55,304	10.5	27,914	9.2
Equity investment in other enterprises	19,550	2.0	20,738	2.7	22,578	4.3	21,815	7.2
Trade finance	101,935	10.5	13,779	1.8	16,521	3.2	14,253	4.7
Other	214,106	22.2	164,896	21.3	96,092	18.3	38,875	12.9
Total	966,435	100.0	772,006	100.0	524,810	100.0	302,132	100.0

During the first six months of 2006, the Bank increased its lending to individuals and its lending to companies in the construction, transport and communications, mining and metallurgy and machinery construction sectors. Lending to construction, trade sectors and individuals comprise the largest shares in the Bank's loan portfolio, amounting to 65.2 per cent. of the total loan portfolio as at 30 June 2006. The Bank aims to focus on lending to sectors of the economy that have high growth and development prospects. Additionally, the Bank expects new opportunities for expansion in the provision of financing to medium-sized companies engaged as subcontractors or servicing companies for large international projects carried out in Kazakhstan.

The following table sets forth certain information as to the structure of the Bank's loan portfolio by economic sector as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December 2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Construction	312,671	32.3	210,431	27.3	90,495	17.2	34,567	11.4
Trade	188,836	19.5	147,657	19.1	97,326	18.5	55,661	18.4
Individuals	129,140	13.4	101,844	13.2	72,821	13.9	31,791	10.5
Transport and communication	38,579	4.0	41,040	5.3	31,125	5.9	14,765	4.9
Energy	33,596	3.5	33,922	4.4	37,007	7.0	47,506	15.7
Agriculture	31,411	3.3	33,137	4.3	34,279	6.5	34,469	11.4
Investment and finances	42,032	4.3	30,237	3.9	32,975	6.3	2,640	0.9
Food industry	35,382	3.7	30,145	3.9	29,802	5.7	24,187	8.0
Mining and metallurgy	25,122	2.6	25,681	3.3	14,042	2.7	10,261	3.4
Hotel business	20,917	2.2	17,394	2.3	14,517	2.8	14,128	4.7
Real estate	20,752	2.1	15,743	2.0	27,597	5.3	5,982	2.0
Machinery construction	13,700	1.4	13,488	1.7	9,206	1.8	4,940	1.6
Culture and art	607	0.1	747	0.1	1,632	0.3	2,336	0.8
Other	73,690	7.6	70,540	9.2	31,986	6.1	18,899	6.3
Total	966,435	100.0	772,006	100.0	524,810	100.0	302,132	100.0

Loan portfolio by currency

In line with the Bank's policy to limit its foreign currency risk and open foreign currency positions, foreign-currency loans comprise the major part of the Bank's loan portfolio. As at 30 June 2006, US dollar-denominated or indexed loans comprised 69.7 per cent. of the Bank's loan portfolio, compared to 68.0 per cent. as at 31 December 2005 and 75.3 per cent. as at 31 December 2004. Tenge loans grew by 10.3 per cent. in the same period, resulting in their comprising 26.7 per cent. of the Bank's portfolio. Such Tenge loans have a shorter-term maturity profile and usually contain provisions to allow the Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

The following table sets forth certain information as to the currency profile of the Bank's loan portfolio as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December 2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Tenge	258,139	26.7	234,046	30.3	120,822	23.0	63,548	21.1
US$	673,777	69.7	525,069	68.0	395,397	75.3	229,403	75.9
Euro	9,274	1.0	7,004	0.9	6,647	1.3	6,704	2.2
Other	25,245	2.6	5,887	0.8	1,944	0.4	2,477	0.8
Total	966,435	100.0	772,006	100.0	524,810	100.0	302,132	100.0

Maturity profile of loan portfolio

A significant portion of the Bank's loan portfolio comprises loans with a maturity of over one year. The Bank's potential exposure to interest rate and credit risk on such longer-term loans is offset, in part, by the terms of such loans which generally allow the Bank to require early payment of the loan and/or to revise interest rates, thereby reducing the interest rate and credit risk.

The following table sets forth certain information as to the maturity of the Bank's loan portfolio as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Up to one month	50,271	5.2	42,469	5.5	41,039	7.8	28,253	9.4
From one to three months	59,312	6.1	53,215	6.9	35,827	6.8	20,270	6.7
From three months to one year	216,517	22.4	177,692	23.0	125,181	23.9	89,398	29.6
From one to five years	351,223	36.4	296,349	38.4	192,832	36.7	124,276	41.1
Over five years	289,112	29.9	202,281	26.2	129,931	24.8	39,935	13.2
Total	966,435	100.0	772,006	100.0	524,810	100.0	302,132	100.0

Collateralisation of loan portfolio

In order to limit its lending risks, the Bank typically requires collateral from borrowers including domestic securities, commercial goods, real estate or cash deposits and personal guarantees. The Bank estimates the net realisable market value of such collateral and regularly monitors the quality of the collateral taken as security. In cases where the existing collateral declines in value, additional collateral may be required from the borrower.

The following table sets forth the Bank's requirements as to the loan amount as a percentage of collateral value based on the type of collateral:

	Loan/Value (ratio %)
Cash	100
Government securities	100
Guarantees from financial institutions	80
Real estate	80
Fixed assets	70
Commodities	70
Shares	60
Guarantees from non-financial institutions	50

Concentration of the loan portfolio

Whilst the Bank's total loan portfolio increased by 25.2 per cent. between 31 December 2005 and 30 June 2006, its composition underwent several changes. Loans to construction companies increased by 48.6 per cent., constituting a 32.4 per cent. share in the Bank's loan portfolio as at 30 June 2006 compared to 27.3 per cent. as at 31 December 2005 due to the development of large-scale construction projects in Astana, Almaty and Atyrau. Loans to trade companies increased by 27.9 per cent., with their percentage of the Bank's total loan portfolio increasing slightly to 19.5 per cent. compared to 19.1 per cent. as at the end of 2005. As at 30 June 2006, loans to individuals, including consumer and mortgage lending, increased by 26.8 per cent. in comparison to the end of 2005. These loans, as a percentage of the Bank's loan portfolio, remained relatively constant, increasing from 13.2 per cent. as at 31 December 2005 to 13.4 per cent. as at 30 June 2006. Loans to the transport and communications industries decreased by 6 per cent. in the same period and the percentage of these loans in the Bank's portfolio decreased to 4 per cent. as at 30 June 2006 from 5.3 per cent. at the end of 2005.

Loans to the oil and gas sector remained stable from 31 December 2005 to 30 June 2006 whilst their share in the total loan portfolio decreased to 3.5 per cent. compared to 4.4 per cent. in 2005. The oil and gas sector is represented by large Kazakhstan companies, as well as developing but still relatively small domestic oil producers with existing production facilities. The contribution of the oil and gas sector to the Bank's loan portfolio is declining as a result of the relatively easy access by such companies to less expensive funding in the international capital markets.

The total amount lent to companies in the agriculture sector decreased by 5.2 per cent. and as a percentage of the Bank's total loan portfolio (such loans decreased from 4.3 per cent. as at the end of 2005 to 3.3 per cent. as at 30 June 2006), the growth in the Bank's total loan portfolio significantly exceeded the growth in loans to agricultural companies. Loans to agricultural companies are primarily provided to large integrated companies, which are involved in all stages of grain production and processing.

Loans to the food industry fell from 3.9 per cent. of the Bank's total loan portfolio as at the end of 2005 to 3.7 per cent. as at 30 June 2006, while the total amount of loans to this sector grew by 17.4 per cent. Loans to companies in this sector are principally provided to large conglomerates with potential export capacity.

As at 30 June 2006 the Bank's 20 largest borrowers accounted for 27.8 per cent. of the total loan portfolio compared to 26.8 per cent. as at 31 December 2005. The Bank expects to reduce the concentration of its loan portfolio by attracting new medium- and small-sized borrowers.

The following table sets forth the amount of the Bank's collateralised and non-collateralised loans and each as a percentage of total loans as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Secured Loans	851,793	88.1	693,162	89.8	476,881	90.9	289,853	95.9
Loans collateralised by real estate	276,392	28.6	203,045	26.3	112,348	21.4	59,300	19.6
Loans collateralised by accounts receivable	140,662	14.6	126,953	16.4	119,097	22.7	32,617	10.8
Loans collateralised by combined collateral	126,871	13.1	104,917	13.6	75,461	14.4	92,860	30.7
Loans collateralised by guarantees of enterprises	86,756	9.0	102,095	13.2	32,205	6.1	40,758	13.5
Loans collateralised by equipment	79,258	8.2	74,697	9.7	42,345	8.1	10,960	3.6
Loans collateralised by shares of other companies	48,079	5.0	33,759	4.4	26,092	5.0	13,445	4.5
Loans collateralised by inventories	47,750	4.9	29,893	3.9	21,084	4.0	27,035	8.9
Loans collateralised by cash or Kazakhstan Government guarantees	28,478	2.9	14,606	1.9	25,943	4.9	8,537	2.8
Loans collateralised by guarantees of financial institutions	17,547	1.8	3,197	0.4	22,306	4.3	4,341	1.4
Unsecured loans	114,642	11.9	78,844	10.2	47,929	9.1	12,279	4.1
Total loans	966,435	100.0	772,006	100.0	524,810	100.0	302,132	100.0

Non-performing Loans

The Bank classifies as non-performing only that portion of principal, interest or fees on a loan which is overdue by more than 30 days for a corporate loan or retail loan, which is a classification methodology consistent with that used by other banks in Kazakhstan. According to this definition the Bank had a non-performing loan ratio of 1.4 per cent. as at 30 June 2006 compared to 1.3 per cent. as at 31 December 2005.

The following table sets forth information as to amounts past due by less than 30, between 30 and 60, between 60 and 90 and between 90 and 180 days and for longer as at the dates indicated:

	As at 30 June 2006				
Days past due	Portion overdue (KZT millions)	% of total loans	Portion not overdue (KZT millions)	Total (KZT millions)	% of total loans
Under 30	1,326	0.1	15,136	16,462	1.8
30 - 60	418	0.0	1,099	1,517	0.2
60 - 90	2,064	0.2	1,613	3,677	0.4
90 - 180	1,669	0.2	1,237	2,906	0.3
More than 180	9,870	1.0	1,412	11,282	1.2
Total	15,347	1.6	20,497	35,844	3.9

Days past due	As at 31 December 2005 Portion overdue	% of total loans	Portion not overdue	Total	% of total loans
	(KZT millions)		(KZT millions)	(KZT millions)	
Under 30	1,245	0.2	9,421	10,666	1.5
30 - 60	1,217	0.2	2,991	4,208	0.6
60 - 90	873	0.1	936	1,809	0.2
90 - 180	1,429	0.2	6,819	8,248	1.1
More than 180	6,431	0.8	4,302	10,733	1.5
Total	11,195	1.5	24,469	35,664	4.9

Allowances for Impairment Losses

The table below sets forth certain information relating to the Bank's allowances for impairment losses under the Bank's internal classification policy as at 30 June 2006 and 31 December 2005, 2004 and 2003:

	30 June 2006			2005			2004			2003		
	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure
	(KZT millions)		% (unaudited)	(KZT millions)		%	(KZT millions)		%	(KZT millions)		%
Standard	529,936	14,367	2.7	408,259	10,495	2.6	275,753	5,515	2.0	142,094	2,866	2.0
Watch	367,110	20,444	5.6	297,498	17,631	5.9	189,927	9,496	5.0	105,676	5,286	5.0
Sub-standard	41,489	2,939	7.1	41,126	3,352	8.2	36,597	3,056	8.4	27,364	1,764	6.4
Doubtful	9,801	1,854	18.9	6,627	1,934	29.2	3,276	1,035	31.6	10,805	2,627	24.3
Loss	18,099	7,733	42.7	18,496	8,750	47.3	19,257	10,777	56.0	16,193	6,526	40.3
Total	966,435	47,337	4.9	772,006	42,162	5.5	524,810	29,879	5.7	302,132	19,069	6.3

The Bank has policy of 2% minimum provisioning rate for all loan categories. The effective level of provisions fell from 5.7 per cent. as at the end of 2004 to 5.5 per cent. in 2005 and 4.9 per cent. as at 30 June 2006 as a result of the general improvement in the quality of the Bank's portfolio. "Standard" and "Watch" loans increased by 27.1 per cent. and amounted to KZT897 billion as at 30 June 2006, as compared with KZT705.8 billion as at 31 December 2005 and KZT465.7 billion as at 31 December 2004. "Standard" and "Watch" loans increased from 88.7 per cent. in 2004 to 91.4 per cent. in 2005 to 92.8 per cent. as at 30 June 2006. "Sub-standard" loans increased by 0.9 per cent from 31 December 2005 to 30 June 2006 while their share of the total portfolio fell to 4.3 per cent. as at 30 June 2006, as compared to 5.3 per cent. as at 31 December 2005 and 7.0 per cent. as at the end of 2004. "Doubtful" and "Loss" loans increased by KZT2.8 billion (by 11.1 per cent.) while their share of the total portfolio fell to 2.9 per cent. as at 30 June 2006, compared to 3.3 per cent. as at the end of 2005 and 4.3 per cent. at the end of 2004.

In the first six months of 2006, the Bank wrote off loans in the aggregate amount of KZT0.1 billion, as compared to KZT5.4 billion in 2005, and KZT0.7 billion in 2004. For a description of the Bank's write-off policy, see "*Risk Management Policies*."

The following table provides information regarding the Bank's allowance for impairment losses as at and for the six months ended 30 June 2006 and as at and for the years ended 31 December 2005, 2004 and 2003:

	30 June 2006	31 December 2005	2004	2003
	(unaudited)	(KZT millions)		
Allowance for impairment losses at the beginning of period	42,162	29,879	19,069	14,016
Provision	8,374	17,121	11,103	5,694
Write-off of assets	(133)	(5,359)	(733)	(2,233)
Recoveries of assets previously written off	0	531	469	1,587
Exchange rate difference	(3,066)	(10)	(29)	5
Allowance for impairment losses at the end of the period	47,337	42,162	29,879	19,069

The following table shows the allocation of the allowance for impairment losses between legal entities and individuals, both in nominal terms and as a percentage of the Bank's gross customer loan portfolio as at the dates indicated:

	As at 30 June		As at 31 December					
	2006		2005		2004		2003	
	(unaudited)		(KZT millions except for percentages)					
Legal entities	40,181	4.2%	36,845	4.8%	27,444	5.2%	17,988	6.0%
Individuals	7,156	0.7%	5,317	0.7%	2,435	0.5%	1,081	0.3%
Total	47,337	4.9%	42,162	5.5%	29,879	5.7%	19,069	6.3%

Contingent Liabilities and Credit Commitments

The following table sets forth information relating to the size of the Bank's contingent liabilities and credit commitments:

	30 June 2006		31 December 2005		31 December 2004		31 December 2003	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	(KZT millions)							
Guarantees issued and similar commitments	50,622	50,622	39,928	39,928	22,972	22,972	22,769	22,769
Letters of credit and other transaction related to documentary operations	59,406	11,594	59,951	11,680	41,490	6,942	23,409	4,682
Commitments on loans and unused credit lines	9,417	9,417	2,670	2,670	2,081	2,081	1,229	1,229
Total contingent liabilities and credit commitments	119,445	71,633	102,549	54,278	66,543	31,995	47,407	28,680

Loans and advances to banks

As at 30 June 2006, loans and advances to banks, less allowance for impairment losses, decreased by 82.4 per cent. to KZT44.6 billion, as compared to KZT253.9 billion as at 31 December 2005. At the same time, loans and advances to banks as a percentage of total assets decreased from 21.2 per cent. as at the end of 2005 to 3.6 per cent. as at 30 June 2006. The majority of loans and advances to banks (63.9 per cent.) were represented by US dollar accounts as at 30 June 2006. The Bank adheres to a conservative approach in its deposit funding activities. Funds are usually placed for a short term with a maximum limit on the amount deposited, unless such loans are backed by state securities or cash deposits. In particular, the majority (67.9 per cent.) of loans and advances to banks had maturities of less than three months.

During the first six months of 2006, allowance for impairment losses on loans and advances to banks decreased substantially to KZT285.7 million, as compared to KZT1,244.8 million in 2005. This decrease was mainly due to the reduction in loans and advances to banks.

Cash and balances with the NBK, the National Bank of Kyrgyz Republic and the Central Bank of Russia increased substantially from KZT37.2 billion as at 31 December 2005 to KZT114 billion as at 30 June 2006 as a result of placement in the NBK's term deposit in the amount of KZT50 billion and the increase of a correspondent account balance with the NBK by KZT29 billion.

The following table shows a breakdown by currency of correspondent account balances and loans as at 30 June 2006 and 31 December 2005, 2004 and 2003:

	As at 30 June 2006	As at 31 December 2005	2004	2003
	(KZT millions) (unaudited)	(KZT millions)		
Correspondent accounts	10,906	18,478	13,021	3,478
Tenge	327	199	189	8
Foreign currency	10,579	18,279	12,832	3,470
Loans and advances to banks	33,986	236,671	29,346	35,520
Tenge	3,816	3,532	3,986	1,782
Foreign currency	30,170	233,139	25,360	33,738
Allowances for impairment losses	(286)	(1,245)	(533)	(415)
Loans and advances to banks, net	44,606	253,904	41,834	38,583

Funding

The following table sets out the Bank's sources of funds as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December 2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Customer deposits	333,839	29.1	303,405	27.4	197,827	30.7	151,589	39.2
Issued debt securities	328,568	28.6	303,133	27.4	207,841	32.2	98,233	25.4
Loans and advances from banks	289,175	25.2	320,095	28.9	170,331	26.4	76,222	19.7
Subordinated debt	47,733	4.2	52,213	4.7	22,926	3.6	11,657	3.0
Repo agreements	62,681	5.5	59,143	5.3	28,445	4.4	37,251	9.6
Other funds borrowed	62,613	5.5	50,604	4.6	4,464	0.7	3,525	0.9
Dividends payable	312	0.0	1	0.0	1	0.0	1	0.0
Other liabilities	22,210	1.9	18,004	1.7	12,926	2.0	8,404	2.2
Total liabilities	1,147,131	100.0	1,106,598	100.0	644,761	100.0	386,882	100.0

The following table sets forth a breakdown of time and demand deposits by currency as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December 2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Tenge:								
Demand deposits	71,578	21.4	58,031	19.1	59,235	29.9	26,978	17.8
Retail	10,772	3.2	5,475	1.8	6,603	3.3	3,324	2.2
Corporate	60,806	18.2	52,556	17.3	52,632	26.6	23,654	15.6
Time deposits	152,499	45.7	75,813	25.0	53,135	26.9	22,234	14.7
Retail	54,957	16.5	37,138	12.2	33,262	16.8	13,118	8.7
Corporate	97,542	29.2	38,675	12.7	19,873	10.0	9,116	6.0
	224,077	67.1	133,844	44.1	112,370	56.8	49,212	32.5
Foreign currency:								
Demand deposits	39,448	11.8	56,159	18.5	25,755	13.0	20,376	13.4
Retail	18,439	5.5	15,984	5.3	4,228	2.1	3,877	2.6
Corporate	21,009	6.3	40,175	13.2	21,527	10.9	16,499	10.9
Time deposits	65,483	19.6	108,806	35.9	57,712	29.2	78,803	52.0
Retail	44,572	13.4	49,190	16.2	39,076	19.8	56,840	37.5
Corporate	20,911	6.3	59,616	19.6	18,636	9.4	21,963	14.5
	104,931	31.4	164,965	54.4	83,467	42.2	99,179	65.4
Total customer accounts	329,008	98.6	298,809	98.5	195,837	99.0	148,391	97.9
Accrued interest	4,831	1.4	4,596	1.5	1,990	1.0	3,198	2.1
Total with accrued interest	333,839	100.0	303,405	100.0	197,827	100.0	151,589	100.0

As at 30 June 2006 the deposits (including interest accrued) of the 20 largest depositors accounted for 24.1 per cent. of total deposits, compared to 25.5 per cent. at the end of 2005 and 30.7 per cent. at the end of 2004.

The following table sets forth the structure of the Bank's wholesale funding as at 30 June 2006 and as at 31 December 2005, 2004 and 2003:

	As at 30 June 2006		As at 31 December 2005		2004		2003	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Loans and advances from banks:								
Correspondent accounts	14,427	4.1	29,121	7.9	6,582	3.8	6,088	7.6
Loans from banks	56,170	15.9	45,387	12.2	40,137	23.0	12,488	15.7
Deposits of banks	6,601	1.9	8,448	2.3	10,877	6.2	2	—
Loans from international financial institutions	10,841	3.1	10,610	2.9	13,607	7.8	14,370	18.0
Syndicated loan	201,136	57.2	226,529	61.1	99,128	56.7	43,274	54.3
Total loans and advances from banks	289,175	82.2	320,095	86.4	170,331	97.5	76,222	95.6
Other borrowed funds:								
Due to Ministry of Finance	339	0.1	423	0.1	578	0.3	913	1.1
Due to the Fund of Small Business Support	—	—	22	—	1,208	0.7	2,612	3.3
Due to other organisations	62,274	17.7	50,159	13.5	2,678	1.5	—	—
Total other borrowed funds	62,613	17.8	50,604	13.6	4,464	2.5	3,525	4.4
Total borrowed funds	351,788	100.0	370,699	100.0	174,795	100.0	79,747	100.0

The Bank's debt securities increased to 28.6 per cent. of the Bank's liabilities as at 30 June 2006 from 27.4 per cent. as at 31 December 2005 and 32.2 per cent. as at 31 December 2004, despite the issue by the Bank in 2005 of its US$500 million Notes due 2015. Long-term liabilities increased to 47.5 per cent. of the Bank's liabilities as at 30 June 2006 from 48.3 per cent. as at 31 December 2005 and 42.6 per cent. as at 31 December 2004.

The Bank also adopts a policy of extending the maturities of its assets in accordance with the maturities of its funds raised in the debt capital markets so as to reduce risks related to interest rate changes. Long-term assets (i.e. assets over one year) increased by 28.2 per cent. during the first six months of 2006 and accounted for 49.8 per cent. of assets, as compared to 40.7 per cent. of assets as at 31 December 2005 and 43.6 per cent. as at 31 December 2004. As at 30 June 2006 the asset and liability interest gap was positive in respect of assets and liabilities with maturities of over five years, at 2.4 per cent. of assets. The positive gap means that an interest rate increase would have a positive effect on net interest income. Where practicable, the Bank also links loans to their underlying funding sources through participation in special programmes sponsored by the NBK, the Ministry of Finance of Kazakhstan and international financial institutions. The Bank also endeavours to increase and extend the maturities of its retail time deposits.

DIRECTORS AND SENIOR MANAGEMENT

Management

According to its Charter, the Bank must have a Board of Directors, the management body of the Bank, as well as a Management Board, the executive body of the Bank. The General Meeting of Shareholders elects the members of the Board of Directors. The Board of Directors, in turn, elects the members of the Management Board. The Board of Directors represents the interests of Shareholders, is responsible for executing the general management of the Bank and approves its strategic and operational plans. The Board of Directors does not perform executive functions. Overall responsibility for the administration of the Bank's activities is vested in the Management Board.

Board of Directors

The Bank's Board of Directors must comprise not less than three and not more than five persons and is elected by the Shareholders. The members of the Board of Directors elect the chairman from amongst themselves. Members of the Board of Directors serve a term determined by the General Meeting of Shareholders or indefinitely until resignation or removal by a General Meeting of Shareholders. Members of the Board of Directors may be re-elected an unlimited number of times. The powers of the Board of Directors include determining the priority of the Bank's activities and approving the Bank's strategic and operational plans. The Board of Directors also makes decisions with respect to the establishment of branches and representative offices of the Bank, participation in the establishment and activities of other enterprises, concluding large-scale transactions and the adoption of operational budgets and estimates of capital expenditures. The Board of Directors must also approve all transactions with related parties.

The current members of the Board of Directors are as follows:

Nurzhan S. Subkhanberdin (age 42) has served as Chairman of the Board of Directors since September 2002. Prior to that he was Chairman of the Management Board of the Bank, having been appointed to that position in 1993. From 1991 to 1993, he was a First Deputy Chairman of the Bank. Mr. Subkhanberdin graduated from Moscow State University and has a degree in economics from Kazakhstan State University ("KSU").

Daulet H. Sembaev (age 70) has been Deputy Chairman of the Board of Directors since 2002 and was Chairman of the Board of Directors and Advisor to the Chairman of the Management Board from 1999 to 2002. Mr. Sembaev is a former Chairman of the NBK, President of the Kazakhstan Association of Financiers and a member of Parliament. He has also held other positions with different government bodies and private companies. Mr. Sembaev graduated as an engineer from the Kazakhstan Mining Institute in 1958.

Nina A. Zhussupova (age 44) has been a member of the Board of Directors since September 2002. Ms. Zhussupova is the Chairman of the Management Board. Since joining the Bank in August 1995, she has served as First Deputy Chairman of the Management Board, Manager of the Accounts Office and Chief Accountant of the Bank. She holds a degree in economics from the Almaty Institute for National Economy ("AINE").

Gail Buyske (age 52) has been a member of the Board of Directors since October 2003. Ms. Buyske acts as an independent Director. Prior to joining the Board, she held the position of Senior Banker with the EBRD. She also worked as a Consultant to the World Bank and as a Vice President of Chase Manhattan Bank. Ms. Buyske holds a doctorate in political science from Columbia University, a master's degree in international relations from Princeton University and a degree in Russian studies from Middlebury College.

Ms. Buyske is an independent director. To satisfy the requirement of Kazakhstan law that not less than one-third of the members of the Board of Directors must be independent and to further improve the quality of management decisions and increase transparency, the Bank is currently seeking a further independent member of the Board of Directors.

The business address of the members of the Board of Directors is the registered office of the Bank.

The Management Board

The Management Board must consist of not less than three persons. The Management Board manages the Bank's affairs on a day-to-day basis and its responsibilities include all other matters not reserved to the exclusive competence of the Board of Directors or the General Meeting of Shareholders. Meetings of the Management Board can be convened as necessary.

The current members of the Management Board are as follows:

Nina A. Zhussupova (age 44) is the Chairman of the Management Board.

Ermek N. Shamuratov (age 51) supervises the Bank's IT Call Centre, Banking Card Department and PR Department and has served as a Managing Director of the Bank since 1998. He is the former Deputy Chairman of HSBK and also held a number of other positions within that organisation. He holds a degree in mathematics from KSU.

Aidar B. Akhmetov (age 38) supervises the Bank's Corporate Business Development Department and has served as a Managing Director of the Bank since 1998. He is the former Chairman of the Board of ABN AMRO Asset Management. He holds a degree in English and German from Almaty Pedagogical Institute of Foreign Languages and a degree in economics from the Kazakhstan State Academy of Management.

Alexander V. Barsukov (age 35) supervises the Bank's Legal Department and the Collateral Department and has served as a Managing Director of the Bank since January 2005. Mr. Barsukov is a former managing partner of the law firm McGuire Woods' office in Kazakhstan. He holds a degree in law from Kazakhstan State National University.

Alexander V. Yakushev (age 48) has served as a Managing Director of the Bank since 1999. He is also a Director of the Northern Regional Directorate. He is the former Director of the Bank's Correspondent Relationships with CIS and Baltic States Banks division. Before joining the Bank in 1998, Mr. Yakushev held various positions with Kramds Bank. He graduated from the Gorky Institute of Foreign Languages and AINE.

Beibit T. Apsenbetov (age 40) supervises the Bank's Retail Banking Department and SME Banking Department and has served as a Managing Director of the Bank since 2002. Mr. Apsenbetov is a former partner of TOO Deloitte & Touche Kazakhstan. He holds a degree in economics from Leningrad State University and is a chartered accountant in Kazakhstan.

Baurzhan K. Zhumagulov (age 37) supervises one of the Bank's Credit Departments and has served as a Managing Director of the Bank since January 2005. Mr. Zhumagulov is a former Deputy General Director of TOO Caspian Industrial Financial Group. He holds a degree in economics from Kazakhstan Economic University.

Magzhan M. Auezov (age 30) supervises the Bank's Credit Department No. 1, Project Finance Department and Product Support Department and has served as a Managing Director of the Bank since 2002. Mr. Auezov is a former Country Head of Loan Products of ABN AMRO Bank Kazakhstan and, prior to that was Head of the Trade and Commodity Finance Department at the same bank. He holds a graduate degree in International Banking and Finance from Columbia University and an undergraduate degree in International Economics from Georgetown University as well as a diploma in International Affairs from Kazakhstan State National University.

Andrey I. Timchenko (age 30) supervises the Bank's Financial Institutions Department and has served as a Managing Director of the Bank since 2003. Mr. Timchenko is a former tax adviser with Ernst & Young Almaty. He joined the Bank in 1998 and has held a number of positions in the Bank. He is a Director of Kazkommerts International B.V. and Kazkommerts Finance II B.V. He has a graduate degree in law from Kazakhstan State Law University.

Dennis Y. Fedossenko (age 30) supervises the Bank's Treasury Department, Business and Product Development Department and has served as a Managing Director of the Bank since 2003. Mr. Fedossenko joined the Bank in 1996 and held a number of positions in the Treasury Department of the Bank. He graduated from the Kazakhstan State Academy of Management.

Erik Z. Balapanov (age 38) supervises one of the Bank's Credit Departments and has served as a Managing Director of the Bank since 2003. Mr. Balapanov formerly held senior positions in Bank TuranAlem, Almaty Commercial Bank and the Development Bank of Kazakhstan. He graduated from the Kazakhstan Institute of Marketing, which is affiliated with the Kazakhstan State Academy of Management.

The business address of the members of the Management Board is the registered office of the Bank.

The following table sets out the principal amounts of loans outstanding to, and outstanding guarantees issued on behalf of, members of the Board of Directors and Management Board as at 30 June 2006:

	Principal amount outstanding (KZT thousands)
Alexander Yakushev	395,967
Nurzhan Subkhanberdin	267,053
Baurzhan Zhumagulov	28,449
Erik Balapanov	23,738
Beibit Apsenbetov	19,901
Alexander Barsukov	19,279
Total	754,386

There are no other outstanding loans or guarantees granted by the Bank to any member of the Board of Directors or of the Management Board or to any parties related to them. All loans to members of the Board of Directors and Management Board set out above have been approved by the Board of Directors as related party transactions and bear interest at rates from 8 to 12 per cent. per annum.

Corporate Governance

As an overseas company with GDRs admitted to the Official List, the Bank will not be required to comply with the provisions of the UK Combined Code on Corporate Governance (the ''Combined Code''). In addition, it is not required to disclose in its annual report whether or not it complies with the corporate governance regime in Kazakhstan or the significant ways in which its actual governance practices differ from those set out in the Combined Code.

Corporate governance best practice in Kazakhstan is set out in the Kazakhstan Corporate Management Code. The Kazakhstan Corporate Management Code is based on existing international best practice in the area of corporate governance and sets out recommendations for applying the principles of corporate governance by Kazakhstan joint-stock companies. The JSC Law also requires that at least one-third of the members of a company's board of directors should be independent. The Kazakhstan Corporate Management Code was approved by the Expert Council for Securities Market Matters under the NBK in September 2002. The Bank currently complies with the provisions of the Kazakhstan Corporate Management Code and the JSC Law in all material aspects, save as to the composition of its Board of Directors, which the Bank intends to remedy.

The Bank has adopted a Code of Business Ethics which defines the Bank's mission within a corporate governance framework. The Code was approved by the Board of Directors and an employees' committee. The Code contains guidance on compliance matters, confidentiality and client and employee relations.

The Board of Directors has not yet established terms of reference for a nominations committee or a remuneration committee, but it is the intention of the Bank that the Board of Directors should do so following Admission. The Bank has already established an audit committee. Kazakhstan law requires that not less than one-third of the members of the Board of Directors should be independent. The Bank needs to approve one additional independent member in order to comply with this requirement and is in the process of seeking a candidate. Any failure to comply with this requirement may result in invalidation of certain corporate decisions that require approval by the Board of Directors.

Compensation of Directors and Senior Management

During the first six months of 2006 total compensation paid to members of the Board of Directors and members of the Management Board was KZT357 million as compared to KZT662 million in 2005. This included salaries of the Board of Directors of KZT46.3 million as compared to KZT68.9 million in 2005 and the Management Board of KZT258.9 million as compared to KZT213.1 million in 2005. Bonuses and other payments to the Board of Directors and the Management Board were KZT51.8 million during the first six months of 2006 and KZT380 million in 2005. The Bank does not maintain any stock option or similar plans. No member of the Board of Directors or the Management Board has any contract with the Bank or any of its subsidiaries providing for benefits upon termination of employment.

Conflict of Interest

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

RELATED PARTY TRANSACTIONS

The following table sets forth the Bank's interest income and expense relating to transactions with related parties for the six months ended 30 June 2006 and 2005 and for the years ending 31 December 2005, 2004 and 2003:

	For the six months ended 30 June		For the year ended 31 December		
	2006	2005	2005	2004	2003
				(KZT millions)	
Interest income	337	98	251	178	178
Interest expense	181	124	250	210	146

As at 30 June 2006 and 31 December 2005, total guarantees issued for related parties amounted to KZT19 million, as compared to KZT34 million as at 31 December 2004 and KZT18 million in 2003.

As at 30 June 2006, the Bank's investments in shares of related companies amounted to KZT625 million. The Bank's investments in shares of related companies as at 31 December 2005 was KZT425 million, compared to KZT218 million in 2004 and KZT146 million in 2003.

For the six months ended 30 June 2006 the Bank has accrued dividends on the Preference Shares in the amount of KZT311 million. For the years ending 31 December 2005, 2004 and 2003 the Bank paid dividends on the Preference Shares in the amounts of KZT669 million, KZT290 million and KZT324 million, respectively.

Related parties include entities and natural persons that are shareholders, affiliates or entities under common management or control of the Bank.

The following table sets forth the total related party transactions of the Bank as at 30 June 2006 and 2005 and as at 31 December 2005, 2004 and 2003:

	For the six months ended 30 June		For the year ended 31 December		
	2006	2005	2005	2004	2003
				(KZT millions)	
Loans and advances	1,193	2,109	1,785	2,617	2,516
Customer accounts	5,123	3,412	2,274	3,401	1,596

For a description of loans to members of the Board of Directors, Management Board and managing and executive Directors, see *"Directors and Senior Management."*

There have been no material changes in the information set out above since 30 June 2006.

PRINCIPAL SHAREHOLDERS

Introduction

Since late 1994, a majority of the Shares has been owned or controlled by the Bank's directors and senior management. As at 16 October 2006, the Bank's directors and senior management beneficially owned 43.1 per cent. of the outstanding Shares.

Principal Shareholders

The following table sets forth as at 16 October 2006 information as to the principal Shareholders and as to the beneficial ownership of Shares by:

- each of the Bank's directors and senior managers; and
- all of the Bank's directors and senior management as a group.

Except as indicated, beneficial ownership includes the sole power to vote and to dispose of Shares.

	Shares	(%)[1]
CAIC[2]	184,679,012	39.2
EBRD	56,250,000	11.9
The Bank of New York[3]	133,266,280	28.3
All directors and senior management as a group (three persons)[2]	203,336,863	43.1
Nurzhan Subkhanberdin	170,790,821	36.2
direct	77,529,768	16.4
indirect	93,261,053	19.8
Nina Zhussupova (indirect)	28,681,767	6.1
Aidar Akhmetov (indirect)	3,864,276	0.8
Other shareholders		
of which CAIC (excluding the interests in it of Mr. Subkhanberdin, Ms. Zhussupova and Mr. Akhmetov)	74,513,406	15.8
other direct Shareholders	19,768,035	4.2

(1) As at 16 October 2006, there were 471,493,095 Shares outstanding. CAIC, EBRD, The Bank of New York, Mr. Subkhanberdin and the other direct Shareholders constitute all of the direct Shareholders of the Bank.

(2) CAIC is one of the entities through which the Bank's directors and senior managers beneficially own Shares. As at 16 October 2006, CAIC held 184,679,012 Shares representing 39.2 per cent. of the Shares. 44.8 per cent. of the share capital of CAIC is beneficially owned by Mr. Subkhanberdin, 12.8 per cent. is beneficially owned by Ms. Zhussupova and 2.1 per cent. is beneficially owned by Mr. Akhmetov. The table above also includes Mr. Subkhanberdin's and Ms. Zhussupova's indirect holdings of Shares in the form of GDRs held by other means.

(3) As depositary in relation to the Bank's existing GDRs.

As at 16 October 2006, Mr. Subkhanberdin and Ms. Zhussupova beneficially owned, indirectly, 4.8 per cent. and 2.4 per cent. of the Preference Shares, respectively, through an entity which owns 19.05 per cent. of the Preference Shares. Two former members of its management, Mr. Evegniy Feld and Mr. Askar Alshinbayev, are the owners, indirectly, of 5.0 per cent. and 6.1 per cent., respectively, of the Shares.

Following completion of the Global Offer and the Domestic Offer, CAIC will beneficially own 32.1 per cent. of the Shares and Mr. Subkhanberdin will beneficially own, directly or indirectly, approximately 29.3 per cent. of the Shares assuming that CAIC and Mr. Subkhanberdin subscribe, respectively, only for their *pro rata* entitlement of New Shares in the Domestic Offer, that the Underwriters' Put Option is exercised in full and that 103,500,000 Shares are issued in the Domestic Offer. If the Underwriters' Put Option is not exercised, but otherwise on the basis of the same assumptions, CAIC's beneficial shareholding will remain at 32.1 per cent. of the Shares but Mr. Subkhanberdin's direct and indirect beneficial interest will reduce to approximately 27.7 per cent. of the Shares. It is possible that either CAIC or Mr. Subkhanberdin will subscribe for and be allocated in excess of their *pro rata* entitlement to New Shares in the Domestic Offer. Following completion of the Global Offer and the Domestic Offer, the EBRD will beneficially own, directly or indirectly, approximately 8.5 per cent. of the Shares (assuming that it subscribes for its *pro rata* entitlement of New Shares in the Domestic Offer and that 103,500,000 Shares are issued in the Domestic Offer). It is possible that EBRD will subscribe for and be allocated in excess of its *pro rata* entitlement or that it may not subscribe for its *pro rata* entitlement.

In addition to the Shares, as at 16 October 2006, the Bank had 124,956,845 Preference Shares outstanding. See *"Capitalisation."* Each Preference Share entitles the holder to a fixed annual dividend of US$0.04. If such dividends are not paid, holders of Preference Shares are granted voting rights until all accrued and payable dividends are paid in full. At the option of the Bank, the Bank may offer to the holders of Preference Shares the option to convert all or some of such shares into Shares.

In January 2006, the Bank registered with the FMSA a new share issue comprising 200 million Shares. The placement of 96.5 million newly registered Shares was approved by the Board of Directors on 26 April 2006. The pre-emptive rights period for existing Shareholders expired on 14 July 2006 and once the total number of acceptances was confirmed, the remaining unsubscribed Shares were offered to the public and fully sold in July 2006. The Bank received FMSA approval of the results of the placement in October 2006.

Shareholders' Agreement with the EBRD

In connection with the EBRD's purchase of Shares in August 2003, the EBRD entered into the Shareholders' Agreement dated 6 June 2003. In connection with the EBRD's purchase of additional Shares in June 2005, the original shareholders' agreement was replaced by the Shareholders' Agreement dated 24 June 2005 as amended on 7 December 2005. The Shareholders' Agreement provides, amongst other things, that its terms and conditions shall remain in effect for so long as the EBRD holds Shares. The Shareholders' Agreement also provides that:

- as long as the EBRD holds at least five per cent. of all Shares, the EBRD will have the right to nominate one member of the Board of Directors;
- the Majority Shareholders shall not vote, and shall procure that any of their representatives of the Board of Directors shall not vote, in favour of resolutions to, amongst other things, amend the Bank's Charter, change the policy statement of the Bank (which sets forth the basic framework whereby the Bank commits to maintain certain policies, procedures and minimum operational standards in order to achieve its stated strategic objectives), vary, increase or decrease its authorised or issued share capital or the rights attaching to Shares, grant options, warrants or similar rights convertible into Shares, make any distribution, payment or make a return to members of a capital nature, take steps to wind up or dissolve the Bank, make or permit any material change in the Bank's business or sell, lease, transfer, dispose of or acquire a material part of the Bank's assets, in each case without the prior approval of the EBRD;
- the Management Board will consult the EBRD and take due account of its opinion and recommendations with regard to incorporation of any new subsidiary undertaking of the Bank or the acquisition by the Bank of an interest in any shares in the capital of any corporate body;
- the Majority Shareholders shall have the right to purchase any Shares held by the EBRD in the event the EBRD wishes to dispose of Shares to a third party;
- in the event that the Majority Shareholders of any of them receive an offer that would result in the Majority Shareholders holding less than 51 per cent. of all voting shares of the Bank, the Majority Shareholders shall cause the purchaser to agree to purchase the Shares held by the EBRD;
- the Majority Shareholders shall not sell or transfer the Shares of Mr. Subkhanberdin or CAIC to any third party without the EBRD's prior written consent;
- the EBRD and the Majority Shareholders shall have the right to subscribe for newly issued Shares in the Bank in proportion to their existing shareholdings;
- upon a notice served by the EBRD on the Bank, the EBRD shall have the right to convert the Shares held by the EBRD into GDRs or American depositary receipts ("ADRs") and the Bank shall immediately take all actions, including any reorganisation of its share capital as may be required, to ensure that such conversion takes place and the EBRD becomes a lawful owner of such GDRs/ADRs, as the case may be; and
- in case of the listing of the Bank's capital on any major stock exchange, the Majority Shareholders shall ensure (and shall take all actions, execute all necessary documents and seek relevant waivers to ensure) that the EBRD shall have the same rights as the Majority Shareholders have to dispose of its Shares via such stock exchange. Following any listing of the Shares on any major stock exchange, the EBRD shall be entitled to dispose of its Shares held at the time of such listing becoming effective and the Majority Shareholders shall be entitled to dispose of a proportion of their Shares held at the time of such listing becoming effective equal to the proportion of the number of Shares disposed of by the EBRD.

