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

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

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

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

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

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

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of J.P. Morgan Securities Ltd., ING Bank N.V., London Branch or UBS Limited nor any person who controls them nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from J.P. Morgan Securities Ltd., ING Bank N.V., London Branch or UBS Limited.

KAZKOMMERTSBANK

U.S.$100,000,000
Perpetual Loan Participation Notes
issued on a limited recourse basis by
KAZKOMMERTS FINANCE 2 B.V.
for the purpose of financing a subordinated loan to
JSC KAZKOMMERTSBANK

Kazkommerts Finance 2 B.V. (the "Issuer") is issuing an aggregate principal amount of U.S.$100,000,000 Perpetual Loan Participation Notes (the "Notes").

The Notes are limited recourse obligations of the Issuer and are being offered for the sole purpose of funding a perpetual subordinated loan (the "Subordinated Loan") to JSC Kazkommertsbank, an open joint stock company incorporated in the Republic of Kazakhstan ("KKB", the "Bank" or the "Borrower"), pursuant to a subordinated loan agreement dated 9 November 2005 between the Issuer (in its capacity as Lender) and the Borrower (the "Subordinated Loan Agreement"). The Notes will be constituted by, be subject to, and have the benefit of, a trust deed to be dated 9 November 2005 (the "Trust Deed") between the Issuer and J.P. Morgan Corporate Trustee Services Limited as trustee (the "Trustee"), for the holders of the Notes from time to time (the "Noteholders"). In the Trust Deed, the Issuer will charge by way of first fixed charge as security for its payment obligations in respect of the Notes (a) certain of its rights to principal, interest and other amounts as lender under the Subordinated Loan Agreement and (b) amounts received pursuant to the Subordinated Loan in an account of the Issuer (as described herein), and the Issuer will also assign its administrative rights under the Subordinated Loan Agreement to the Trustee, in each case other than the Reserved Rights (as defined in "Terms and Conditions of the Notes") and certain amounts relating to the Reserved Rights.

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders for an amount equivalent to all principal, interest and additional amounts (if any) actually received by, or for the account of, the Issuer pursuant to the Subordinated Loan Agreement. The Issuer will have no other financial obligation under the Notes. Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the covenant to pay under the Subordinated Loan Agreement and on the credit and financial standing of the Borrower in respect of the financial servicing of the Notes.

The Subordinated Loan is intended to qualify as tier 1 capital ("Tier 1 Capital") of the Bank under regulations of the Agency on Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA"). Such regulations, as currently in force, place certain prohibitions on the repayment of subordinated debt qualifying as Tier 1 Capital.

On each Interest Payment Date (being 9 November and 9 May in each year commencing on 9 May 2006 up to and including the Interest Payment Date falling on 9 November 2015 and thereafter on 9 February, 9 May, 9 August and 9 November in each year commencing on the Interest Payment Date falling in February 2016), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement, which interest under the Subordinated Loan accrues at a rate of 9.20 per cent. per annum up to, but excluding, the Reset Date and, thereafter, at a rate equal to the London inter-bank offered rate for three-month deposits of U.S. dollars plus the Reset Margin (as defined in the "Subordinated Loan Agreement").

Subject to the exceptions described herein, payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes of The Netherlands. The Subordinated Loan may not be voluntarily repaid except in accordance with the terms of the Subordinated Loan Agreement. See "Terms and Conditions of the Notes-Early Redemption and Redemption for Tax Reasons" and "Subordinated Loan Agreement."

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

INVESTING IN THE NOTES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 17.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States. The Notes are being offered and sold (1) within the United States in reliance on Rule 144A under the Securities Act ("Rule 144A") only to persons that are "qualified institutional buyers" (each a "QIB") within the meaning of Rule 144A, and (2) outside of the United States to non U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")), in offshore transactions in reliance on Regulation S. For a more complete description of restrictions on offers and sales, see "Form of Notes and Transfer Restrictions." The Notes may not be reoffered, resold, pledged, exchanged or otherwise transferred except in transactions exempt from or not subject to the registration requirements of the Securities Act and any other applicable securities laws. By its purchase of the Notes, each purchaser will be deemed to have (1) represented and warranted, *inter alia*, that (i) it is a QIB, acting for its own account or for the account of another QIB, or (ii) it is a non U.S. person located outside the United States and (2) agreed that it will only resell or otherwise transfer such Notes in accordance with the applicable restrictions set forth herein. See "Form of Notes and Transfer Restrictions."

Price: 100 per cent.