The Shareholders' Agreement is governed by the laws of Kazakhstan.

Subscription Agreement with the EBRD

In conjunction with the execution of the Shareholders' Agreement on 24 June 2005, the Bank and the EBRD executed the Subscription Agreement on 24 June 2005 as amended on 7 December 2005, pursuant to which the EBRD agreed to subscribe for 4,328,811 Shares. The Subscription Agreement also provides that:

- while the EBRD owns any Shares, the Bank shall not unless the EBRD shall otherwise agree: (i) issue any shares of any class; (ii) increase its share capital; (iii) change the nominal value of, or the rights attached to, any of its shares of any class; or (iv) take any other action by amendment of its Charter or through reorganisation, consolidation, sale of share capital, merger or sale of assets, or otherwise which might result in a dilution of the interest in the Bank represented by the Shares held by the EBRD;
- unless the EBRD otherwise agrees in writing; (i) the Bank shall not make changes, or permit changes to be made, to the nature of its present business or operations and the Bank shall not carry out any business or activity other than banking or financial services business, either directly or through a subsidiary; (ii) the Bank shall not make changes, or permit changes to be made, to its share capital; and (iii) the Bank shall not make changes, or permit changes to be made, to its Charter, unless such changes are specifically required to be made under the mandatory provisions of the laws of the Republic of Kazakhstan; and
- unless the EBRD otherwise agrees in writing, (i) the Bank shall not sell, transfer, lease or otherwise dispose of more than a specified percentage of its property or assets (whether in a single transaction or in a series of transactions, related or otherwise) and (ii) the Bank shall not undertake or permit any merger, consolidation or reorganisation.

The Subscription Agreement also contains a number of affirmative and restrictive covenants binding on the Bank unless EBRD otherwise agrees in writing.

The Subscription Agreement is governed by the laws of Kazakhstan.

Put Option Agreement

In addition to the Shareholders' Agreement, the EBRD also entered into a put option agreement dated 6 June 2003 (the ''Put Option Agreement'') with Mr. Subkhanberdin and Ms. Zhussupova. In accordance with the Put Option Agreement, at any time after 31 August 2009, the EBRD shall have the right to require that all or part of its Shares be purchased by Mr. Subkhanberdin or, in the event Mr. Subkhanberdin fails to comply with his obligation to purchase such Shares, by Ms. Zhussupova. The price of any such purchase is to be determined in accordance with a formula contained in the Put Option Agreement. In certain limited circumstances, the EBRD may exercise its put option earlier, in which case a different formula is used to determine the price. Pursuant to a Confirmation Agreement dated as of 24 June 2005 among the EBRD, Mr. Subkhanberdin and Ms. Zhussupova, it was confirmed that the Put Option Agreement would also apply to the Shares acquired by the Bank pursuant to the Subscription Agreement. The Confirmation Agreement is governed by the laws of Kazakhstan and the Put Option Agreement has no express governing law.

In the event that the EBRD does exercise its put option and Mr. Subkhanberdin purchases all of the EBRD's Shares, he would then beneficially own, directly or indirectly, a majority of the Shares issued and outstanding.

TERMS AND CONDITIONS OF THE GDRs

The following terms and conditions (except for paragraphs in italics) will be endorsed on each certificate representing GDRs.

The Global Depositary Receipts (''GDRs'') represented by this certificate are denominated in US dollars and are each issued in respect of two common shares (the ''Shares'') in JSC Kazkommertsbank (the ''Bank'') pursuant to and subject to an agreement dated 8 November 2006 (such agreement, as amended from time to time, being hereinafter referred to as the ''Deposit Agreement''), and made between the Bank and The Bank of New York in its capacity as depositary (the ''Depositary''). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed JSC Kazkommertsbank as Custodian (in its capacity as custodian, the ''Custodian'') to receive and hold on its behalf any relevant documentation respecting certain Shares the ''Deposited Shares'') and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the ''Deposited Property''). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the ''Conditions''), references to the ''Depositary'' are to The Bank of New York and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the ''Custodian'' are to JSC Kazkommertsbank in its capacity as Custodian or any other custodian from time to time appointed under the Deposit Agreement and references to the ''Main Office'' mean, in relation to the relevant Custodian, its head office in the city of Almaty or such other location of the head office of the Custodian in Kazakhstan as may be designated by the Custodian with the approval of the Depositary (if outside the city of Almaty) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

The GDRs issued under certain deposit agreements entered into in 1997 by the Bank with the Depositary each represented 30 Shares. With effect from 27 September 2006, these GDRs have been redenominated so that they each represent two Shares. The 1997 deposit agreements were governed by New York law. On or about the Closing Date those agreements will be amended so that the GDRs outstanding under them are exchanged for GDRs issued pursuant to the Deposit Agreement. This exchange will take place on or about the thirtieth day after the Closing Date and from that date those GDRs will be fungible with the GDRs being offered in the Global Offer. The 1997 deposit agreement will then be cancelled.

References in these Conditions to the ''Holder'' of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the ''Register'') as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. Holders of GDRs are not party to the Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Bank or Depositary. However, the Deed Poll executed by the Bank in favour of the Holders provides that, if the Bank fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the ''Depositary'' in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.

1. Withdrawal of Deposited Property and Further Issues of GDRs

1.1 Any Holder may request withdrawal of, and the Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the Holder to the relative GDR as the Depositary may reasonably require, at the specified office of the Depositary or any Agent accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn to be delivered at the Main Office of the Custodian, or (at the request, risk and expense of the Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Kazakhstan of the Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under these Conditions or the Deposit Agreement;

(iii) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the Depositary to which the Deposited Property being withdrawn is attributable; and

(iv) the delivery to the Depositary of a duly executed and completed certificate substantially in the form set out either (a) in Schedule 3, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Regulation S GDRs, or (b) in Schedule 4, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

1.2 Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property in accordance with Condition 1.1, the Depositary will direct the Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such Holder, to deliver at its Main Office to, or to the order in writing of, the person or persons designated in the accompanying order:

(i) a certificate (if any) for, or other appropriate instrument of title (if any) to or evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however that the Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the Depositary (at the request, risk and expense of any Holder so surrendering a GDR):

(a) will direct the Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred to in sub-paragraphs 1.2(i) and (ii) of this Condition (together with any other property forming part of the Deposited Property which may be held by the Custodian or its agent and is attributable to such Deposited Shares); and/or

(b) will deliver any other property forming part of the Deposited Property which may be held by the Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the Depositary (if permitted by applicable law from time to time) or at the specified office in Kazakhstan of any Agent as designated by the surrendering Holder in the order accompanying such GDR.

1.3 Delivery by the Depositary, any Agent and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

1.4 The Depositary may, in accordance with the terms of the Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the Depositary) and a duly executed certificate substantially in the form of (a) Schedule 3, Part A of the Deposit Agreement (*which is described in the following paragraph)* by or on behalf of any investor who is to become the beneficial owner of the Regulation S GDRs or (b) Schedule 4, Part A of the Deposit Agreement (*which is described in the second following paragraph)* by or on behalf of any investor who is to become the beneficial owner of Rule 144A GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment on the Shares corresponding to such further GDRs) and, subject to the terms of the Deposit Agreement, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The certificate to be provided in the form of Schedule 3, Part A, of the Deposit Agreement certifies, among other things, that the person providing such certificate is located outside the United States and will comply with the restrictions on transfer set forth under "Transfer Restrictions."

The certificate to be provided in the form of Schedule 4, Part A, of the Deposit Agreement certifies, among other things that the person providing such certificate is a QIB or is acting for the account of another person and such person is a QIB and, in either case, will comply with the restrictions on transfer set forth under "Transfer Restrictions."

1.5 Any further GDRs issued pursuant to Condition 1.4 which correspond to Shares which have different dividend rights from the Shares corresponding to the outstanding GDRs will correspond to a separate temporary global Regulation S GDR and/or Rule 144A GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a Master Regulation S GDR and a Master Rule 144A GDR (by increasing the total number of GDRs evidenced by the relevant Master Regulation S GDR and the Master Rule 144A GDR by the number of such further GDRs, as applicable).

1.6 The Depositary may issue GDRs against rights to receive Shares from the Bank (or any agent of the Bank recording Share ownership). No such issue of GDRs will be deemed a "Pre-Release" as defined in Condition 1.7.

1.7 Unless requested in writing by the Bank to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs or issue interests in a Master Regulation S GDR or a Master Rule 144A GDR, as the case may be, prior to the receipt of Shares (a "Pre-Release"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered (the "Pre-Releasee") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders, (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such Deposited Property or GDRs, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than thirty per cent. of the total number of GDRs then outstanding; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Bank, change such limits for the purpose of general application. The Depositary will also set dollar limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom a Pre-Release of Rule 144A GDRs or Rule 144A Shares is to be made pursuant to this Condition 1.7 shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 4 Part A of the Deposit Agreement. The person to whom any Pre-Release of Regulation S GDRs or Regulation S Shares is to be made pursuant to this paragraph shall be required to deliver to the Depositary a duly executed and completed certificate substantially in the form set out in Schedule 3 Part A of the Deposit Agreement.

2. Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Bank in writing that the Deposited Shares or GDRs or any depositary receipts corresponding to Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A.

Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Bank is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement or for any other reason. The Depositary shall (unless otherwise notified by the Bank) restrict the withdrawal of Deposited Shares where the Bank notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Bank's constitutive documents or would otherwise violate any applicable laws.

3. Transfer and Ownership

The GDRs are in registered form, each representing two Shares. Title to the GDRs passes by registration in the Register and accordingly, transfer of title to a GDR is effective only upon such registration. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated by the Depositary and the Bank as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the Holder.

Interests in Rule 144A GDRs corresponding to the Master Rule 144A GDR may be transferred to a person whose interest in such Rule 144A GDRs is subsequently represented by the Master Regulation S GDR only upon receipt by the Depositary of written certifications (in the forms provided in the Deposit Agreement) from the transferor and the transferee to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the ''U.S. Securities Act''). Prior to expiration of the Restricted Period (such term being defined as the 40-day period beginning on the latest of the commencement of the offering of the GDRs, the original issue date of the GDRs, and the latest issue date with respect to the additional GDRs, if any, issued pursuant to the over-allotment option granted to the Joint Bookrunners pursuant to the Underwriting Agreement) no owner of Regulation S GDRs may transfer Regulation S GDRs or Shares represented thereby except in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act, or to, or for the account of, a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act (each a ''QIB'') in a transaction meeting the requirements of such Rule 144A. There shall be no transfer of Regulation S GDRs by an owner thereof to a QIB except as aforesaid and unless such owner (i) withdraws Regulation S Shares from the Regulation S Facility in accordance with Clause 3.5 of the Deposit Agreement and (ii) instructs the Depositary to deliver the Shares so withdrawn to the account of the Custodian to be deposited into the Rule 144A Facility for issuance thereunder of Rule 144A GDRs to, or for the account of, such QIB. Issuance of such Rule 144A GDRs shall be subject to the terms and conditions of the Deposit Agreement, including, with respect to the deposit of Shares and the issuance of Rule 144A GDRs, delivery of the duly executed and completed written certificate and agreement required under the Deposit Agreement by or on behalf of each person who will be the beneficial owner of such Rule 144A GDRs certifying that such person is a QIB and agreeing that it will comply with the restrictions on transfer set forth therein and to payment of the fees, charges and taxes provided therein.

4. Cash Distributions

Whenever the Depositary shall receive from the Bank any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Bank) or otherwise in connection with the Deposited Property, the Depositary shall, as soon as practicable, convert the same into United States dollars in accordance with Condition 8. The Depositary shall, if practicable in the opinion of the Depositary, give notice to the Holders of its receipt of such payment in accordance with Condition 23, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the Depositary, for transmission of such payment to Holders and shall as soon as practicable distribute any such amounts to the Holders in proportion to the number of Deposited Shares corresponding to the GDRs so held by them respectively, subject to and in accordance with the provisions of Conditions 9 and 11; PROVIDED THAT:

(a) in the event that the Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative Holders shall be adjusted accordingly; and

(b) the Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the Depositary, and any balance remaining shall be retained by the Depositary beneficially as an additional fee under Condition 16.1(iv).

5. Distributions of Shares

Whenever the Depositary shall receive from the Bank any distribution in respect of Deposited Shares which consists of a dividend or free distribution of Shares, the Depositary shall cause to be distributed to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, additional GDRs corresponding to an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs corresponding to the Master GDRs or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Bank, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

6. Distributions other than in Cash or Shares

Whenever the Depositary shall receive from the Bank any dividend or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the Depositary shall distribute or cause to be distributed such securities or other property to the Holders entitled thereto, in proportion to the number of Deposited Shares corresponding to the GDRs held by them respectively, in any manner that the Depositary may deem equitable and practicable for effecting such distribution; PROVIDED THAT, if and in so far as the Depositary deems any such distribution to all or any Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Bank, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary shall deal with the securities or property so received, or any part thereof, in such way as the Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

7. Rights Issues

If and whenever the Bank announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the Depositary shall as soon as practicable give notice to the Holders, in accordance with Condition 23, of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which Holders may request the Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the Depositary proposes to distribute the rights or the proceeds of any sale thereof. The Depositary will deal with such rights in the manner described below:

(i) if and to the extent that the Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the Depositary shall make arrangements whereby the Holders may, upon payment of the subscription price in Tenge or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the Depositary may reasonably require, request the Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the Holders entitled thereto by an increase in the numbers of GDRs corresponding to the Master GDRs or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the Holders hold their GDRs; or

(ii) if and to the extent that the Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the Depositary will distribute such rights to the Holders entitled thereto in such manner as the Depositary may at its discretion determine; or

(iii) if and to the extent that the Depositary deems any such arrangement and distribution as is referred to in paragraphs (i) and (ii) above to all or any Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Bank, the Custodian or the Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the Depositary (a) will, PROVIDED THAT Holders have not taken up rights through the Depositary as provided in (i) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (b) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution pursuant to Condition 4 to the Holders entitled thereto.

(iv) (a) Notwithstanding the foregoing, in the event that the Depositary offers rights pursuant to Condition 7(i) (the ''Primary GDR Rights Offering''), if authorised by the Bank to do so, the Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a Holder to the Depositary to exercise rights on its behalf pursuant to Condition 7(i), such Holder is permitted to instruct the Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such Holder's GDRs (''Additional GDR Rights'') if at the date and time specified by the Depositary for the conclusion of the Primary GDR Offering (the ''Instruction Date'') instructions to exercise rights have not been received by the Depositary from the Holders in respect of all their initial entitlements. Any Holder's instructions to subscribe for such Additional GDR Rights (''Additional GDR Rights Requests'') shall specify the maximum number of Additional GDR Rights that such Holder is prepared to accept (the ''Maximum Additional Subscription'') and must be received by the Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the Holders initially entitled thereto (''Unsubscribed Rights''), subject to Condition 7(iv)(c) and receipt of the relevant subscription price in Tenge or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with Condition 7(iv)(b).

(b) Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Request but the Depositary shall not be bound to arrange for a Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated pro rata on the basis of the extent of the Maximum Additional Subscription specified in each Holder's Additional GDR Rights Request.

(c) In order to proceed in the manner contemplated in this Condition 7(iv), the Depositary shall be entitled to receive such opinions from Kazakhstan counsel and US counsel to the Bank as in its discretion it deems necessary which opinions shall be in a form and provided by counsel satisfactory to the Depositary and at the expense of the Bank and may be requested in addition to any other opinions and/or certifications which the Depositary shall be entitled to receive under the Deposit Agreement and these Conditions. For the avoidance of doubt, save as provided in these Conditions and the Deposit Agreement, the Depositary shall have no liability to the Bank or any Holder in respect of its actions or omissions to act under this Condition 7(iv) and, in particular, the Depositary will not be regarded as being negligent, acting in bad faith, or in wilful default if it elects not to make the arrangements referred to in Condition 7(iv)(a).

The Bank has agreed in the Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the Depositary or the Holders, as the case may be, pursuant to Conditions 4, 5, 6, 7 or 10 (including the obtaining of legal opinions from counsel reasonably satisfactory to the Depositary concerning such matters as the Depositary may reasonably specify).

If the Bank notifies the Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed under Condition 4, 5, 6, 7 or 10 or the securities to which such rights relate in order for the Bank to offer such rights or distribute such securities or other property to the Holders or owners of GDRs and to sell the securities corresponding to such rights, the Depositary will not offer such rights or distribute such securities or other property to the Holders or sell such securities unless and until the Bank procures the receipt by the Depositary of an opinion from counsel to the Bank reasonably satisfactory to the Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such Holders or owners of GDRs are exempt from registration under the provisions of such law. Neither the Bank nor the Depositary shall be liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner provided in paragraphs (i), (ii), (iii) and (iv) above, the Depositary shall permit the rights to lapse. The Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Holders or owners of GDRs in general or to any Holder or owner of a GDR or Holders or owners of GDRs in particular.

8. Conversion of Foreign Currency

Whenever the Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the Depositary be converted on a reasonable basis into United States dollars and distributed to the Holders entitled thereto, the Depositary shall as soon as practicable itself convert or cause to be converted by another bank or other financial institution, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the Depositary shall make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the opinion of the Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the Holders entitled thereto to the extent permitted under applicable law, or the Depositary may in its discretion hold such other currency for the benefit of the Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) Holders entitled thereto, the Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the Holders entitled thereto and may distribute the balance of such other currency received by the Depositary to, or hold such balance for the account of, the Holders entitled thereto, and notify the Holders accordingly.

9. Distribution of any Payments

9.1 Any distribution of cash under Condition 4, 5, 6, 7 or 10 will be made by the Depositary to Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Bank as is reasonably practicable) and, if practicable in the opinion of the Depositary, notice shall be given promptly to Holders in accordance with Condition 23, in each case subject to any laws or regulations applicable thereto and (subject to the provisions of Condition 8) distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDRs, according to usual practice between the Depositary and DTC. The Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law or regulation in respect of such GDR or the relative Deposited Property.

9.2 Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the Holders on the record date established by the Depositary for that purpose (such date to be as close to the record date set by the Bank as is reasonably practicable), subject to any laws or regulations applicable thereto. If any distribution made by the Bank with respect to the Deposited Property and received by the Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to Holders in accordance with the Deposit Agreement, all rights of the Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the Depositary shall (except for any distribution upon the liquidation of the Bank when the Depositary shall retain the same) return the same to the Bank for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10. Capital Reorganisation

Upon any change in the nominal or par value, sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Bank or to which it is a party (except where the Bank is the continuing corporation), the Depositary shall as soon as practicable give notice of such event to the Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of Conditions 4, 5, 6 and 9 with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11. Withholding Taxes and Applicable Laws

11.1 Payments to Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Kazakhstan and other withholding taxes, if any, at the applicable rates.

11.2 If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in Kazakhstan in order for the Depositary to receive from the Bank Shares or other securities to be deposited under these Conditions, or in order for Shares, other securities or other property to be distributed under Condition 4, 5, 6 or 10 or to be subscribed under Condition 7 or to offer any rights or sell any securities represented by such rights relevant to any Deposited Shares, the Bank has agreed to apply for such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such laws. In this connection, the Bank has undertaken in the Deposit Agreement to the extent reasonably practicable to take such action as may be required in obtaining or filing the same. The Depositary shall not be obliged to distribute GDRs representing such Shares, Shares, other securities or other property deposited under these Conditions or make any offer of any such rights or sell any securities corresponding to any such rights with respect to which such authorisation, consent, registration or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent, registration or permit, or to file any such report.

12. Voting of Shares

12.1 Holders will have voting rights with respect to the Deposited Shares, subject to and in accordance with any applicable Kazakhstan law. The Bank has agreed to notify the Depositary of any resolution to be proposed at a General Meeting of the Bank and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 12.

The Bank has agreed with the Depositary that it will promptly provide to the Depositary notices of meetings of the shareholders of the Bank and the agenda therefor and request the Depositary in writing to prepare, in consultation with the Bank, written requests containing voting instructions by which each Holder may give instructions to the Depositary to vote for or against each and any resolution specified in the agenda for the meeting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Bank or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. Each Holder will be required to certify in such voting instruction that it is not a person subject to Article 17.5 of the Kazakhstan Law on Banks and Banking Activity (as such law may be amended from time to time), in that it is not (a) a legal entity registered in Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria or the Philippines or which has an affiliate registered in any such jurisdiction (unless such entity is an international bank having a credit rating of ''A'' or above from one of Moody's Investors Service, Inc., Standard & Poors Ratings Services, Fitch Ratings Ltd. or Capital Intelligence Ltd.) or (b) a physical person who is a participant or a shareholder in such legal entity. If no such certification is provided to the Depositary by a Holder (an ''Uncertified Holder'') the Depositary will not exercise any voting rights in relation to the Deposited Shares which are represented by the GDRs which are held by the Uncertified Holder and such voting rights shall lapse. The Bank has also agreed to provide to the Depositary appropriate proxy forms to enable the Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the Depositary.

12.2 In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the Depositary by such record date as the Depositary may specify.

12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for and a portion of the Deposited Shares will be voted against any resolution specified in the agenda for the relevant meeting in accordance with the voting instructions it has received.

12.4 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permitted by Kazakhstan law to exercise the voting rights in respect of the Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against a resolution) the Depositary shall, if the opinion referred to in Condition 12.7 below confirms it to be permissible under Kazakhstan law, calculate from the voting instructions that it has received from all Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.

12.5 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received. If no voting instructions are received by the Depositary (either because no voting instructions are returned to the Depositary or because the voting instructions are incomplete, illegible or unclear) from a Holder with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, the Depositary shall not exercise voting rights in relation to such Deposited Shares and such voting rights shall lapse.

12.6 If the Depositary is advised in the opinion referred to in Condition 12.7 below that it is not permissible under Kazakhstan law or the Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares in accordance with Conditions 12.3 or 12.4, the Depositary shall not vote or cause to be voted such Deposited Shares.

12.7 Where the Depositary is to vote in respect of each and any resolution in the manner described in Conditions 12.3 or 12.4 above the Depositary shall notify the Chairman of the Bank and designate a representative to attend such meeting or otherwise cause to be voted the Deposited Shares in the manner required by this Condition 12. The Depositary shall not be required to take any action required by this Condition 12 unless it shall have received an opinion from the Bank's legal counsel (such counsel being reasonably acceptable to the Depositary) at the expense of the Bank to the effect that such voting arrangement is valid and binding on Holders under Kazakhstan law and the statutes of the Bank and that the Depositary is permitted to exercise votes in accordance with the provisions of this Condition 12 but that in doing so the Depositary will not be deemed to be exercising voting discretion.

12.8 The Depositary is entitled to amend this Condition 12 and Clause 5 of the Deposit Agreement from time to time by written notice to the Bank and the GDR Holders (and subject to the approval of (i) the Bank, such approval not be unreasonably withheld or delayed, and (ii) the relevant authority in Kazakhstan, if required) where the Depositary considers it necessary to do so in order to comply with applicable Kazakhstan law. By continuing to hold the GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition 12 and Clause 5 of the Deposit Agreement as such terms may be amended from time to time in order to comply with applicable Kazakhstan law.

12.9 The Depositary shall not, and the Depositary shall ensure the Custodian and its nominee do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares other than in accordance with instructions given, or deemed given, in accordance with this Condition 12.

This summary must be read subject to the detailed terms of Condition 12 and while this summary reflects the voting process expected to be followed in the context of current requirements of Kazakhstan law, it should be noted that this is a developing area subject to change. In order to allow Holders to exercise voting rights with respect to the Deposited Shares, the Bank will send a notice to the registrar no later than 40 days prior to any meeting of holders of Deposited Shares. Within five days of receipt, the registrar will forward such notice to the Central Depositary, who then has two days to forward the notice to the Custodian. The Custodian will then have two days to forward the notice to the Depositary. The Depositary shall in accordance with the Conditions send notice of the meeting to all Holders along with a voting instructions form which will require each Holder to confirm their beneficial ownership and eligibility to vote, as well as to indicate their voting preferences with respect to each resolution to be considered at the meeting. The confirmations and tabulation of the voting preferences received on or prior to the cut-off time specified by the Depositary (which is likely to be the date which is the 21st day after receipt of the notice by the Depositary from the Custodian) will be provided by the Depositary to the Custodian, along with a power of attorney enabling the Custodian to exercise the voting rights in respect of the relevant Deposited Shares. The Custodian will provide a list of beneficial owners to the Central Depositary on a date expected to be a date no later than 23 days from the date on which the notice from the Central Depositary was received by the Custodian. It is expected that within three days of receipt, the Central Depositary will provide the list of beneficial owners to the Registrar who will have three days to provide such list to the Bank. At the relevant meeting, the Custodian will then participate and vote in accordance with the instructions received from the Depositary.

13. Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the Depositary

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the

"Charges") shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

14. Liability

14.1 In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or owners of GDRs or any other person.

14.2 Neither the Depositary, the Custodian, the Bank, any Agent, nor any of their agents, officers, directors or employees shall incur any liability to any other of them or to any Holder or owner of a GDR or any other person with an interest in any GDRs if, by reason of any provision of any present or future law or regulation of Kazakhstan or any other country or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, or in the case of the Depositary, the Custodian, any Agent or any of their agents, officers, directors or employees, by reason of any provision, present or future, of the constitutive documents of the Bank, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement or these Conditions provide shall or may be done or performed; nor shall any of them incur any liability to any Holder or owner of GDRs or any other person with an interest in any GDRs by reason of any exercise of, or failure to exercise, any voting rights attached to the Deposited Shares or any of them or any other discretion or power provided for in the Deposit Agreement. Any such party may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

14.3 Neither the Depositary nor any Agent shall be liable (except for its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) to the Bank or any Holder or owner of GDRs or any other person, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs or any signature on any transfer or instruction purporting to be such and subsequently found to be forged or not authentic or for its failure to perform any obligations under the Deposit Agreement or these Conditions.

14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Bank or any of its subsidiaries or affiliates, or in relation to the Deposited Property (including without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold or be interested in GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and on any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

14.5 The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Condition 5, 6, 7, 10, 13 or 21 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures but shall have no liability (in the absence of its own wilful default, negligence or bad faith or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be reasonably practicable.

14.6 The Depositary shall not be required or obliged to monitor, supervise or enforce the observance and performance by the Bank of its obligations under or in connection with the Deposit Agreement or these Conditions.

14.7 The Depositary shall have no responsibility whatsoever to the Bank, any Holders or any owner of GDRs or any other person as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

14.8 In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement, the Depositary shall not, except as otherwise expressly provided in Condition 22, be obliged to have regard to the consequence thereof for the Holders or the owners of GDRs or any other person.

14.9 Notwithstanding anything else contained in the Deposit Agreement or these Conditions, the Depositary may refrain from doing anything which could or might, in its opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depositary may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

14.10 The Depositary may, in relation to the Deposit Agreement and these Conditions, act or take no action on the advice or opinion of, or any certificate or information obtained from, any lawyer, valuer, accountant, banker, broker, securities company or other expert whether obtained by the Bank, the Depositary or otherwise, and shall not be responsible or liable for any loss or liability occasioned by so acting or refraining from acting or relying on information from persons presenting Shares for deposit or GDRs for surrender or requesting transfers thereof.

14.11 Any such advice, opinion, certificate or information (as is referred to in Condition 14.10) may be sent or obtained by letter, telex, facsimile transmission, telegram or cable and the Depositary shall not be liable for acting on any advice, opinion, certificate or information purported to be conveyed by any such letter, telex or facsimile transmission although (without the Depositary's knowledge) the same shall contain some error or shall not be authentic.

14.12 The Depositary may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Bank by a director of the Bank or by a person duly authorised by a director of the Bank or such other certificate from persons specified in Condition 14.10 above which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible for any loss or liability that may be occasioned by the Depositary acting on such certificate.

14.13 The Depositary shall have no obligation under the Deposit Agreement except to perform its obligations as are specifically set out therein without wilful default, negligence or bad faith.

14.14 Subject as provided in the Deposit Agreement, the Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not, and not being a person to whom the Bank reasonably objects in writing, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit. Subject as aforesaid, any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Bank in making such delegation and the Bank shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise, or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of, any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Bank, pursue (at the Bank's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Bank. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Bank and the Depositary.

14.15 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money.

14.16 The Depositary shall be at liberty to hold or to deposit the Deposit Agreement and any deed or document relating thereto in any part of the world with any banking company or companies (including itself) whose business includes undertaking the safe custody of deeds or documents or with any lawyer or firm of lawyers of good repute, and the Depositary shall not (in the case of deposit with itself, in the absence of its own negligence, wilful default, or bad faith or that of its agents, directors, officers or employees) be responsible for any losses, liability or expenses incurred in connection with any such deposit.

14.17 Notwithstanding anything to the contrary contained in the Deposit Agreement or these Conditions, the Depositary shall not be liable in respect of any loss or damage which arises out of or in connection with its performance or non-performance or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under the Deposit Agreement, except to the extent that such loss or damage arises from the wilful default, negligence or bad faith of the Depositary or that of its agents, officers, directors or employees.

14.18 No provision of the Deposit Agreement or these Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and security against such risk of liability is not assured to it.

14.19 For the avoidance of doubt, the Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable Kazakhstan law as the same may be amended from time to time. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issuance of GDRs if notified by the Bank, or the Depositary becomes aware of the fact, that such transfer or issuance would result in a violation of such law.

14.20 No disclaimer of liability under the U.S. Securities Act is intended by any provision of the Deposit Agreement.

15. Issue and Delivery of Replacement GDRs and Exchange of GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the specified office of the Depositary or (at the request, risk and expense of the Holder) at the specified office of any Agent.

16. Depositary's Fees, Costs and Expenses

16.1 The Depositary shall be entitled to charge the following remuneration and receive the following remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the Holders in respect of its services under the Deposit Agreement:

(i) for the issue of GDRs (other than upon the issue of GDRs pursuant to the Offering) or the cancellation of GDRs upon the withdrawal of Deposited Property: US$5.00 or less per 100 GDRs (or portion thereof) issued or cancelled;

(ii) for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates: a sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(iii) for issuing GDR certificates in definitive registered form (other than pursuant to (ii) above): the greater of US$1.50 per GDR certificate (plus printing costs) or such other sum per GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work plus costs (including but not limited to printing costs) and expenses involved;

(iv) for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares: a fee of US$0.02 or less per GDR for each such dividend or distribution;

(v) in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution: US$5.00 or less per 100 outstanding GDRs (or portion thereof) for each such issue of rights, dividend or distribution;

(vi) for transferring interests from and between the Regulation S Master GDR and the Rule 144A Master GDR: a fee of US$0.05 or less per GDR;

(vii) a fee of US$0.02 or less per GDR (or portion thereof) for depositary services, which shall accrue on the last day of each calendar year and shall be payable as provided in paragraph (viii) below; and

(viii) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property which charge shall be assessed against Holders as of the date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions, together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the Depositary, any Agent or the Custodian, or any of their agents, in connection with any of the above.

16.2 The Depositary is entitled to receive from the Bank the fees, taxes, duties, charges costs and expenses as specified in a separate agreement between the Bank and the Depositary.

17. Agents

17.1 The Depositary shall be entitled to appoint one or more agents (the "Agents") for the purpose, *inter alia,* of making distributions to the Holders.

17.2 Notice of appointment or removal of any Agent or of any change in the specified office of the Depositary or any Agent will be duly given by the Depositary to the Holders.

18. Listing

The Bank has undertaken in the Deposit Agreement to use its best endeavours to maintain, so long as any GDR is outstanding, a listing for the GDRs on the official list maintained by the Financial Services Authority (the "Official List") and admission to trading on the market for listed securities of the LSE.

For that purpose the Bank will pay all fees and sign and deliver all undertakings required by the Financial Services Authority and the LSE in connection with such listings. In the event that the listing on the Official List and admission to trading on the market for listed securities of the London Stock Exchange is not maintained, the Bank has undertaken in the Deposit Agreement to use its best endeavours with the reasonable assistance of the Depositary (provided at the Bank's expense) to obtain and maintain a listing of the GDRs on any other internationally recognised stock exchange in Europe.

19. The Custodian

The Depositary has agreed with the Custodian that the Custodian will receive and hold (or appoint agents approved by the Depositary to receive and hold) all Deposited Property for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement which include a requirement to segregate the Deposited Property from the other property of, or held by, the Custodian PROVIDED THAT the Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the Custodian. The Custodian shall be responsible solely to the Depositary PROVIDED THAT, if and so long as the Depositary and the Custodian are the same legal entity, references to them separately in these Conditions and the Deposit Agreement are for convenience only and that legal entity shall be responsible for discharging both functions directly to the Holders and the Bank. The Custodian may resign or be removed by the Depositary by giving 90 days' prior notice, except that if a replacement Custodian is appointed which is a branch or affiliate of the Depositary, the Custodian's resignation or discharge may take effect immediately on the appointment of such replacement Custodian. Upon the removal of or receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Bank, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Kazakhstan, if any), which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the Custodian. Whenever the Depositary in its discretion determines that it is in the best interests of the Holders to do so, it may, after prior consultation with the Bank, terminate the appointment of the Custodian and, in the event of any such termination, the Depositary shall promptly appoint a successor Custodian (approved (i) by the Bank, such approval not to be unreasonably withheld or delayed, and (ii) by the relevant authority in Kazakhstan, if any), which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement on the effective date of such termination. The Depositary shall notify Holders of such change immediately upon such change taking effect in accordance with Condition 23. Notwithstanding the foregoing, the Depositary may temporarily deposit the Deposited Property in a manner or a place other than as therein specified; PROVIDED THAT, in the case of such temporary deposit in another place, the Bank shall have consented to such deposit, and such consent of the Bank shall have been delivered to the Custodian. In case of transportation of the Deposited Property under this Condition, the Depositary shall obtain appropriate insurance at the expense of the Bank if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20. Resignation and Termination of Appointment of the Depositary

20.1 The Bank may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 120 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 120 days' prior notice in writing to the Bank and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and, if the GDRs are at that time admitted to the official list of the Financial Services Authority and admitted to trading on the LSE, to the Financial Services Authority and the LSE.

The termination of the appointment or the resignation of the Depositary shall take effect on the date specified in such notice; PROVIDED THAT no such termination of appointment or resignation shall take effect until the appointment by the Bank of a successor depositary under the Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of these Conditions, by the successor depositary. Save as aforesaid, the Bank has undertaken in the Deposit Agreement to use its reasonable endeavours to procure the appointment of a successor depositary with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and, if the GDRs are at that time admitted to the official list of the Financial Services Authority and admitted to trading on the LSE, to the Financial Services Authority and the LSE.

20.2 Upon the termination of appointment or resignation of the Depositary and against payment of all fees and expenses due to the Depositary from the Bank under the Deposit Agreement, the Depositary shall deliver to its successor as depositary sufficient information and records to enable such successor efficiently to perform its obligations under the Deposit Agreement and shall deliver and pay to such successor depositary all property and cash held by it under the Deposit Agreement. The Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the Custodian shall be deemed to be the Custodian thereunder for such successor depositary, and the Depositary shall thereafter have no obligation under the Deposit Agreement or the Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations).

21. Termination of Deposit Agreement

21.1 Either the Bank or the Depositary but, in the case of the Depositary, only if the Bank has failed to appoint a replacement Depositary within 90 days of the date on which the Depositary has given notice pursuant to Condition 20 that it wishes to resign, may terminate the Deposit Agreement by giving 90 days' prior notice to the other and to the Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the Depositary to Holders of all GDRs then outstanding in accordance with Condition 23.

21.2 During the period beginning on the date of the giving of such notice by the Depositary to the Holders and ending on the date on which such termination takes effect, each Holder shall be entitled to obtain delivery of the Deposited Property relative to each GDR held by it, subject to the provisions of Condition 1.1 and upon compliance with Condition 1, payment by the Holder of the charge specified in Condition 16.1(i) and Clause 10.1.1(a) of the Deposit Agreement for such delivery and surrender, and payment by the Holder of any sums payable by the Depositary and/or any other expenses incurred by the Depositary (together with all amounts which the Depositary is obliged to pay to the Custodian) in connection with such delivery and surrender, and otherwise in accordance with the Deposit Agreement.

21.3 If any GDRs remain outstanding after the date of termination, the Depositary shall as soon as reasonably practicable sell the Deposited Property then held by it under the Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the Deposit Agreement, pro rata to Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the Holders. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and these Conditions, except its obligation to account to Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22. Amendment of Deposit Agreement and Conditions

All and any of the provisions of the Deposit Agreement and these Conditions (other than this Condition 22) may at any time and from time to time be amended by agreement between the Bank and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders until the expiration of three months after such notice shall have been given. During such period of three months, each Holder shall be entitled to obtain, subject to and upon compliance with Condition 1, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge specified in Condition 16.1(i) for such delivery and surrender and otherwise in accordance with the Deposit Agreement and these Conditions. Each Holder at the time when such amendment so becomes effective shall be deemed, by continuing to hold a GDR, to approve such amendment and to be bound by the terms thereof in so far as they affect the rights of the Holders. In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Condition 1, the Deposited Property attributable to the relevant GDR.

For the purposes of this Condition 22, an amendment shall not be regarded as being materially prejudicial to the interests of Holders if its principal effect is to permit the creation of GDRs in respect of additional Shares to be held by the Depositary which are or will become fully consolidated as a single series with the other Deposited Shares PROVIDED THAT temporary GDRs will represent such Shares until they are so consolidated.

23. Notices

23.1 Any and all notices to be given to any Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by telex or facsimile transmission confirmed by letter sent by mail or air courier, addressed to such Holder at the address of such Holder as it appears on the transfer books for GDRs of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request.

23.2 Delivery of a notice sent by mail or air courier shall be effective three days (in the case of domestic mail or air courier) or seven days (in the case of overseas mail) after despatch, and any notice sent by telex transmission, as provided in this Condition, shall be effective when the sender receives the answerback from the addressee at the end of the telex and any notice sent by facsimile transmission, as provided in this Condition, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The Depositary or the Bank may, however, act upon any telex or facsimile transmission received by it from the other or from any Holder, notwithstanding that such telex or facsimile transmission shall not subsequently be confirmed as aforesaid.

23.3 So long as GDRs are listed on the Official List and admitted to trading on the LSE and the rules of the Financial Services Authority or the LSE so require, all notices to be given to Holders generally will also be published in a leading daily newspaper having general circulation in the UK (which is expected to be the Financial Times).

24. Reports and Information on the Bank

24.1 The Bank has undertaken in the Deposit Agreement (so long as any GDR is outstanding) to furnish the Depositary with six copies in the English language (and to make available to the Depositary, the Custodian and each Agent as many further copies as they may reasonably require to satisfy requests from Holders) of:

(i) in respect of the financial year ending on 31 December 2005 and in respect of each financial year thereafter, the consolidated balance sheets as at the end of such financial year and the consolidated statements of income for such financial year in respect of the Bank, prepared in conformity with International Financial Reporting Standards and reported upon by independent public accountants selected by the Bank, as soon as practicable after the end of such year;

(ii) if the Bank publishes semi-annual financial statements for holders of Shares, such semi-annual financial statements of the Bank, as soon as practicable, after the same are published; and

(iii) if the Bank publishes quarterly financial statements for holders of Shares, such quarterly financial statements, as soon as practicable, after the same are published.

24.2 The Depositary shall upon receipt thereof give due notice to the Holders that such copies are available upon request at its specified office and the specified office of any Agent.

24.3 For so long as any of the GDRs remains outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act if at any time the Bank is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, the Bank has agreed in the Deposit Agreement to supply to the Depositary such information, in the English language and in such quantities as the Depositary may from time to time reasonably request, as is required to be delivered to any Holder or beneficial owner of GDRs or to any holder of Shares or a prospective purchaser designated by such Holder, beneficial owner or holder pursuant to a Deed Poll executed by the Bank in favour of such persons and the information delivery requirements of Rule 144A(d)(4) under the U.S. Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of GDRs or Shares or interests therein in reliance on Rule 144A under the U.S. Securities Act and otherwise to comply with the requirements of Rule 144A(d)(4) under the U.S. Securities Act. Subject to receipt, the Depositary will deliver such information, during any period in which the Bank informs the Depositary it is subject to the information delivery requirements of Rule 144(A)(d)(4), to any such holder, beneficial owner or prospective purchaser but in no event shall the Depositary have any liability for the contents of any such information.

25. Copies of Bank Notices

The Bank has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary on or before the day when the Bank first gives notice, by mail, publication or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, such number of copies of such notice and any other material (which contains information having a material bearing on the interests of the Holders) furnished to such holders by the Bank (or such number of English translations of the originals if the originals were prepared in a language other than English) in connection therewith as the Depositary may reasonably request. If such notice is not furnished to the Depositary in English, either by the Bank or the Custodian, the Depositary shall, at the Bank's expense, arrange for an English translation thereof (which may be in such summarised form as the Depositary may deem adequate to provide sufficient information) to be prepared. Except as provided below, the Depositary shall, as soon as practicable after receiving notice of such transmission or (where appropriate) upon completion of translation thereof, give due notice to the Holders which notice may be given together with a notice pursuant to Condition 9.1, and shall make the same available to Holders in such manner as it may determine.

26. Moneys held by the Depositary

The Depositary shall be entitled to deal with moneys paid to it by the Bank for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Bank or any Holder or any other person for any interest thereon, except as otherwise agreed and shall not be obliged to segregate such moneys from other moneys belonging to the Depositary.

27. Severability

If any one or more of the provisions contained in the Deposit Agreement or in these Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

28. Governing Law

28.1 The Deposit Agreement and the GDRs are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedules 3 and 4 to the Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Kazakhstan law. The Bank has submitted in respect of the Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The Bank has also agreed in the Deposit Agreement, and the Deed Poll to allow, respectively, the Depositary and the Holders to elect that Disputes are resolved by arbitration.

28.2 The Bank has irrevocably appointed the Law Debenture Corporate Services Limited, 100 Wood Street, London EC2V 7EX, as its agent in England to receive service of process in any Proceedings in England based on the Deed Poll and has agreed to receive service of process in any Proceedings in New York by registered post at the Bank's registered address at 135-Zh Gagarin Avenue, Almaty, 050060 Republic of Kazakhstan. If for any reason the Bank does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.3 The courts of England are to have jurisdiction to settle any disputes (each a ''Dispute'') which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs (''Proceedings'') may be brought in such courts. Without prejudice to the foregoing, the Depositary further irrevocably agrees that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The Depositary irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

28.4 These submissions are made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).

28.5 In the event that the Depositary is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Bank, or which contains allegations to such effect, upon notice from the Depositary, the Bank has agreed to fully cooperate with the Depositary in connection with such litigation, arbitration or Proceeding.

28.6 The Depositary irrevocably appoints The Bank of New York, London Branch (Attention: The Manager) of 48th Floor, One Canada Square, London E14 5AL, as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

PRICE RANGE OF SHARES AND GDRS

The Shares are listed and traded on the KASE. The prices of the Shares as quoted on the official list of the KASE are expressed in Tenge. The Shares started trading on the KASE on 28 October 1997 following the initial public offer of the Shares. The following table sets forth the reported high and low closing prices and average daily trading volumes of the Shares on the KASE during each of the periods indicated.

	KASE		
	Closing Price of Shares		Average Daily Trading Volume
Calendar Period	High	Low	
	(KZT)	(KZT)	Shares
2003			
First Quarter	n/a	n/a	0
Second Quarter	n/a	n/a	0
Third Quarter	73.70	65.79	5,498
Fourth Quarter	96.80	96.80	45.5
2004			
First Quarter	160.00	150.00	140
Second Quarter	n/a	n/a	0
Third Quarter	n/a	n/a	0
Fourth Quarter	n/a	n/a	0
2005			
First Quarter	232.50	180.01	20
Second Quarter	n/a	n/a	0
Third Quarter	181.00	181.00	1.5
Fourth Quarter	500.00	300.00	312
2006			
January	n/a	n/a	0
February	1,050.00	840.00	601.6
March	1,800.00	1,275.00	847.8
April	1,800.00	1,400.00	102,124.8
May	1,400.00	701.00	43,884.9
June	1,490.00	700.00	25,257.7
July	1,490.00	700.00	158,321.3
August	1,199.00	710.00	286,018.6
September	1,139.00	840.90	134,411.5

Source: KASE

On 2 November 2006, the closing price of the Shares on the KASE was KZT1,100 per Share.

The Bank's outstanding GDRs have been admitted to trading on the Parallel Market of the Istanbul Stock Exchange (the "ISE") since 1997 and have been admitted to the Official List since 1999. Trading volumes in the GDRs on both the ISE and LSE have been low and most of the trades in outstanding GDRs are on the Frankfurt Stock Exchange where the outstanding GDRs are admitted for trading.

The following table sets forth the reported high and low closing prices (which are quoted in euro) and average daily trading volumes of the outstanding GDRs on Frankfurt Stock Exchange during the periods indicated.

	Frankfurt Stock Exchange		
	Closing Price of GDRs		Average Daily Trading
Calendar Period	**High**	**Low**	**Volume**
	(EUR)	**(EUR)**	**GDRs**
2003			
First Quarter	15.30	11.25	6,576
Second Quarter	15.00	14.50	2,922
Third Quarter	16.55	14.75	5,777
Fourth Quarter	20.50	15.00	8,115
2004			
First Quarter	39.00	20.60	10,887
Second Quarter	34.00	23.60	4,834
Third Quarter	28.00	21.00	2,469
Fourth Quarter	36.50	27.20	4,037
2005			
First Quarter	42.90	35.00	5,637
Second Quarter	37.00	29.50	2,922
Third Quarter	40.80	32.00	5,335
Fourth Quarter	128.00	39.00	18,225
2006			
January	141.00	96.00	27,520
February	165.00	125.00	11,390
March	192.50	145.00	21,359
April	184.00	171.00	11,064
May	185.00	125.00	37,273
June	143.10	130.00	10,268
July	136.00	127.00	14,977
August	172.00	130.00	33,586
September(1)	210.00	167.00	23,354

Source: Frankfurt Stock Exchange

(1) September data has been restated, where applicable, to reflect the redenomination of the GDRs with effect from 27 September 2006. On a redenominated basis the high and low prices in September 2006 were €14.00 and €11.13, respectively.

On 2 November 2006, the closing price of the GDRs on the Frankfurt Stock Exchange was €14.48 per outstanding GDR. With effect from 27 September 2006 the GDRs issued prior to the Global Offer were redenominated so that they each represent two, rather than 30, Shares. The deposit agreements entered into between the Bank and the Depositary under which these GDRs were issued were governed by New York law. On or about the Closing Date those agreements will be amended so that the GDRs outstanding under them are exchanged for GDRs issued pursuant to the Deposit Agreement. This exchange will take place on or about the thirtieth day following the Closing Date and from that date those GDRs will be fungible with the GDRs being offered in the Global Offer.

DIVIDEND POLICY

The Bank has not paid any dividends on its Shares in the last three fiscal years.

There is no guarantee that any future dividends will be declared or paid and the Bank has no stated policy as to payment of dividends. Holders of GDRs will be entitled to receive dividends paid on Shares represented by such GDRs in accordance with the terms of the Deposit Agreement. Cash dividends on Shares represented by GDRs will be paid to the Depositary in Tenge and, except as otherwise described under the Deposit Agreement, will be converted by the Depositary into US dollars and distributed, net of the Depositary's fees, taxes, if any, and expenses to the holders of such GDRs.

The JSC Law and the Charter set out the procedure for determining the dividends on Shares that the Bank distributes to its Shareholders. Subject to the provisions of the JSC Law, the Bank may, by a resolution passed by a simple majority of Shareholders present and voting at the General Meeting of Shareholders (an ''ordinary resolution'') declare annual dividends in accordance with the respective rights of Shareholders.

The JSC Law prohibits payment of dividends if the Bank's ''own capital'' is negative or would become negative as a result of such payment or if the Bank is insolvent under Kazakhstan bankruptcy legislation or would be as a result of such payment. Under the JSC Law and the Charter, the Bank may distribute dividends on its Shares based on its three-month and/or six-month results (as determined by the Board of Directors), as appears to the Board of Directors to be justified by the financial position of the Bank. With respect to annual dividends, a majority of the Board of Directors recommends dividends to the General Shareholders' Meeting, which then approves the dividends by majority vote. The General Meeting of Shareholders or the Board of Directors' meeting, as appropriate, should set up the date on which payment of the dividends in question begins. The Shareholders' right to receive dividends, once declared, does not lapse.

The list of Shareholders entitled to receive dividends is drawn up on the date preceding the date on which payment of the dividends in question begins.

If a dividend payable in respect of a Share is delayed by the Bank, then additional interest is payable by the Bank to the Shareholder. No dividend may be paid on any share unless all outstanding dividends declared on the Preference Shares have been paid in full.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid up on the shares on which the dividend is paid.

If the Bank has received the written consent of the Shareholder concerned, then it may pay dividends with respect to the Shares in the form of Shares or bonds issued by the Bank (but not in the form of any other type of securities).

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Bank's shares will under the JSC Law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. A liquidator may divide among the Shareholders *in specie* the whole or any part of the assets of the Bank.

In addition to its Shares, as at 30 June 2006, the Bank had 124,671,200 non-voting Preference Shares outstanding. Each Preference Share entitles the holder to a fixed annual dividend of US$0.04 multiplied by the Tenge/US dollar exchange rate established on the KASE as of the working day immediately preceding the date of the payment of the dividend. If such dividends are not paid, holders of Preference Shares are granted voting rights until all accrued and payable dividends are paid in full. Each Preference Share also entitles the holder to receive the same dividend that may be paid to any holder of Shares, where such dividend paid to any holder of Shares exceeds US$0.04. The Bank may, in its sole discretion, make an offer to the holders of Preference Shares to convert such Preference Shares into Shares or make an offer to buy the Preference Shares from the holders thereof and upon such acquisition by the Bank, convert such Preference Shares into Shares.

See *''Taxation''* for information regarding taxes payable on dividends on the Shares.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF KAZAKHSTAN LEGISLATION

Share Capital

As at 31 December 2004 and 31 December 2005, the Bank had issued and outstanding 346,138,700 Shares and 73,579,200 Preference Shares, and 374,911,400 Shares and 124,671,200 Preference Shares respectively.

The Bank's authorised share capital consists of 700 million shares, of which 575 million are Shares and 125 million are Preference Shares. As of 30 June 2006, the Bank's issued and outstanding paid-up share capital was KZT4,996,625,900, comprising 378,128,000 Shares and 124,700,155 Preference Shares. Each Preference Share entitles the holder to a fixed annual dividend of US$0.04 multiplied by the Tenge/US dollar exchange rate established on the KASE as of the working day immediately preceding the date of the payment of the dividend. If such dividends on the Preference Shares are not paid, holders of Preference Shares are entitled to one vote per share voting together with the Shares as a class until all accrued and payable dividends are paid in full. None of the Preference Shares are convertible by holders into Shares. The Bank may offer to convert the Preference Shares into Shares at any time.

As of 16 October 2006, the Bank had 471,493,095 issued and outstanding Shares and 124,956,845 issued and outstanding Preference Shares.

All Shares are in registered form in the shareholders register of the Bank, maintained by an independent third-party registrar. The registrar is JSC Reyestr Servis of 125/7 Rozybakiyeva Street, Almaty, 050060, Kazakhstan. Ownership of the Bank's shares is evidenced by an extract from the share register of the Bank.

Summary of the Charter

The Charter provides that the Bank's principal objective is "the attraction and effective use of temporary free funds of its clients and correspondent banks, as well as rendering to the latter all bank services and services in the securities market, for performance of which the Bank has the relevant licences, and also other services provided for by the legislation of the Republic of Kazakhstan." The Bank's objects are set out in full in Clause 4 of the Charter.

The Charter, which was adopted by a special resolution at a General Meeting of Shareholders (a majority of not less than three-quarters of the total number of Shares in issue) on 20 October 2003 (and amended on 5 August 2005), includes provisions to the following effect:

Share rights

Subject to the provisions of the JSC Law and without prejudice to any rights attached to any existing Shares or class of shares, the Bank may issue Shares, Preference Shares and other securities convertible into Shares.

Subject to the Charter and to the provisions of the JSC Law, the unissued and unplaced Shares of the Bank (whether forming part of the original or any increased capital) are at the disposal of the General Meeting of Shareholders and the Board of Directors respectively.

Voting rights

Subject to any rights or restrictions attached to any class of shares by or in accordance with the Charter, on a show of hands, each holder of the Shares present in person or by proxy has one vote (save that any holder of Preference Share(s) shall not be entitled to vote except in limited circumstances) and a proxy at a meeting of the Shareholders appointed by a member on behalf of such member's shareholding shall also have one vote.

On a poll, every member present in person or by proxy (except holders of Preference Shares) shall have one vote for each fully paid Share of which he is the holder and the holders of the Preference Shares shall not be entitled to vote except as referred to in "*Rights of holders of Preference Shares.*"

No resolution of Shareholders in writing shall be effective without a quorum (which is persons holding 50 per cent. or more of the voting share capital of the Bank) or, for a repeated meeting called in absence of the 50 per cent. quorum, persons holding 40 per cent. or more of the voting share capital of the Bank.

Dividends and other distributions

See *"Dividend Policy."*

Variation of rights

Pursuant to the JSC Law, there are two types of share: common and preference. Each type has attached to it the rights set out in the JSC Law. These rights may be extended by a company's charter (although the Bank's Charter does not purport to extend such rights), but these rights cannot be restricted.

Rights of holders of Preference Shares

A Preference Share gives to its holder the right to a preferential right, as compared to holders of Shares, to:

(a) a dividend representing not less than US$0.04 per Preference Share, provided always that it shall be not less than the dividend paid on Shares in the same period. Each Preference Share entitles the holder to a fixed annual dividend of US$0.04 multiplied by the Tenge/US dollar exchange rate established on the KASE as of the working day immediately preceding the date of the payment of dividends; and

(b) participate in the Bank's assets on a winding-up *pari passu* with holders of Shares save that the holders of the Preference Shares will receive payment of that entitlement prior to the holders of Shares.

A Preference Share does not give its holder the right to vote at a General Meeting of Shareholders, except:

(a) at a General Meeting of Shareholders that considers any issue where the decision may lead to the limitation of the rights of holders of Preference Shares. Decisions on such issues may be taken only if approved by holders of not less than two-thirds of the issued Preference Shares;

(b) at a General Meeting of Shareholders that reviews a question about the reorganisation of the Bank or its winding-up;

(c) if dividends on Preference Shares are not paid in full amount within three months from the expiry date stipulated for its payment.

Each holder of Preference Shares that has the right to vote at a General Meeting of Shareholders and is present thereat in person or through his representative shall have one vote for each Preference Share held.

Unpaid and bought-back Shares

The JSC Law states that, until a share is paid in full, a company must not instruct the share to be credited to the personal account of the would-be acquirer. Instead, the share will be credited to the personal account of the company itself (an "issuance account") with the registrar. Therefore, a Share cannot be placed unless it is fully paid up.

Shares which have been bought back by a company are credited to another special account of the company (a "reissuance account") with the registrar.

No dividends accrue or are payable on unplaced Shares or Shares bought back by the Bank, such Shares are not counted for the purposes of determining a quorum, and such Shares do not carry the right to vote.

Transfer of Shares

To transfer a Share, the holder (or its representative) must sign a written order and submit it to the registrar or nominee for execution, or give suitable electronic instructions as permitted by legislation. The registrar or nominee will execute a buy order by pairing it with a sell order, and vice versa.

All dealings with the Shares must be registered by way of making entries on the personal accounts in the registry system or the nominee's books. Legal title to a Share arises from the moment when the transaction is so registered (unless each party to the transaction has a different nominee, in which case legal title arises from the moment when the transaction is registered in the personal accounts of each nominee in the Kazakhstan Central Depositary).

An extract from the personal account of a shareholder in the registry system or a nominee's books is evidence of that holder's legal right to a share.

A registrar or nominee can refuse to register a transaction if the documents submitted do not conform to legislative requirements.

In addition, the FMSA has the right (by notifying the relevant issuer, the registrar and the Kazakhstan Central Depositary) to suspend trading in securities by blocking all or certain personal accounts in the registry or nominee systems if legal requirements establishing (i) the rights and interests of investors when acquiring securities or (ii) the terms and procedures for trading securities have been violated.

A fee will ordinarily be payable to the registrar or nominee for registering the transfer, under contractual terms.

Alteration of share capital

The Bank may from time to time by a three-quarters majority of Shares at a General Meeting of Shareholders (but by no other method) increase its share capital. The Board of Directors may issue and place the Shares within the permitted authorised number of Shares.

Purchase of own shares

Subject to the JSC Law and without prejudice to any relevant special rights attached to any class of shares, the Bank may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par). Such shares will be credited to the Bank's personal account with the registrar.

The Bank cannot purchase any of its shares which are being placed in a primary offering, and cannot purchase its own shares before the confirmation by the FMSA of the results of the placement of shares.

Any such purchase must be effected with the consent of the relevant shareholder using a valuation methodology which has been approved in advance by a General Meeting of Shareholders.

Subject to the JSC Law, a shareholder may request the Bank to buy back shares belonging to the shareholder, which the Bank must do within 30 days of receipt by it from the shareholder of a duly formalised request.

Shares being bought back by the Bank cannot exceed 25 per cent. of the total number of placed shares of the Bank, and the purchase price cannot exceed 10 per cent. of the size of the Bank's own capital.

Authority to issue Shares

Under the JSC Law, the Board of Directors may allot shares by a board resolution. Any decision must state the number, the price of the shares and the manner of subscription.

Pre-emption rights

Under the JSC Law, a shareholder of the Bank has a pre-emptive right to acquire newly placed shares of the Bank (including newly issued Shares or Shares previously bought back). Holders of Shares have pre-emptive rights on Shares or securities convertible into Shares and holders of Preference Shares have pre-emptive rights on Preference Shares.

Within 10 days from the date upon which the Bank takes a decision to place a specified number of shares, it must make an offer to each existing shareholder (either by written notification or by way of publication in the mass media) to acquire the shares pro rata to its shareholding at the placement price established by the Bank in the decision. Each shareholder then has 30 days from the date of such notification or publication to submit an application to acquire shares (i.e., to exercise its pre-emptive right). Upon the expiry of such period, the right to submit an application will lapse.

The FMSA has taken the position in the past that persons not holding shares and therefore not disclosed in the register of the KCD, such as holders of GDRs, may not exercise the pre-emptive rights attaching to the underlying shares. Although the FMSA currently takes the position that holders of GDRs may exercise such rights (and although there is nothing in current legislation that would prevent GDR holders from exercising their pre-emptive rights), there is no guarantee that the FMSA will not reverse this position.

General meetings

The Board of Directors must convene and the Bank must hold general meetings and annual general meetings in accordance with the requirements of the JSC Law. The Board of Directors may call general meetings at such times as it determines. In addition, a general meeting may be convened on the written request of any holder of Shares representing not less than 10 per cent. of the issued Shares.

Shareholders are entitled to receive not less than 30 (45 in the event of a meeting in absence) days' notice of the holding of any general meeting.

The General Meeting of Shareholders shall have exclusive competence to determine certain matters, including the following:

(a) the introduction of amendments and supplements to, or the approval of new versions of, the Charter;

(b) the voluntary reorganisation or winding-up of the Bank, including any change in the Bank's status as a Kazakhstan joint-stock company;

(c) any increase in the amount of authorised shares of the Bank or any change in the type of any authorised shares of the Bank which have not been placed;

(d) the determination of the scope and the expiry dates of the powers of the Board of Directors, the selection of members of the Board of Directors and early termination of their powers, as well as determination of the amount and payment terms of remuneration to members of the Board of Directors;

(e) the appointment of an auditing company to undertake the audit of the Bank;

(f) approval of annual financial statements and amount of annual dividend paid on Shares, if any; and

(g) if such decision may not be taken by the Board of Directors, decisions for the Bank to conclude any transaction by the Bank with any affiliate of the Bank.

Matters referred to in paragraphs (a) to (c) above shall require the approval by a qualified majority of Shareholders. Members of the Board of Directors are elected by cumulative voting (whereby each shareholder has a right to give the votes owned by such shareholder completely to one candidate or to be distributed among several candidates to the Board of Directors).

The General Meeting of Shareholders has a right to cancel any decision made by any other management body of the Bank on issues related to the internal organisation of the Bank.

Directors

The Board of Directors must comprise not less than three and not more than five persons. Directors shall be appointed by Shareholders by way of cumulative voting (whereby each Shareholder has a right to give the votes owned by such Shareholder completely to one candidate or to be distributed among several candidates to the Board of Directors). Candidates receiving a majority of votes are appointed to the Board of Directors. If two or more candidates gain an equal number of votes then an additional election is carried out with regard to such candidates.

The quorum required for a duly convened meeting of the Board of Directors shall comprise not less than half of the members of the Board of Directors. Each member of the Board of Directors has one vote. Decisions of the Board of Directors are made by simple majority of votes of the members present at the meeting.

A General Meeting of Shareholders has a right to terminate early the powers of all or any members of the Board of Directors and to remove any member of the Board of Directors from office.

The Board of Directors shall have exclusive competence to determine the following matters:

- the allotment of Shares, including the price, number and the manner of subscription of the Shares to be placed;
- the powers of the Management Board, the selection of the Chairman of the Management Board and members of the Management Board, and early termination of their powers;
- the remuneration and bonuses to be paid to the members of the Management Board.
- any agreements concerning major transactions of the Bank (being a transaction or combination of inter-related transactions which result or may result in the purchase or disposal by the Bank of assets representing 10 per cent. or more of the total value of the Bank's assets or an increase of the Bank's liabilities by an amount equal to or exceeding 10 per cent. of the Bank's net worth) and related party transactions;
- the establishment of the general terms and conditions of the Bank's operations and approval of certain internal regulations;

- the establishment of the Bank's strategic plan, annual operation plan, annual budget, business plan and investment plan;

Remuneration of Directors

The remuneration of Directors shall be determined by the General Meeting of Shareholders.

Permitted interests of Directors

A Director cannot participate in discussions or voting on any transaction between the Bank and:

- himself or any connected persons;

- any legal entity in which s/he or any connected persons has a material interest in, or is otherwise affiliated with, that legal entity; or

- any legal entity in which s/he or any connected persons is a Director or Manager.

Disclosure of beneficial ownership

A list of shareholders that have the right to participate in a meeting of shareholders and vote at the meeting will be prepared by the Bank's registrar on the basis of information recorded in the register of shareholders of the Bank. However, any shareholder holding Shares through a nominee and whose identity is not disclosed to the KCD shall not be entitled to vote at a meeting of shareholders. Holders of GDRs will be able to exercise their voting rights in accordance with and subject to the limitations set out in Condition *12 (Voting of Shares)* of the *"Terms and Conditions of the Global Depositary Receipts."* These GDR holders will also be able to exchange GDRs for Shares.

Further, ownership of the Shares is also subject to certain legislative restrictions under Kazakhstan law. Specifically, (a) legal entities registered in certain specified offshore jurisdictions such as Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria and the Philippines or which have affiliates registered in such jurisdictions (except for international banks having a credit rating of "A" or above from certain rating agencies) or (b) physical persons who are participants or shareholders in such legal entities may not directly or indirectly own voting Shares in the capital of the Bank, including Shares. Accordingly, holders of GDRs falling under (a) or (b) above are not entitled to vote through the Depositary at Meetings of Shareholders, cannot exchange GDRs into Shares and cannot own, hold or dispose of the Shares. Although the Bank has been advised that such restrictions should not prevent a GDR holder registered in any such jurisdiction (or which has an affiliate registered in such jurisdiction) from exercising or benefitting from other rights (including the right to receive dividends and to have the Depositary exercise pre-emptive rights on their behalf such that holders can receive additional GDRs) there is no guarantee that the FMSA or any other relevant authority such as a Kazakhstan court will not take a different view thereby restricting all such GDR holders from exercising or benefitting from such shareholder rights. Moreover, there can be no assurance that the FSMA or any other relevant authority would not interpret the foregoing legislation as restricting such entities or persons from owning GDRs. In addition, any physical person or legal entity becoming a "major shareholder" or, for legal entities, a "bank holding" company in relation to the Bank should obtain prior written permission of the FMSA. A major shareholder/bank holding company means a person directly or indirectly owning or voting by 10 or 25 per cent. respectively, of the voting shares or can otherwise influence the decisions of the Bank on the basis of an agreement or otherwise as set out by FMSA regulations.

In addition any person acquiring 10 per cent. or more of the voting shares of the Bank is considered an affiliate of the Bank and must disclose its identity to the Bank. Information about the identity of an affiliate is not confidential.

Mandatory Offers

Under the JSC Law a person either alone or jointly with its affiliated persons acquiring 30 or more per cent. of the Shares of the Bank is required to make an offer to the remaining minority Shareholders to buy out their Shares under the market price. Any failure by the acquiror to make such an offer would result in the acquirer being obligated to reduce its shareholding below 29 per cent.

Related party transactions

Related party transactions should be approved by the majority of non-interested members of the Board of Directors or, if all Directors are interested, by the decision of a meeting of shareholders made by the majority of non-interested shareholders or by simple majority vote if all Shareholders are interested.

TAXATION

The Republic of Kazakhstan

The following summary of certain Kazakhstan taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Shares or GDRs, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with Kazakhstan other than a holding of Shares or GDRs. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Shares or GDRs, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek specialist Kazakhstan tax advice as necessary.

This summary discusses the Kazakhstan tax consequences of the acquisition, ownership and disposal of Shares and GDRs. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed, and in many cases the exact scope of Kazakhstan tax, compliance rules and enforcement mechanism is unclear or open to different interpretations.

The only tax that may under certain circumstances apply in Kazakhstan to the above transactions is income tax. No other taxes or duties should be levied in Kazakhstan with respect to the above transactions. For all relevant purposes of this summary, except as noted below (e.g., in relation to treaty relief in respect of dividends), legal entities and individuals are subject to similar income tax treatment.

Tax residence

Non-resident persons will not become resident in Kazakhstan for Kazakhstan tax purposes by reason only of the acquisition, ownership or disposal of Shares or GDRs. Therefore, under Kazakhstan tax law, legal owners of Shares ("Shareholders") and holders of GDRs ("GDR Holders") should only be taxed on their income earned from sources in Kazakhstan, rather than their worldwide income.

This summary assumes that all Shareholders, GDR Holders and the issuer of the GDRs are not resident in Kazakhstan for tax purposes.

Exempt disposals of Shares

Since the Shares are admitted to Category "A" of the Official List of the KASE, until 1 January 2007 all disposals and acquisitions of the Shares are exempt from any tax payment, reporting or compliance requirements in Kazakhstan. Starting from 1 January 2007 this exemption will only apply to income from open sales of Shares on a stock exchange, provided that such Shares are admitted to the highest or second highest listing category of such stock exchange at the time of sale. It is unclear whether this exemption will apply only to Shares sold on the KASE or on any stock exchange. The tax treatment of all disposals that do not qualify for such an exemption is discussed below. In addition, starting from 1 January 2007, such exemption will also apply to income from sales of shares on the special trade platform of the regional financial centre of Almaty City provided that such shares are admitted to that platform.

Taxable disposals of Shares

This discussion applies only to disposals that are not exempt as described above.

Treatment of acquirer

Non-resident buyers or other transferees (including recipients of gift or inheritance) of Shares are not subject to Kazakhstan income tax on acquisition.

Under Kazakhstan tax law, buyers of Shares must notify the relevant Kazakhstan tax authorities regarding the identity of the seller and the purchase price paid on acquisition within 10 working days of the settlement taking place. Investors should note that there is currently no enforcement mechanism or sanction for non-compliance with this notification requirement. Moreover, it is unclear how this requirement can technically be complied with in respect of acquisitions made on a stock exchange, where specific sellers are not readily identifiable. According to information available to the Bank, the Kazakhstan tax authorities are currently formulating new rules and procedures that should narrow the scope and establish an enforcement mechanism for this requirement.

Treatment of transferor

Income earned by Shareholders from the disposal of Shares is considered to be Kazakhstan source income. Therefore, as a general rule, the net gain realised from such a disposal is subject to income tax in Kazakhstan at the rate of 20 per cent. Disposals include sales, exchanges and gifts.

Shareholders should register with the Kazakhstan tax authorities within 30 working days from the date when the relevant income is earned. Although the relevant Kazakhstan tax law does not stipulate in which particular tax office such Shareholders have to register, the context appears to suggest that the registration should be carried out with the tax authority where the Bank is registered.

Shareholders have to report their income earned on a disposal of Shares to the Kazakhstan tax authority where the Bank is registered by 31 March of the year following the tax year in which such income is earned. The associated tax liability should be paid in full within 10 working days of the reporting deadline.

Eligible residents of certain countries may be exempt from Kazakhstan income tax on disposals of Shares under applicable double taxation agreements. In such case, no tax registration or compliance requirements should arise.

Taxation of dividends

Dividends paid on Shares constitute Kazakhstan source income for Shareholders and are subject to withholding tax at the rate of 15 per cent. The withholding tax is applied to the gross amount of dividends without allowance for any deductions and satisfies all Kazakhstan income tax obligations with respect to dividends. Neither Shareholders nor GDR Holders should be subject to any other tax reporting, payment, registration or compliance requirements with respect to dividends paid on the Shares.

Beneficial owners of dividends who are resident in countries with which Kazakhstan has double taxation treaties may be entitled to a reduced rate of withholding tax. Investors should note that for treaty purposes the respective GDR Holders, rather than the issuer of the GDRs, may well be considered to be the beneficial owners of dividends paid with respect to Shares represented by GDRs. However, to date the Bank is not aware of any practical experience in Kazakhstan in relation to this question and so the issue, and its consequences for double taxation relief, are not determinable with certainty at present, though the maximum Kazakhstan tax withheld should, in any case, not exceed 15 per cent.

Subject to the above, depending on the country of residence and satisfaction of certain other conditions, the dividend withholding tax rates under Kazakhstan's double tax treaties in effect as of the date of this Prospectus may be between 5 per cent. and 15 per cent. Under double tax treaties effective on the date of this Prospectus, reductions below 10 per cent. may only be available to beneficial owners that are legal entities.

In order to avail themselves of this relief, eligible beneficial owners of dividends have to provide the Bank with a document issued by the tax authority of their country of residence confirming their tax residence in a treaty jurisdiction. In addition, beneficial owners who are not the immediate recipients of dividends from the Bank (including GDR Holders) will need to provide the Bank with documentary proof of their beneficial ownership. On the basis of the above documents, the Bank may be entitled to withhold tax at an applicable reduced rate established by a relevant treaty, subject as provided in the Deposit Agreement.

If the above documents are not made available to the Bank prior to the date of payment of dividends, then the Bank should apply withholding tax at a standard 15 per cent. rate and account for the withheld amounts to the relevant authority. In theory, beneficial owners who are eligible for a lower withholding tax rate should later be able to claim a refund of overpaid tax from the government of Kazakhstan. In practice, however, this process may prove to be administratively burdensome due to the unclear procedure involved and a general reluctance of the Kazakhstan authorities to grant refunds.

Taxation of GDR Holders

Since Kazakhstan domestic tax law does not contain the concept of constructive or beneficial ownership, income earned by GDR Holders, including (i) income received on disposals of GDRs, and (ii) premiums received by GDR Holders (associated with dividends announced with respect to Shares represented by such GDRs), appears to be outside the scope of Kazakhstan income tax.

There is some risk, however, that the Kazakhstan tax authorities may take into account economic similarities between GDR Holders and Shareholders and attempt to subject GDR Holders to tax as constructive owners of Shares.

In addition, effective from 1 January 2006, Kazakhstan tax law defines all income which may be taxed in Kazakhstan under applicable double tax treaties as income from a Kazakhstan source. Since certain double tax treaties entitle Kazakhstan to tax the above-mentioned categories of income, GDR Holders resident in certain countries may be subject to tax on such income. It remains to be seen whether this newly introduced provision will be applied to increase the tax burden of treaty country residents, as compared to other non-resident persons.

Due to the lack of existing precedent or practice, the Bank is unable to assess the likelihood of such challenge by the tax authorities or probability of its success, either with respect to treaty country residents or any other non-resident GDR Holders.

If income earned by GDR Holders is subject to Kazakhstan taxation (either by successful challenge of the tax authorities or by application of a double tax treaty), then:

- income earned on disposals of GDRs may be subject to tax in the same manner as income from a disposal of Shares as described above; and
- GDR Holders may be considered as taxpayers for dividend withholding tax purposes. In this case, the tax withheld by the Bank on a distribution should be considered as a payment in full satisfaction of the GDR Holders' dividend withholding tax liability. Premiums received by GDR Holders in relation to dividends that have already been taxed in Kazakhstan should not be subject to any further tax or compliance requirements in Kazakhstan.

United Kingdom

The comments below are of a general nature and are based on current United Kingdom law and HM Revenue & Customs practice at the date of this Prospectus, and are subject to any change that may take effect after such date (possibly with retrospective effect). Except as otherwise stated, this summary only discusses certain UK tax consequences of holding the Shares or the GDRs for the absolute beneficial owners of the Shares or the GDRs (1) who are resident or ordinarily resident in the UK for tax purposes; (2) who are not resident for tax purposes in any other jurisdiction; and (3) who do not have a permanent establishment or fixed base in Kazakhstan with which the holding of the Shares or the GDRs is connected ("UK holders"). In addition, the summary (1) only addresses the tax consequences for UK holders who hold the Shares and the GDRs as capital assets, and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example, dealers; (2) assumes that the UK holder does not either directly or indirectly alone control more than 5 per cent., or together with connected or associated persons, control 10 per cent. or more of the voting power of the company; and (3) assumes that a holder of the GDRs is beneficially entitled to the underlying Shares and to the dividends on those Shares.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular UK holder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and HM Revenue & Customs practice, of the acquisition, ownership and disposal of the Shares or the GDRs in their own particular circumstances, by consulting their own tax advisers.

Withholding tax

Assuming that the income received under the GDRs does not have a United Kingdom source, there should be no United Kingdom withholding tax on payment of any such income. Dividend payments in respect of the Shares will not be subject to UK withholding tax.

Taxation of dividends

A UK holder that receives a dividend on the Shares or the GDRs will generally be subject to UK income tax or corporation tax as the case may be, on the gross amount of any dividend paid before the deduction of any Kazakhstan withholding taxes, subject to the availability of any credit for Kazakhstan tax withheld. A UK holder who is an individual resident and domiciled in the United Kingdom will generally be subject to UK income tax on the dividend paid on the Shares or the GDRs. A UK holder who is an individual resident but not domiciled in the United Kingdom, or a Commonwealth citizen or citizen of the Republic of Ireland who is resident, but not ordinarily resident, in the United Kingdom, will generally be subject to UK income tax on the dividend paid on the Shares or the GDRs to the extent that the dividend is remitted, or treated as remitted, to the UK. A corporate UK holder will generally be subject to UK corporation tax on the dividend paid on the Shares or the GDRs.

Taxation of disposals

The disposal by a UK holder of interests in the Shares or the GDRs may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains, depending on the UK holder's particular circumstances and subject to any exemption or relief. A UK holder who is an individual and domiciled in the UK will generally be liable to UK capital gains tax on chargeable gains made on the disposal of an interest in the Shares or the GDRs. A UK holder who is an individual but not domiciled, in the UK will generally be liable to UK capital gains tax to the extent that the chargeable gains made on the disposal of an interest in the Shares or the GDRs are remitted or treated as remitted to the UK. In particular, dealings in the GDRs on the LSE may give rise to remitted profits that would, therefore, give rise to UK capital gains tax liability.

An individual holder of the Shares or the GDRs who ceases to be resident or ordinarily resident in the UK for UK tax purposes for a period of less than five years (or a shorter period under certain double tax treaties where applicable) and who disposes of such Shares or GDRs during that period may also be liable on returning to the UK for UK tax on capital gains despite the fact that the individual may not be resident or ordinarily resident in the UK for UK tax purposes at the time of the disposal.

A corporate UK holder will generally be subject to UK corporation tax on any chargeable gain arising from a disposal of the Shares or the GDRs.

Effect of Kazakhstan withholding taxes

Dividend payments in respect of the Shares and the GDRs will be subject to Kazakhstan withholding taxes. A UK holder should generally be entitled to a credit for Kazakhstan tax properly withheld from such payments against such investor's liability to income tax or corporation tax on such amounts, subject to UK tax rules for calculation of such a credit.

Stamp duty and stamp duty reserve tax

Assuming that any document effecting a transfer of, or containing an agreement to transfer, one or more of the Shares or the GDRs is neither executed in the UK nor relates to any property situate, or to any matter or thing done or to be done, in the UK (which may include involvement of UK bank accounts in payment mechanics), then no UK *ad valorem* stamp duty should be payable on such a document.

Even if a document effecting a transfer of, or containing an agreement to transfer, one or more of the Shares or the GDRs is executed in the UK and/or relates to any property situate, or to any matter or thing done or to be done, in the UK, in practice it should not be necessary to pay any UK *ad valorem* stamp duty on such a document unless the document is required for any purposes in the UK. If it is necessary to pay UK *ad valorem* stamp duty, it may also be necessary to pay interest and penalties.

As the GDRs relate to stock expressed in a currency other than sterling, no "bearer instrument" stamp duty should be payable on either the issue of GDRs or any transfer of stock transferable by means of the GDRs.

Assuming that the Shares are not registered in a register kept in the UK, no stamp duty reserve tax should be payable in respect of any agreement to transfer Shares or GDRs.

United States

Notice Pursuant to Internal Revenue Service Circular 230

To ensure compliance with Internal Revenue Service Circular 230, each investor is hereby notified that any discussion of United States federal tax issues in this Prospectus is not intended or written to be used, and cannot be used, by the investor or any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the Internal Revenue Code. Such discussion is written to support the promotion or marketing by the Bank of the Shares and GDRs. The discussion is limited to the United States federal tax issues described herein. It is possible that additional issues may exist that could affect the United States federal tax treatment of an investment in the Shares or GDRs, or the matter that is the subject of the discussion herein, and this discussion does not consider or provide any conclusions with respect to any such additional issues. Each investor should seek advice based on its particular circumstances from an independent adviser.

The following is a description of the principal United States federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the Shares or GDRs. This description addresses only the United States federal income tax considerations of holders that are initial purchasers of the Shares or GDRs pursuant to the offering and that will hold the Shares or GDRs as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- individual retirement accounts and other tax-deferred accounts;
- persons that received the Shares or GDRs as compensation for the performance of services;
- persons that will hold the Shares or GDRs as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for United States federal income tax purposes;
- certain former citizens and long-term residents of the United States;
- persons that have a "functional currency" other than the US dollar; or
- holders that own or are deemed to own 10 per cent. or more, by voting power or value, of Shares.

Moreover, this description does not address the United States federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of the Shares or GDRs.

This description is based:

- on the Internal Revenue Code of 1986, as amended (the "Code"), existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, and the income tax treaty between the United States and Kazakhstan (the "Treaty"), in each case as in effect and available on the date hereof; and
- in part, on the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

The United States tax laws and the interpretation thereof are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For the purposes of this description, a "US holder" is a beneficial owner of the Shares or GDRs that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation or partnership, or any entity treated as a corporation or partnership created or organised in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if such trust validly elects to be treated as a United States person for US federal income tax purposes or if a court within the United States is able to exercise primary supervision over its administration or one or more United States persons have the authority to control all of the substantial decisions of such trust.

A "Non-US holder" is a beneficial owner of the Shares or GDRs that is not a US holder.

If a partnership (or any other entity treated as a partnership for US federal tax purposes) holds the Shares or GDRs, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner should consult its tax adviser as to its tax consequences.

This description assumes that the Bank is not a passive foreign investment company (a "PFIC") for US federal income tax purposes, which the Bank believes to be the case. See "— *Passive Foreign Investment Company Considerations*" below for a discussion of the PFIC rules and their potential consequences to US holders.

Ownership of GDRs in general

For United States federal income tax purposes, a holder of the GDRs will generally be treated as the owner of the Shares represented by such GDRs.

The United States Treasury Department has expressed concern that depositaries for depositary receipts, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of United States foreign tax credits by US holders of such receipts or shares. Accordingly, the analysis regarding the availability of a United States foreign tax credit for Kazakhstan taxes and the sourcing rules and the eligibility of dividends for a preferential rate of tax described below could be materially and adversely affected by future actions taken by the United States Treasury Department.

Distributions

Subject to the discussion below under *"— Passive Foreign Investment Company considerations,"* if you are a US holder, for United States federal income tax purposes, the gross amount of any distribution made to you of cash or property, other than certain distributions, if any, of Shares distributed pro rata to all shareholders of the Bank, including holders of GDRs, with respect to an investor's Shares or GDRs, before reduction for any Kazakhstan taxes withheld therefrom, will be includible in an investor's income as dividend income to the extent such distributions are paid out of the Bank's current or accumulated earnings and profits as determined under United States federal income tax principles. Non-corporate US holders generally may be taxed on such dividends at the lower rates applicable to long-term capital gains for taxable years beginning on or before 31 December 2010. However, a US holder's eligibility for such preferential rate would be subject to certain holding period requirements, the non-existence of certain risk reduction transactions with respect to the Shares or GDRs and our eligibility for the benefits of the Treaty. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate US holders. Subject to the discussion below under *"— Passive Foreign Investment Company considerations,"* to the extent, if any, that the amount of any distribution by the Bank exceeds current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a tax-free return of an investor's adjusted tax basis in its Shares or GDRs and thereafter as capital gain. The Bank does not maintain calculations of its earnings and profits under United States federal income tax principles. US holders should therefore assume that any distribution with respect to Shares or GDRs will constitute ordinary dividend income. US holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Bank.