Notes which are sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by interests in a global unrestricted Note in registered form (a "Regulation S Global Note"), without interest coupons, which will be deposited with a common depositary for, and registered in the name of a nominee for, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 9 November 2005 (the "Closing Date"). Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Notes which are offered and sold in reliance on Rule 144A, will initially be represented by interests in a global restricted Note in registered form (a "Rule 144A Global Note" and, together with the Regulation S Global Note, the "Global Notes"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee for, The Depository Trust Company ("DTC") on or about the Closing Date. Beneficial interests in the Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "Summary of the Provisions Relating to the Notes in Global Form". Individual definitive Notes in registered form will only be available in certain limited circumstances as described herein.

Joint Lead Managers

ING Financial Markets **JPMorgan** **UBS Investment Bank**

Prospectus dated 7 November 2005

IMPORTANT NOTICE

This Prospectus contains information provided by the Issuer and the Bank in the context of the issue and offering of the Notes and the entering into of the Subordinated Loan.

Neither this Prospectus nor any other information supplied in connection with the Notes or the Subordinated Loan should be considered as a recommendation by the Issuer, the Bank, the Lead Managers (as defined in "Subscription and Sale") or the Trustee that any recipient of this Prospectus or any other information supplied relating to the Notes or the Subordinated Loan should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Bank. Neither this Prospectus nor any other information supplied in connection with the Notes or the Subordinated Loan constitutes an offer or invitation by or on behalf of the Issuer or the Bank or any of the Managers or the Trustee to any person to subscribe for or to purchase any Notes.

None of the Managers or the Trustee has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or the Trustee as to the accuracy or completeness at any time of this Prospectus. No person has been authorised by the Issuer, the Bank, the Managers or the Trustee to give any information or to make any representation not contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Notes come are required by the Issuer, the Bank, the Managers and the Trustee to inform themselves about and to observe any such restrictions. In particular, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Prospectus and other information in relation to the Notes set out under "Subscription and Sale" and "Transfer Restrictions" below.

Furthermore, none of the Issuer, the Bank, the Managers or the Trustee makes any comment about the treatment for taxation purposes of payments or receipts in respect of any Notes. Each investor contemplating acquiring Notes must seek such tax or other professional advice as it considers necessary for the purpose.

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 NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED AND SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")). THE NOTES MAY BE OFFERED AND SOLD (I) WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS (EACH, A "QIB"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A AND (II) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN OTHER RESTRICTIONS, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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") 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 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 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.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities Ltd. (or persons acting on its behalf) may over-allot Notes provided that, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that J.P. Morgan Securities Ltd. (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

ENFORCEABILITY OF JUDGMENTS

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

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

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. Its consolidated financial statements as at and for the years ended 31 December 2004, 2003 and 2002 and its other financial information included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The condensed consolidated financial statements of the Bank as at and for the six months ended 30 June 2005 and 2004 included in this Prospectus are unaudited. In the opinion of the management of the Bank, these condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the periods covered thereby. 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. In accordance with Dutch law, the Issuer is required to publish statutory annual financial statements, which must be filed with the commercial register in Rotterdam. Copies of the Issuer's audited statutory financial statements are available free of charge at the specified office of the Paying Agent. The Issuer does not publish interim financial statements.

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.

In this Prospectus:

- "Bank", "KKB" and "Borrower" refer to JSC Kazkommertsbank and, where the context permits, the Bank and its consolidated subsidiaries, the principal of these being Kazkommerts International B.V., JSC Kazkommerts Securities, JSC Kazkommerts Policy, JSC Kazkommerts Invest and JSC Kazkommertsbank Kyrgyzstan, as well as CB Moskommertsbank which is not a subsidiary but is controlled by the Bank;
- "Basle Accord" refers to the 1988 Capital Accord adopted by the Basle Committee on Bank Regulations and Supervisory Practice;
- "CIS" refers to the Commonwealth of Independent States;
- "DBK" refers to the Development Bank of Kazakhstan;
- "EBRD" refers to the European Bank for Reconstruction and Development;
- "EU" refers to the European Union;
- "NBK" refers to the National Bank of Kazakhstan;
- "NBK Regulations" refers to the regulations published by the NBK;
- "NSA" refers to Kazakhstan's National Statistical Agency;
- "OECD" refers to the Organisation for Economic Co-operation and Development;
- "Tenge" or "KZT" are to Kazakhstan Tenge, the official currency of Kazakhstan;
- "United States" or the "U.S." refers to the United States of America;
- "€" and "euros" 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; and
- "U.S.$" and "U.S. 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 U.S. dollars at specified rates. Prior to 2002, the Bank translated its financial statements from Tenge into U.S. dollars at the NBK's official published rates. Since 2002, the Bank, in common with other Kazakhstan commercial banks, has selected the exchange rates to be used in the translation of its financial statements. The Bank has translated the summary income statement information for the six months ended 30 June 2005 and for the year ended 31 December 2004 into U.S. dollars at the rates of U.S.$1.00 = KZT131.19 and U.S.$1.00 = KZT136.07, respectively and the summary balance sheet information as at 30 June 2005 and 31 December 2004 at the rates of U.S.$1.00 = KZT135.26 and U.S.$1.00 = KZT130.00. See "Exchange Rates and Exchange Controls".