In relation to a US holder, if the Bank pays a dividend in a foreign currency (i.e., a currency other than the US dollar), any such dividend will be included in such US holders gross income in an amount equal to the US dollar value of such foreign currency on the date of receipt, which, in the case of GDRs, is the date they are received by the depositary. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. If the dividend is converted into US dollars on the date of receipt, a US holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend income. A US holder may have any foreign currency gain or loss if the amount of such dividend is not converted into US dollars on the date of its receipt.

In relation to US holders, dividends paid by the Bank with respect to Shares or GDRs will be treated as foreign source income, which may be relevant in calculating US holders foreign tax credit limitation. Subject to certain conditions and limitations, Kazakhstan tax withheld on dividends may be deducted from a US holder's taxable income or credited against US holders United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that the Bank distributes generally will constitute "passive income" or, in the case of certain US holders, "financial services income." US holders should note, however, that the "financial services income" category will be eliminated for taxable years beginning after 31 December 2006. For such years, the foreign tax credit limitation categories will be limited to "passive category income" and "general category income."

Subject to the discussion below under *"— Backup withholding tax and information reporting requirements,"* investors who are Non-US holders will generally not be subject to United States federal income or withholding tax on dividends received by them on Shares or GDRs, unless they conduct a trade or business in the United States and such income is effectively connected with that trade or business.

Sale or exchange of Shares or GDRs

Subject to the discussion below under *"— Passive Foreign Investment Company considerations,"* US holders will generally recognise gain or loss on the sale or exchange of their Shares or GDRs, equal to the difference between the amount realised on such sale or exchange and their adjusted tax basis in their Shares or GDRs. Such gain or loss will be capital gain or loss. This capital gain or loss generally will be long-term capital gain or loss if the US holder's holding period in the Shares or GDRs exceeds one year. Gain or loss, if any, recognised by such holder will generally be treated as United States source income or loss for United States foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

The initial tax basis of a US holder's Shares or GDRs will be the US dollar value of the purchase price determined on the date of purchase. If the Shares or GDRs are treated as traded on an "established securities market," a cash basis US holder, or, if it elects, an accrual basis US holder, will determine the dollar value of the cost of such Shares or GDRs by translating the amount paid at the spot rate of exchange on the settlement date of purchase. If a US holder converts US dollars to a non-US currency and immediately uses such currency to purchase Shares or GDRs, such conversion generally will not result in taxable gain or loss to such US holder.

The amount realised on a sale or other disposition of Shares for an amount in foreign currency will be the US dollar value of this amount determined (1) on the date of receipt of such amount in the case of a cash basis US holder and (2) on the date of sale or disposition in the case of an accrual basis US holder. On the settlement date, the US holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis US holder (or an accrual basis US holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Subject to the discussion below under *"— Backup withholding tax and information reporting requirements,"* Non-US holders will generally not be subject to United States federal income or withholding tax on any gain realised on the sale or exchange of such Shares or GDRs unless:

- such gain is effectively connected with their conduct of a trade or business in the United States; or
- if they are an individual and have been present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company considerations

The foregoing discussion assumes that the Bank is not currently, and will not in the future be, classified as a "passive foreign investment company," or "PFIC," for United States federal tax purposes.

A non-US corporation will be classified as a PFIC for United States federal income tax purposes in any taxable year in which, after applying certain look-through rules, either

- at least 75 per cent. of its gross income is "passive income;" or
- at least 50 per cent. of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, the Bank believes that it will not be classified as a PFIC for the taxable year ended 31 December 2006. The Bank's status in the current and future years will depend on its assets and activities in those years. The Bank has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC, but there can be no assurance that it will not be considered a PFIC for any taxable year. If the Bank were a PFIC, a US holder would generally be subject to imputed interest charges and other disadvantageous tax treatment (including the denial of the taxation of such dividends at the lower rates applicable to long-term capital gains, as discussed above under *"— Distributions")* with respect to any gain from the sale or exchange of, and certain distributions with respect to, such holder's Shares or GDRs.

If the Bank were a PFIC, a US holder could make a variety of elections that may alleviate certain tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the ease of the Shares or GDRs. Investors should consult their own tax advisers regarding the tax consequences that would arise if the Bank were treated as a PFIC.

Backup withholding tax and information reporting requirements

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Shares or GDRs made within the United States, or by a US payor or US middleman, to a holder of Shares or GDRs, other than an exempt recipient, including a corporation, a payee that is not a United States person that provides an appropriate certification and certain other persons. A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, Shares or GDRs within the United States, or by a US payor or US middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28 per cent. through 2010.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a ''withholding foreign trust'' or a ''withholding foreign partnership'' within the meaning of the applicable United States Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a United States person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of Shares or GDRs. Investors should consult their own tax advisers concerning the tax consequences of their particular situation.

DETAILS OF THE GLOBAL OFFER

Summary of the Global Offer

The Selling Shareholders are offering 41,143,236 Offer GDRs at an Offer Price of US$18.50 per Offer GDR (assuming no Over-Allotment GDRs are offered). If the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option, the Selling Shareholders will be offering in aggregate 91,429,412 Shares represented by 45,714,706 GDRs.

The Global Offer is being made to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States, in reliance on Regulation S, and to QIBs in the United States in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Certain restrictions that apply to the distribution of this Prospectus and GDRs are described below under "— *Selling and Transfer Restrictions*." Allocations of Offer GDRs under the Global Offer will be determined by the "Underwriters", following consultation with the Bank, CAIC and Mr. Subkhanberdin, after indications of interest from prospective investors have been received. Payment for allocations must be received by no later than noon on the date of Admission.

Pursuant to the Global Offer, the Selling Shareholders will receive an aggregate of US$761,149,866 from the sale of the Offer GDRs (assuming no over-allotment of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters' Put Option in full); if the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option, the Selling Shareholders will receive an aggregate of approximately US$845,722,061 from the sale of the Offer GDRs. CAIC is selling 40,539,888 Shares representing 20,269,944 Offer GDRs, resulting in gross proceeds to it of US$374,993,964. Mr. Subkhanberdin is selling 21,746,584 Shares representing 10,873,292 Offer GDRs, resulting in gross proceeds to him of US$201,155,902 (assuming no over-allotment of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters' Put Option in full); if the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option, Mr. Subkhanberdin will be selling 30,889,524 Shares representing 15,444,762 Offer GDRs resulting in gross proceeds to him of US$285,728,097. The EBRD is selling 20,000,000 Shares representing 10,000,000 Offer GDRs resulting in gross proceeds to it of US$185,000,000. The Bank will pay underwriting commissions in respect of the Offer GDRs and the Over-Allotment GDRs sold by CAIC and Mr. Subkhanberdin as well as certain fees and expenses of approximately US$2,970,000 in connection with the Global Offer. Following Admission, the number of issued Shares will increase by an additional 103,500,000 New Shares, representing a 21.95 per cent. increase in the number of issued Shares of the Bank, assuming subscription of all the New Shares in the Domestic Offer. See "The Domestic Offer."

The Global Offer is conditional on Admission becoming effective and on the Underwriting Agreement and the EBRD Underwriting Agreement (the terms of which are summarised below) becoming unconditional and not having been terminated in accordance with their respective terms. If the Global Offer does not proceed, any monies received in respect of applications will be returned to applicants without interest.

Admission is expected to take place and unconditional dealings in the Offer GDRs are expected to commence on the LSE on 8 November 2006. Prior to that time, it is expected that conditional dealings in the Offer GDRs will commence on the LSE on the date of this Prospectus and that the earliest date for settlement of such dealings will be 8 November 2006. This date may be changed.

When admitted to trading, the Offer GDRs will be issued with ISIN US48666E5096 in respect of the Rule 144A GDRs and US48666E6086 in respect of the Regulation S GDRs.

JSC Kazkommerts Securities (together with the Underwriters, the "Joint Global Coordinators") will act as a selling agent with respect to sales to a limited number of investors in Kazakhstan (as described under "*Notice to Prospective Investors in the Republic of Kazakhstan*"). Neither of J.P. Morgan Securities Ltd. and UBS Limited is offering GDRs or Shares in the Republic of Kazakhstan, and accordingly neither they nor any of their affiliates will have any liability to any person in the Republic of Kazakhstan in connection with either the Global Offer or the Domestic Offer.

Pursuant to the Domestic Offer, the Bank will offer 103,500,000 New Shares in Kazakhstan at the equivalent in Tenge of the Offer Price.

Over-allotment and Stabilisation

In connection with the Global Offer, J.P. Morgan Securities Ltd. (the "Stabilising Manager") or any person acting on behalf of the Stabilising Manager may over-allot GDRs or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons 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 GDRs 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 date of this Prospectus and 60 days after the date of the allotment of the GDRs.

In addition to over-allotment and stabilising transactions as described above, the Stabilising Manager may engage in covering transactions and penalty bids. Covering transactions involves the purchase of securities in the open market after a distribution has been completed in order to cover short positions created by over-allotment. Penalty bids permit the Stabilising Manager to reclaim a selling concession from a broker/dealer when the securities originally sold by such broker/dealer are purchased in a stabilising or covering transaction to cover short positions. Those stabilising transactions, covering transactions and penalty bids may cause the price of the GDRs to be higher than it would otherwise be in the absence of these transactions. These transactions if commenced, may be discontinued at any time.

In connection with the Global Offer, Mr. Subkhanberdin is expected to sell 4,571,470 GDRs to the Underwriters for the purpose of making over-allotments and to conduct stabilisation activities in the GDRs. Under the proposed over-allotment structure, Mr. Subkhanberdin will grant the Underwriters the Underwriters' Put Option, exercisable for a period of up to 30 days from the commencement of dealings in the GDRs on the LSE, to put back to Mr. Subkhanberdin up to 4,571,470 GDRs which have been purchased in the market as a result of such stabilisation activities.

Underwriting Agreements

The Bank, CAIC, Mr. Subkhanberdin and the Underwriters have entered into an underwriting agreement dated 3 November 2006 (the "Underwriting Agreement") with respect to the Offer GDRs that are being sold by CAIC and Mr. Subkhanberdin. The EBRD and the Underwriters have entered into an underwriting agreement dated 3 November 2006 (the "EBRD Underwriting Agreement") with respect to the Offer GDRs that are being sold by the EBRD. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement and the EBRD Underwriting Agreement, each Underwriter has agreed, severally but not jointly, to purchase or procure purchasers for and pay for such number of Offer GDRs as is set forth opposite its name in the following table:

Name of Underwriter	Number of Offer GDRs	Number of Over-Allotment GDRs
J.P. Morgan Securities Ltd.	20,571,618	2,285,735
UBS Limited	20,571,618	2,285,735
Total	41,143,236	4,571,470

The Offer GDRs will be represented by a Master Rule 144A GDR and a Master Regulation S GDR and will be subject to certain restrictions as further discussed in "*Terms and Conditions of the Global Depository Receipts,*" "*Global Depository Receipts,*" "*Summary of Provisions Relating to the GDRs while in Master Form*" *and "— Selling and Transfer Restrictions."*

The offer price is US$18.50 per Offer GDR. The Underwriters will receive a combined management and underwriting commission of 2.85 per cent. of the principal amount of Offer GDRs and the Over-Allotment GDRs purchased by them from CAIC and Mr. Subkhanberdin and up to 2.85 per cent. of the principal amount of the Offer GDRs sold by the EBRD. The total commissions in respect of the Offer GDRs and the Over-Allotment GDRs sold by CAIC and Mr. Subkhanberdin, payable by the Bank, will amount (assuming over-allotment in full) to approximately US$18.8 million (which includes an amount payable for JSC Kazkommerts Securities as selling agent).

The Bank has given the Underwriters customary representations and warranties under the Underwriting Agreement, including in relation to its business, the Shares and GDRs and the contents of this Prospectus. The Selling Shareholders have given the Underwriters customary representations and warranties under the Underwriting Agreement and the EBRD Underwriting Agreement, respectively, including in relation to their title to the Shares underlying the Offer GDRs being sold by them in the Global Offer.

Both the Underwriting Agreement and the EBRD Underwriting Agreement provide that the obligations of the Underwriters are subject to certain conditions precedent. In addition, the Underwriters may terminate each of the Underwriting Agreement and the EBRD Underwriting Agreement in certain circumstances prior to the Closing Date. If such right is exercised, the Global Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Global Offer will be returned to applicants without interest. The Bank, CAIC and Mr. Subkhanberdin have agreed in the Underwriting Agreement, subject to the terms thereof, to indemnify the Underwriters against certain liabilities in connection with the sale of the Offer GDRs. The EBRD has agreed in the EBRD Underwriting Agreement, subject to the terms thereof, to indemnify the Underwriters against certain liabilities in connection with the sale of the Offer GDRs being sold by the EBRD. In addition, the Bank has agreed to reimburse the Underwriters and the Selling Shareholders for certain of their expenses.

Dealing Arrangements

It is expected that dealings in the Offer GDRs will commence on a conditional basis on the LSE at 8.00 am on 3 November 2006. Admission is expected to take place and unconditional dealings in the Offer GDRs are expected to commence on the LSE at 8.00 am on 8 November 2006. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a ''when issued'' basis. If the Global Offer does not become unconditional in all respects, all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

Lock-up Arrangements

The Bank has undertaken that (other than as contemplated by the Underwriting Agreement) neither it, nor any of its subsidiaries or other affiliates, nor any person acting on the Bank's or their behalf will, for a period of 180 days after 8 November 2006, without the prior written consent of the Underwriters, (a) issue, offer, sell, lend, pledge, mortgage, charge, assign, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or GDRs or any securities convertible into or exercisable or exchangeable for, or substantially similar to, any Shares or GDRs or any security or financial product whose value is determined directly or indirectly by reference to the price of any Shares or GDRs or such securities, including equity swaps forward sales and options or global depositary receipts representing the right to receive any such Shares, GDRs or securities (''Locked-up Securities''); (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares or GDRs; or (c) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described in (a) or (b) above, whether any such transaction described in (a) or (b) above is to be settled by delivery of Shares, GDRs or such other securities, in cash or otherwise. This undertaking does not apply to the issue and offer of New Shares in the Domestic Offer, to the issue of Shares pursuant to the exercise of any currently outstanding options or existing or approved employee stock plans or to transactions in securities by JSC Kazkommerts Securities in its ordinary course of business as a market maker.

Each of the Selling Shareholders has undertaken that (other than as contemplated by the Underwriting Agreement or the EBRD Underwriting Agreement, as the case may be) neither it nor any of its subsidiaries or other affiliates (excluding the Bank and any of its subsidiaries, which have given a separate undertaking in this regard), nor any person acting on its or their behalf will, for a period of 180 days after 8 November 2006, without the prior written consent of the Underwriters, (a) offer, sell, lend, pledge, mortgage, pledge, charge, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Locked-up Securities; or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares or GDRs; or (c) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above, whether any such transaction described above is to be settled by delivery of Shares, GDRs or such other securities, in cash or otherwise. The foregoing undertaking shall not apply to (i) the offer and sale of the Offer GDRs pursuant to the Underwriting Agreement or the EBRD Underwriting Agreement, as the case may be; (ii) (subject as provided in the Underwriting Agreement or the EBRD Underwriting Agreement, as the case may be) the offer and sale or any other transfer or transaction of a kind referred to above of Locked-up Securities to other members of the Group with the prior consent of the Underwriters (in the case of CAIC and Mr. Subkhanberdin) or to subsidiaries or affiliates of the EBRD (in the case of the EBRD); (iii) to transactions in securities by JSC Kazkommerts Securities in its ordinary course of business as a market maker; or (iv) the acceptance by the EBRD of a general offer to Shareholders.

Each of Nina Zhussupova and Aidar Akhmetov has undertaken that he or she will not, without the prior written consent of the Underwriters, for a period of 180 days after 8 November 2006: (a) issue, offer, sell, lend, pledge, mortgage, charge, assign, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Locked-up Securities convertible into or exercisable or exchangeable for Shares or GDRs; (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares or GDRs; or (c) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described in

(a) or (b) above, whether any such transaction described in (a) or (b) above is to be settled by delivery of Shares or GDRs or such other securities, in cash or otherwise. The foregoing undertaking shall not apply to the offer and sale or any other transfer or transaction of a kind referred to above of Locked-up Securities to other members of the Group with the prior consent of the Underwriters.

Conditionality of the Global Offer

Subject to the respective obligations of the parties to the Underwriting Agreement, the offer to purchase GDRs may be revoked or suspended at any time prior to Admission and if such revocation or suspension occurs, the Global Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Global Offer will be returned to the applicants without interest.

Dilution

Following the Global Offer, and assuming that existing holders of Shares do not participate in the Global Offer, the Global Offer will see the existing holders of Shares be diluted from their current holding position down to owning 380,063,683 Shares out of a total 471,493,095 Share equivalents (Shares and GDRs), assuming the Underwriters do not exercise the Underwriters' Put Option, a 19.4 per cent. dilution.

Selling and Transfer Restrictions

General

The distribution of this Prospectus and the offer of the Offer GDRs in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction other than the approval of this Prospectus as a Prospectus for the purposes of the Prospectus Rules or in Kazakhstan that would permit a public offering of the Offer GDRs, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Global Offer may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of the Offer GDRs including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the Offer GDRs to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Purchasers of the Offer GDRs may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the GDRs set forth on the cover page of this Prospectus.

United States

The GDRs have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the US Securities Act and applicable state securities laws. Each Underwriter has agreed that, except as permitted by the Underwriting Agreement, it will not offer the Offer GDRs as part of its distribution at any time except in accordance with Regulation S, Rule 144A or pursuant to another exemption from registration under the US Securities Act within the United States. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Global Offer, an offer or sale of Offer GDRs in the United States by a dealer (whether or not participating in the Global Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(a) Rule 144A GDRs

Each purchaser of Offer GDRs located within the United States by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(i) it is (A) a qualified institutional buyer within the meaning of Rule 144A, (B) acquiring such GDRs (the "Rule 144A GDRs") for its own account or for the account of a qualified institutional buyer and (C) aware, and each beneficial owner of such GDRs has been advised, that the sale of such GDRs to it is being made in reliance on the exemption from the registration requirements of the US Securities Act provided by Rule 144A or another exemption from, or a transaction not subject to, the registration requirements of the US Securities Act;

(ii) it understands that such GDRs (and the Shares represented thereby) have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or otherwise transferred except (A) in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act, to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States. Such purchaser acknowledges that the Offer GDRs offered and sold in accordance with Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation can be made as to the availability of the exemption provided by Rule 144 under the US Securities Act for the resale of GDRs (and the Shares represented thereby);

(iii) the Bank, the Registrar, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Offer GDRs for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(iv) the GDRs (to the extent they are in certificated form) will bear a legend to the following effect, unless the Bank determines otherwise in compliance with applicable law:

"THE SECURITY EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "US SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT OR (3 PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES AND TERRITORIES OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE GDRS (OR THE SHARES REPRESENTED THEREBY)."

Prospective purchasers are hereby notified that sellers of the GDRs may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act.

(b) Regulation S GDRs

Each purchaser of the Offer GDRs offered in reliance on Regulation S (the "Regulation S GDRs") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(i) the purchaser is, at the time of the offer to it of Offer GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the US Securities Act;

(ii) the purchaser is aware that the Regulation S GDRs have not been and will not be registered under the US Securities Act and are being offered outside the United States in reliance on Regulation S; and

(iii) any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Bank in respect of the Regulation S GDRs.

It is expected that delivery of the Offer GDRs will be made against payment therefore on or about the date specified above under *"— Dealing Arrangements,"* which will be the third business day following the announcement of the Offer Price. Pursuant to Rule 15c6-1 under the US Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise.

United Kingdom

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

Kazakhstan

Each Joint Global Co-ordinator 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 Offer GDRs 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.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Offer GDRs may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Offer GDRs may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet or more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000 as show in its last annual or consolidated accounts;

(c) by the Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer GDRs shall result in a requirement for the publication by the Bank, the Selling Shareholder or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Offer GDRs under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State Implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Offer GDRs acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer GDRs acquired by it in the Global Offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Offer GDRs have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer GDRs to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this section, the expression an "offer to the public" in relation to any Offer GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase any Offer GDRs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Offer GDRs have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan, or to, or for the benefit of, any resident of Japan (including Japanese corporations), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (including Japanese corporations), except under circumstances that result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorities in effect at the relevant time.

DETAILS OF THE DOMESTIC OFFER

As described in *"Description of Share Capital and Certain Requirements of Kazakhstan Legislation,"* Shareholders have a pre-emptive right under the JSC Law to subscribe for their *pro rata* share of any offering of new Shares. In order to raise new capital for the Bank and to allow CAIC and Mr. Subkhanberdin the opportunity to restore, in part, their nominal holdings of Shares to the levels existing immediately prior to the Global Offer, the Bank has determined to make an offer of the New Shares (constituting all of the Bank's authorised but unissued Shares and amounting to 103,500,000 Shares) to registered holders of Shares as at a record date expected to be the date of this Prospectus (but in any event before the Closing Date) at a subscription price payable in Tenge which is the equivalent (calculated at the rate of exchange quoted by the Bank on the date of actual payment) of the price per Share represented by the Offer Price per GDR, namely US$9.25 per Share. This offer is referred to as the Domestic Offer and it will commence on 8 November 2006 and remain open for 30 days. CAIC and Mr. Subkhanberdin have agreed in the Underwriting Agreement to apply in the Domestic Offer for an aggregate number of New Shares equal to the number of Shares represented by the Offer GDRs sold by each of them and (in the case of Mr. Subkhanberdin) the Over-Allotment GDRs (less those represented by the GDRs put back to him pursuant to the Underwriters' Put Option) and to subscribe for the New Shares allotted to them. They may also apply for a number of Shares in excess of that amount, as described below. The EBRD may participate in the Domestic Offer but has no obligation to do so. Neither of the Underwriters is offering New Shares or participating in the Domestic Offer.

The Domestic Offer will be made in the ratio of approximately 220 New Shares for each 1,000 existing Shares then held on the above record date. Because the number of Shares outstanding is greater than the number of New Shares to be offered in the Domestic Offer, each eligible Shareholder's basic entitlement will be to subscribe for its *pro rata* share of the 103,500,000 New Shares being offered. The terms of the Domestic Offer will provide that eligible Shareholders will be entitled to apply for a number of New Shares in excess of their *pro rata* entitlement and that if applications are received for New Shares in excess of the number being offered, applications in excess of that entitlement will be scaled down *pro rata* so that all the New Shares on offer are subscribed. Accordingly, depending on the level of subscription by other Shareholders, CAIC and Mr. Subkhanberdin may be able to purchase Shares in the Domestic Offer such that their nominal shareholdings will be restored to (or may exceed) their respective levels prior to the Global Offer.

The Bank will be entitled to require that a Shareholder applying for New Shares in excess of its basic entitlement places cash collateral with the Bank in an amount equal to the subscription price payable for the New Shares applied for, to the extent that it exceeds the amount payable in respect of the New Shares for which the Shareholder is otherwise entitled to apply.

Holders of Offer GDRs will not be eligible to participate in the Domestic Offer.

SUMMARY OF PROVISIONS RELATING TO THE GDRs WHILE IN MASTER FORM

The Offer GDRs will initially be evidenced by (i) a single Master Regulation S GDR in registered form and (ii) a single Master Rule 144A GDR in registered form. Both the Master Rule 144A GDR and the Master Regulation S GDR will be deposited with The Bank of New York in New York as custodian for DTC and registered in the name of Cede & Co as nominee for DTC on the date the GDRs are issued. The Master Regulation S GDR will be held by DTC for Euroclear and Clearstream as DTC participants.

The Master Regulation S GDR and the Master Rule 144A GDR (collectively the ''Master GDRs'') contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Terms and Conditions of the GDRs set out in this Prospectus. The following is a summary of certain of those provisions. Unless otherwise defined herein, terms defined in the Terms and Conditions of the GDRs shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole but not in part. The Depositary will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 days in the event that:

(i) DTC, Euroclear or Clearstream advises the Company that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 calendar days; or

(ii) DTC, Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 days; or

(iii) DTC or any successor ceases to be a ''clearing agency'' registered under the United States Securities Exchange Act of 1934, as amended; or

(iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense (including printing costs) of the Bank.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream. Upon any exchange of a Master GDR for certificates in definitive registered form, or any exchange of interests between the Master Rule 144A GDR and the Master Regulation S GDR pursuant to Condition 3 (*Transfer and Ownership*), or any distribution of GDRs pursuant to Conditions 5 (*Distributions of Shares*), 7 (*Rights Issues*) or 10 (*Capital Reorganisation*) or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1 (*Withdrawal of Deposited Property and Further Issues of GDRs*), the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register provided always that if the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Company under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) in relation to the Master GDRs will be made by the Depositary through DTC, on behalf of persons entitled thereto upon receipt of funds therefor from the Bank. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Terms and Conditions of the GDRs.

Surrender of GDRs

Any requirement in the Terms and Conditions of the GDRs relating to the surrender of a GDR to the Depositary shall be satisfied by the production by DTC, Euroclear or Clearstream on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by DTC, Euroclear or Clearstream. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master Regulation S GDR and the Master Rule 144A GDR are registered in the name of Cede & Co on behalf of DTC, notices to Holders may be given by the Depositary by delivery of the relevant notice to DTC, for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23 (*Notices*).

The Master GDRs shall be governed by and construed in accordance with English law.

SETTLEMENT AND TRANSFER

Clearing and Settlement of GDRs

Custodial and depositary links have been established with DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

DTC

DTC has advised the Bank as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a ''banking organisation'' within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants (including Euroclear and Clearstream) and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant US tax laws and regulations. See *''Taxation — United States.''*

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Clearance and Settlement Procedures

Ownership of interest in GDRs evidenced by the Master Regulation S GDR Certificate and the Master Rule 144A GDR Certificate (together the ''Master GDRs'') will be limited to DTC participants or persons who hold interests through DTC participants (including Euroclear and Clearstream). Ownership of such interests will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee, Cede & Co (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests of persons other than DTC participants).

So long as Cede & Co. as nominee of DTC, is the registered owner or holder of the Master GDRs, Cede & Co., will be considered the sole legal owner of the GDRs evidenced by such security for all purposes under the Deposit Agreement and the GDRs. In addition, no owner of an interest in the GDRs evidenced by the Master GDRs will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Deposit Agreement, and, if applicable, those of Euroclear and Clearstream).

Transfers between DTC participants will be effected through DTC. Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in GDRs evidenced by the Master GDRs to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the GDRs described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream accountholders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the GDRs, as the case may be, and making or receiving payment in accordance with normal procedures for settlement applicable to DTC. Euroclear and Clearstream accountholders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of the time zone differences, the securities of a Euroclear or Clearstream accountholder purchasing an interest in a security from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in such securities settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interest in securities by or through a Euroclear or Clearstream accountholder to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised the Bank that it will take any action permitted to be taken by a holder of GDRs only at the direction of one or more DTC participants to whose account or accounts with DTC interests in the GDRs evidenced by the Master GDRs are credited and only in respect of such portion of the number of GDRs, as to which such DTC participant or DTC participants has or have given such direction. Holders of indirect interests in securities evidenced by the Master GDRs through DTC participants have no direct rights to enforce such interests while the securities are in global form.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream or DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream, DTC, none of Euroclear, Clearstream or DTC are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Bank, the Underwriters, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to Regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Company, Inc., a New York bank holding company. The principal office of the Depositary is located at One Wall Street, New York, New York 10286. Its principal administrative offices are located at 101 Barclay Street, 22nd floor West, New York, New York 10286. A copy of the Depositary's Articles of Association, as amended, together with copies of The Bank of New York Company, Inc.'s most recent financial statements and annual report are available for inspection at the Corporate Trust Office of the Depositary located at 101 Barclay Street, New York, New York 10286 and at The Bank of New York, One Canada Square, London E14 5AL.

ADDITIONAL INFORMATION

Material Contracts

Neither the Bank nor any other member of the Group has entered into any material contract, other than in the ordinary course of business during the two years immediately preceding the date of this Prospectus, other than the Subscription Agreement and the Shareholders' Agreement described in *"Principal Shareholders"* and the Underwriting Agreement relating to the Global Offer described in *"Details of the Global Offer."*

Significant Change

There has been no significant change in the financial or trading position of the Group since 30 June 2006, the date to which the Group's last interim financial statements were prepared.

Consents

Deloitte, LLP has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion in this Prospectus of its name in the form and context in which it appears.

Costs and Expenses

The total costs and expenses relating to the issue of the Offer GDRs, including the UK Listing Authority listing fee, professional fees and expenses and the costs of printing are estimated to amount to US$ ● (including VAT) (assuming that the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters Put Option) and are payable by the Bank. Included within this total are commissions on the issue of the Offer GDRs and Over-Allotment GDRs sold by CAIC and Mr. Subkhanberdin, which (assuming over-allotment in full) are expected to be approximately US$18.8 million, payable to the Underwriters and to JSC Kazkommerts Securities by the Bank. In addition, the EBRD is paying commissions to the Underwriters of up to US$5,272,500.

Documents Available for Inspection

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus for either a period of 14 days or until Admission, whichever is the longer period, at the offices of White & Case LLP at 5 Old Broad Street, London EC2N 1DW:

(a) the Charter of the Bank;

(b) the consent letter referred to in *"— Consents"* above;

(c) the audited consolidated accounts of the Group for the three years ended 31 December 2005; and

(d) this Prospectus.

ANNEX A

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP

IFRS differs from US GAAP in certain respects that may be material to the financial information included in this Prospectus. In making an investment decision, investors must rely upon their own examination of the Bank, the terms of the Offering and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and US GAAP and how those differences might affect the financial information included in this Prospectus.

The following summary highlights certain significant differences between IFRS and US GAAP relevant to the Financial Statements. This summary does not purport to provide a comprehensive analysis, including quantification, of such differences but rather a list of potential differences in accounting principles related to the Financial Statements. These differences have not been quantified, nor has a reconciliation of the Financial Statements to US GAAP been undertaken. Had any such quantification or reconciliation been undertaken, other potentially significant accounting and disclosure differences may have been identified and set out below. Accordingly, no assurance can be given that the identified differences in the summary below represent all of the principal differences relating to the Financial Statements.

The regulatory bodies that promulgate IFRS and US GAAP have significant ongoing projects that could affect a future comparison such as this. No attempt has been made to identify future differences between IFRS and US GAAP resulting from prescribed changes in accounting standards. Neither has any attempt been made to identify all future differences between IFRS and US GAAP that may affect the Financial Statements as a result of transactions or events that may occur in the future.

General

US GAAP is detailed and rule-based, giving very specific rules on particular topics, whereas IFRS normally address the principles that underlie an accounting issue. US GAAP is more prescriptive with respect to disclosure requirements and the detail of disclosures with respect to substantially similar accounting policies may vary between US GAAP and IFRS.

Under IFRS, in certain extremely rare circumstances, management can conclude that compliance with a requirement in a standard would be misleading and would not present the financial results fairly. In such rare cases, companies are permitted to depart from such compliance as long as the departure from requirements of a standard is fully disclosed.

Under US GAAP, while there are no specific guidelines that explicitly allow departure from application of standard requirement, companies may conclude that if certain accounting treatments are adhered to, the financial statements would be rendered misleading. In such circumstances, these accounting policies may be exempted from being applied.

Revaluation and Impairment of Property

Under IFRS, there are two possible approaches to the revaluation of fixed assets. The benchmark treatment requires an asset to be carried at cost less its accumulated depreciation and impairment. Under the alternative treatment, the revaluation of fixed assets at fair value is permitted. An increase in the carrying amount of an asset as a result of a revaluation must be credited directly to equity under the revaluation surplus, unless such credit reverses a revaluation decrease for the same asset that was previously recognised as an expense. In such a case, the increase must be recognised in the income statement. A revaluation decrease must be charged directly against any related revaluation surplus for the same asset, with any excess being recognised as an expense. An entity must assess annually whether there are any indications that an asset may be impaired. If there is any such indication, the assets must be tested for impairment. An impairment loss must be recognised in the income statement when an asset's carrying amount exceeds its recoverable amount.

Under US GAAP, revaluations of fixed assets are not permitted, while recognition of an impairment is required if certain conditions are met. An impairment will be recognised if the undiscounted expected future cash flows from an asset are determined to be lower than the carrying value of such asset. Once it is determined that a fixed asset is impaired, the amount of the impairment, is calculated as the difference between the carrying value of the fixed asset and the expected future cash flows from that asset on a discounted basis. Furthermore, impairments that were previously recognised under US GAAP cannot be reversed in future periods.

Business Combinations

A business combination involves the bringing together of separate entities into one economic entity. In practice, there are three types of business combination: acquisitions (one of the combining entities obtains control over the other, enabling an acquirer to be identified); a uniting of interests or pooling of interests (where it is not possible to identify an acquirer and the shareholders of the combining entities join in substantially equal arrangements to share control); and a group reorganization (transactions among entities which operate under common control).

Under IFRS, business combinations are almost always accounted for as acquisitions and they require the use of the purchase method of accounting to portray the financial effect of an acquisition. IFRS severely restricts the circumstances in which transactions can be recognised as a uniting of interests. Moreover, specific IFRS guidance about business combinations excludes from its scope transactions among entities under common control.

US GAAP requires the use of the purchase method of accounting for all business combinations.

Under IFRS, for business combinations before 31 March 2004, there is less prescriptive guidance with respect to recognition of intangible assets other than goodwill than is contained in US GAAP. IFRS allows alternative measurement of minority interest at historical or fair value.

US GAAP provides more descriptive guidance with respect to identification of whether an acquisition represents a business which may result in identification of a goodwill intangible asset or whether acquired activities are less than a business and therefore would not result in recognition of goodwill.

Amortisation of Goodwill (Business Combination)

Under IFRS, for the periods beginning before March 2004, all acquired identifiable intangibles and goodwill are capitalised and amortised. Negative goodwill is recognised in the income statements, first to match any identified expected costs, and then over the lives of the acquired depreciable assets.

Under US GAAP, positive goodwill and certain identifiable intangibles (with indefinite lives) are capitalised, but not amortised. Negative goodwill is deducted proportionally from the purchase price and allocated to certain acquired assets, but the carrying amounts of these assets cannot be reduced below zero. Any remaining negative goodwill is recognised as an extraordinary gain. Recognition is deferred if contingent consideration exists.

Under IFRS, there is a rebuttable presumption that the useful life of goodwill does not exceed 20 years. In certain limited cases, goodwill may be demonstrated to have a useful life in excess of 20 years. If the useful life does exceed 20 years, amortisation is still mandatory and the reasons for rebutting the 20 year maximum useful life presumption must be disclosed.

Under US GAAP, following the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill is no longer amortised. Existing goodwill is required to be tested annually for impairment.

Under IFRS, in determining the cost of acquisition, the fair value of equity securities issued by the acquirer is determined at the date control is obtained. Contingent consideration is recognised when it is probable and reliably measurable.

Under US GAAP, in determining the cost of acquisition, the fair value of listed equity securities issued by the acquirer generally is determined by reference to their market price for a reasonable period before and after the terms of the acquisition are agreed to and announced.

Under IFRS, contingent consideration is recognised when it is probable and reliably measurable. Under US GAAP, contingent consideration is recognised when the contingency is resolved and the consideration becomes payable/issuable.

Consolidation and Investment in Subsidiaries

Under IFRS, subsidiaries must be excluded from consolidation if there are severe long-term restrictions on the ability of the parent to exercise its rights to obtain cash flows or if the parent acquires the subsidiary and holds it exclusively for subsequent resale in the near future. Dissimilar activities between a parent and subsidiary are not grounds for excluding the subsidiary from consolidation. Under IFRS, entities that are excluded from consolidation may be classified as either available-for-sale or held-for-trading financial assets and measured at fair value.

Under US GAAP, all investments in which a parent company has a controlling financial interest represented by the direct or indirect ownership of a majority voting interest (more than 50 per cent.) are required to be consolidated, except those in which control of the entity is not deemed to rest with the majority owner as a result of limitations in the rights of shareholders incorporated in the formation of the entity, or as a result of external actions that remove the control from the majority owner such as bankruptcy or nationalisation. Subsidiaries excluded from consolidation will be accounted for under the cost or equity method depending on the nature of equity interest and external restrictions.

Consolidation and Investment in Special Purpose Entities

Under IFRS, an enterprise is required to consolidate a special-purpose entity (''SPE'') when the substance of the relationship between them indicates that the enterprise controls the SPE.

Under US GAAP, an SPE that meets certain restrictive provisions may be considered to be a qualifying special purpose entity, which need not be consolidated with the sponsor regardless of the sponsor's retained residual economic interest. US GAAP, however, identifies any entity with which a company holds an economic interest as a potential variable interest entity (''VIE''), regardless of whether the company was involved in the entity's formation or whether the company holds any voting interest. US GAAP provides detailed guidance with respect to identification of whether an entity is a VIE, and if so defined, a company is required to evaluate the nature of its economic interest in that VIE as to whether the company holds a majority of the economic risk or rewards. Companies must consolidate all VIEs in which they are deemed to hold an economic interest which exposes them to a majority of the VIE's losses or, in the absence of any party being exposed to the majority of the VIE's losses, where the company is deemed to receive a majority of the VIE's residual returns.

Under US GAAP, an entity would first be required to evaluate whether the entity is a voting or VIE under FIN 46R. A VIE would be consolidated by the party that absorbed a majority of the entity's expected losses or, absent one party absorbing a majority of expected losses, by the party that was entitled to the majority of expected returns.

Investments in Debt and Equity Securities

Upon acquisition or origination of a financial asset, IFRS requires that a company designate and subsequently account for the asset in one of the following four classifications:

(i) financial assets at fair value through profit or loss;

(ii) held-to-maturity investments;

(iii) loans and receivables; or

(iv) available for sale financial assets.

IFRS allows that non-derivative financial instruments and non-securitised financial assets, including loans, may be designated as a financial asset at fair value, or as available for sale financial asset, with fair value changes reported through equity. After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

(i) loans and receivables, not initially designated as financial assets at fair value or as available-for-sale financial assets, which shall be measured at amortised cost using the effective interest method;

(ii) held-to-maturity investments, which shall be measured at amortised cost using the effective interest method; and

(iii) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

An entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

US GAAP does not allow for fair value reporting by a bank of non-derivative or non-securitised assets. US GAAP requires that all derivative transactions be accounted for at fair value and provides for elective fair value accounting for select debt and equity investment securities. With respect to investment securities that have readily determinable fair values, and for all investments in debt securities, US GAAP requires that, upon acquisition, those investments are to be classified in three categories and accounted for as follows:

(i) Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortised cost.

(ii) Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealised gains and losses included in earnings.

(iii) Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available for sale securities and reported at fair value, with unrealised gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

In limited circumstances, an entity may transfer securities into or out of trading category.

Under IFRS, a held-to-maturity asset or an originated loan or receivable is impaired if it is probable that the enterprise will not be able to collect all amounts due (principal and interest) according to the contractual terms. The impairment loss recognised in the income statement is the difference between the carrying amount and the recoverable amount, which is calculated by discounting the expected future cash flows at the original effective interest rate (i.e. the rate that is used to accrete interest). If the recoverable amount later increases due to an event subsequent to the writedown, then the impairment is reversed, but the reversal is limited to an amount that does not state the asset at more than what its amortised original cost would have been in the absence of an impairment.

Under US GAAP, for individual securities classified as either available for sale or held-to-maturity, an enterprise shall determine whether a decline in fair value below the amortised cost basis is other than temporary. For example, if it is probable that the investor will be unable to collect all amounts due according to the contractual terms of a debt security not impaired at acquisition, an other-than-temporary impairment shall be considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the writedown shall be included in earnings (that is, accounted for as a realised loss). The new cost basis shall not be changed for subsequent recoveries in fair value. Subsequent increases in the fair value of available for sale securities shall be included in the separate component of equity. Subsequent decreases in fair value, if not an other-than-temporary impairment, also shall be included in the separate component of equity.

Hedging Contracts and Derivatives

IFRS allows for initial designation of financial assets and liabilities as fair value instruments and allows companies to designate economically matched assets and liabilities as fair value instruments with current income statement recognition of changes in fair value. IFRS also allows for special hedge accounting for the fair value changes of recognised assets, liabilities, unrecognised firm commitments, highly probable forecasted transactions and net investments in foreign operations. Where such positions are appropriately identified along with derivative instruments in qualifying hedge relationship, IFRS requires that the current period impact on earnings of the change in fair value of the derivative instrument be offset by adjustment to the carrying value of recognised hedged assets or liabilities, or with respect to net investments and unrecognised hedged positions as an adjustment within the equity accounts. Where specified conditions are met, IFRS permits fair value hedge accounting to be used for a portfolio hedge of interest rate risk where the hedged item to be designated is an amount of a currency rather than as individual assets (or liabilities).

US GAAP does not allow for designation of non-derivative or non-securitised financial assets as fair value instruments, not does it allow for designation of financial liabilities as fair value instruments. US GAAP allows for special hedge accounting for the fair value changes of recognised assets, liabilities, unrecognised firm commitments, highly probable forecasted transactions and net investments in foreign operations. Similar to IFRS, where such positions are appropriately identified along with derivative instruments in qualifying hedge relationships, US GAAP requires that the current period impact on earnings of the change in fair value of the derivative instrument be offset by adjustment to the carrying value of recognised hedged assets or liabilities, or with respect to net investments and unrecognised hedged positions as an adjustment within the equity accounts. US GAAP does not however allow for fair value hedge accounting to be used for a portfolio of interest rate risk but requires that hedge designation and accounting be applied at the individual transaction level.

Foreign Currency Transactions

Under IFRS, at the balance sheet date, foreign currency monetary balances are reported using the closing exchange rate. All differences that arise are recorded in the income statement as income or expense.

Under US GAAP, all receivables and payables outstanding at the balance sheet date are to be translated at the year-end exchange rate and all differences that arise are recorded in the income statement as unrealised foreign exchange gain/(loss).

Under IFRS, when financial statements are translated into a presentation currency other than the measurement currency, equity (excluding the current year's profit or loss) is retranslated at the closing rate at each balance sheet date. Under US GAAP, when financial statements are translated into a reporting currency other than the functional currency, equity is not retranslated at the closing rate at each balance sheet date.

Under IFRS, fair value adjustments and goodwill arising on the acquisition of a foreign entity need not be retranslated at the closing rate at each balance sheet date. Under US GAAP, fair value adjustments and goodwill arising on the acquisition of a foreign entity must be retranslated at the closing rate at each balance sheet date.

Under IFRS, fair value changes of financial assets designated as available for sale which are attributable to changes in currency exchange rates are reported in current earnings. Under US GAAP, the fair value changes in investment securities classified as available for sale are reported as a component of accumulated other comprehensive income within the shareholder's equity accounts.

Provision for Risks and Charges

Under IFRS, a provision should only be made when (i) an enterprise has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable (more likely than not) that a future outflow of economic benefits will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

The treatment of loss contingencies under US GAAP is similar to IFRS. However, if a range of estimates for the obligation is determined and no amount in the range is more likely than any other amount in the range, the ''minimum'' (rather than the midpoint) amount must be used to measure the liability. The entity must discount the anticipated cash flows expected to be required to settle the obligation if the impact is material.

Sale and Leaseback

Under IFRS, capital gains from property sold are recognised at the time of sale when an operating lease is signed with the new owner under certain conditions. Under US GAAP, any gain realised is deferred over the duration of the lease contract.

Fixed Assets

Under IFRS, a company has the alternative to account for certain fixed assets at amortised historical cost or revalue to fair value. Useful lives and methods of depreciation are reviewed periodically.

Under US GAAP, accounting for fixed assets at historical cost is the only allowable method, and thus fixed asset revaluations would not be allowed. A periodic review of the method of depreciation is not required.

Deferred Taxes

IFRS measures deferred taxes using the tax rate enacted, or substantially enacted, whereas US GAAP measures deferred taxes only on the enacted tax rate.

Under IFRS, deferred taxes are calculated on the temporary differences that arise on the measurement of assets and liabilities of a hyperinflationary country into the reporting currency. US GAAP prohibits the recognition of such deferred tax liabilities or assets.

Under IFRS, deferred tax assets are recognised when recovery is probable. Under US GAAP, deferred tax assets are recognised (i.e. no valuation allowance) to the extent that they are more likely than not to be recovered.

Under IFRS, deferred tax in respect of temporary differences on subsidiaries, associates and joint ventures is not recognised in some circumstances. Under US GAAP, such differences on equity method investments, other than certain foreign corporate joint ventures, are recognised in full.

Under IFRS, deferred tax is classified as non-current on the balance sheet. Under US GAAP, deferred tax is split into current and non-current components on the balance sheet.

Under US GAAP, an entity would look to currently enacted tax laws in providing for deferred taxes. In the case of available for sale securities if the current law allowed an exemption from income taxes that expired in the current year and the entity did not expect to sell such securities in the current year, deferred taxes would be provided on related unrealised gains based on the enacted rates for periods in which the temporary differences were expected to reverse.

Income Taxes

Under IFRS, current tax expense is based on enacted or substantively enacted tax rates while under US GAAP, current tax expense is based on enacted tax rates.

Segment Reporting

Under IFRS, segmentation is based on the dominant source and nature of an enterprise's risks and returns as well as the internal reporting structure. The amounts disclosed are based on amounts in the financial statements. IFRS requires application of IFRS standards consistent with those of the consolidated group.

Under US GAAP, segmentation is based wholly on the internal reporting structure. The amounts disclosed are based on amounts reported internally. US GAAP focuses on information used by management for decision making, which may reflect application of accounting policies applied in consolidation. The disclosures are generally more extensive than IFRS.

Earnings Per Share (EPS)

Under IFRS, there is no requirement to disclose separate EPS data for continuing operations, discontinuing operations, extraordinary items and the cumulative effect of accounting changes.

Under US GAAP, EPS data for continuing operations, discontinuing operations, extraordinary items and the cumulative effect of accounting changes are required to be disclosed. There is more detailed guidance than under IFRS.

Loan Charge-offs

Under IFRS, when loans and advances cannot be recovered, they are written off and charged against the provision for losses. In some cases, they are not written off until all the necessary legal procedures have been completed and the amount of the loss is finally determined. In other cases, they are written off earlier, for example when the borrower has not paid any interest or repaid any principal that was due in a specified period. As the time at which uncollectible loans and advances are written off differs, the gross amount of loans and advances and of the provisions for losses may vary considerably in similar circumstances. As a result, a bank discloses its policy for writing off uncollectible loans and advances.

Under US GAAP, even though a bank may continue to pursue collection efforts, and may expect to obtain some recovery on the loan, when the recoverability of the loan is considered to be so uncertain as to not be reasonably estimatible it is generally classified as a loss and charged off. Accordingly under US practice the asset is derecognised earlier and there is generally a reasonable correlation between the level of loan loss provisions during an annual reporting cycle and loan charge-offs. The charge-off event does not directly impact the income statement but the timing of such will have a bearing on comparative ratios that may be based on total loans or non-performing loans.

INDEX TO FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005 (UNAUDITED)

The following statement, which should be read in conjunction with the independent accountants' responsibilities stated in the report on review of interim financial information set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent accountants in relation to the condensed unaudited interim consolidated financial statements of Joint Stock Company Kazkommertsbank and its subsidiaries (the **"Bank"**).

Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of the Bank as at 30 June 2006, the results of its operations, cash flows and changes in equity for the six months ended on 30 June 2006 and 2005, in accordance with International Financial Reporting Standards (**"IFRS"**).

In preparing the condensed interim consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial statements; and
- preparing the condensed interim consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the condensed interim consolidated financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The condensed interim consolidated financial statements for the six month period ended 30 June 2006 were originally authorized for the issue on 26 July 2006 and were subsequently authorized for reissue on 15 September 2006 by the Management board of JSC Kazkommertsbank.

On behalf of the Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

Deloitte.

Deloitte, LLP
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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of Joint Stock Company Kazkommertsbank:

We have reviewed the accompanying interim consolidated balance sheet of JSC Kazkommertsbank and its subsidiaries (the **"Bank"**) as at 30 June 2006, and the related interim consolidated profit and loss account, and interim consolidated statements of cash flows and changes in equity for the six month periods ended 30 June 2006 and 2005. These condensed interim consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review of these condensed interim consolidated financial statements.

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

The reported balance sheets at 30 June 2006 and 31 December 2005, the related profit and loss accounts and statements of cash flows and changes in equity for the periods then ended, as determined in accordance with International Financial Reporting Standards, have been restated for the items described in Note 3 to the condensed interim consolidated financial statements.

Deloitte, LLP

26 July 2006 (15 September 2006 as to the effects of the restatement discussed in Note 3)

Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

	Notes	Six months ended 30 June 2006 (restated — Note 3) (mln. tenge)	Six months ended 30 June 2005 (restated — Note 3) (mln. tenge)
Interest income	4, 17	60,480	38,168
Interest expense	4, 17	(34,272)	(19,741)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		26,208	18,427
Provision for impairment losses on interest bearing assets		(7,416)	(6,183)
NET INTEREST INCOME		18,792	12,244
Net (loss)/gain on operations with assets held-for-trading		(1,296)	174
Net gain on foreign exchange operations		2,129	749
Fee and commission income		7,712	5,154
Fee and commission expense		(859)	(378)
Dividends received		2	10
Other income	5	1,162	834
NET NON-INTEREST INCOME		8,850	6,543
OPERATING INCOME		27,642	18,787
OPERATING EXPENSES		(7,817)	(6,146)
OPERATING PROFIT		19,825	12,641
Recovery/(provision) for insurance reserves and reserves for impairment losses on other transactions		11	(352)
Provision for guarantees and other off-balance sheet contingencies		(34)	(529)
Share of results of associates		164	100
PROFIT BEFORE INCOME TAX		19,966	11,860
Income tax expense	6	(2,758)	(1,413)
NET PROFIT		17,208	10,447
Attributable to:			
Equity holders of the parent		16,474	9,671
Minority interest		734	776
EARNINGS PER SHARE	7	43.89	25.79
Basic and diluted (KZT)			

On behalf of the Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 8-31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

	Notes	30 June 2006 (restated — Note 3) (mln. tenge) (unaudited)	31 December 2005 (restated — Note 3) (mln. tenge)
ASSETS:			
Cash and balances with national (central) banks		113,990	37,229
Assets held-for-trading	8	127,852	140,294
Loans and advances to banks, less allowance for impairment losses		44,606	253,904
Derivative financial instruments		2,984	81
Loans to customers, less allowance for impairment losses	9	919,098	729,844
Securities purchased under reverse repurchase agreements		21,261	13,950
Investments available-for-sale	10	2,098	427
Investments held-to-maturity	11	458	562
Investments in associates and other entities	12	625	425
Goodwill		2,405	2,405
Fixed and intangible assets, less accumulated depreciation and amortization		11,298	8,662
Other assets, less allowance for impairment losses	13	7,155	7,086
TOTAL ASSETS		1,253,830	1,194,869
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks		289,175	320,095
Securities sold under repurchase agreements		62,681	59,143
Derivative financial instruments		4,618	189
Customer accounts		333,839	303,405
Debt securities issued	14	328,568	303,133
Other borrowed funds		62,613	50,604
Provisions		4,666	4,934
Dividends payable		312	1
Deferred tax liabilities	6	9,032	8,290
Other liabilities	15	3,894	4,591
		1,099,398	1,054,385
Subordinated debt		47,733	52,213
Total liabilities		1,147,131	1,106,598
EQUITY:			
Share capital		5,027	4,996
Share premium		16,479	15,902
Fixed assets revaluation reserve		2,448	1,520
Reserves		75,438	58,877
Equity attributable to shareholders of the parent		99,392	81,295
Minority interest		7,307	6,976
Total equity		106,699	88,271
TOTAL LIABILITIES AND EQUITY		1,253,830	1,194,869

On behalf of the Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 8-31 from an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

	Share capital	Share premium	Investments available-for-sale fair value reserve	Fixed assets revaluation reserve, net of deferred tax liability	Retained earnings	Total equity attributable to share-holders of the parent	Minority interest	Total equity
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
1 January 2005 (restated — Note 3)	4,197	7,864	11	1,313	40,443	53,828	5,468	59,296
Share capital increase of								
— common shares	289	4,142	—	—	—	4,431	—	4,431
— preference shares	513	3,915	—	—	—	4,428	—	4,428
Resale of own shares	1	16	—	—	—	17	—	17
Fixed assets revaluation	—	—	—	226	—	226	—	226
Depreciation of fixed assets revaluation reserve	—	—	—	(12)	12	—	—	—
Unrealized gain on revaluation of investments available-for-sale	—	—	4	—	—	4	—	4
Gains transferred to profit and loss accounts on sale of investments available-for-sale	—	—	(7)	—	—	(7)	—	(7)
Exchange differences on translation of foreign operations	—	—	—	—	3	3	34	37
Net profit	—	—	—	—	9,671	9,671	776	10,447
30 June 2005 (unaudited, restated — Note 3)	5,000	15,937	8	1,527	50,129	72,601	6,278	78,879
1 January 2006 (restated — Note 3)	4,996	15,902	1	1,520	58,876	81,295	6,976	88,271
Share capital increase of								
— common shares	31	597	—	—	—	628	—	628
Redemption of own shares	(1)	(26)	—	—	—	(27)	—	(27)
Resale of own shares	1	6	—	—	—	7	—	7
Fixed assets revaluation	—	—	—	940	—	940	—	940
Depreciation of fixed assets revaluation reserve	—	—	—	(12)	12	—	—	—
Unrealized gain on revaluation of investments available-for-sale	—	—	107	—	—	107	—	107
Gains transferred to profit and loss accounts on sale of investments available-for-sale	—	—	(32)	—	—	(32)	—	(32)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(403)	(403)
Net income	—	—	—	—	16,474	16,474	734	17,208
30 June 2006 (unaudited, restated — Note 3)	5,027	16,479	76	2,448	75,362	99,392	7,307	106,699

On behalf of the Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 8-31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

	Notes	Six months ended 30 June 2006 (restated — Note 3) (mln. tenge)	Six months ended 30 June 2005 (restated — Note 3) (mln. tenge)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		19,966	11,860
Adjustments for:			
Provision for impairment losses on interest bearing assets		7,416	6,183
(Recovery)/provision for insurance reserves and reserves for impairment losses on other transactions		(11)	352
Provision for guarantees and other off-balance contingencies		34	529
Unrealised loss/(gain) and amortisation of discounts on securities		1,210	(778)
Amortization of discount on issued debt securities		171	120
Depreciation and amortization		847	259
Change in interest accruals, net		(4,524)	219
Exchange rate loss unrealized		1,078	—
Share of results of associates		(164)	(100)
Gain on sale of fixed and intangible assets, net		1	—
Net change in fair value of derivative financial instruments		1,526	(178)
Cash flows from operating activities before changes in operating assets and liabilities		27,550	18,466
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with Central Bank of Russian Federation		(299)	252
Loans and advances to banks		22,589	1,906
Assets held-for-trading		(2,228)	24,406
Securities purchased under reverse repurchase agreements		(7,342)	(2,040)
Loans to customers		(260,718)	(46,983)
Other assets		(637)	6,054
Increase/(decrease) in operating liabilities:			
Loans and advances from banks		(19,813)	(3,151)
Securities sold under repurchase agreements		3,475	(19,379)
Customer accounts		98,228	20,329
Other borrowed funds		12,039	9,225
Other liabilities		1,792	1,417
Cash (outflow)/inflow from operating activities before taxation		(125,364)	10,502
Income tax paid		(1,350)	(1,012)
Net cash (outflow)/inflow from operating activities		(126,714)	9,490

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) — (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005

	Notes	Six months ended 30 June 2006 (restated — Note 3) (mln. tenge)	Six months ended 30 June 2005 (restated — Note 3) (mln. tenge)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(2,555)	(884)
Dividends received		—	(10)
Net (purchase)/proceeds on sale of investments available-for-sale		(1,575)	449
Net proceeds on sale of investments held-to-maturity		130	21
Acquisition of subsidiaries, net of cash of acquired entities		(35)	—
Net cash outflow from investing activities		(4,035)	(424)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt securities issued		31,624	24,759
Subordinated debt		(3,792)	7,682
Issue of common shares		628	11,375
(Repurchase)/resale of own shares		(20)	17
Net cash inflow from financing activities		28,440	43,833
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(102,309)	52,899
CASH AND CASH EQUIVALENTS, at beginning of the period		227,476	81,858
Effect of foreign exchange rate changes on cash and cash equivalents		(738)	49
CASH AND CASH EQUIVALENTS, at end of the period		124,429	134,806

Interest paid and received by the Bank in cash during the six months ended 30 June 2006 amounted to 33,798 mln. tenge and 54,983 mln. tenge, respectively.

Interest paid and received by the Bank in cash during the six months 30 June 2005 amounted to 10,528 mln. tenge and 22,924 mln. tenge, respectively.

On behalf of the Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 8-31 form an integral part of these condensed interim consolidated financial statements. The Report on review of interim financial information is on page 2.

1. ORGANISATION

JSC Kazkommertsbank (''Kazkommertsbank'') is a joint stock bank and has operated in the Republic of Kazakhstan since 1990. Kazkommertsbank's operations are regulated by the National Bank of the Republic of Kazakhstan (''NBRK'') according to license No. 48. Kazkommertsbank's primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered address of the Kazkommertsbank is 135 ''Zh'', Gagarin Ave., Almaty, Republic of Kazakhstan.

Kazkommertsbank has 22 branches in the Republic of Kazakhstan and a representative office in London (United Kingdom).

Kazkommertsbank is a parent company of the banking group (the ''Bank'') which consists of the following enterprises consolidated in the interim financial statements:

Name	Country of operation	The Bank ownership interest 30 June 2006	The Bank ownership interest 31 December 2005	Type of operation
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card and related services
Kazkommerts International B.V	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management (formerly JSC OCOPAIM ABN AMRO Asset Management)	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	93.58%	Commercial bank
JSC Grantum APF (formerly JSC ABN AMRO CaspiyMunaiGaz APF)	Republic of Kazakhstan	80.01%	80.01%	Pension fund activities
JSC SK Kazkommerts-Policy	Republic of Kazakhstan	65%	65%	Insurance

Notwithstanding Kazkommertsbank had no ownership in the share capital of LLP Moskommertsbank (''MKB''), a commercial bank in the Russian Federation, MKB was included in the consolidated financial statements of the Group since the Bank was able to and exercised effective control over its activity. This control permits Kazkommertsbank to provide loans to customers of MKB and to earn income thereon. In 2003 shareholders of MKB and Kazkommertsbank entered into agreements of trust management of 60.04% interest in the share capital of MKB. Also, at the same time shareholders owning 39.96% interest in the share capital of MKB and Kazkommertsbank signed an agreement providing for non-involvement of these shareholders in the policy of the activity of MKB determined by Kazkommertsbank.

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial statements of the Bank have been prepared in accordance with International Accounting Standard No. 34 ''Interim Financial Statements''. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and with the selective notes to the consolidated financial statements of the Bank for the year ended 31 December 2005.

The condensed interim consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for the revaluation of buildings and constructions and the cost of financial assets and liabilities modified for the measurement at fair value of available-for-sale investment securities, financial assets and liabilities held-for-trading, and derivative financial instruments.

The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards (''IFRS'') requires management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Bank, 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 setup of impairment loss on loans and investments and determination of the fair value of financial instruments.

Although the condensed interim consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements the Bank has applied the same accounting principles as those applied in the consolidated financial statements of the Bank for the year ended 31 December 2005 (restated).

Restatements due to correction of error

Subsequent to the issuance of the Bank's 30 June 2006 condensed interim consolidated financial statements, the Bank's management determined that the Bank's preference shares should be treated as compound instruments in accordance with IAS 32 ''Financial Instruments: Presentation'' (revised). The standard requires that the proceeds from issuance of such a compound instruments are classified as equity or liability based on the underlying rights of each component of the instrument: a contractual obligation to pay dividends is classified as a liability and a right to participate in final distributions to shareholders is classified as equity at fair value at date of issuance. To comply with IAS 32, the consolidated balance sheet, the related profit and loss accounts, and the statement of cash flows and changes in equity have been restated from the amounts previously reported.

	Amount as per the previous report Six months ended 30 June 2006 (mln. tenge)	Amount as per the current report Six months ended 30 June 2006 (mln. tenge)	Total effect on the financial statements items Six months ended 30 June 2006 (mln. tenge)
Subordinated debt	42,352	47,733	(5,381)
Share premium	22,884	16,479	6,405
Interest expense	33,961	34,272	(311)
Net gain on foreign exchange operations	1,436	2,129	(693)

4. NET INTEREST INCOME

	Six months ended 30 June 2006 (unaudited) (restated — Note 3) (mln. tenge)	Six months ended 30 June 2005 (unaudited) (restated — Note 3) (mln. tenge)
Interest income		
Interest on loans to customers	53,420	34,867
Interest on debt securities	3,811	2,026
Interest on loans and advances to banks	2,725	995
Interest on reverse repurchase transactions	524	280
Total interest income	60,480	38,168
Interest expense		
Interest on debt securities issued	17,258	10,760
Interest on loans and advances from banks	8,083	3,909
Interest on customer accounts	6,267	4,444
Interest on repurchase transactions	675	61
Dividends on preference shares	311	334
Other interest expenses	1,678	233
Total interest expense	34,272	19,741
Net interest income before provision for impairment losses on interest bearing assets	26,208	18,427

5. OTHER INCOME

	Six months ended 30 June 2006 (unaudited) (mln. tenge)	Six months ended 30 June 2005 (unaudited) (mln. tenge)
Insurance premiums	779	736
Fines and penalties received	47	19
Gain on sale of fixed assets	10	25
Other	326	54
Total other income	1,162	834

6. INCOME TAX

Temporary differences as at 30 June 2006 and 31 December 2005 comprise:

	30 June 2006 (unaudited) (restated — Note 3) (mln. tenge)	31 December 2005 (restated — Note 3) (mln. tenge)
Deferred tax assets:		
Unrealized gain on securities and derivatives revaluation	717	—
Other assets	103	459
Total deferred tax assets	820	459
Deferred tax liabilities:		
Loans to banks and customers	8,208	7,440
Fixed assets	1,227	650
Provisions under guarantees and letters of credit	—	372
Unrealized gain on securities revaluation	—	183
Investments in associates	150	94
Other liabilities	267	10
Total deferred tax liabilities	9,852	8,749
Net deferred tax liabilities	9,032	8,290

Relationships between tax expenses and accounting profit for the six months ended 30 June 2006 and 30 June 2005 are explained as follows:

	Six months ended 30 June 2006 (unaudited) (restated — Note 3) (mln. tenge)	Six months ended 30 June 2005 (unaudited) (restated — Note 3) (mln. tenge)
Profit before income tax	19,966	11,860
Tax at the statutory tax rate (30%)	5,990	3,558
Tax effect of permanent differences	(3,232)	(2,145)
Income tax expense	2,758	1,413
Current income tax expense	2,420	1,771
Provision for deferred tax liabilities	338	(358)
Income tax expense	2,758	1,413

7. EARNINGS PER SHARE

	Six months ended 30 June 2006 (unaudited) (restated — Note 3) (mln. tenge)	Six months ended 30 June 2005 (unaudited) (restated — Note 3) (mln. tenge)
Profit:		
Net profit for the period, attributable to the equity holders of the parent	16,474	9,671
Weighted average number of common shares for basic and diluted earnings per share	375,367,178	375,000,000
Earnings per share — basic and diluted (KZT)	43.89	25.79

8. ASSETS HELD-FOR-TRADING

	Interest to nominal	30 June 2006	Interest to nominal	31 December 2005
	%	(unaudited) (mln. tenge)	%	(mln. tenge)
Debt securities:				
Bonds of Federal Home Loan Bank	4.06%	12,030	4.06%	13,529
Eurobonds of European Investment Bank	3.00%	11,880	3-5.625%	13,577
Bonds of Freddie Mac	1.602-7.405%	11,829	4.60%	12,965
Short-term notes of NBRK	3.15%	11,737	2.22%	1,002
Eurobonds KfW Intl Finance	4.5%	10,758	5.25%	6,722
Eurobonds of Hellenic Republic	3.6%	9,907	—	—
Eurobonds of Caisse D'Amortissement Delta France	5.0%	5,966	4.60%	6,732
Corporate bonds of issuers of the Russian Federation	7.8-15.50%	5,861	7.5-15.5%	5,371
Bonds of JP Morgan Chase Bank	8.725-17.5%	5,264	—	—
US exchequer bonds	4.00-5.125%	4,404	2.7306-10.7225%	21,403
Bonds of Almaty Merchant Bank	8.125-8.5%	4,112	8.50-10%	4,466
Bonds of the Food Contract Corporation	8%	3,691	—	—
Bonds of Kazexporttostyk	10.70%	3,639	—	—
Treasury bonds of the Ministry of finance of the Republic of Kazakhstan	3.78-8.29%	3,560	2.75-5.5%	6,783
Bonds of Small and Medium Enterprises Development Fund	9%	2,484	—	—
Bonds of KazTransOil	8.50%	2,090	8.50%	2,379
Bonds of local executive bodies of the Russian Federation	7.95-13.30%	2,083	8.20-13.30%	1,080
Eurobonds of the Ministry of finance of the Republic of Kazakhstan	11.125%	1,847	11.13%	2,159
Bonds of Halyk Bank	7.75-8.125%	1,614	7.5-7.75%	556
Bonds of Bank CenterCredit	9%	1,547	8.5-10.4%	680
Eurobonds of TuranAlemFinance B.V.	7.875-8.5%	1,521	7.875-8%	334
Bonds of Development Bank of Kazakhstan	6-8.5%	1,357	9.1-13%	964
Bonds of federal loan Ministry of finance of the Russian Federation	6.30-10%	1,274	10%	210
Bonds of NSCC Kazstroyservice	9%	669	—	—
Eurobonds of ALB Finance B.V.	9%	602	9%	280
Bonds of CALYON	—	593	—	—
Bonds of Karazhanbasmunai	10.90%	554	9.1-9.9%	668
Bonds of BTA Ipoteka	8.5%	516	—	—
Bonds of Nurbank	9%	487	—	—
Bonds of Kazakhaltyn	9.90%	471	9.90%	579
Eurobonds of CenterCredit B.V.	8%	301	—	—
Bonds of Atyrau local executive committee	8.5%	242	8.5-8.6%	292
Bonds of Astana city administration	8.50%	240	8.50%	267
Bonds of Federal Farm Credit Bank	3.375%	232	3.38%	263
Bonds of Kazakhstan kagazy	10.00%	131	10.40%	132
Bonds of Glotur	11.70%	105	10%	102
Bonds of Kazatomprom	8.50%	79	8.50%	88
Bonds of Bank TuranAlem	9.90%	57	8-9.90%	272
Bonds of Kazakh Mortgage Company	8.29-8.40%	10	6.9-12.25%	191
Bonds of KazTransCom	8%	10	8%	135
Bonds of Astana Finance	—	—	9.40%	126
Bonds of Khimfarm	—	—	10%	120
Eurobonds of InraAmerican Development Bank	—	—	5.375-6.125%	8,916
Eurobonds of International Bank of Reconstruction and Development	—	—	5%	8,153

	Interest to nominal	30 June 2006	Interest to nominal	31 December 2005
	%	(unaudited) (mln. tenge)	%	(mln. tenge)
Eurobonds of Nordic Investment Bank	—	—	2.75%	6,781
Eurobonds of Bank Nederlandse Gemeenten	—	—	2.50%	5,432
Bonds of the Government of Finland	—	—	5.88%	4,794
Bonds of Mangistau REK	—	—	13%	65
		125,754		138,568

	Ownership share	30 June 2006	Ownership share	31 December 2005
	%	(unaudited) (mln. tenge)	%	(mln. tenge)
Shares:				
ADR Kazakhtelecom	5.11%	1,552	5.11%	1,673
Kazzinc	0.10%	253	0.04%	34
Ust-Kamenogorsk Titanium and Magnesium Plant	0.40%	213	—	—
Kazakhtelecom				
- common	0.015%	49	0.01%	4
- preference	0.087%	12	0.08%	6
Kazchrom	0.005%	10	—	—
Mangistaumunaigaz	0.04%	7	—	—
Bank TuranAlem	0.001%	2	—	—
Aktobemunaigaz	—	—	0.004%	9
		2,098		1,726
Total assets held-for-trading		127,852		140,294

9. LOANS TO CUSTOMERS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	30 June 2006	31 December 2005
	(unaudited) (mln. tenge)	(mln. tenge)
Loans granted	946,414	757,119
Accrued interest income on loans to customers	20,021	14,887
	966,435	772,006
Less allowance for impairment losses	(47,337)	(42,162)
Total loans to customers, less allowance for impairment losses	919,098	729,844

	30 June 2006	31 December 2005
	(unaudited) (mln. tenge)	(mln. tenge)
Loans collateralized by real estate	276,392	203,045
Loans collateralized by guarantees of enterprises	140,662	102,095
Loans collateralized by combined collateral	126,871	104,917
Loans collateralized by accounts receivable	86,756	126,953
Loans collateralized by equipment	79,258	74,697
Loans collateralized by inventories	48,079	29,893
Loans collateralized by shares of other companies	47,750	33,759
Loans collateralized by guarantees of financial institutions	28,478	3,197
Loans collateralized by cash or guarantees of the Government of the Republic of Kazakhstan	17,547	14,606
Unsecured loans	114,642	78,844
	966,435	772,006
Less allowance for impairment losses	(47,337)	(42,162)
Total loans to customers, less allowance for impairment losses	919,098	729,844

	30 June 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Analysis by sector:		
Trade	188,836	147,657
Residential construction	132,915	88,706
Individuals	129,140	101,844
Construction of commercial real estate	121,478	83,102
Investments and finance	42,032	30,237
Industrial and other construction	41,456	27,522
Transport and communication	38,579	41,040
Food industry	35,382	30,145
Energy	33,596	33,922
Agriculture	31,411	33,137
Mining and metallurgy	25,122	25,681
Hotel business	20,917	17,394
Real estate	20,752	15,743
Construction materials production industry	16,822	11,101
Machinery construction	13,700	13,488
Culture and art	607	747
Other	73,690	70,540
	966,435	772,006
Less allowance for impairment losses	(47,337)	(42,162)
Total loans to customers, less allowance for impairment losses	919,098	729,844

The movements in allowance for impairment losses on loans to customers were as follows:

	Six months ended 30 June 2006 (unaudited) (mln. tenge)	Six months ended 30 June 2005 (unaudited) (mln. tenge)
At beginning of the period:	42,162	29,879
Provision	8,374	6,227
Write-off of assets	(133)	(892)
Recoveries of assets previously written-off	—	232
Exchange rate difference	(3,066)	33
At end of the period:	47,337	35,479

10. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal	30 June 2006	Interest to nominal	31 December 2005
	%	(unaudited) (mln. tenge)	%	(mln. tenge)
Debt securities				
Notes of the National Bank of the Republic of Kazakhstan	2.00-3.26%	502	—	—
Eurobonds of Ministry of finance of the Republic of Kazakhstan	3.35-11.125%	408	2.75-6.99%	340
Bonds of Bank TuranAlem	10.90%	219	—	—
Bonds of Kazakhstan Mortgage Company	6.9-9.90%	217	6.9-8.29%	87
Bonds of Astana Finance	11.20%	130	—	—
Bonds of KazTransCom	8%	125	—	—
Bonds of Karazhanbasmunai	10.90%	123	—	—
Bonds of Kazakhaltyn	10.90%	123	—	—
Bonds of Khimfarm	10%	121	—	—
Bonds of Almaty Merchant Bank	8.5-9%	105	—	—
Bonds of Atyrau local executive committee	8.60%	18	—	—
Bonds of Bank CenterCredit	9%	7	—	—
Total investments available-for-sale		2,098		427

11. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal	30 June 2006	Interest to nominal	31 December 2005
	%	(unaudited) (mln. tenge)	%	(mln. tenge)
Bonds of Bank CenterCredit	8.5-9%	116	8.5%	94
Bonds of Halyk Bank	7.75%	109	7.75%	99
Bonds of the Ministry of finance of the Republic of Kazakhstan	4-4.3%	101	4-4.3%	234
Bonds of Almaty Merchant Bank	8.5%	92	8.5%	92
Bonds of the Ministry of finance of the Kyrgyz Republic	3.80-7.05%	40	4.52-8.15%	40
Bonds of the National bank of the Kyrgyz Republic	—	—	4.9%	3
Total investments held-to-maturity		458		562

12. INVESTMENTS IN ASSOCIATES AND OTHER ENTITIES

	30 June 2006		31 December 2005	
	Ownership share	Amount	Ownership share	Amount
	%	(mln. tenge) (unaudited)	%	(mln. tenge)
Pension Fund "Ular Umit"	41.18%	588	41.18%	388
LLP "First Credit Bureau"	18.40%	37	18.40%	37
Total investments in associates and other entities		625		425

The percentage held of the above associates represents both direct and indirect ownership of the Bank.

13. OTHER ASSETS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	30 June 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Prepayments and other debtors	2,351	2,926
Income tax receivable	—	1,685
Insurance debtors	1,017	1,040
Prepaid expenses	2,106	978
Tax settlements, other than income tax	1,811	587
	7,285	7,216
Less allowance for impairment losses	(130)	(130)
Total other assets, less allowance for impairment	7,155	7,086

14. DEBT SECURITIES ISSUED

	Maturity date month/year	Annual coupon rate %	30 June 2006 (unaudited) (mln. tenge)	31 December 2005 (mln. tenge)
Eurobonds of Kazkommerts International B.V due in May 2007:				
Tranche A, issued in May 2002 and placed at the price of 99.043%	8 May 2007	10.125%	16,443	18,561
Tranche B, issued in November 2002 and placed at the price of 107.00%	8 May 2007	10.125%	5,935	6,699
Due in April 2013:				
Tranche A, issued in April 2003 at the price of 97.548%	16 April 2013	8.5%	40,393	45,730
Tranche B issued in April 2003 and placed in May 2003 at the price of 99.00%	16 April 2013	8.5%	17,803	20,097
Due in April 2014:				
Issued in April 2004 at the price of 99.15%	7 April 2014	7.875%	46,408	52,386
Due in November 2009:				
Tranche A issued in November 2004 at the price of 98.967%	3 November 2009	7%	39,987	46,880
Tranche B issued in February 2005 at the price of 98.967%	3 November 2009	7%	17,803	20,097
Due in November 2015:				
Issued in November 2005 at the price of 98.32%	3 November 2015	7.94%	59,345	66,990
Due in February 2009:				
Issued in February 2006 at the price of 100%	24 February 2009	4.25%	7,433	—
Due in March 2011:				
Issued in March 2006 at the price of 99.993%	24 March 2011	5.125%	41,667	—
			293,217	277,440

	Maturity date month/year	Annual coupon rate	30 June 2006	31 December 2005
		%	(unaudited) (mln. tenge)	(mln. tenge)
Plus /(less):				
Unamortized discount on debt securities			(3,660)	(4,098)
Accrued interest on debt securities issued			4,331	4,125
Total issued Eurobonds of Kazkommerts International B.V			293,888	277,467
Issued bonds of Kazkommertsbank			3,048	3,957
Amounts of accrued expenses on issued bonds of Kazkommertsbank			98	127
Issued promissory notes of Moscommertsbank			31,287	21,040
Accrued interest expense on issued promissory notes of Moscommertsbank			247	542
Total debt securities issued			328,568	303,133

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of Kazkommertsbank, and guaranteed by Kazkommertsbank. For Eurobonds with a maturity in May 2007, coupon is paid semi-annually on 8 May and 8 November, while for those having a maturity in April 2013, coupon is paid on 16 April and 16 October, for Eurobonds with maturity in April 2014, coupon is paid on 7 April and 7 October, for Eurobonds with maturity in November 2009, coupon is paid on 3 May and 3 November, for Eurobonds with maturity in November 2015, coupon is paid on 3 May and 3 November, for Eurobonds (denominated in Singapore dollars) having a maturity in February 2009 coupon is paid on 24 August and 24 February, and for Eurobonds with a maturity in March 2011 coupon is paid on 23 March.

15. OTHER LIABILITIES

	30 June 2006	31 December 2005
	(unaudited) (mln. tenge)	(mln. tenge)
Taxes payable, other than income tax	1,351	1,760
Payable to employees	1,131	1,033
Accounts payable to reinsurers	494	611
Prepayments received	225	412
Other	693	775
Total other liabilities	3,894	4,591

16. FINANCIAL COMMITMENTS AND CONTINGENCIES

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.

As at 30 June 2006 and 31 December 2005 accrued allowance for impairment losses on letters of credit and guarantees amounted to 2,360 mln. tenge and 2,589 mln. tenge, respectively.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 30 June 2006 and 31 December 2005, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2006 (unaudited)		31 December 2005	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	50,622	50,622	39,928	39,928
Letters of credit and other transaction related to documentary operations	59,406	11,594	59,951	11,680
Commitments on loans and unused credit lines	9,417	9,417	2,670	2,670
Total contingent liabilities and credit commitments	119,445	71,633	102,549	54,278

Capital commitments — As at 30 June 2006 and 31 December 2005 the Bank's commitments for capital expenditures outstanding amounted to 6,449 mln. tenge and 110 mln. tenge, respectively.

Operating lease commitments — No material rental commitments were outstanding as at 30 June 2006 and 31 December 2005.

Fiduciary activities — In the normal course of its business the Bank enters into agreements with limited right of decision making with clients for their assets management in accordance with specific criteria established by clients. The Bank may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Bank at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position.

The Bank also provides depositary services to its customers. As at 30 June 2006 and 31 December 2005 the Bank had customer securities totaling:

- on broker-dealer operations — 6,633,458 items and 13,175,579 items, respectively.
- on custodial operations — 421,914,389 items and 333,537,909 items, respectively.

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 — Due to the presence in commercial legislation of the countries where the Bank operates, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Bank's business activities to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax statements remain open to review by the tax authorities for five years.

Pensions and retirement plans — Employees receive pension benefits in accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate. As at 30 June 2006 and 31 December 2005 the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment — The Bank's principal business activities are within the Republic of Kazkahstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

17. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS #24 ''Related party disclosures'', 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 of the Bank (also non-executive directors and close members of the families of such individuals);

(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;

(f) Parties with joint control over the Bank;

(g) Joint ventures in which the Bank is a venture; and

(h) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party to 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:

	30 June 2006		31 December 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(mln. tenge)		(mln. tenge)	
Loans to customers	1,193	966,435	1,785	772,006
— *who are under common control jointly with the Bank*	199		342	
— *individuals influencing the Bank's operations, and their close family members*	418		453	
— *key management personnel of the Bank*	544		954	
— *Other related parties*	32		36	
Allowance for impairment losses	29	47,337	51	42,162
— *who are under common control jointly with the Bank*	16		20	
— *individuals influencing the Bank's operations, and their close family members*	—		9	
— *key management personnel of the Bank*	11		20	
— *Other related parties*	2		2	

	30 June 2006		31 December 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(mln. tenge)		(mln. tenge)	
Customer accounts	5,123	333,839	2,274	303,405
— *who directly or indirectly, through one or several intermediaries, control the Bank*	45		1	
— *who are under common control jointly with the Bank*	28		15	
— *associates of the Bank*	3,080		1,093	
— *individuals influencing the Bank's operations, and their close family members*	974		486	
— *key management personnel of the Bank*	973		672	
— *Other related parties*	23		7	
Commitments on loans and unused card limits	35	9,417	45	2,670
— *individuals influencing the Bank's operations, and their close family members*	16		17	
— *key management personnel of the Bank*	19		28	
Provision for guarantees	19	50,622	19	39,928
— *who are under common control jointly with the Bank*	1		—	
— *individuals influencing the Bank's operations, and their close family members*	1		1	
— *key management personnel of the Bank*	17		18	

Included in the consolidated profit and loss account for the six months ended 30 June 2006 and 2005 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2006		Six months ended 30 June 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(mln. tenge)		(mln. tenge)	
Interest income	337	60,480	98	38,168
Interest expense	(181)	(34,272)	(124)	(19,741)
Benefits of key personnel	357	3,922	216	2,996

18. SEGMENT REPORTING

Business segments

The Group is organized on the basis of three main business segments:

- Retail banking — representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking — representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency products, guarantees and letters of credit and derivative products.
- Investment banking — representing financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.