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

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, retail, insurance and investment banking business and 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 might affect such forward-looking statements include, amongst other things:

- overall economic and business conditions;
- the demand for the Bank's services;
- competitive factors in the industries in which the Bank and its customers compete;
- changes in government regulation;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions, including foreign currency;
- 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'', ''Description of Business'' 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.

Neither the Bank nor the Issuer undertakes any obligation to publicly update or publicly 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, the Issuer or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

ADDITIONAL INFORMATION

Neither the Issuer nor the Bank is required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). For so long as either the Issuer or the Bank is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer or the Bank will, upon request, furnish to each holder or beneficial owner of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Rule 144A Notes under the Securities Act, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

RESPONSIBILITY STATEMENT

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

All statistical information in this Prospectus under the headings "Management's Discussion and Analysis of Results of Operations and Financial Condition – Kazakhstan's Economy" and "The Banking Sector in Kazakhstan" has been extracted from publications released by the NBK and the NSA. There is not necessarily any uniformity of view among such sources as to such information provided herein. The Issuer and the Bank accept responsibility for accurately reproducing such extracts and as far as each of them is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

TABLE OF CONTENTS

OVERVIEW OF THE BANK

The following overview highlights significant aspects of the Bank's business, but prospective investors should read the entire Prospectus, including the Bank's historical audited consolidated financial statements and related notes, included elsewhere in this Prospectus before making an investment decision. Prospective investors also should carefully consider the information set forth under "Risk Factors."

The Bank

Established in 1990, Kazkommertsbank is the largest bank in Kazakhstan, measured by total assets as at 30 June 2005, providing wholesale and retail banking and other financial services. As at and for the six months ended 30 June 2005, the Bank had net income of KZT10,915 million, total assets of KZT789,253 million and shareholders' equity of KZT84,796 million.

The Bank's principal activities traditionally have been the acceptance of deposits and the provision of loans and other credit facilities in Tenge and foreign currencies. It also offers a wide range of current account-related services, such as payment facilities, debit and credit cards, collection services and retail banking.

As at 30 June 2005, in addition to its head office, the Bank had 22 branches throughout Kazakhstan and 56 settlement outlets, although the Bank intends to reduce the number of settlement outlets as part of an ongoing rationalisation programme. The Bank also has a representative office in London and a banking subsidiary in Kyrgyzstan. As at 30 June 2005, it had total customer retail deposits of KZT83,895 million, a significant increase from the KZT3,180 million in retail deposits held by the Bank at the end of 1999, and the Bank believes that it currently has the largest deposit base amongst Kazakhstan banks.

Since the end of 2002, the Bank's gross loans to individuals have grown from KZT12,234 million to KZT81,007 million as at 30 June 2005.

Through its commercial banking business, the Bank provides products and services to predominantly medium- and large-sized Kazakhstan and international corporations operating in Kazakhstan, including trade and structured finance products, project finance, e-banking and asset management services, as well as short-term credit facilities and other general banking services.

Consistent with the Bank's policy of maintaining high levels of liquidity, it typically provides loans with an average maturity of up to 18 months for its corporate clients, and provides long-term financing in accordance with current funding sources. The Bank also arranges syndicated loans to top corporate clients in Kazakhstan with foreign banks and provides financing to large corporate clients in the neighbouring countries of Russia and Kyrgyzstan. As at 30 June 2005, the Bank's total gross customer loan portfolio amounted to KZT588,136 million.

In addition to banking, the Bank offers other financial services. It is a major participant in the securities markets and the foreign currency markets in Kazakhstan. 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 products, under its general banking licence. In 2001, the Bank began to offer asset management services to its corporate and retail clients.

The Issuer

The Issuer, a wholly owned subsidiary of the Bank, was incorporated on 13 February 2001 under the laws of The Netherlands for the primary purpose of raising funds for the Bank.

Credit Ratings

The Notes will be rated by three rating agencies: Fitch Ratings ("Fitch Ratings"), Moody's Investors Service ("Moody's") and Standard and Poor's Rating Services, a division of the McGraw Hill Companies ("Standard & Poor's").