Transactions between the business segments are conducted on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of funds attracted. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Six months ended 30 June 2006
							(unaudited) (restated — Note 3) (mln. tenge)
External interest income	7,354	46,066	6,922	138	—	—	60,480
Internal interest income	4,736	3,416	28,346	6	17,705	(54,209)	—
External interest expense	(3,228)	(3,039)	(27,626)	—	(379)	—	(34,272)
Internal interest expense	(3,943)	(24,403)	(8,152)	(6)	(17,041)	53,545	—
Net interest income before provision for impairment losses on interest bearing assets	4,919	22,040	(510)	138	285	(664)	26,208
Provision for impairment losses on interest bearing assets	(655)	(7,678)	923	(6)	—	—	(7,416)
Net non-interest income	2,741	4,126	631	661	(6)	697	8,850
Operating income	7,005	18,488	1,044	793	279	33	27,642
Operating expenses	(2,813)	(4,101)	(476)	(376)	(18)	(33)	(7,817)
Operating profit	4,192	14,387	568	417	261	—	19,825
Share of results of associates	—	—	164	—	—	—	164
Provision for impairment losses on other assets[(1)]	—	(547)	476	48	—	—	(23)
Profit before income tax	4,192	13,840	1,208	465	261	—	19,966
Income tax expense	—	—	—	—	(2,758)	—	(2,758)
Net profit	4,192	13,840	1,208	465	(2,497)	—	17,208
Total assets	121,984	797,114	334,957	6,624	540,925	(547,774)	1,253,830
Total liabilities	128,872	204,967	829,383	2,825	523,600	(542,516)	1,147,131

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Six months ended 30 June 2005
							(unaudited) (restated — Note 3) (mln. tenge)
External interest income	4,964	29,903	3,218	83	—	—	38,168
Internal interest income	3,382	3,083	18,318	8	10,699	(35,490)	—
External interest expense	(2,400)	(2,044)	(12,216)	—	(3,081)	—	(19,741)
Internal interest expense	(2,532)	(15,786)	(6,465)	(8)	(7,412)	32,203	—
Net interest income before provision for impairment losses on interest bearing assets	3,414	15,156	2,855	83	206	(3,287)	18,427
Provision for impairment losses on interest bearing assets	(552)	(5,038)	(591)	(2)	—	—	(6,183)
Net non-interest income	(245)	4,815	(2,029)	784	(2)	3,220	6,543
Operating income	2,617	14,933	235	865	204	(67)	18,787
Operating expenses	(1,816)	(3,852)	(287)	(239)	(19)	67	(6,146)
Operating profit	801	11,081	(52)	626	185	—	12,641
Share of results of associates	—	—	100	—	—	—	100
Provision for impairment losses on other assets(1)	—	(398)	(167)	(316)	—	—	(881)
Profit before income tax	801	10,683	(119)	310	185	—	11,860
Income tax expense	—	—	—	—	(1,413)	—	(1,413)
Net profit	801	10,683	(119)	310	(1,228)	—	10,447
Total assets	78,013	474,644	237,721	4,188	338,222	(343,535)	789,253
Total liabilities	83,925	151,470	486,075	2,656	327,071	(340,823)	710,374

(1) Provision for impairment losses on other assets includes recovery/(accrual) of insurance provision and provision for impairment losses on other transactions and provision for guarantees and other off-balance sheet contingencies: from external customers and with other segments.

19. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's 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 Assets and Liabilities Management Committee (''ALMC'') controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The ALMC also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. The Department of Financial Control conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined, (including allowance for impairment losses)	30 June 2006 Total (unaudited) (restated — Note 3) (mln. tenge)
ASSETS:							
Cash and balances with national (central) banks	50,000	—	—	—	—	—	50,000
Assets held-for-trading	27,855	28,395	70,153	—	—	—	126,403
Loans and advances to banks, less allowance for impairment losses	21,258	9,026	12,817	115	1,182	—	44,398
Loans to customers, less allowance for impairment losses	40,451	48,952	193,587	335,042	281,045	—	899,077
Securities purchased under reverse repurchase agreements	19,571	903	754	—	—	—	21,228
Investments available-for-sale	502	62	118	962	426	—	2,070
Investments held-to-maturity	100	17	23	22	290	—	452
Total interest bearing assets	159,737	87,355	277,452	336,141	282,943	—	1,143,628
Cash and balances with national (central) banks	63,982	—	—	—	—	—	63,982
Derivative financial instruments	344	911	102	1,627	—	—	2,984
Investments in associates and other entities	—	—	—	—	—	625	625
Goodwill	—	—	—	—	—	2,405	2,405
Fixed and intangible assets, less accumulated depreciation and amortization	—	—	—	—	—	11,298	11,298
Accrued interest income on interest-bearing assets	6,452	8,710	4,197	2,336	58	—	21,753
Other assets, less allowance for impairment losses	2,471	2,725	1,276	640	43	—	7,155
TOTAL ASSETS	232,986	99,701	283,027	340,744	283,044	14,328	1,253,830
LIABILITIES:							
Loans and advances from banks	28,398	69,316	118,581	71,101	631	—	288,027
Securities sold under repurchase agreements	45,201	17,369	—	—	—	—	62,570
Customer accounts	163,877	24,377	80,936	57,735	2,083	—	329,008
Debt securities issued	24	3,638	28,896	130,028	161,306	—	323,892
Other borrowed funds	—	—	96	4,725	57,577	—	62,398
Subordinated debt	—	—	45	29,261	17,748	—	47,054
Total interest bearing liabilities	237,500	114,700	228,554	292,850	239,345	—	1,112,949
Derivative financial instruments	451	1,153	922	2,092	—	—	4,618
Provisions	492	264	876	666	62	2,306	4,666
Dividends payable	—	—	312	—	—	—	312
Deferred tax liabilities	—	—	—	9,032	—	—	9,032
Accrued interest expense on interest-bearing liabilities	2,138	2,333	6,094	1,068	27	—	11,660
Other liabilities	3,774	2	80	38	—	—	3,894
TOTAL LIABILITIES	244,355	118,452	236,838	305,746	239,434	2,306	1,147,131
Liquidity gap	(11,369)	(18,751)	46,189	34,998	43,610		
Interest sensitivity gap	(77,763)	(27,345)	48,898	43,291	43,598		
Cumulative interest sensitivity gap	(77,763)	(105,108)	(56,210)	(12,919)	30,679		
Cumulative interest sensitivity gap as a percentage of total assets	(6.2)%	(8.4)%	(4.5)%	(1.0)%	2.4%		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined, (including allowance for impairment losses)	31 December 2005 Total
							(restated — Note 3) (mln. tenge)
ASSETS:							
Assets held-for-trading	43,052	22,057	73,538	—	—	—	138,647
Loans and advances to banks, less allowance for impairment losses	227,481	18,223	6,716	—	1,340	—	253,760
Loans to customers, less allowance for impairment losses	28,326	42,434	162,085	285,620	196,492	—	714,957
Securities purchased under reverse repurchase agreements	11,379	1,307	1,200	—	—	—	13,886
Investments available-for-sale	—	—	36	287	97	—	420
Investments held-to-maturity	13	5	133	125	280	—	556
Total interest bearing assets	310,251	84,026	243,708	286,032	198,209	—	1,122,226
Cash and balances with central (national) banks	37,229	—	—	—	—	—	37,229
Derivative financial instruments	4	—	—	77	—	—	81
Investments in associates and other entities	—	—	—	—	—	425	425
Goodwill	—	—	—	—	—	2,405	2,405
Fixed and intangible assets, less accumulated depreciation and amortization	—	—	—	—	—	8,662	8,662
Accrued interest income on interest bearing assets	6,017	4,132	5,036	1,560	10	—	16,755
Other assets, less allowance for impairment losses	2,475	361	3,707	334	209	—	7,086
TOTAL ASSETS	355,976	88,519	252,451	288,003	198,428	11,492	1,194,869
LIABILITIES:							
Loans and advances from banks	36,437	10,200	192,422	75,590	4,338	—	318,987
Securities sold under repurchase agreements	59,095	—	—	—	—	—	59,095
Customer accounts	167,127	24,658	62,131	43,704	1,189	—	298,809
Debt securities issued	74	1,586	2,152	113,331	181,197	—	298,340
Other borrowed funds	—	—	23	3,632	46,704	—	50,359
Subordinated debt	—	—	—	6,377	45,128	—	51,505
Total interest bearing liabilities	262,733	36,444	256,728	242,634	278,556	—	1,077,095
Derivative financial instruments	188	—	1	—	—	—	189
Dividends payable	1	—	—	—	—	—	1
Provisions	625	265	1,219	416	64	2,345	4,934
Deferred tax liability	—	—	—	8,290	—	—	8,290
Accrued interest expenses on interest bearing liabilities	2,189	1,268	6,593	1,448	—	—	11,498
Other liabilities	1,330	2,075	746	440	—	—	4,591
TOTAL LIABILITIES	267,066	40,052	265,287	253,228	278,620	2,345	1,106,598
Liquidity gap	88,910	48,467	(12,836)	34,775	(80,192)		
Interest sensitivity gap	47,518	47,582	(13,020)	43,398	(80,347)		
Cumulative interest sensitivity gap	47,518	95,100	82,080	125,478	45,131		
Cumulative interest sensitivity gap as a percentage of total assets	4,0%	8,0%	6,9%	10,5%	3,8%		

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 the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of national (central) banks.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	RUR	Other currency	30 June 2006 Total
	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(mln. tenge)	(unaudited) (restated — Note 3) (mln. tenge)
ASSETS:						
Cash and balances with the national (central) banks	104,971	5,905	1,265	1,471	378	113,990
Assets held-for-trading	33,556	75,172	9,907	9,217	—	127,852
Loans and advances to banks, less allowance for impairment losses	4,129	28,492	7,733	3,176	1,076	44,606
Derivative financial instruments	1,846	391	618	—	129	2,984
Loans to customers, less allowance for impairment losses	240,572	659,240	8,719	10,446	121	919,098
Securities purchased under reverse repurchase agreements	13,334	—	—	7,927	—	21,261
Investments available-for-sale	2,077	21	—	—	—	2,098
Investments held-to-maturity	418	—	—	—	40	458
Goodwill	2,405	—	—	—	—	2,405
Investments in associates and other entities	625	—	—	—	—	625
Fixed and intangible assets, less accumulated depreciation and amortization	10,848	—	—	357	93	11,298
Other assets, less allowance for impairment losses	5,554	823	322	432	24	7,155
TOTAL ASSETS	420,335	770,044	28,564	33,026	1,861	1,253,830
LIABILITIES:						
Loans and advances from banks	10,062	263,219	13,301	2,160	433	289,175
Securities sold under repurchase agreements	—	49,494	9,802	3,385	—	62,681
Derivative financial instruments	3,707	829	80	2	—	4,618
Customer accounts	226,981	86,852	8,538	10,924	544	333,839
Debt securities issued	3,146	266,380	41,942	9,583	7,517	328,568
Other borrowed funds	192	62,276	145	—	—	62,613
Provisions	2,920	1,215	523	2	6	4,666
Dividends payable	312	—	—	—	—	312
Deferred tax liabilities	8,865	—	—	163	4	9,032
Other liabilities	2,234	1,325	108	180	47	3,894
Subordinated debt	15,917	31,816	—	—	—	47,733
TOTAL LIABILITIES	274,336	763,406	74,439	26,399	8,551	1,147,131
OPEN BALANCE SHEET POSITION	145,999	6,638	(45,875)	6,627	(6,690)	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 30 June 2006:

	KZT	USD	EUR	RUR	Other currency	30 June 2006 Total (unaudited) (restated — Note 3) (mln. tenge)
Accounts payable on forward contracts	(57,240)	(69,197)	(3,018)	—	(48)	(129,503)
Accounts receivable on forward contracts	8,953	57,301	49,098	1,481	11,119	127,952
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(48,287)	(11,896)	46,080	1,481	11,071	
TOTAL OPEN POSITION	97,712	(5,278)	205	8,108	4,381	

	KZT	USD	EUR	RUR	Other currency	31 December 2005 Total (restated — Note 3) (mln. tenge)
ASSETS:						
Cash and balances with the national (central) banks	16,405	16,731	1,168	1,826	1,099	37,229
Assets held-for-trading	13,336	120,298	—	6,660	—	140,294
Loans and advances to banks, less allowance for impairment losses	3,657	235,826	10,647	2,789	985	253,904
Derivative financial instruments	4	77	—	—	—	81
Loans to customers, less allowance for impairment losses	215,841	501,876	6,487	5,489	151	729,844
Securities purchased under reverse repurchase agreements	4,628	—	—	9,322	—	13,950
Investments available-for-sale	427	—	—	—	—	427
Investments held-to-maturity	519	—	—	—	43	562
Goodwill	2,405	—	—	—	—	2,405
Investments in associates and other entities	425	—	—	—	—	425
Fixed and intangible assets, less accumulated depreciation and amortization	8,417	—	—	146	99	8,662
Other assets, less allowance for impairment losses	5,057	1,453	93	477	6	7,086
TOTAL ASSETS	271,121	876,261	18,395	26,709	2,383	1,194,869
LIABILITIES:						
Loans and advances from banks	13,291	288,754	11,409	5,272	1,369	320,095
Securities sold under repurchase agreements	6,781	52,097	—	265	—	59,143
Derivative financial instruments	94	95	—	—	—	189
Customer accounts	135,747	153,156	7,491	6,463	548	303,405
Debt securities issued	4,084	293,888	—	5,161	—	303,133
Other borrowed funds	210	50,183	211	—	—	50,604
Provisions	2,601	1,966	337	4	26	4,934
Dividends payable	1	—	—	—	—	1
Deferred tax liabilities	8,014	—	—	257	19	8,290
Other liabilities	3,418	1,101	34	32	6	4,591
Subordinated debt	16,281	35,931	1	—	—	52,213
TOTAL LIABILITIES	190,522	877,171	19,483	17,454	1,968	1,106,598
OPEN BALANCE SHEET POSITION	80,599	(910)	(1,088)	9,255	415	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2005:

	KZT	USD	EUR	RUR	Other currency	Currency undefined, (including allowance for impairment losses)	31 December 2005 Total
							(restated — Note 3) (mln. tenge)
Accounts payable on forwards	(9,657)	(9,080)	(795)	—	(155)	—	(19,687)
Accounts receivable on forwards	6,895	11,277	1,192	15	200	—	19,579
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(2,762)	2,197	397	15	45		
TOTAL OPEN POSITION	77,837	1,287	(691)	9,270	460		

Geographical concentration

The Assets and Liabilities Management Committee (“ALMC”) exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group’s activity. This approach allows the Group to minimize potential losses. The Bank’s Management Board sets up country limits, which are mainly applied by banks of the Commonwealth of Independent States (“CIS”), banks of member states of the Organisation for Economic Co-operation and Development (“OECD”), and Baltic countries.

The Group considers the principal segment to be comprised of the Commonwealth of Independent States, including the Republic of Kazakhstan, (“CIS”) as the risks and returns are considered to be similar throughout the region.

The concentration of assets and liabilities as at 30 June 2006 is set out in tables below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	30 June 2006 Total
					(unaudited) (restated — Note 3) (mln. tenge)
ASSETS:					
Cash and balances with national (central) banks	104,967	2,235	6,788	—	113,990
Assets held-for-trading	43,365	9,217	75,270	—	127,852
Loans and advances to banks, less allowance for impairment losses	1,136	32,083	11,387	—	44,606
Derivative financial instruments	1,963	4	1,017	—	2,984
Loans to customers, less allowance for impairment losses	688,369	105,872	28,148	96,709	919,098
Securities purchased reverse repurchase agreements	13,333	7,928	—	—	21,261
Investments available-for-sale	2,098	—	—	—	2,098
Investments held-to-maturity	418	40	—	—	458
Investments in associates	625	—	—	—	625
Goodwill	2,405	—	—	—	2,405
Fixed and intangibles assets, less accumulated depreciation and amortization	10,847	451	—	—	11,298
Other assets, less allowance for impairment losses	5,767	851	530	7	7,155
TOTAL ASSETS	875,293	158,681	123,140	96,716	1,253,830
LIABILITIES:					
Loans and advances from banks	13,013	28,324	247,090	748	289,175
Securities sold under agreements to repurchase	—	3,385	59,296	—	62,681
Derivative financial instruments	3,486	2	1,130	—	4,618
Customer accounts	300,013	15,532	15,706	2,588	333,839
Debt securities issued	3,322	31,415	293,712	119	328,568
Other borrowed funds	337	2	62,274	—	62,613
Provisions	4,325	190	1	150	4,666
Dividends payable	312	—	—	—	312
Deferred tax liabilities	8,865	167	—	—	9,032
Other liabilities	2,351	278	1,257	8	3,894
Subordinated debt	21,345	—	26,388	—	47,733
TOTAL LIABILITIES	357,369	79,295	706,854	3,613	1,147,131
NET POSITION	517,924	79,386	(583,714)	93,103	

The concentration of assets and liabilities as at 31 December 2005 is set out in tables below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2005 Total
					(restated — Note 3) (mln. tenge)
ASSETS:					
Cash and balances with national (central) banks	27,124	2,915	7,190	—	37,229
Assets held-for-trading	23,815	6,660	109,819	—	140,294
Loans and advances to banks, less allowance for impairment losses	16,373	38,677	192,288	6,566	253,904
Derivative financial instruments	4	1	76	—	81
Securities purchased under reverse repurchase agreements	4,628	9,322	—	—	13,950
Loans to customers, less allowance for impairment losses	565,072	74,596	18,900	71,276	729,844
Investments available-for-sale	427	—	—	—	427
Investments held-to-maturity	519	43	—	—	562
Investments in associates	291	—	134	—	425
Goodwill	2,405	—	—	—	2,405
Fixed and intangibles assets, less accumulated depreciation and amortization	8,417	245	—	—	8,662
Other assets, less allowance for impairment losses	4,929	635	1,053	469	7,086
TOTAL ASSETS	654,004	133,094	329,460	78,311	1,194,869
LIABILITIES:					
Loans and advances from banks	22,825	22,906	267,588	6,776	320,095
Securities sold under agreements to repurchase	6,781	265	52,097	—	59,143
Derivative financial instruments	95	1	93	—	189
Customer accounts	257,276	9,231	18,669	18,229	303,405
Debt securities issued	4,135	20,129	277,416	1,453	303,133
Other borrowed funds	433	3	50,168	—	50,604
Provisions	4,100	685	4	145	4,934
Dividends payable	1	—	—	—	1
Income tax liabilities	8,014	276	—	—	8,290
Other liabilities	3,167	230	1,110	84	4,591
Subordinated debt	22,408	—	29,805	—	52,213
TOTAL LIABILITIES	329,235	53,726	696,950	26,687	1,106,598
NET POSITION	324,769	79,368	(367,490)	51,624	

20. SUBSEQUENT EVENTS

On 21 July 2006 Kazkommertsbank made placement of 96,500,000 common shares of JSC Kazkommertsbank with par value 200 tenge per share.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Kazkommertsbank and its subsidiaries (the "Group").

Management of the Bank is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2005, 2004 and 2003, the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures from IFRS disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2005, 2004 and 2003 were originally authorized for the issue on 3 February 2006 and were subsequently authorized for reissue on 15 September 2006 by the Management board of JSC Kazkommertsbank.

On behalf of the Board:

Zhusupova N.A
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Joint Stock Company Kazkommertsbank

We have audited the accompanying consolidated balance sheets of JSC Kazkommertsbank and its subsidiaries (the "Group") as at 31 December 2005, 2004 and 2003, the related consolidated profit and loss accounts and statements of cash flows and changes in equity ("the consolidated financial statements") for the years then ended. These consolidated financial statements are the responsibility of the management of JSC Kazkommertsbank. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2005, 2004 and 2003, and the consolidated results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

The reported balance sheets at 31 December 2005, 2004 and 2003, the related profit and loss accounts and statements of cash flows and changes in equity for the periods then ended, as determined in accordance with International Financial Reporting Standards, have been restated for the items described in Note 3 to the consolidated financial statements.

Deloitte, LLP

3 February 2006 (15 September 2006 as to the effects of the restatement discussed in Note 3)

Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Notes	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Interest income	4	85,791	56,163	35,712
Interest expense	4	(45,855)	(27,433)	(19,344)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		39,936	28,730	16,368
Provision for impairment losses on interest bearing assets	5	(17,833)	(11,222)	(5,887)
NET INTEREST INCOME		22,103	17,508	10,481
Net gain/(loss) on operations with assets held-for-trading	6	742	22	(317)
Net gain on foreign exchange operations	7	1,698	1,972	1,723
Fee and commission income	8	11,389	9,102	7,794
Fee and commission expense	8	(1,358)	(988)	(864)
Net gain/(loss) from investments available-for-sale		12	49	(88)
Dividends received		10	15	382
Other income	9	2,690	1,895	1,165
NET NON-INTEREST INCOME		15,183	12,067	9,795
OPERATING INCOME		37,286	29,575	20,276
OPERATING EXPENSES	10	(13,368)	(9,511)	(8,969)
OPERATING PROFIT		23,918	20,064	11,307
Insurance provision and provision for impairment losses on other transactions	5	(880)	(615)	(634)
(Provision)/recovery for guarantees and other off-balance sheet contingencies	5	(1,059)	(106)	364
Share of results of associates	21	174	12	(20)
PROFIT BEFORE INCOME TAX		22,153	19,355	11,017
Income tax expense	11	(2,338)	(9,573)	(2,092)
NET PROFIT		19,815	9,782	8,925
Attributable to:				
Equity holders of the parent		18,392	8,716	8,518
Minority interest		1,423	1,066	407
EARNINGS PER SHARE				
Basic and diluted (KZT)	12	50.95	25.18	26.14

On behalf of the Board of the Bank:

Zhusupova N.A
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 9-65 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2005, 2004 AND 2003

	Notes	31 December 2005 (restated — Note 3) KZT millions	31 December 2004 (restated — Note 3) KZT millions	31 December 2003 (restated — Note 3) KZT millions
ASSETS:				
Cash and balances with national (central) banks	13	37,229	66,293	28,485
Precious metals		—	—	300
Assets held-for-trading	14	140,294	74,780	71,201
Loans and advances to banks, less allowance for impairment losses	15	253,904	41,834	38,583
Derivative financial instruments	16	81	20	15
Loans to customers, less allowance for impairment losses	17	729,844	494,931	283,063
Securities purchased under reverse repurchase agreements	18	13,950	8,402	2,608
Investment available-for-sale	19	427	489	138
Investments held-to-maturity	20	562	64	32
Investments in associates and other entities	21	425	218	146
Goodwill	22	2,405	—	—
Fixed and intangible assets, less accumulated depreciation and amortization	23	8,662	7,386	6,304
Other assets, less allowance for impairment losses	24	7,086	9,640	3,366
TOTAL ASSETS		1,194,869	704,057	434,241
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and advances from banks	25	320,095	170,331	76,222
Securities sold under repurchase agreements	26	59,143	28,445	37,251
Derivative financial instruments	16	189	31	1
Customer accounts	27	303,405	197,827	151,589
Debt securities issued	28	303,133	207,841	98,233
Other borrowed funds	29	50,604	4,464	3,525
Provisions	5	4,934	3,087	2,483
Dividends payable		1	1	1
Deferred tax liabilities	11	8,290	6,976	2,945
Other liabilities	30	4,591	2,832	2,975
		1,054,385	621,835	375,225
Subordinated debt	31	52,213	22,926	11,657
Total liabilities		1,106,598	644,761	386,882
EQUITY:				
Share capital	32	4,996	4,197	4,019
Share premium		15,902	7,864	6,407
Fixed assets revaluation reserve		1,520	1,313	570
Reserves		58,877	40,454	31,659
Equity attributable to equity holders of the parent		81,295	53,828	42,655
Minority interest		6,976	5,468	4,704
Total equity		88,271	59,296	47,359
TOTAL LIABILITIES AND EQUITY		1,194,869	704,057	434,241

On behalf of the Board of the Bank:

Zhusupova N.A
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 9-65 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Share capital	Share premium	Investments available-for-sale fair value reserve	Fixed assets revaluation reserve	Retained earnings	Total attributable to equity holders of the parent	Minority interest	Total equity
	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions
31 December 2002	3,500	2,427	—	7	23,086	29,020	4,297	33,317
Share capital increase of								
— preference shares	519	3,980	—	—	—	4,499	—	4,499
For-sale investments			41			41		41
Fixed assets revaluation	—	—	—	577	—	577	—	577
Depreciation of fixed assets revaluation reserve	—	—	—	(14)	14	—	—	—
Net profit	—	—	—	—	8,518	8,518	407	8,925
31 December 2003 (restated — Note 3)	4,019	6,407	41	570	31,618	42,655	4,704	47,359
Share capital increase of								
— preference shares	177	1,456	—	—	—	1,633	—	1,633
Sale of repurchased own shares	1	1	—	—	—	2	—	2
Fixed assets revaluation	—	—	—	865	—	865	—	865
Depreciation of fixed assets revaluation reserve	—	—	—	(122)	122	—	—	—
Unrealized gain on revaluation of investments available-for-sale	—	—	19	—	—	19	—	19
Gain transferred to profit and loss accounts on sale of investments available-for-sale	—	—	(49)	—	—	(49)	—	(49)
Impact of decrease in minority interest in JSC Kazkommertsbank Kyrgyzstan	—	—	—	—	—	—	(59)	(59)
Exchange differences on translation of foreign operations	—	—	—	—	(13)	(13)	(243)	(256)
Net profit	—	—	—	—	8,716	8,716	1,066	9,782
31 December 2004 (restated — Note 3)	4,197	7,864	11	1,313	40,443	53,828	5,468	59,296

	Share capital	Share premium	Investments available-for-sale fair value reserve	Fixed assets revaluation reserve	Retained earnings	Total attributable to equity holders of the parent	Minority interest	Total equity
	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions	KTZ millions
31 December 2004 (restated — Note 3)	4,197	7,864	11	1,313	40,443	53,828	5,468	59,296
Share capital increase of								
— common shares	289	4,142	—	—	—	4,431	—	4,431
— preference shares	512	3,915	—	—	—	4,427	—	4,427
Repurchase of own shares	(2)	(19)	—	—	—	(21)	—	(21)
Fixed assets revaluation	—	—	—	232	—	232	—	232
Depreciation of fixed assets revaluation reserve	—	—	—	(25)	25	—	—	—
Unrealized gains on revaluation of investments available-for-sale	—	—	1	—	—	1	—	1
Gains transferred to profit and loss accounts on sale of investments available-for-sale	—	—	(11)	—	—	(11)	—	(11)
Effect of purchase of Accumulation Pension Fund JSC ABN AMRO KaspiyMunaiGaz	—	—	—	—	—	—	126	126
Exchange differences on translation of foreign operations	—	—	—	—	16	16	(41)	(25)
Net profit for the year	—	—	—	—	18,392	18,392	1,423	19,815
31 December 2005 (restated — Note 3)	4,996	15,902	1	1,520	58,876	81,295	6,976	88,271

On behalf of the Board of the Bank:

Zhusupova N.A
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 9-65 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Notes	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax		22,153	19,355	11,017
Adjustments for:				
Provision for impairment losses on interest bearing assets		17,833	11,222	5,887
Provision for insurance reserves and reserves for impairment losses on other transactions		880	615	634
Provision/(recovery) for guarantees and other off-balance contingencies		1,059	106	(364)
Unrealised gain and amortisation of discounts on securities		(1,439)	(2,344)	(171)
Amortization of discount on issued debt securities		500	1,147	(1,468)
Depreciation and amortization		1,564	1,302	979
Change in interest accruals, net		1,434	616	377
Exchange rate loss unrealized		276	39	275
Share of results of associates		(174)	(12)	20
Gain on sale of fixed and intangible assets, net		(28)	(98)	13
Net change in fair value of derivative financial instruments		96	26	(10)
Cash flows from operating activities before changes in operating assets and liabilities		44,154	31,974	17,189
Changes in operating assets and liabilities (Increase)/decrease in operating assets:				
Minimum reserve deposit with Central bank of Russian Federation		142	(661)	(122)
Loans and advances to banks		(38,337)	(6,029)	(12,404)
Precious metals		—	300	(300)
Assets held-for-trading		(63,491)	(1,372)	(50,560)
Securities purchased under reverse repurchase agreements		(5,345)	(5,794)	(229)
Loans to customers		(248,662)	(223,531)	(114,556)
Other assets		3,475	(6,404)	(539)
Increase/(decrease) in operating liabilities:				
Loans and advances from banks		149,542	93,529	21,638
Securities sold under repurchase agreements		30,659	(8,806)	37,216
Customer accounts		103,027	47,572	11,159
Other borrowed funds		45,971	966	(1,025)
Other liabilities		1,722	(114)	1,084
Cash inflow/(outflow) from operating activities before taxation		22,857	(78,370)	(91,449)
Income tax paid		(2,082)	(5,876)	(417)
Net cash inflow/(outflow) from operating activities		20,775	(84,246)	(91,866)

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Notes	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed and intangible assets		(2,564)	(1,484)	(2,710)
Proceeds on sale of fixed and intangible assets		133	300	354
Dividends received		10	16	381
Net proceeds on sale/(purchase) of investments available-for-sale		519	(381)	9,859
Net proceeds on sale/(purchase) of investments held-to-maturity		4	(32)	(15)
(Acquisition)/sale of investments in associates and other entities		(33)	(60)	120
Acquisition of subsidiaries, net of cash acquired		(3,389)	—	—
Moskommertsbank consolidation effect		—	—	434
Net cash (outflow)/inflow from investing activities		(5,320)	(1,641)	8,423
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of common shares		4,431	—	4,499
Issue of preference shares		4,502	1,634	—
Proceeds from debt securities issued		95,731	104,352	68,822
(Redemption)/sale of debt securities issued		(2,480)	3,342	—
Subordinated debt		28,751	11,495	2,668
Redemption of subordinated debt		—	(78)	—
(Repurchase)/sale of own shares		(96)	1	1
Dividends paid		(669)	(290)	(325)
Net cash inflow from financing activities		130,170	120,456	75,665
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		145,625	34,569	(7,778)
CASH AND CASH EQUIVALENTS, at beginning of year	13	81,858	47,322	55,227
Effect of foreign exchange rate changes on cash and cash equivalents		(7)	(33)	(127)
CASH AND CASH EQUIVALENTS, at end of year	13	227,476	81,858	47,322

Interest paid and received by the Group in cash during the year ended 31 December 2005 amounted to KZT 40,709 million and KZT 81,440 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 25,510 million and KZT 54,227 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to KZT 17,510 million and KZT 34,111 million, respectively.

On behalf of the Board of the Bank:

Zhusupova N.A
Chairman of the Board

15 September 2006
Almaty

Shoinbekova G.K.
Chief Accountant

15 September 2006
Almaty

The notes on pages 9-65 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

1. ORGANISATION

JSC Kazkommertsbank (the "Bank", "Kazkommertsbank") is a joint stock bank and operates in the Republic of Kazakhstan since 1990. The Bank's operations are regulated by the National Bank of the Republic of Kazakhstan ("NBRK") according to license No. 48. The Bank's primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh Gagarin St., Almaty, Republic of Kazakhstan.

The Bank has 22 branches in the Republic of Kazakhstan, and a representative office in London (Great Britain).

Kazkommertsbank is the parent company of the banking group (the "Group") which consists of the following enterprises consolidated in the financial statements:

		The Bank ownership interest			
Name	**Country of operation**	**2005**	**2004**	**2003**	**Type of operation**
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	100%	Securities market transactions
JSC SK Kazkommerts-Policy	Republic of Kazakhstan	65%	65%	65%	Insurance
JSC Kazkommerts Invest	Republic of Kazakhstan	—	—	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	—	Payment card and related services
Kazkommerts International B.V	Kingdom of the Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V	Kingdom of the Netherlands	100%	100%	—	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V	Kingdom of the Netherlands	100%	100%	—	Raising funds for the Bank on international capital markets
JSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	93.58%	73.97%	Commercial bank
JSC OCOPAIM ABN AMRO Asset Management	Republic of Kazakhstan	100%	—	—	Investment management of pension assets
JSC ABN AMRO CaspiiMunaiGaz APF	Republic of Kazakhstan	80.01%	—	—	Pension fund activities

Notwithstanding Kazkommertsbank had no ownership in the share capital of LLP Moskommertsbank ("MKB"), a commercial bank in the Russian Federation, MKB was included in the consolidated financial statements of the Group since the Bank was able to and exercised effective control over its activity. This control permits Kazkommertsbank to provide loans to customers of MKB and to earn income thereon. In 2003 shareholders of MKB and Kazkommertsbank entered into agreements of trust management of 60.04% interest in the share capital of MKB. Also, at the same time shareholders owning 39.96% interest in the share capital of MKB and Kazkommertsbank signed an agreement providing for non-involvement of these shareholders in the policy of the activity of MKB determined by Kazkommertsbank.

JSC Kazkommerts Securities is a joint stock company and operates under the laws of the Republic of Kazakhstan since 1997. The Company's primary business consists of trading with securities, including broker and dealing operations, consulting in investments and corporate finance, organization of issues, allocation and underwriting of securities, and purchase and sale of securities in the capacity of the agent. The Company has license No. 0401200324 dated 27 November 2000 issued by the National Bank of the Republic of Kazakhstan. In 2005 the Company received a license for investment portfolio management No. 0403200363 dated 30 September 2005 issued by the National Bank of the Republic of Kazakhstan.

JSC Insurance Company Kazkommerts-Policy is a joint stock company and operates under the laws of the Republic of Kazakhstan since 1996. The Company's primary business consists of insurance of property, cargoes, motor hull, civil liability insurance of vehicle owners, insurance of other civil liabilities and reinsurance. The Company has licenses on obligatory insurance services No. 13-8/1 dated 1 July 2005 and on voluntary insurance services No. 13-8/1 dated 1 July 2005 issued by the National Bank of the Republic of Kazakhstan.

In December 2004 100% of the ordinary shares of JSC Kazkommerts Invest were classified as assets held-for-trading and were sold in the same month.

JSC Kazkommertsbank Kyrgyzstan is a joint stock bank and operates under the laws of the Kyrgyz Republic since 1991. Operations of the JSC Kazkommertsbank Kyrgyzstan are regulated by the National Bank of the Kyrgyz Republic according to license No. 010. Its primary business consists of commercial banking activities, acceptance of deposits from individuals, transfer of payments, issue of loans, operations with foreign exchange and derivative instruments, originating loans and guarantees.

LLP Processing company is a limited liability partnership and operates under the laws of the Republic of Kazakhstan since 9 July 2004. The Company is registered with the Ministry of justice of the Republic of Kazakhstan under No. 64313-1910-TOO. The Company's primary business is to provide payment card and related services.

Kazkommerts International B.V. is a limited liability partnership (B.V.) and operates under the laws of the Kingdom of the Netherlands since 1 October 1997. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The Company has license No. 24278506 dated 1 October 1997 for raising funds, including issuance of bonds and other securities, and entering into agreements regarding those activities issued by the Chamber of Commerce of the Netherlands.

Kazkommerts Finance II B.V. is a limited liability partnership (B.V.) and operates under the laws of the Kingdom of the Netherlands since 13 February 2001. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The Company has license No. 24317181 dated 13 February 2001 for conducting separate types of banking and other types of operations issued by the Chamber of Commerce of the Netherlands. At 31 December 2003 Kazkommerts Finance II B.V. was not included in the consolidated financial statements of the Group due to insignificance of operations.

Kazkommerts Capital II B.V. is a limited liability partnership (B.V.) and operates under the laws of the Kingdom of the Netherlands since 11 April 2000. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The Company has license No. 24305284 dated 11 April 2000 for conducting operations issued by the Chamber of Commerce of the Netherlands. At 31 December 2003 Kazkommerts Capital II B.V. was not included in the consolidated financial statements of the Group due to insignificance of operations.

In October 2005, Kazkommertsbank acquired from JSC DB ABN AMRO Bank 100% of shares in a pension assets management company — JSC OCOPAIM ABN AMRO Asset Management Kazakhstan ("ABN AM") and 80.01% shares in the Accumulation Pension Fund JSC ABN AMRO KaspiiMunaiGaz ("ABN APF") (see Note 22). In the agreement with the seller, ABN APF and ABN AM should receive a new name. The process of renaming is associated with making changes to the foundation documents of both organizations.

ABN AM is a joint stock company operating under the laws of the Republic of Kazakhstan since 1998. The Company's primary business consists of investment management of pension assets. The Company has a license for investment management of pension funds No. 0412200149 dated 18 August 2004 issued by the Republic of Kazakhstan Agency for regulation and supervision of financial market and financial organizations, license for investment portfolio management No. 0403200199 dated 18 August 2004 issued by the Republic of Kazakhstan Agency for regulation and supervision of financial market and financial organizations, and license for broker/dealer activity at the securities market without the right to maintain accounts of customers No. 0402200216 dated 18 August 2004.

ABN APF is a joint stock company operating since 1998 under the laws of the Republic of Kazakhstan. The Company's primary business is pension assets operations according to the legislation of the Republic of Kazakhstan. The Company operates under a state license for attraction of pension contribution and making pension payments No. 0000019 dated 22 January 2004 issued by the Republic of Kazakhstan Agency for regulation and supervision of financial market and financial organizations.

As at 31 December 2005, the following shareholders owned the issued shares of Kazkommertsbank:

Ultimate shareholders:	
Common shares:	
Subkhanberdin N.S	34.26%
Shares issued under Depositary Receipt program with Bank of New York	30.50%
European Bank of Reconstruction and Development	15.00%
Other	20.24%
Total	100%
Preference shares:	
JSC Zangar Invest Group	39.22%
Shares issued under Depositary Receipt program with Bank of New York	19.06%
JSC APF Ular Umit	11.30%
LLP Vneshinvest Company	6.90%
LLP Terminal	6.90%
Other	16.62%
Total	100%

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (''IFRS''). These consolidated financial statements are presented in millions of Kazakhstani tenge (''KZT millions''), except for earnings per share amounts and unless otherwise indicated. These consolidated financial statements are prepared on an accrual basis under the historical cost convention, except for revaluation of certain assets and fair value of financial instruments.

Kazkommertsbank and its subsidiaries in the Republic of Kazakhstan maintain its accounting records in accordance with IFRS, while its foreign subsidiaries maintain accounting records in accordance with the requirements of their countries of residence where subsidiaries operate. These consolidated financial statements have been prepared based on the accounting records of Kazkommertsbank and its subsidiaries, and have been adjusted to conform to IFRS.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Kazkommertsbank and entities controlled by the Bank up to 31 December each year. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Bank follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" and the following procedures are done:

- assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- income and expense items of the foreign entity are translated at the average exchange rate for the period;
- all resulting exchange differences are classified as equity until the disposal of the investment; and
- on disposal of the investment in the foreign entity related exchange differences are recognized in the profit and loss account.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control.

The results of operations and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held-for-trading or available-for-sale.

Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Where a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Bank's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

The Group tests goodwill for impairment at least annually.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

(a) reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

(b) recognizes immediately in profit or loss any excess remaining after that reassessment on the date of acquisition.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in other subsidiaries and associates

Investments in corporate shares where the Group owns more than 20% of share capital, but does not have the ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not significantly affect the consolidated financial statements of the Group as a whole, as well as investments in corporate shares where the Group owns less than 20% of share capital, are accounted for at fair value or at approximate fair value. If such value cannot be estimated, investments are accounted for at cost. Management periodically assesses realizability of the carrying values of such investments and provides valuation allowances, if necessary. Such investments are accounted for as investments available-for-sale.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability is 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 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 and time deposit accounts with the National Bank of the Republic of Kazakhstan, the Central bank of the Russian Federation, and the National bank of Kyrgyz Republic with original maturity within 90 days, and advances to banks in countries included in the Organization for Economic Co-operation and Development (''OECD''), except for margin deposits for operations with plastic cards, which may be converted to cash within a short period of time. For the purposes of determining cash flows, the minimum reserve deposit required by the Central bank of the Russian Federation is not included in cash equivalents due to restrictions on its availability.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Loans and advances to banks are carried net of any allowance for impairment losses.

Assets held-for-trading

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

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements (''repos'') and purchase and sale back agreements (''reverse repos'') in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. Derivatives entered into by the Group include forwards, swaps and foreign currency options.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Fair values are obtained from the interest rates model. Most of the derivatives the Group enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values). Both positive and negative valuation results are recognized in the profit and loss for the year in which they arise under net gain on foreign exchange operations for foreign currency derivatives.

Originated loans

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a syndicated loan.

Loans granted by the Group with fixed maturities are initially recognized at fair value plus initial direct costs and fees that are integral to the interest rate. 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 premiums/discounts on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. The decision on writing off a bad debt against allowance for impairment losses for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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

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

It should be understood that estimates of losses involve an exercise of judgment. Whilst it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb probable losses incurred on the risk assets.

Guarantees and letters of credit

Guarantees and letters of credit are initially recorded at estimated fair value and subsequently measured at amortised cost, effectively recognizing the commission received or paid over the life of the instrument. Guarantees issued are assessed on a regular basis and provision is created where the estimated loss exceeds the carrying value. Such estimated losses are determined based on the counterparty's financial position, compliance with the contract changes, and business environment issues.

Investments held-to-maturity

Investments held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an undetermined period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income recognized in consolidated profit or loss for the period as interest income on investment securities. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Interest income on investments available-for-sale is reflected in the consolidated profit and loss account as interest income on investments in securities. Dividends received are included in dividend income in the consolidated profit and loss account.

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

Fixed and intangible assets

Fixed and intangible assets, except for buildings and construction, are carried at historical cost less accumulated depreciation and amortization. Buildings and construction are carried at market value. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization of fixed and intangible assets is charged on the carrying value of fixed assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and construction	1-5%
Furniture and equipment	8-33%
Intangible assets	15-33%

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.

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 appraisers, 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.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated profit and loss account.

Deposits from banks and customers

Customer and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent promissory notes, certificates of deposit and debentures issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Provisions

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

Share capital and share premium

Contributions to share capital are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

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

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

Retirement and defined contribution plans

In accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension funds. In addition such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Group does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan and countries where its subsidiaries operate. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest rate method. Interest income also includes income earned on investments in securities. Other income is credited to the profit and loss account when the related transactions are completed. Loan origination fees are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Commission income/expenses are recognized on an accrual basis.

Fee and commission income

Fee and commission income includes loan origination fees, loan commitment fees, loan servicing fees and loan syndication fees. Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognised in profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

Underwriting income

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other liabilities in the accompanying consolidated balance sheet.

Losses and loss adjustments are charged to the consolidated profit and loss accounts as incurred through the reassessment of the reserve for losses and loss adjustment expenses.

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

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the accompanying consolidated balance sheet within other assets, and are amortized over the period in which the related written premiums are earned.

Reserve for insurance losses and loss adjustment expenses

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

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

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

Reinsurance

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

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated balance sheets within other assets.

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

Foreign currency translation

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

Rates of exchange

The exchange rates at year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	2005	2004	2003
KZT/1 USD	133.98	130.00	144.22
KZT/1 Euro	158.99	177.10	180.23
KZT/1 Kyrgyz som	3.24	3.12	3.26
KZT/1 RUR	4.66	4.67	4.93

Offset of financial assets and liabilities

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

Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10% or more of all the segments are reported separately. Geographical segments of the Group, concerning income and expenses, have not been reported separately within these consolidated financial statements as the management of the Group considers the principal segment to be comprised of the Commonwealth of Independent States, including the Republic of Kazakhstan, (CIS) as the risks and returns are considered to be similar throughout the region. Further, more than 90% of the Group's operations are conducted within the CIS.

Restatements

- **Restatements due to the changes in IFRS**

Certain restatements have been made to the consolidated financial statements as at 31 December 2004 and 2003 and for the years then ended to comply with the changes in IAS 1 ''Presentation of Financial Statements'' and IAS 39 ''Financial Instruments: Recognition and Measurement'' effective for the periods beginning on or after 1 January 2005. Such restatements have been done retrospectively to the earliest financial statements period presented.

According to the revised IAS 1 ''Presentation of Financial Statements'', profit or loss attributable to minority interest should not be presented in the financial statements as items of income or expense.

According to the revised IAS 39 ''Financial Instruments: Recognition and Measurement'' a gain or loss on an available-for-sale financial asset shall be recognised directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses. The amount of adjustment of fair value of investments available-for-sale in the consolidated financial statements of the Group for the years ended 31 December 2004 and 2003 amounted to KZT 30 million and KZT (41) million, respectively. The cumulative effect of adjustment of fair value of investments available-for-sale recognised in the consolidated financial statements of the Group as at 31 December 2004 and 2003 in the Retained earnings amounted to positive valuation of KZT 11 million and KZT 41 million, respectively.

- **Restatements due to correction of error**

Subsequent to the issuance of the Bank's 2005 consolidated financial statements, the Bank's management determined that the Bank's preference shares should be treated as compound instruments in accordance with IAS 32, "Financial Instruments: Presentation" (revised). The standard requires that the proceeds from issuance of such a compound instruments are classified as equity or liability based on the underlying rights of each component of the instrument: a contractual obligation to pay dividends is classified as a liability and a right to participate in final distributions to shareholders is classified as equity at fair value at date of issuance. To comply with IAS 32, the consolidated balance sheet, the related profit and loss accounts, and the statement of cash flows and changes in equity have been restated from the amounts previously reported.

	Amount as per the previous report			Amount as per the current report			Total effect on the financial statements items		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
	KZT millions			KZT millions			KZT millions		
Subordinated debt	46,139	19,448	8,733	52,213	22,926	11,657	6,074	3,478	2,924
Share premium	22,307	11,752	9,453	15,902	7,864	6,407	(6,405)	(3,888)	(3,046)
Revaluation reserve for investments available-for-sale	1	—	—	1	11	41	—	11	41
Retained earnings	58,545	40,044	31,537	58,876	40,443	31,618	331	399	81
Interest income	85,791	56,163	35,106	85,791	56,163	35,712	—	—	606
Interest expense	(45,186)	(27,143)	(18,624)	(45,855)	(27,433)	(19,344)	(669)	(290)	(720)
Net gain on foreign exchange operations	1,777	1,684	1,601	1,698	1,972	1,723	(79)	288	122
Fee and commission income	11,389	9,102	8,400	11,389	9,102	7,794	—	—	(606)
Fee and commission expense	(1,358)	(988)	(1,334)	(1,358)	(988)	(864)	—	—	470
Net gain/(loss) on investments available-for-sale	12	19	(47)	12	49	(88)	—	30	(41)
Other income	2,690	1,895	1,239	2,690	1,895	1,165	—	—	(74)
Total profit and loss accounts effect							(748)	28	(243)

	Effect on the financial statements items due to error			Effect on the financial statements items due to changes in IFRS		
	2005	2004	2003	2005	2004	2003
	KZT millions			KZT millions		
Subordinated debt	6,074	3,478	2,924	—	—	—
Share premium	(6,405)	(3,888)	(3,046)	—	—	—
Revaluation reserve for investments available-for-sale	—	—	—	—	11	41
Retained earnings	331	410	122	—	(11)	(41)
Interest income	—	—	—	—	—	606
Interest expense	(669)	(290)	(324)	—	—	(396)
Net gain on foreign exchange operations	(79)	288	122	—	—	—
Fee and commission income	—	—	—	—	—	(606)
Fee and commission expense	—	—	—	—	—	470
Net gain/(loss) on investments available-for-sale	—	—	—	—	30	(41)
Other income	—	—	—	—	—	(74)
Total profit and loss accounts effect	(748)	(2)	(202)	—	30	(41)

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2004 and 2003 and for the years then ended to conform to the presentation as at 31 December 2005 and for the year then ended.

Adoption of new and revised International Financial Reporting Standards

At the date of authorization of these consolidated financial statements, the following standard was issued but not effective:

- IFRS 4 ''Insurance contracts'', amendments for financial guarantee contracts. Under IFRS 4 contracts that are largely investment in nature (do not contain significant insurance risk) will be accounted for as financial instruments under IAS 39. Insurance contracts continue to be accounted for under prior accounting practices.

The Bank's management does not believe that the effects of the new standard will be material. These standard will be effective for financial years starting on or after January 1, 2006.

4. NET INTEREST INCOME

	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Interest income			
Interest on loans to customers	77,135	49,790	30,355
Interest on debt securities	4,087	4,885	3,775
Interest on loans and advances to banks	3,923	1,029	1,527
Interest on reverse repurchase transactions	646	459	55
Total interest income	85,791	56,163	35,712
Interest expense			
Interest on debt securities issued	23,420	15,890	8,842
Interest on customer accounts	10,366	6,970	7,773
Interest on loans and advances from banks	9,863	3,801	2,043
Dividends on preference shares	669	290	324
Interest on repurchase transactions	136	275	82
Other interest expenses	1,401	207	280
Total interest expense	45,855	27,433	19,344
Net interest income before provision for impairment losses on interest bearing assets	39,936	28,730	16,368

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks	Loans to customers	Securities purchased under reverse repurchase agreements	Total
	KZT millions	KZT millions	KZT millions	KZT millions
31 December 2002	170	14,016	46	14,232
Provision/(recovery)	239	5,694	(46)	5,887
Write-off of assets	—	(2,233)	—	(2,233)
Recoveries of assets previously written off	—	1,587	—	1,587
Consolidation effect of Moskommertsbank	5	5	—	10
31 December 2003	414	19,069	—	19,483
Provision	119	11,103	—	11,222
Write-off of assets	—	(733)	—	(733)
Recoveries of assets previously written off	—	469	—	469
Exchange rate difference	—	(29)	—	(29)
31 December 2004	533	29,879	—	30,412
Provision	712	17,121	—	17,833
Write-off of assets	—	(5,359)	—	(5,359)
Recoveries of assets previously written off	—	531	—	531
Exchange rate difference	—	(10)	—	(10)
31 December 2005	1,245	42,162	—	43,407

The movements in insurance provisions and allowances for impairment losses on other transactions were as follows:

	Insurance provisions	Other assets	Total
	KZT millions	KZT millions	KZT millions
31 December 2002	421	53	474
Provision/(recovery)	636	(2)	634
Write-off of assets	—	(90)	(90)
Recoveries of assets previously written off	—	70	70
31 December 2003	1,057	31	1,088
Provision	500	115	615
Write-off of assets	—	(39)	(39)
Recoveries of assets previously written off	—	6	6
Exchange rate difference	—	(2)	(2)
31 December 2004	1,557	111	1,668
Provision	788	92	880
Write-off of assets	—	(81)	(81)
Recoveries of assets previously written off	—	6	6
Exchange rate difference	—	3	3
31 December 2005	2,345	131	2,476

Insurance provisions comprised:

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
Property	894	620	300
Vehicles	708	582	218
Civil liability for owners of vehicles	282	166	99
Civil liability for damage	64	157	161
Other	397	32	279
Total insurance provision	2,345	1,557	1,057

The movements in provision for guarantees and other off-balance sheet contingencies were as follows:

	2005 KZT millions	2004 KZT millions	2003 KZT millions
1 January	1,530	1,426	1,790
Provision/(recovery) for the period	1,059	106	(364)
Exchange rate difference	—	(2)	—
31 December	2,589	1,530	1,426
Total provisions	4,934	3,087	2,483

6. NET GAIN/(LOSS) ON OPERATIONS WITH ASSETS HELD-FOR-TRADING

Net gain/(loss) on assets held-for-trading comprise:

	Year ended 31 December 2005 KZT millions	Year ended 31 December 2004 KZT millions	Year ended 31 December 2003 KZT millions
Equity securities	1,146	67	(290)
Debt securities	(404)	(45)	(27)
Total net gain/(loss) on assets held-for-trading	742	22	(317)

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Dealing, net	2,101	2,728	1,419
Translation differences, net	(403)	(756)	304
Total net gain on foreign exchange operations	1,698	1,972	1,723

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2005 KZT millions	Year ended 31 December 2004 KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Fee and commission income:			
Cash operations	3,446	2,786	2,094
Settlements	2,418	1,990	1,614
Documentary operations	2,233	1,600	1,615
Foreign exchange and securities operations	1,334	1,237	1,150
Credit cards operations	1,227	893	627
Encashment operations	139	136	112
Other	592	460	582
Total fee and commission income	11,389	9,102	7,794
Fee and commission expense:			
Bank cards services	468	357	304
Insurance activity	368	270	133
Documentary operations	117	93	216
Foreign currency and securities operations	105	82	62
Computation center of NBRK	82	63	40
Correspondent bank services	77	80	65
Other	141	43	44
Total fee and commission expense	1,358	988	864

9. OTHER INCOME

	Year ended 31 December 2005 KZT millions	Year ended 31 December 2004 KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Insurance premiums	2,394	1,479	1,049
Fines and penalties received	109	40	5
Gain on sale of fixed assets	28	99	22
Other	159	277	89
Total other income	2,690	1,895	1,165

10. OPERATING EXPENSES

	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
	KZT millions	KZT millions	KZT millions
Staff costs	6,517	3,782	4,201
Depreciation and amortization	1,564	1,302	979
Fixed assets maintenance	666	543	443
Advertising costs	587	417	379
Operating lease	515	375	207
Value added tax	456	332	253
Telecommunications	367	334	262
Payments to the Deposit Insurance Fund	311	285	310
Consulting services and audit	258	51	97
Business trip expenses	256	253	270
Penalties, fines	212	1	2
Vehicles maintenance	150	162	141
Security	145	321	146
Taxes, other than income tax	143	333	231
Servicing of the bank card system	130	121	106
Training	95	136	85
Stationery	72	79	60
Charity and sponsorship expenses	70	89	137
Cash collection expenses	82	82	71
Representative expenses	44	51	47
Mail and courier expenses	40	42	33
Legal services	27	90	28
Other expenses	661	330	481
Total operating expenses	13,368	9,511	8,969

11. INCOME TAX EXPENSE

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate and which may differ from International Financial Reporting Standards.

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

Deferred taxes reflect 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 at 31 December 2005, 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Income tax expense in 2004 includes an amount of KZT 4,009 million related to an additional tax assessment imposed by the tax authorities of the Republic of Kazakhstan following a tax audit completed the same year.

The additional assessment resulted mainly because the tax authorities disagreed with the Bank's treatment for tax purposes of expenses relating to loan provisions as deductions for taxable income purposes. The Bank's management believes that it acted in good faith and on the basis of the requirements of the legislation existing at the time of the respective transactions.

Temporary differences as at 31 December 2005, 2004 and 2003 comprise:

	31 December 2005 (restated — Note 3) KZT millions	31 December 2004 (restated — Note 3) KZT millions	31 December 2003 (restated — Note 3) KZT millions
Deferred tax assets:			
Provisions under guarantees and letters of credit	—	29	—
Other assets	459	151	398
Total deferred tax assets	459	180	398
Deferred tax liabilities:			
Loans to banks and customers	7,440	6,214	3,005
Fixed assets	650	692	244
Provisions under guarantees and letters of credit	372	—	93
Unrealized gain on securities revaluation	183	206	—
Investments in associates	94	22	1
Other liabilities	10	22	—
Total deferred tax liabilities	8,749	7,156	3,343
Net deferred tax liabilities	8,290	6,976	2,945

Relationships between tax expenses and accounting profit for the years ended 31 December 2005, 2004 and 2003 are explained as follows:

	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Profit before income tax	22,153	19,355	11,017
Tax at the statutory tax rate (30%)	6,646	5,807	3,305
Tax effect of permanent differences	(2,713)	(243)	(1,213)
Tax correction for previous year	(1,595)	—	—
Tax accruals as a result of tax audit	—	4,009	—
Income tax expense	2,338	9,573	2,092
Current income tax expense	1,096	5,876	590
Provision for deferred tax liabilities	1,242	3,697	1,502
Income tax expense	2,338	9,573	2,092

	2005 (restated — Note 3) KZT millions	2004 (restated — Note 3) KZT millions	2003 (restated — Note 3) KZT millions
Deferred income tax liabilities			
1 January	6,976	2,945	1,214
Decrease of fixed assets revaluation reserve	72	334	229
Provision for deferred tax liabilities	1,242	3,697	1,502
31 December	8,290	6,976	2,945

12. EARNINGS PER SHARE

	Year ended 31 December 2005 (restated — Note 3) KZT millions	Year ended 31 December 2004 (restated — Note 3) KZT millions	Year ended 31 December 2003 (restated — Note 3) KZT millions
Profit:			
Net profit for the year	18,392	8,716	8,518
Weighted average number of common shares for basic and diluted earnings per share	360,965,715	346,141,258	325,817,299
Earnings per share — basic and diluted (KZT)	50.95	25.18	26.14

13. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
Cash on hand	17,425	11,218	10,352
Balances with national (central) banks	19,804	55,075	18,133
Total cash and balances with national (central) banks	37,229	66,293	28,485

The balances with the Central bank of Russian Federation (“CBRF”) as at 31 December 2005, 2004 and 2003 include KZT 641 million, KZT 783 million and KZT 122 million, respectively, which represents the permanent minimum reserve deposits required by the Central bank of Russian Federation. The Group is required to maintain the reserve balance at the Central bank of Russian Federation at all times.

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

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
Cash and balances with national (central) banks	37,229	66,293	28,485
Loans and advances to banks in OECD countries	190,888	16,358	18,963
Less minimum reserve deposit with CBRF	(641)	(783)	(122)
Less accrued interest income on funds in NBRK and banks in OECD countries	—	(10)	(4)
Total cash and cash equivalents	227,476	81,858	47,322

14. ASSETS HELD-FOR-TRADING

	Interest to nominal	31 December 2005	Interest to nominal	31 December 2004	Interest to nominal	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Debt securities:						
US exchequer bonds	2.7306-10.7225%	21,403	—	—	3.63%	1,392
Eurobonds of European Investment Bank	3-5.625%	13,577	—	—	—	—
Bonds of Federal Home Loan Bank	4.06%	13,529	—	—	2.18%	3,579
Bonds of Freddie Mac	4.60%	12,965	5.25-12.36%	1,559	9.28-15.29%	3,909
Eurobonds of InraAmerican Development Bank	5.375-6.125%	8,916	—	—	—	—
Eurobonds of International Bank of Reconstruction and Development	5%	8,153	—	—	—	—
Eurobonds of Nordic Investment Bank	2.75%	6,781	—	—	—	—
Treasury bonds of the Ministry of finance of the Republic of Kazakhstan	2.75-5.5%	6,783	3.22-8.35%	12,906	5.8-9.99%	6,061
Eurobonds of Caisse D'Amortissement Delta France	4.60%	6,732	—	—	—	—
Eurobonds of KFW Intl Finance	5.25%	6,722	—	—	—	—
Eurobonds of Bank Nederlandse Gemeenten	2.50%	5,432	—	—	—	—
Corporate bonds of issuers of the Russian Federation	7.5-15.5%	5,371	11.28-12.3%	5,633	14.5-18%	787
Bonds of the Government of Finland	5.88%	4,794	—	—	—	—
Bonds of Almaty Merchant Bank	8.50-10%	4,466	8.5-12.5%	1,667	—	—
Bonds of KazTransOil	8.50%	2,379	8.50%	2,424	8.5-9%	2,669
Eurobonds of the Ministry of finance of the Republic of Kazakhstan	11.13%	2,159	11.13%	2,255	11.13-13.63%	6,399
Bonds of local executive bodies of the Russian Federation	8.20-13.30%	1,080	12.5-13.5%	573	13.76%	168
Short-term notes of NBRK	2.22%	1,002	1.5-7.12%	41,146	1.96-5.11%	22,701
Bonds of Development Bank of Kazakhstan	9.1-13%	964	8-13%	925	7.13-7.38%	1,018
Bonds of Bank CenterCredit	8.5-10.4%	680	—	—	—	—
Bonds of Karazhanbasmunai	9.1-9.9%	668	8-9.7%	1,320	—	—
Bonds of Kazakhaltyn	9.90%	579	—	—	—	—
Bonds of Halyk Bank	7.5-7.75%	556	8.13%	410	—	—
Eurobonds of TuranAlemFinance B.V	7.875-8%	334	7.88%	50	7.875-11.5%	1,951
Bonds of Atyrau local executive committee	8.5-8.6%	292	8.5-8.6%	276	8.5-8.6%	469
Eurobonds of ALB Finance B.V	9%	280	—	—	—	—
Bonds of Bank TuranAlem	8-9.90%	272	8%	158	—	—
Bonds of Astana city administration	8.50%	267	8.50%	296	8-8.5%	352
Bonds of Federal Farm Credit Bank	3.38%	263	3.38%	259	—	—
Bonds of federal loan Ministry of finance of the Russian Federation	10%	210	12.75%	481	12.75%	361
Bonds of Kazakh Mortgage Company	6.9-12.25%	191	8.09-12.25%	1,366	8-8.6%	768
Bonds of KazTransCom	8%	135	8%	185	8%	158
Bonds of Kazakhstan kagazy	10.40%	132	—	—	—	—
Bonds of Astana Finance	9.40%	126	—	—	—	—

	Interest to nominal	31 December 2005	Interest to nominal	31 December 2004	Interest to nominal	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Bonds of Khimfarm	10%	120	—	—	—	—
Bonds of Glotur	10%	102	—	—	—	—
Bonds of Kazatomprom	8.50%	88	8.50%	85	8.5%	96
Bonds of Mangistau REK	13%	65	13%	67	—	—
Bonds of Fannie MAE	—	—	5%	260	2%	3,605
Bonds of Almaty Kus	—	—	10%	3	10%	10
State bonds of the Federal Republic of Germany	—	—	—	—	4.5-5.25%	7,731
State bonds of Kingdom of the Netherlands	—	—	—	—	3.75%	3,677
Bonds of PetroKazakhstan Oil Products	—	—	—	—	10%	1,745
Kazakhtelecom bonds	—	—	—	—	10%	429
East Kazakhstan regional administration bonds	—	—	—	—	5.97-6.3%	149
VITA bonds	—	—	—	—	8.6-14%	67
Caspian Bank bonds	—	—	—	—	9.5%	3
		138,568		74,304		70,254

	Ownership share	31 December 2005	Ownership share	31 December 2004	Ownership share	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Shares:						
ADR Kazakhtelecom	5.11%	1,673	—	—	—	—
Kazzinc	0.04%	34	—	—	—	—
Aktobemunaigaz	0.004%	9	—	—	—	—
Kazakhtelecom						
— common	0.009%	4	—	—	—	—
— preference	0.075%	6	—	—	—	—
GDR Kazakhtelecom	—	—	0.54%	420	0.54%	219
Moscow shipbuilding shipyard	—	—	2.70%	56	—	—
Gazprom	—	—	—	—	0.82%	544
Kazakhmys	—	—	—	—	0.11%	84
Ust-Kamenogorsk Titanium and Magnesium Plant	—	—	—	—	1.07%	56
Mosenergo	—	—	—	—	0.03%	44
		1,726		476		947
Total assets held-for-trading		140,294		74,780		71,201

As at 31 December 2005, 2004 and 2003 included in assets held-for-trading is accrued interest income on debt securities amounting to KZT1,646 million, KZT636 million and KZT774 million, respectively.

As at 31 December 2005, 2004 and 2003 certain assets held-for-trading were pledged under repurchase agreements with other banks/customers with fair value amounting to KZT59,143 million, KZT28,445 million and KZT37,251 million, respectively (Note 26).

15. LOANS AND ADVANCES TO BANKS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Loans and advances to banks	236,526	29,248	35,386
Correspondent accounts with other banks	18,478	13,021	3,477
Accrued interest income on loans and advances to banks	145	98	134
	255,149	42,367	38,997
Less allowance for impairment losses	(1,245)	(533)	(414)
Total loans and advances to banks, less allowance for impairment losses	253,904	41,834	38,583

Movements in allowances for impairment losses on loans and advances to banks for the years ended 31 December 2005, 2004 and 2003 are disclosed in Note 5.

As at 31 December 2005, 2004 and 2003 the Group had loans and advances to the following banks, which individually exceeded 10% of the Bank's equity, calculated according to the principles employed by the Basle Committee (Note 37).

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Bank Austria AG Wien	26,812	—	—
Zurcher Kantonalbank	26,812	—	—
Dexia Bank SA	26,802	—	—
Fortis Bank NV/SA Brussels	26,802	—	—
Depfa Investment Bank LTD, Ireland	26,802	—	—
Societe Generale Paris France	26,802	—	—
Moscow Business World Bank LTD	19,809	—	5,913
Deutshe Bank London Branch	—	—	7,211
Bank Stroycredit Moscow Russia	—	—	5,769
	180,641	—	18,893

As at 31 December 2005, 2004 and 2003 the maximum credit risk exposure of loans and advances to banks amounted to KZT 26,812 million, KZT 6,500 million and KZT 7,211 million, respectively.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2005			31 December 2004			31 December 2003		
	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability
Foreign currency contracts									
Foreign currency swaps	16,865	2	(95)	5,132	—	(3)	216	—	—
Interest rate swaps	14,108	77	(94)	—	—	—	—	—	—
Forward contracts	2,634	2	—	7,245	17	—	4,407	15	(1)
Securities contracts									
Forward contracts		—	—	1,345	3	(28)	—	—	—
		81	(189)		20	(31)		15	(1)

17. LOANS TO CUSTOMERS, LESS ALLOWANCE FOR LOAN LOSSES

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Loans granted	757,119	513,295	291,512
Accrued interest income on loans and advances to customers	14,887	11,515	10,620
	772,006	524,810	302,132
Less allowance for impairment losses	(42,162)	(29,879)	(19,069)
Total loans and advances to customers, less allowance for impairment losses	729,844	494,931	283,063

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Analysis by collateral:			
Loans collateralized by real estate	203,045	112,348	59,300
Loans collateralized by accounts receivable	126,953	119,097	32,617
Loans collateralized by combined collateral	104,917	75,461	92,860
Loans collateralized by guarantees of enterprises	102,095	32,205	40,758
Loans collateralized by equipment	74,697	42,345	10,960
Loans collateralized by shares of other companies	33,759	26,092	13,445
Loans collateralized by inventories	29,893	21,084	27,035
Loans collateralized by cash or guarantees of the Government of the Republic of Kazakhstan	14,606	25,943	8,537
Loans collateralized by guarantees of financial institutions	3,197	22,306	4,341
Unsecured loans	78,844	47,929	12,279
	772,006	524,810	302,132
Less allowance for impairment losses	(42,162)	(29,879)	(19,069)
Total loans and advances to customers, less allowance for impairment losses	729,844	494,931	283,063

Movements in allowances for impairment losses for the years ended 31 December 2005, 2004 and 2003 are disclosed in Note 5.

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Analysis by sector:			
Construction	210,431	90,495	34,567
Trade	147,657	97,326	55,661
Individuals	101,844	72,821	31,791
Transport and communication	41,040	31,125	14,765
Energy	33,922	37,007	47,506
Agriculture	33,137	34,279	34,469
Investments and finance	30,237	32,975	2,640
Food industry	30,145	29,802	24,187
Mining and metallurgy	25,681	14,042	10,261
Hotel business	17,394	14,517	14,128
Real estate	15,743	27,597	5,982
Machinery construction	13,488	9,206	4,940
Culture and art	747	1,632	2,336
Other	70,540	31,986	18,899
	772,006	524,810	302,132
Less allowance for impairment losses	(42,162)	(29,879)	(19,069)
Total loans and advances to customers, less allowance for impairment losses	729,844	494,931	283,063

As at 31 December 2005, 2004 and 2003 the Group granted loans to the following borrowers, respectively, which individually exceeded 10% of the Bank's equity, calculated according to the principles employed by the Basle Committee (Note 37).

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Mayberry Financial Services S.A.	20,645	9,888	—
Holding KUAT	20,615	12,350	—
Holding LLP "SAT&Company"	16,259	—	—
Holding Jalan Limited	15,625	12,850	10,331
Holding IKAN	14,780	—	—
Holding LLC UNIMILK	—	11,477	—
Holding LLP "TKF AGROINVEST TRADING"	—	8,977	—
Food Contract Corporation	—	—	9,128
Holding CNPC Aktobemunaigaz	—	—	8,293
Holding Alibi	—	—	7,852
Holding BIPEK Auto	—	—	6,772
Holding Tolkynneftegas	—	—	6,206
	87,924	55,542	48,582

As at 31 December 2005, 2004 and 2003 the maximum credit risk amount on loans to customers amounted KZT 20,645 million, KZT 12,850 million and KZT 10,331 million, respectively.

18. SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS

Loans granted under reverse repurchase agreements are secured with the following assets:

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Bonds of Russian companies	9,150	3,628	1,043
Bonds of Kazakh companies	2,949	2,972	—
Shares of Kazakh companies	1,644	277	—
Bonds of local executive bodies of the Russian Federation	172	—	—
Bonds of the Ministry of finance of the Republic of Kazakhstan	35	18	487
Shares of Russian companies	—	1,328	945
Notes of the National Bank of the Republic of Kazakhstan	—	179	100
Treasury bonds of the Ministry of finance of the Kyrgyz Republic	—	—	33
Total securities purchased under reverse repurchase agreement	13,950	8,402	2,608

19. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal	31 December 2005	Interest to nominal	31 December 2004	Interest to nominal	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Debt securities:						
Eurobonds of Ministry of finance of the Republic of Kazakhstan	2.75-6.99%	340	—	—	—	—
Bonds of Kazakhstan Mortgage Company	6.9-8.29%	87	—	—	—	—
Bonds of Astana-Finance	—	—	9%	127	—	—
Bonds of Kazakhaltyn	—	—	9.7%	123	—	—
Bonds of Chimfarm	—	—	10%	119	—	—
Bonds of Almaty Merchant Bank	—	—	—	—	8.6%	3
		427		369		3

	Ownership share	31 December 2005	Ownership share	31 December 2004	Ownership share	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Equity securities:						
Shares of Kazakhtelecom						
— common	—	—	0.14%	90	0.04%	15
— preference	—	—	0.19%	6	0.01%	2
Aktubinsk chromium compounds plant	—	—	3.07%	22	3.07%	23
Aktobemunaigaz	—	—	0.004%	2	0.004%	2
Bank CenterCredit	—	—	—	—	1.9%	86
Aluminium of Kazakhstan	—	—	—	—	0.023%	7
		—		120		135
Total investments available-for-sale		427		489		138

20. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal	31 December 2005	Interest to nominal	31 December 2004	Interest to nominal	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Bonds of the Ministry of finance of the Republic of Kazakhstan	4-4.3%	234	—	—	—	—
Bonds of Halyk Bank	7.75%	99	—	—	—	—
Bonds of Bank CenterCredit	8.5%	94	—	—	—	—
Bonds of ATF Bank	8.5%	92	—	—	—	—
Bonds of the Ministry of finance of the Kyrgyz Republic	4.52-8.15%	40	5.91-8.10%	64	11%	32
Bonds of the National bank of the Kyrgyz Republic	4.9%	3	—	—	—	—
Total investments held-to-maturity		562		64		32

21. INVESTMENTS IN ASSOCIATES AND OTHER ENTITIES

	31 December 2005		31 December 2004		31 December 2003	
	Ownership share	Amount	Ownership share	Amount	Ownership share	Amount
	%	KZT millions	%	KZT millions	%	KZT millions
Pension Fund "Ular Umit"	41.18%	388	41.18%	214	33.18%	146
LLP "First Credit Bureau"	18.40%	37	14.29%	4	—	—
		425		218		146

In 2005 the Bank purchased shares of LLP "First Credit Bureau" and as at 31 December 2005 the Bank's share in the equity of the LLP "First Credit Bureau" increased by 4.11%.

In 2004 Kazkommertsbank purchased shares of UlarUmit Pension Fund additionally to the existing shares and for the year ended 31 December 2004 the Bank's share in the equity of the UlarUmit Pension Fund increased by 8%.

The percentage held of the above associates represents both direct and indirect ownership of the Bank.

The movements of investments are accounted for in the consolidated financial statements and presented as follows:

	2005	2004	2003
	KZT millions	KZT millions	KZT millions
1 January	218	146	286
Purchase cost	33	60	19
Investments sale	—	—	(139)
Share of results of associates	174	12	(20)
31 December	425	218	146

As at 31 December 2005 assets, liabilities and income of associated companies for the year then ended are presented as follows:

Name of associated company	Fair value of investments in associated company	Total assets of associated company	Total liabilities of associated company	Income of associated company
	[D&TI]			
JSC APF Ular Umit	388	1,136	195	422

22. GOODWILL

In October 2005 the Bank has purchased 100% shares in JSC ABN AMRO Asset Management and 80.01% in JSC ABN AMRO CaspiiMunaiGaz Accumulation Pension Fund from JSC ABN AMRO Bank Kazakhstan (see Note 1).

The net assets acquired in the transaction, and the goodwill arising are as follows:

	ABN AM	ABN APF	Total
Fixed and intangible assets	1	18	19
Investments held-to-maturity	259	184	443
Investments available-for-sale	151	244	395
Commission receivable	22	47	69
Securities purchased under reverse repurchase agreements	81	60	141
Other assets	2	4	6
Tax payables	(16)	(43)	(59)
Other liabilities	(3)	(27)	(30)
	497	487	984
Goodwill	1,124	1,281	2,405
Total consideration, satisfied by cash	1,621	1,768	3,389
Net cash outflow on acquisition:			
Cash consideration paid	(1,635)	(1,787)	(3,422)
Cash acquired	14	19	33
Total	(1,621)	(1,768)	(3,389)

The Goodwill arising on the acquisition is attributable to the anticipated profitability of the distribution of the Group's products in the new markets, long-term funds attraction and the anticipated future synergies from the combination.

Goodwill acquired in a business combination is allocated, at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. These cash generating units do not carry on their balance sheets any intangible assets with indefinite useful lives, other than goodwill.

Cash Generating Unit	31 December 2005
	KZT millions
ABN AMRO CaspiiMunaiGaz APF	1,281
ABN AMRO Asset Management	1,124
	2,405

JSC ABN AMRO CaspiiMunaiGaz APF contributed KZT 165 million of revenue and KZT 35 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

JSC OCOPAIM ABN AMRO Asset Management contributed KZT 72 million of revenue and KZT 50 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of JSC ABN AMRO CaspiiMunaiGaz APF and JSC OCOPAIM ABN AMRO Asset Management had been completed on 1 January 2005, total group revenue for the year 2005 would have been KZT 86,051 million, and profit for the year 2005 would have been KZT 20,823 million.

During 2005 there was no impairment of goodwill.

Goodwill was determined based on discounted future cash flows. 5-year period was used for projected cash flows based on financial budgets with 14% discount rate applied to the cash flow projection. The management used the following key assumptions as the basis for cash flow projections:

- Economy growth of the Republic of Kazakhstan;
- Stable legislation requiring obligatory pension savings, and hence — pension system growth;
- Stable Client structure (relatively high salary clients);
- Favorable demographic indexes (more younger population); and
- Cross-selling opportunities.

23. FIXED AND INTANGIBLE ASSETS, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION

	Buildings and construction	Furniture and equipment	Intangible assets	Other	Total
	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions
At revalued cost					
31 December 2002	1,194	3,748	880	135	5,957
Additions	449	1,975	119	167	2,710
Revaluation increase	876	—	—	—	876
Transfers	8	4	—	(12)	—
Consolidation effect of MKB	—	47	—	45	92
Disposals	(125)	(109)	(201)	(11)	(446)
31 December 2003	2,402	5,665	798	324	9,189
Additions	70	1,103	103	209	1,485
Revaluation increase	1,220	—	—	—	1,220
Disposals	(134)	(232)	(17)	(3)	(386)
Exchange differences	—	4	14	(18)	—
31 December 2004	3,558	6,540	898	512	11,508
Additions	481	1,478	299	308	2,566
Revaluation increase	346	—	—	—	346
Acquisition of subsidiaries	—	31	5	4	40
Subsidiaries adjustments for 2004	—	13	—	—	13
Disposals	(364)	(235)	(18)	(118)	(735)
Exchange differences	—	—	—	6	6
31 December 2005	4,021	7,827	1,184	712	13,744
Accumulated depreciation and amortization					
31 December 2002	88	1,511	271	30	1,900
Charge for the year	40	808	91	40	979
Transfers	—	3	—	(3)	—
Consolidation effect of MKB	—	12	—	3	15
Eliminated on revaluation	70	—	—	—	70
Eliminated on disposals	(2)	(73)	—	(4)	(79)
31 December 2003	196	2,261	362	66	2,885
Charge for the year	48	1,013	163	78	1,302
Eliminated on revaluation	125	—	—	—	125
Eliminated on disposals	(14)	(153)	(16)	(1)	(184)
Exchange differences	—	(6)	3	(3)	(6)
31 December 2004	355	3,115	512	140	4,122
Charge for the year	58	1,048	205	253	1,564
Acquisition of subsidiaries	—	12	2	3	17
Subsidiaries adjustments for 2004	—	8	—	—	8
Eliminated on disposals	(354)	(157)	(13)	(107)	(631)
Exchange differences	—	—	—	2	2
31 December 2005	59	4,026	706	291	5,082
Net book value					
31 December 2005	3,962	3,801	478	421	8,662
31 December 2004	3,203	3,425	386	372	7,386
31 December 2003	2,206	3,404	436	258	6,304

a) The effective date of the revaluation is 10 June 2005;

b) In 2005 the real estate was revalued based on an independent expert's appraisal — LLP Price-Express, registration number UL-00301, the legal address: Republic of Kazakhstan, 050013, Almaty, Baiseitova street, 49.

c) Methods of evaluation are cost approach, benchmark (comparative) approach, profit method.

d) Additionally to point (c) the method of determining fair value directly by reference to observable prices in an active market has been applied. The source for obtaining information by this method are publications placing announcements on purchase and sale of real estate objects, and internet sites on commercial realty, helping in selecting analogues maximally approximated by their characteristics to evaluated objects.

Intangible assets include software, patents and licenses.

24. OTHER ASSETS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Prepayments and other debtors	2,926	7,296	1,857
Income tax receivable	1,685	278	41
Insurance debtors	1,040	456	792
Prepaid expenses	978	1,599	687
Tax settlements, other than income tax	587	122	20
	7,216	9,751	3,397
Less allowance for impairment losses	(130)	(111)	(31)
Total other assets, less allowance for impairment	7,086	9,640	3,366

Movements in allowances for impairment losses for the years ended 31 December 2005, 2004 and 2003 are disclosed in Note 5.

25. LOANS AND ADVANCES FROM BANKS

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
Correspondent accounts of other banks	29,121	6,582	6,088
Loans from banks and financial institutions, including:			
Syndicated loan from banks *(Bank of Tokyo Mitsubishi)* (maturity date — December 2006, interest rate 4.819%)	109,054	—	—
Syndicated loan from banks *(Bank of Tokyo Mitsubishi)* (maturity date — December 2008, interest rate 5.26938%)	63,854	—	—
Syndicated loan from banks *(Citibank International Plc)* (maturity date — August 2006, interest rate 4.87%)	53,362	—	—
Loan from EBRD (maturity date in 2006, interest rate 3.27-8.42% annually)	10,408	5,330	7,757
Loan from the bank syndicate (Deutsche Bank AG London):			
Tranche A due on 16.12.2005 (USD 500 million), coupon rate 4.54%	—	65,000	27,402
Tranche B due on 19.12.2005 (USD 110 million), coupon rate 4.32%	—	14,300	15,864
Syndicated loan from banks (City Bank Int/ PLC London, maturity date — 28.08.2005, USD 150 million, interest rate 3.64%)	—	19,500	—
Syndicated loans from banks (ING Amsterdam) 4.02%	—	—	6,490
Loan from EBRD (maturity date in 2005, interest rate 2.84%-4.33% annually, USD 40 million and USD 22.5 million)	—	8,131	—
Loans and advances received from NBRK	3,569	85	358
Loans from other banks and financial institutions	41,196	39,757	12,047
Deposits of banks	8,423	10,851	2
Accrued interest expenses	1,108	795	214
Total loans and advances from banks	320,095	170,331	76,222

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The loans received under repurchase agreements are secured with the following assets:

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
Bonds of Federal Home Loan Bank	13,533	—	—
Eurobonds of International Bank of Reconstruction and Development	8,158	—	—
Eurobonds of Caisse D'Amortissement Dela France	6,732	—	—
Eurobonds of KFW Intl Finance	6,726	—	—
Eurobonds of European Investment Bank	6,718	—	—
Eurobonds of the Ministry of finance of the Republic of Kazkahstan	5,742	—	—
Eurobonds of the Bank Nederlandse Gemeenten	5,434	—	—
Bonds of the Government of Finland	4,795	—	—
Shares of Kazakh companies	1,040	—	—
Local executive authorities of the Russian Federation	147	160	—
Bonds of Russian companies	118	2,154	—
Notes of the National Bank of the Republic of Kazakhstan	—	19,144	6,833

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Bonds of the Ministry of finance of the Republic of Kazakhstan	—	6,987	—
Eurobonds of Deutsche Bank AG	—	—	12,939
Eurobonds of Deutsche Bank London	—	—	10,770
Eurobonds of Citigroup GMD AG & CO	—	—	5,945
Eurobonds of Raiffeisen Zentralbank AG	—	—	764
Total loans received under repurchase agreements	59,143	28,445	37,251

Securities transferred under the above indicated agreements, are included in the assets held-for-trading at their fair value.

27. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Loans and time deposits	184,619	110,847	101,037
Demand deposits	114,190	84,990	47,354
Accrued interest expense on customer accounts	4,596	1,990	3,198
Total customer accounts	303,405	197,827	151,589

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
Analysis by sector:			
Individuals	107,787	83,169	77,159
Investments and finance	74,458	26,173	12,036
Construction in progress	29,315	16,894	6,825
Trade	26,380	18,505	13
Chemical and petrochemical industry	21,458	25,224	6,403
Energy	14,377	4,041	262
Transport and communication	6,850	5,179	4,667
Agriculture	4,221	2,979	3,205
Mining and metallurgy	1,858	924	496
Food industry	1,474	964	167
Education	1,122	953	1,368
Public organizations and unions	683	783	486
Machinery construction	380	337	10,244
Hotel business	219	142	15,682
Real estate	212	22	752
Health care	197	202	186
Culture and art	194	296	373
Light industry	25	78	211
Other	7,599	8,972	2,855
Accrued interest expense on customer accounts	4,596	1,990	8,199
Total customer accounts	303,405	197,827	151,589

28. DEBT SECURITIES ISSUED

	Maturity date month/year	Annual coupon rate	31 December 2005	31 December 2004	31 December 2003
		%	KZT millions	KZT millions	KZT millions
Eurobonds of Kazkommerts International B.V					
Due in May 2007:					
Tranche A, issued in May 2002 and placed at the price of 99.043%	8 May 2007	10.125%	18,561	18,534	19,900
Tranche B, issued in November 2002 and placed at the price of 107.00%	8 May 2007	10.125%	6,699	6,500	7,211
Due in April 2013:					
Tranche A, issued in April 2003 at the price of 97.548%	16 April 2013	8.5%	45,730	45,286	47,422
Tranche B issued in April 2003 and placed in May 2003 at the price of 99.00%	16 April 2013	8.5%	20,097	19,500	21,633
Due in April 2014:					
Issued in April 2004 at the price of 99.15%	7 April 2014	7.875%	52,386	51,742	—
Due in November 2009:					
Tranche A issued in November 2004 at the price of 98.967%	3 November 2009	7%	46,880	45,500	—
Tranche B issued in February 2005 at the price of 98.967%	3 November 2009	7%	20,097	—	—
Due in November 2015:					
Issued in November 2005 at the price of 98.32%	3 November 2015	7.94%	66,990	—	—
			277,440	187,062	96,166
Plus/(less):					
Unamortised discount on debt securities issued			(4,098)	(1,796)	(1,282)
Accrued interest on debt securities issued			4,125	2,984	1,632
Total issued Eurobonds of Kazkommerts International B.V			277,467	188,250	96,516
Issued bonds of Kazkommertsbank			3,957	3,950	—
Amounts of accrued expenses on issued bonds of Kazkommertsbank			127	129	—
Issued promissory notes of Moskommertsbank			21,040	15,473	1,717
Accrued interest expense on issued promissory notes of Moskommertsbank			542	39	—
Total debt securities issued			303,133	207,841	98,233

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of the Bank, and guaranteed by the Bank. For Eurobonds with a maturity of May 2007, coupon is paid semi-annually on 8 May and 8 November, for those having a maturity of April 2013, interest is paid on 16 April and 16 October, for Eurobonds with maturity of April 2014, interest is paid on 7 April and 7 October, for Eurobonds with maturity of November 2009, interest is paid 3 may and 3 November, and for Eurobonds having a maturity of November 2015 interest is paid on 3 May and 3 November.

29. OTHER BORROWED FUNDS

	Interest rate	31 December 2005	Interest rate	31 December 2004	Interest rate	31 December 2003
	%	KZT millions	%	KZT millions	%	KZT millions
Kazkommerts DPR company	6.84-6.91%	39,806	—	—	—	—
DEG-Deutsche Investitions MBH	7.05-7.32%	6,696	4.99%	1,687	—	—
Private Export Funding Corporation	4.54-4.64%	1,138	—	—	—	—
DEERE Credit	4.74-4.91%	865	—	—	—	—
Funding of agricultural equipment purchasing	8.04-8.83%	725	3.22-7.76%	978	—	—
Intesa Soditic Trade Finance LTD	6%	630	—	—	—	—
Funding by the RK Ministry of finance and KR Ministry of finance	0.5-5%	423	0.50-5.78%	577	4.92%	909
Hungarian International Finance LTD	8.04%	55	—	—	—	—
Funding by the Small Business Development Support Fund	7.3%	21	7.30-8.05%	1,179	8.34%	2,546
Accrued interest expenses		245		43		70
Total other borrowed funds		50,604		4,464		3,525

On December 8, 2005 Kazkommertsbank launched the inaugural future flow securitization of diversified payment rights for 300 million USD with the period of up to 7 years with floating rate and three year grace period on repayment of principal. The transaction is a true-sale securitization of the Bank's dollar-denominated present and future diversified payment rights (SWIFT USD MT100 series) to Kazkommerts DPR Company (special purpose vehicle created on Cayman Islands). Kazkommerts DPR Company is not a subsidiary of the Bank and is operated by management company Maples Finance Limited (Cayman Islands). The issuance consisted of three series of notes: Series 2005A for U.S. 200 million, Series 2005B and Series 2005C for U.S. 50 million each. The last two are unwrapped tranches with private placement and Series 2005A are wrapped by monoline insurer Ambac Financial Group, Inc. and priced at 3-month LIBOR plus 0.29%.

Financing by the Small Business Development Support Fund is made from funds of EBRD, Asian Development Bank (further — "ADB") and is represented as follows:

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
From EBRD funds	21	1,118	2,322
From ADB funds	—	61	224
	21	1,179	2,546

Funding from the Ministry of finance of the Republic of Kazakhstan is provided under the Agriculture Development Program by funds of the International Bank of Reconstruction and Development (further — "IBRD"). Kreditanschtaldt fur Videraufbau (further — "KFW") and regional departments, as well as from the funds of the Ministry of finance of Kyrgyz Republic from funds of ADB and represented as follows:

	31 December 2005	31 December 2004	31 December 2003
	KZT millions	KZT millions	KZT millions
From funds of IBRD, KFW and ABD	329	524	764
From funds of regional subdivisions	94	53	145
	423	577	909

Financing by international financial organizations Atlantik Forfaiting AG and Export Development, Canada is made for purchase of agricultural equipment and represented as follows:

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
From funds of Export Development Canada	351	511	—
From funds of Atlantik Forfaiting AG	374	467	—
	725	978	—

30. OTHER LIABILITIES

	31 December 2005 KZT millions	31 December 2004 KZT millions	31 December 2003 KZT millions
Taxes payable, other than income tax	1,760	975	314
Payable to employees	1,033	510	800
Accounts payable on re-insurers	611	117	479
Prepayments received	412	24	—
Other	775	1,206	1,382
	4,591	2,832	2,975

31. SUBORDINATED DEBT

	Currency	Maturity date (year)	Interest rate %	31 December 2005 (restated — Note 3) KZT millions	31 December 2004 (restated — Note 3) KZT millions	31 December 2003 (restated — Note 3) KZT millions
Subordinated debt of Citigroup GMD AG & CO	USD	2014	8.194%	13,398	13,000	—
Permanent debt of Kazkommerts Finance II B.V.	USD	—	9.2531%	13,286	—	—
Subordinated bonds	KZT	2015	7.5%	12,360	—	—
Preference dividends				6,074	3,478	2,924
Indexed subordinated bonds	KZT	2009	8%	3,676	3,549	3,980
International subordinated bonds	USD	2007	11%	2,662	2,571	2,844
Subordinated bonds	USD	2007	5.5%	50	49	54
Subordinated debt of Deutsche Investitions und Entwicklungsgesellschaft	USD	2008	9.31-9.94%	—	—	1,802
Accrued interest expenses				707	279	53
				52,213	22,926	11,657

In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

Preference dividends represents the present value of mandatory dividends on preference shares (see Note 32) in perpetuity. According to IAS 32 revised, as discusses in Note 3, these amounts were restated.

32. SHARE CAPITAL

As at 31 December 2005 the Bank's share capital comprised the following:

	Authorized share capital	Unpaid share capital	Repurchased share capital	Total share capital
Common shares	3,750	—	—	3,750
Preference shares	1,250	—	(4)	1,246
	5,000	—	(4)	4,996

As at 31 December 2004 the Bank's share capital comprised the following:

	Authorized share capital	Unpaid share capital	Repurchased share capital	Total share capital
Common shares	3,750	(289)	—	3,461
Preference shares	1,250	(512)	(2)	736
	5,000	(801)	(2)	4,197

As of 31 December 2003 the Bank's share capital comprised the following:

	Authorized share capital	Unpaid share capital	Repurchased share capital	Total share capital
Ordinary shares	3,750	(289)	—	3,461
Preference shares	1,250	(692)	—	558
	5,000	(981)	—	4,019

The preference shares have a nominal value of KZT 10 and carry no voting rights but rank ahead of the common shares in the event of liquidation of the Bank. Annual dividend is determined by the preference shares issuance rules in the amount of USD 0.04 per share. These shares are not redeemable.

Dividends declared on preference shares amounted to KZT 669 million, KZT 290 million and KZT 324 million in 2005, 2004 and 2003, respectively. In 2005, 2004 and 2003 dividends on common shares have not been declared.

33. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk are not reflected in the balance sheet.

Accrued provision for losses on letters of credit and guarantees amounted to KZT 2,589 million, KZT 1,530 million and KZT 1,426 million as at 31 December 2005, 2004 and 2003 respectively.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 31 December 2005, 2004 and 2003, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2005		31 December 2004		31 December 2003	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments						
Guarantees issued and similar commitments	39,928	39,928	22,972	22,972	22,769	22,769
Letters of credit and other transaction related to documentary operations	59,951	11,680	41,490	6,942	23,409	4,682
Commitments on loans and unused credit lines	2,670	2,670	2,081	2,081	1,229	1,229
Total contingent liabilities and credit commitments	102,549	54,278	66,543	31,995	47,407	28,680

Capital commitments — The Group had no material commitments for capital expenditures outstanding as at 31 December 2005, 2004 and 2003.

Operating lease commitments — No material rental commitments were outstanding as at 31 December 2005, 2004 and 2003.

Fiduciary activities — In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position.

The Group also provides depositary services to its customers. As at 31 December 2005, 2004 and 2003 the Group had customer securities totaling:

- on broker-dealer operations — 13,175,579 items, 63,668,088 items and 956,334,557 items respectively,
- on custodial operations — 333,537,909 items, 535,951,836 items and 54,000,125 items respectively.

Legal proceedings — From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes — Due to the presence in commercial legislation of the countries where the Group operates, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on interpretations of legislation concerning the Group's business activities to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans — Employees receive pension benefits in accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate. As at 31 December 2005, 2004 and 2003 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment — The Group's principal business activities are within the Republic of Kazkahstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", 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 of the Bank (also non-executive directors and close members of the families of such individuals);

(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;

(f) Parties with joint control over the Bank;

(g) Joint ventures in which the Bank is a venture; and

(h) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party to 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 Group had the following transactions outstanding with related parties:

	31 December 2005		31 December 2004		31 December 2003	
	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
	KZT millions		KZT millions		KZT millions	
Loans to customers	1,785	772,006	2,617	524,810	2,516	302,132
— *who are under common control jointly with the Bank*	342		482		614	
— *individuals influencing the Bank's operations, and their close family members*	453		562		537	
— *key management personnel of the Bank*	954		1,142		1,365	
— *other related parties*	36		431		—	
Allowance for impairment losses	51	42,162	84	29,879	73	19,069
— *who are under common control jointly with the Bank*	20		39		27	
— *individuals influencing the Bank's operations, and their close family members*	9		11		11	
— *key management personnel of the Bank*	20		25		35	
— *other related parties*	2		9		—	
Customer accounts	2,274	303,405	3,401	197,827	1,596	151,589
— *who directly or indirectly, through one or several intermediaries, control the Bank*	—		70		570	
— *who are under common control jointly with the Bank*	16		58		64	
— *associates of the Bank*	1,093		2,248		—	
— *individuals influencing the Bank's operations, and their close family members*	486		445		394	
— *key management personnel of the Bank*	672		537		502	
— *other related parties*	7		43		66	
Provision for guarantees and letters of credit	—	2,589	3	1,530	1	1,426
— *who are under common control jointly with the Bank*	—		1		—	
— *individuals influencing the Bank's operations, and their close family members*	—		—		—	
— *key management personnel of the Bank*	—		2		1	
Loan commitments and unused card limits	45	2,670	54	2,081	25	1,229
— *individuals influencing the Bank's operations, and their close family members*	17		17		—	
— *key management personnel of the Bank*	28		37		25	

	31 December 2005		31 December 2004		31 December 2003	
	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
	KZT millions		KZT millions		KZT millions	
Guarantees given	19	39,928	34	22,972	18	22,769
— *who are under common control jointly with the Bank*	—		16		3	
— *individuals influencing the Bank's operations, and their close family members*	1		1		1	
— *key management personnel of the Bank*	18		17		14	

Included in the consolidated profit and loss account for the years ended 31 December 2005, 2004 and 2003 are the following amounts, which arose due to transactions with related parties:

	Year ended 31 December 2005		Year ended 31 December 2004		Year ended 31 December 2003	
	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
	KZT millions		KZT millions		KZT millions	
Interest income	251	85,791	178	56,163	178	35,712
Interest expense	(250)	(45,855)	(210)	(27,433)	(146)	(19,344)
Benefits of key personnel	662	6,517	393	3,782	240	4,201

35. SEGMENT REPORTING

Business segments

The Group is organized on the basis of three main business segments:

- Retail banking — representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking — representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency products, guarantees and letters of credit and derivative products.
- Investment banking — representing financial instruments trading, structured financing, and merger and acquisitions advice.

Transactions between the business segments are conducted on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of funds attracted. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Year ended 31 December 2005 (restated — Note 3) KZT millions
External interest income	11,209	65,926	8,449	194	13	—	85,791
Internal interest income	6,324	1,525	35,947	9	26,434	(70,239)	—
External interest expense	(5,009)	(5,357)	(35,173)		(316)	—	(45,855)
Internal interest expense	(4,912)	(31,035)	(7,849)	—	(25,704)	69,500	—
Net interest income before provisions for impairment losses on interest bearing assets	7,612	31,059	1,374	203	427	(739)	39,936
Provision for impairment losses on interest bearing assets	(2,104)	(15,017)	(707)	(5)	—	—	(17,833)
Net non-interest income	4,220	6,459	1,602	2,249	(9)	662	15,183
Operating income	9,728	22,501	2,269	2,447	418	(77)	37,286
Operating expenses	(4,634)	(7,534)	(577)	(678)	(22)	77	(13,368)
Operating profit	5,094	14,967	1,692	1,769	396	—	23,918
Share of results of associates	—	—	174	—	—	—	174
Provision for impairment losses on other assets(1)	—	(731)	(396)	(812)	—	—	(1,939)
Profit before income tax	5,094	14,236	1,470	957	396	—	22,153
Income tax expense	—	—	—	—	(2,338)	—	(2,338)
Net profit	5,094	14,236	1,470	957	(1,942)	—	19,815
Total assets	96,527	633,317	462,832	6,049	542,523	(546,379)	1,194,869
Total liabilities	107,924	195,481	812,989	2,924	529,165	(541,885)	1,106,598

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Year ended 31 December 2004 (restated — Note 3) KZT millions
External interest income	5,813	43,977	6,251	122	—	—	56,163
Internal interest income	5,774	1,427	24,728	—	13,688	(45,617)	—
External interest expense	(4,617)	(2,353)	(19,940)	—	(523)	—	(27,433)
Internal interest expense	(2,718)	(22,011)	(7,201)	—	(13,687)	45,617	—
Net interest income before provisions for impairment losses on interest bearing assets	4,252	21,040	3,838	122	(522)	—	28,730
Provision for impairment losses on interest bearing assets	(1,163)	(9,940)	(117)	(2)	—	—	(11,222)
Net non-interest income	2,877	7,039	852	1,299	—	—	12,067
Operating income	5,966	18,139	4,573	1,419	(522)	—	29,575
Operating expenses	(3,055)	(5,366)	(755)	(313)	(22)	—	(9,511)
Operating profit	2,911	12,773	3,818	1,106	(544)	—	20,064
Share of results of associates	—	—	12	—	—	—	12
Provision for impairment losses on other assets(1)	—	(161)	(5)	(555)	—	—	(721)
Profit before income tax	2,911	12,612	3,825	551	(544)	—	19,355
Income tax expense	—	—	—	—	(9,573)	—	(9,573)
Net profit	2,911	12,612	3,825	551	(10,117)	—	9,782
Total assets	70,386	424,545	200,861	2,903	310,131	(304,769)	704,057
Total liabilities	83,170	114,657	455,754	1,724	291,891	(302,435)	644,761

(1) Provision for impairment losses on other assets includes recovery/(accrual) of insurance provision and provision for impairment losses on other transactions and provision for guarantees and other off-balance sheet contingencies: from external customers and with other segments.

The management of the Group has found it impractical to prepare segment information for the year ended 31 December 2003. However, it is considered that the Group's business segments operated proportionally on a similar basis to that disclosed above for the year ended 31 December 2004.

36. 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 published price quotations in an active market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

	31 December 2005		31 December 2004		31 December 2003	
	Current value	Fair value	Current value	Fair value	Current value	Fair value
	(restated — Note 3) KZT millions	KZT millions	(restated — Note 3) KZT millions	KZT millions	(restated — Note 3) KZT millions	KZT millions
Cash and balances with national (central) banks	37,229	37,229	66,293	66,293	28,485	28,485
Precious metals	—	—	—	—	300	300
Assets held-for-trading	140,294	140,294	74,780	74,780	71,201	71,201
Securities purchased under reverse repurchase agreements	13,950	13,950	8,402	8,402	2,608	2,608
Loans and advances to banks, less allowance for impairment losses	253,904	253,904	41,834	41,834	38,583	38,583
Derivative financial instruments	81	81	20	20	15	15
Loans to customers, less allowance for impairment losses	729,844	729,844	494,931	494,931	283,063	283,063
Investments available-for-sale	427	427	489	489	138	138
Investments held-to-maturity	562	564	64	64	32	32
Goodwill	2,405	2,405	—	—	—	—
Investments in associates and other entities	425	425	218	218	146	146
Other assets, less allowance for impairment losses	7,086	7,086	9,640	9,640	3,366	3,366
Loans and advances from banks	320,095	320,095	170,331	170,331	76,222	76,222
Securities sold under repurchase agreements	59,143	59,143	28,445	28,445	37,251	37,251
Derivative financial instruments	189	189	31	31	1	1
Customer accounts	303,405	303,405	197,827	197,827	151,589	151,589
Debt securities issued	303,133	323,204	207,841	215,513	98,233	101,428
Other borrowed funds	50,604	50,604	4,464	4,464	3,525	3,525
Dividends payable	1	1	1	1	1	1
Other liabilities	4,591	4,591	2,832	2,832	2,975	2,975
Subordinated debt(1)	52,213	51,747	22,926	21,501	11,657	11,657

(1) Includes mandatory dividends.

The fair value of loans to customers cannot be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

37. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The 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
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2005 the Group's total capital amount for capital adequacy purposes was KZT 133,721 million and tier 1 capital amount was KZT 102,459 million with ratios 14.38% and 11.02%, respectively.

As at 31 December 2004 the Group's total capital amount for capital adequacy purposes was KZT 87,212 million and tier 1 capital amount was KZT 60,726 million with ratios 15.00% and 10.45%, respectively.

As at 31 December 2003 the Group's total capital amount for capital adequacy purposes was KZT 60,658 million and tier 1 capital amount was KZT 49,156 million with ratios 16.44% and 13.32% respectively.

As at 31 December 2005, 2004 and 2003 the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

38. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Assets and Liabilities Management Committee (''ALMC'') controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2005			31 December 2004			31 December 2003		
	%	%	%	%	%	%	%	%	%
	in KZT	in USD	in other currencies	in KZT	in USD	in other currencies	in KZT	in USD	in other currencies
ASSETS:									
Time deposits in NBRK	—	—	—	2.28	0.50	—	3.25	—	—
Assets held-for-trading	2.90	4.62	10.00	3.62	5.79	12.10	5.64	5.23	4.84
Loans and advances to banks, less allowance for impairment losses	2.08	4.43	2.07	0.70	2.79	2.54	1.67	2.96	1.82
Loans to customers, less allowance for impairment losses	13.40	12.32	13.19	13.16	12.28	10.14	14.82	12.26	13.26
Investments available-for-sale	3.60	—	4.10	7.18	—	7.22	—	8.60	11.00
Securities purchased under reverse repurchase agreements	4.68	—	7.12	4.11	6.01	—	3.87	—	0.09
LIABILITIES:									
Loans and advances from banks	1.46	5.51	2.83	0.29	4.02	3.98	1.05	2.90	4.69
Securities sold under repurchase agreements	3.27	4.70	8.25	4.92	—	9.91	5.12	1.53	1.77
Customer accounts	4.61	3.74	4.38	3.87	4.00	3.32	4.36	5.53	2.76
Debt securities issued	7.00	9.02	9.88	7.21	9.23	11.66	—	9.28	11.76
Other borrowed funds	2.38	6.81	5.00	1.78	5.75	5.00	4.67	8.15	5.00
Subordinated debt	7.61	9.65	—	—	7.97	—	—	9.22	9.94

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined, (including allowance for impairment losses)	31 December 2005 Total (restated — Note 3) KZT millions
ASSETS:							
Assets held-for-trading	43,052	22,057	73,538	—	—	—	138,647
Loans and advances to banks, less allowance for impairment losses	227,481	18,223	6,716	—	1,340	—	253,760
Loans to customers, less allowance for impairment losses	28,326	42,434	162,085	285,620	196,492	—	714,957
Securities purchased under reverse repurchase agreements	11,379	1,307	1,200	—	—	—	13,886
Investments available-for-sale	—	—	36	287	97	—	420
Investments held-to-maturity	13	5	133	125	280	—	556
Total interest bearing assets	310,251	84,026	243,708	286,032	198,209	—	1,122,226
Cash and balances with national (central) banks	37,229	—	—	—	—	—	37,229
Derivative financial instruments	4	—	—	77	—	—	81
Investments in associates and other entities	—	—	—	—	—	425	425
Goodwill	—	—	—	—	—	2,405	2,405
Fixed and intangible assets, less accumulated depreciation and amortization	—	—	—	—	—	8,662	8,662
Accrued interest income on interest-bearing assets	6,017	4,132	5,036	1,560	10	—	16,755
Other assets, less allowance for impairment losses	2,475	361	3,707	334	209	—	7,086
TOTAL ASSETS	355,976	88,519	252,451	288,003	198,428	11,492	1,194,869
LIABILITIES:							
Loans and advances from banks	36,437	10,200	192,422	75,590	4,338	—	318,987
Securities sold under repurchase agreements	59,095	—	—	—	—	—	59,095
Customer accounts	167,127	24,658	62,131	43,704	1,189	—	298,809
Debt securities issued	74	1,586	2,152	113,331	181,197	—	298,340
Other borrowed funds	—	—	23	3,632	46,704	—	50,359
Subordinated debt	—	—	—	6,377	45,128	—	51,505
Total interest bearing liabilities	262,733	36,444	256,728	242,634	278,556	—	1,077,095
Derivative financial instruments	188	—	1	—	—	—	189
Provisions	625	265	1,219	416	64	2,345	4,934
Dividends payable	1	—	—	—	—	—	1
Deferred tax liability	—	—	—	8,290	—	—	8,290
Accrued interest expense on interest-bearing liabilities	2,189	1,268	6,593	1,448	—	—	11,498
Other liabilities	1,330	2,075	746	440	—	—	4,591
TOTAL LIABILITIES	267,066	40,052	265,287	253,228	278,620	2,345	1,106,598
Liquidity gap	88,910	48,467	(12,836)	34,775	(80,192)		
Interest sensitivity gap	47,518	47,582	(13,020)	43,398	(80,347)		
Cumulative interest sensitivity gap	47,518	95,100	82,080	125,478	45,131		
Cumulative interest sensitivity gap as a percentage of total assets	4.0%	8.0%	6.9%	10.5%	3.8%		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (including allowance for impairment losses)	31 December 2004 Total
							(restated — Note 3) KZT millions
ASSETS:							
Cash and balances with central (national) banks	26,250	—	—	—	—	—	26,250
Assets held-for-trading	5,032	19,028	50,084	—	—	—	74,144
Loans and advances to banks, less allowance for impairment losses	27,105	7,803	6,828	—	—	—	41,736
Loans to customers, less allowance for impairment losses	29,531	32,912	117,989	178,509	124,474	—	483,415
Securities purchased under reverse repurchase agreements	8,271	28	86	—	—	—	8,385
Investments available-for-sale	—	—	367	115	—	—	482
Investments held-to-maturity	24	8	32	—	—	—	64
Total interest bearing assets	96,213	59,779	175,386	178,624	124,474	—	634,476
Cash and balances with central (national) banks	40,034	—	—	—	—	—	40,034
Derivative financial instruments	10	10	—	—	—	—	20
Investments in associates and other entities	—	—	—	—	—	218	218
Fixed and intangible assets, less accumulated depreciation and amortization	—	—	—	—	—	7,386	7,386
Accrued interest income on interest bearing assets	5,922	1,555	2,293	2,265	248	—	12,283
Other assets, less allowance for impairment losses	451	6,819	1,328	986	56	—	9,640
TOTAL ASSETS	142,630	68,163	179,007	181,875	124,778	7,604	704,057
LIABILITIES:							
Loans and advances from banks	30,912	5,665	117,952	15,008	—	—	169,537
Securities sold under repurchase agreements	28,435	—	—	—	—	—	28,435
Customer accounts	106,695	18,443	39,888	29,788	1,023	—	195,837
Debt securities issued	2,541	857	4,127	82,133	115,031	—	204,689
Other borrowed funds	—	390	734	3,159	138	—	4,421
Subordinated debt	—	—	—	6,169	16,479	—	22,648
Total interest bearing liabilities	168,583	25,355	162,701	136,257	132,671	—	625,567
Derivative financial instruments	31	—	—	—	—	—	31
Provisions	—		—	—	—	3,087	3,087
Dividends payable	—	1	—	—	—	—	1
Deferred tax liability	—	—	—	6,976	—	—	6,976
Accrued interest expenses on interest bearing liabilities	638	768	4,436	425	—	—	6,267
Other liabilities	1,348	247	1,076	161	—	—	2,832
TOTAL LIABILITIES	170,600	26,371	168,213	143,819	132,671	3,087	644,761
Liquidity gap	(27,970)	41,792	10,794	38,056	(7,893)		
Interest sensitivity gap	(72,370)	34,424	12,685	42,367	(8,197)		
Cumulative interest sensitivity gap	(72,370)	(37,946)	(25,261)	17,106	8,909		
Cumulative interest sensitivity gap as a percentage of total assets	(10.3)%	(5.4)%	(3.6)%	2.4%	1.3%		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (including allowance for impairment losses)	31 December 2003 Total
							(restated — Note 3) KZT millions
ASSETS:							
Cash and balances with central (national) banks	12,000	—	—	—	—	—	12,000
Assets held-for-trading	31,092	11,977	14,783	9,153	3,422	—	70,427
Loans and advances to banks, less allowance for impairment losses	22,921	11,376	4,152	—	—	—	38,449
Loans to customers, less allowance for impairment losses	19,810	17,922	83,269	113,670	37,772	—	272,443
Securities purchased under reverse repurchase agreements	2,512	60	33	—	—	—	2,605
Investments available-for-sale	—	—	135	3	—	—	138
Investments held-to-maturity	—	27	5	—	—	—	32
Total interest bearing assets	88,335	41,362	102,377	122,826	41,194	—	396,094
Cash and balances with central (national) banks	16,481	—	—	—	—	—	16,481
Precious metals	300	—	—	—	—	—	300
Derivative financial instruments	15	—	—	—	—	—	15
Investments in associates and other entities	—	—	—	—	—	146	146
Fixed and intangible assets, less accumulated depreciation and amortization	—	—	—	—	—	6,304	6,304
Accrued interest income on interest bearing assets	4,680	1,572	3,089	1,911	283	—	11,535
Other assets, less allowance for impairment losses	510	319	2,023	504	10	—	3,366
TOTAL ASSETS	110,321	43,253	107,489	125,241	41,487	6,450	434,241
LIABILITIES:							
Loans and advances from banks	9,649	311	39,912	26,136	—	—	76,008
Securities sold under repurchase agreements	37,216	—	—	—	—	—	37,216
Customer accounts	64,183	19,434	51,903	12,727	144	—	148,391
Debt securities issued	137	1,039	541	25,838	69,046	—	96,601
Other borrowed funds	—	216	983	1,624	633	—	3,456
Subordinated debt	—	—	—	4,702	6,902	—	11,604
Total interest bearing liabilities	111,185	21,000	93,339	71,027	76,725	—	373,276
Derivative financial instruments	1	—	—	—	—	—	1
Provisions	220	430	503	156	117	1,057	2,483
Dividends payable	1	—	—	—	—	—	1
Deferred tax liability	—	—	—	2,945	—	—	2,945
Accrued interest expenses on interest bearing liabilities	251	821	3,386	743	—	—	5,201
Other liabilities	1,707	145	1,123	—	—	—	2,975
TOTAL LIABILITIES	113,365	22,396	98,351	74,871	76,842	1,057	386,882
Liquidity gap	(3,044)	20,857	9,138	50,370	(35,355)		
Interest sensitivity gap	(22,850)	20,362	9,038	51,799	(35,531)		
Cumulative interest sensitivity gap	(22,850)	(2,488)	6,550	58,349	22,818		
Cumulative interest sensitivity gap as a percentage of total assets	(5.3)%	(0.6)%	1.5%	13.4%	5.3%		

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of national (central) banks.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	RUR	Other currency	31 December 2005 Total
	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions	(restated — Note 3) KZT millions
ASSETS:						
Cash and balances with the national (central) banks	16,405	16,731	1,168	1,826	1,099	37,229
Assets held-for-trading	13,336	120,298	—	6,660	—	140,294
Loans and advances to banks, less allowance for impairment losses	3,657	235,826	10,647	2,789	985	253,904
Derivative financial instruments	4	77	—	—	—	81
Loans to customers, less allowance for impairment losses	215,841	501,876	6,487	5,489	151	729,844
Securities purchased under reverse repurchase agreements	4,628	—	—	9,322	—	13,950
Investments available-for-sale	427	—	—	—	—	427
Investments held-to-maturity	519	—	—	—	43	562
Goodwill	2,405	—	—	—	—	2,405
Investments in associates and other entities	425	—	—	—	—	425
Fixed and intangible assets, less accumulated depreciation and amortization	8,417	—	—	146	99	8,662
Other assets, less allowance for impairment losses	5,057	1,453	93	477	6	7,086
TOTAL ASSETS	271,121	876,261	18,395	26,709	2,383	1,194,869
LIABILITIES:						
Loans and advances from banks	13,291	288,754	11,409	5,272	1,369	320,095
Securities sold under repurchase agreements	6,781	52,097	—	265	—	59,143
Derivative financial instruments	94	95	—	—	—	189
Customer accounts	135,747	153,156	7,491	6,463	548	303,405
Debt securities issued	4,084	293,888	—	5,161	—	303,133
Other borrowed funds	210	50,183	211	—	—	50,604
Provisions	2,601	1,966	337	4	26	4,934
Dividends payable	1	—	—	—	—	1
Deferred tax liabilities	8,014	—	—	257	19	8,290
Other liabilities	3,418	1,101	34	32	6	4,591
Subordinated debt	16,281	35,931	1	—	—	52,213
TOTAL LIABILITIES	190,522	877,171	19,483	17,454	1,968	1,106,598
OPEN BALANCE SHEET POSITION	80,599	(910)	(1,088)	9,255	415	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2005:

	KZT	USD	EUR	RUR	Other currency	31 December 2005 Total
	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions
Accounts payable on forwards	(9,657)	(9,080)	(795)	—	(155)	(19,687)
Accounts receivable on forwards	6,895	11,277	1,192	15	200	19,579
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(2,762)	2,197	397	15	45	
TOTAL OPEN POSITION	77,837	1,287	(691)	9,270	460	

	KZT	USD	EUR	RUR	Other currency	31 December 2004 Total
	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions	(restated — Note 3) KZT millions
ASSETS:						
Cash and balances with the national (central) banks	53,298	9,578	1,252	2,041	124	66,293
Assets held-for-trading	55,520	12,517	—	6,743	—	74,780
Loans and advances to banks, less allowance for impairment losses	4,092	36,301	432	454	555	41,834
Derivative financial instruments	18	2	—	—	—	20
Loans to customers, less allowance for impairment losses	114,710	372,052	6,031	1,647	491	494,931
Securities purchased under agreements to resell	3,446	150	—	4,806	—	8,402
Investments available-for-sale	489	—	—	—	—	489
Investments held-to-maturity	—	—	—	—	64	64
Investments in associates and other entities	218	—	—	—	—	218
Fixed and intangible assets, less accumulated depreciation and amortization	7,181	—	—	111	94	7,386
Other assets, less allowance for impairment losses	1,597	7,975	33	30	5	9,640
TOTAL ASSETS	240,569	438,575	7,748	15,832	1,333	704,057
LIABILITIES:						
Loans and advances from banks	4,298	160,023	4,119	1,687	204	170,331
Securities sold under repurchase agreements	26,131	—	—	2,314	—	28,445
Derivative financial instruments	3	28	—	—	—	31
Customer accounts	113,169	75,445	6,180	2,647	386	197,827
Debt securities issued	4,079	202,100	—	1,662	—	207,841
Other borrowed funds	189	3,914	361	—	—	4,464
Provisions	1,779	1,075	226	3	4	3,087
Dividends payable	1	—	—	—	—	1
Deferred tax liabilities	6,775	—	—	196	5	6,976
Other liabilities	1,922	731	103	53	23	2,832
Subordinated debt	—	22,926	—	—	—	22,926
TOTAL LIABILITIES	158,346	466,242	10,989	8,562	622	644,761
OPEN BALANCE SHEET POSITION	82,223	(27,667)	(3,241)	7,270	711	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above, The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2004:

	KZT	USD	EUR	RUR	Other currency	31 December 2004 Total
	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions
Accounts payable on forwards	(6,938)	(6,759)	—	(56)	—	(13,753)
Accounts receivable on forwards	2,340	8,302	3,099	—	—	13,741
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(4,598)	1,543	3,099	(56)	—	
TOTAL OPEN POSITION	77,625	(26,124)	(142)	7,214	711	

	KZT	USD	EUR	RUR	Other currency	31 December 2003 Total
	KZT millions	KZT millions	KZT millions	KZT millions	KZT millions	(restated — Note 3) KZT millions
ASSETS:						
Cash and balances with the national (central) banks	22,315	4,534	801	759	76	28,485
Precious metals	—	—	—	—	300	300
Assets held-for-trading	29,149	29,081	11,408	1,562	1	71,201
Loans and advances to banks, less allowance for impairment losses	1,754	33,975	1,964	604	286	38,583
Derivative financial instruments	15	—	—	—	—	15
Loans to customers, less allowance for impairment losses	57,845	216,724	6,089	1,791	614	283,063
Securities purchased under agreements to resell	587	—	—	1,988	33	2,608
Investments available-for-sale	135	3	—	—	—	138
Investments held-to-maturity	—	—	—	—	32	32
Investments in associates and other entities	146	—	—	—	—	146
Fixed and intangible assets, less accumulated depreciation and amortization	6,137	—	—	93	74	6,304
Other assets, less allowance for impairment losses	1,477	1,846	19	10	14	3,366
TOTAL ASSETS	119,560	286,163	20,281	6,807	1,430	434,241
LIABILITIES:						
Loans and advances from banks	1,712	72,532	1,928	43	7	76,222
Securities sold under repurchase agreements	6,833	19,648	10,770	—	—	37,251
Derivative financial instruments	1	—	—	—	—	1
Customer accounts	49,566	96,031	4,697	1,135	160	151,589
Debt securities issued	—	97,463	—	770	—	98,233
Other borrowed funds	146	2,749	630	—	—	3,525
Provisions	1,266	1,059	150	—	8	2,483
Dividends payable	1	—	—	—	—	1
Deferred tax liabilities	2,945	—	—	—	—	2,945
Other liabilities	1,800	1,144	20	8	3	2,975
Subordinated debt	—	9,837	1,820	—	—	11,657
TOTAL LIABILITIES	64,270	300,463	20,015	1,956	178	386,882
OPEN BALANCE SHEET POSITION	55,290	(14,300)	266	4,851	1,252	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above, The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2003:

	KZT KZT millions	USD KZT millions	EUR KZT millions	RUR KZT millions	Other currency KZT millions	31 December 2003 Total KZT millions
Accounts payable on forwards	(144)	(14,037)	—	(3,012)	—	(17,193)
Accounts receivable on forwards	389	10,887	2,072	3,860	—	17,208
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	245	(3,150)	2,072	848	—	
TOTAL OPEN POSITION	55,535	(17,450)	2,338	5,699	1,252	

Price Risk

Price 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 Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc,) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Heads of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or a group of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly (quarterly) by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Off-balance sheet credit liabilities represent unused credit lines, guarantees or letters of credit. The credit risk on financial instruments on off-balance accounts is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i,e, the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Geographical concentration

The ALMC exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses. The Bank's Management Board sets up country limits, which are mainly applied by banks of the Commonwealth of Independent States (further — "CIS") and Baltic countries.

The management of the Group considers the principal segment to be comprised of the Commonwealth of Independent States, including the Republic of Kazakhstan, (CIS) as the risks and returns are considered to be similar throughout the region.

The geographical concentration of assets and liabilities is set out in tables for 2005 below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2005 Total
					(restated — Note 3) KZT millions
ASSETS:					
Cash and balances with the national (central) banks	27,124	2,915	7,190	—	37,229
Assets held-for-trading	23,815	6,660	109,819	—	140,294
Loans and advances to banks, less allowance for impairment losses	16,373	38,677	192,288	6,566	253,904
Derivative financial instruments	4	1	76	—	81
Securities purchased under reverse repurchase agreements	4,628	9,322	—	—	13,950
Loans to customers, less allowance for impairment losses	565,072	74,596	18,900	71,276	729,844
Investments available-for-sale	427	—	—	—	427
Investments held-to-maturity	519	43	—	—	562
Investments in associates and other entities	291	—	134	—	425
Goodwill	2,405	—	—	—	2,405
Fixed and intangibles assets, less accumulated depreciation and amortization	8,417	245	—	—	8,662
Other assets, less allowance for impairment losses	4,929	635	1,053	469	7,086
TOTAL ASSETS	654,004	133,094	329,460	78,311	1,194,869
LIABILITIES:					
Loans and advances from banks	22,825	22,906	267,588	6,776	320,095
Securities sold under repurchase agreements	6,781	265	52,097	—	59,143
Derivative financial instruments	95	1	93	—	189
Customer accounts	257,276	9,231	18,669	18,229	303,405
Debt securities issued	4,135	20,129	277,416	1,453	303,133
Other borrowed funds	433	3	50,168	—	50,604
Provisions	4,100	685	4	145	4,934
Dividends payable	1	—	—	—	1
Deferred tax liabilities	8,014	276	—	—	8,290
Other liabilities	3,167	230	1,110	84	4,591
Subordinated debt	22,408	—	29,805	—	52,213
TOTAL LIABILITIES	329,235	53,726	696,950	26,687	1,106,598
NET POSITION	324,769	79,368	(367,490)	51,624	

The geographical concentration of assets and liabilities is set out in tables for 2004 below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2004 Total (restated — Note 3) KZT millions
ASSETS:					
Cash and balances with national (central) banks	59,791	2,380	4,122	—	66,293
Assets held-for-trading	64,324	6,743	3,713	—	74,780
Loans and advances to banks, less allowance for impairment losses	3,873	16,466	16,358	5,137	41,834
Derivative financial instruments	—	17	—	3	20
Loans to customers, less allowance for impairment losses	373,137	75,369	7,956	38,469	494,931
Securities purchased under reverse repurchase agreements	3,446	4,806	—	150	8,402
Investments available-for-sale	489	—	—	—	489
Investments held-to-maturity	—	64	—	—	64
Investments in associates and other entities	218	—	—	—	218
Fixed and intangible assets, less accumulated depreciation and amortization	7,180	206	—	—	7,386
Other assets, less allowance for impairment losses	1,882	5,897	1,860	1	9,640
TOTAL ASSETS	514,340	111,948	34,009	43,760	704,057
LIABILITIES:					
Loans and advances from banks	20,521	12,976	132,438	4,396	170,331
Securities sold under repurchase agreements	26,131	2,314	—	—	28,445
Derivative financial instruments	28	—	3	—	31
Customer accounts	179,275	6,242	4,496	7,814	197,827
Debt securities issued	4,079	15,234	188,250	278	207,841
Other borrowed funds	1,783	3	2,678	—	4,464
Provisions	2,792	280	2	13	3,087
Dividends payable	1	—	—	—	1
Deferred tax liability	6,774	202	—	—	6,976
Other liabilities	1,014	96	1,674	48	2,832
Subordinated debt	6,730	—	15,838	358	22,926
TOTAL LIABILITIES	249,128	37,347	345,379	12,907	644,761
OPEN BALANCE SHEET POSITION	265,212	74,601	(311,370)	30,853	

The geographical concentration of assets and liabilities is set out in tables for 2003 below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2003 Total (restated — Note 3) KZT millions
ASSETS:					
Cash and balances with national (central) banks	27,373	1,112	—	—	28,485
Precious metals	—	—	300	—	300
Assets held-for-trading	43,548	1,904	25,749	—	71,201
Loans and advances to banks, less allowance for impairment losses	1,754	14,946	18,975	2,908	38,583
Derivative financial instruments	9	6	—	—	15
Loans to customers, less allowance for impairment losses	246,755	27,288	8,516	504	283,063
Securities purchased under reverse repurchase agreements	587	2,021	—	—	2,608
Investments available-for-sale	138	—	—	—	138
Investments held-to-maturity	—	32	—	—	32
Investments in associates and other entities	146	—	—	—	146
Fixed and intangible assets, less accumulated depreciation and amortization	6,137	167	—	—	6,304
Other assets, less allowance for impairment losses	2,281	59	997	29	3,366
TOTAL ASSETS	328,728	47,535	54,537	3,441	434,241
LIABILITIES:					
Loans and advances from banks	17,819	10,772	47,533	98	76,222
Securities sold under repurchase agreements	6,833	—	30,418	—	37,251
Derivative financial instruments	1	—	—	—	1
Customer accounts	139,487	2,888	7,970	1,244	151,589
Debt securities issued	—	1,717	96,516	—	98,233
Other borrowed funds	3,522	3	—	—	3,525
Provisions	2,077	402	3	1	2,483
Dividends payable	1	—	—	—	1
Deferred tax liability	2,945	—	—	—	2,945
Other liabilities	2,415	316	101	143	2,975
Subordinated debt	6,579	—	4,683	395	11,657
TOTAL LIABILITIES	181,679	16,098	187,224	1,881	386,882
OPEN BALANCE SHEET POSITION	147,049	31,437	(132,687)	1,560	