The Bank expects the credit ratings of the Notes to be as follows:

Fitch Ratings	B+
Moody's	Baa3
Standard & Poor's	B

A security credit rating is not a recommendation to buy, sell or hold the securities, and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

OVERVIEW OF THE OFFERING

The following summary is qualified in its entirety by the remainder of this Prospectus. Terms not defined herein are as defined in the Subordinated Loan set out elsewhere in this Prospectus.

Issuer of the Notes and Lender under the Subordinated Loan Agreement:	Kazkommerts Finance 2 B.V.
Borrower under the Subordinated Loan Agreement:	JSC Kazkommertsbank
Offer:	U.S.$100,000,000 Perpetual Loan Participation Notes (the "Notes")
Joint Lead Managers:	ING Bank N.V., London Branch, J.P.Morgan Securities Ltd and UBS Limited
Trustee:	J.P.Morgan Corporate Trustee Services Limited
Principal Paying Agent, Registrar, Calculation Agent and Transfer Agent:	JPMorgan Chase Bank, N.A.
Issue Date:	9 November 2005
Issue Price:	100.0 per cent. of the principal amount of the Notes
Maturity Date:	The Notes do not have a scheduled maturity date and the Subordinated Loan does not have a scheduled repayment date.
Yield:	9.20 per cent.
Form of Notes:	The Notes will be issued in registered form. Notes sold within the United States in reliance on Rule 144A under the Securities Act to qualified institutional buyers only (the "Rule 144A Notes") will initially be represented by interests in a restricted global Note in registered form (the "Rule 144A Global Note"). Notes sold outside of the United States to non U.S. persons in offshore transactions in reliance on Regulation S (the "Regulation S Notes") will initially be represented by interests in an unrestricted global Note in registered form (the "Regulation S Global Note").
Clearing Systems:	DTC (in relation to the Rule 144A Notes) and Clearstream, Luxembourg and Euroclear (in relation to the Regulation S Notes).
Initial Delivery of Notes:	On or about 9 November 2005, the Rule 144A Global Note will be deposited with a custodian for, and registered in the name of a nominee for, the Depository Trust Company and the Regulation S Global Note will be deposited with a common depositary for and registered in the name of a nominee for Euroclear and Clearstream, Luxembourg.
Denomination:	U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof.
Use of Proceeds:	The proceeds from the offering of the Notes will be used by the Issuer for the sole purpose of fully funding the U.S.$100,000,000 perpetual subordinated loan to the Borrower. The Borrower intends to use the proceeds of the subordinated loan to augment its capital base.
Limited Recourse:	The Notes will constitute the obligation of the Issuer to apply an amount equal to the proceeds from the issue of the Notes solely for the purpose of funding the Subordinated Loan pursuant to the terms of the Subordinated Loan Agreement. The Issuer will account to the holders of the Notes for amounts equivalent to those (if any) received from the Borrower under the Subordinated Loan Agreement, in each case less any amounts withheld in respect of the Reserved Rights (as defined in "Terms and Conditions of the Notes – Security").

Interest on the Notes:	Subject to the Mandatory Interest Suspension (see below), on each Interest Payment Date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement.
Interest under the Subordinated Loan:	Subject to the Mandatory Interest Suspension (see below), the Borrower will, on each Interest Payment Date, pay interest in Dollars to the Lender in arrear on the principal amount of the Subordinated Loan at the rate of 9.20 per cent. per annum (the "Initial Interest Rate") from and including the Closing Date to, but excluding the Interest Payment Date falling on 9 November 2015 (the "Reset Date") and, thereafter, at a rate (the "Floating Interest Rate") which is for any Interest Period the sum of (i) the London inter-bank offered rate for three-month deposits of U.S. dollars determined as provided in the Subordinated Loan Agreement for that Interest Period and (ii) 6.1905 per cent. (the "Reset Margin"). Up to but excluding the Reset Date, interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed and thereafter, interest will be calculated on the basis of the actual number of days in the relevant Interest Period divided by 360. Interest will continue to accrue on overdue interest or principal at the same rate per annum up to the maximum extent permitted by applicable law. The Floating Interest Rate applicable to any Interest Period shall be determined by the Calculation Agent on the second London Business Day (the "Interest Determination Date") immediately preceding the relevant Interest Period.
Mandatory Interest Suspension under the Subordinated Loan:	If and to the extent that, in the written opinion of the FMSA, either (i) the Borrower is, on any Interest Payment Date, or (ii) paying any interest on an Interest Payment Date would result in the Borrower, being not in compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios, the Borrower shall suspend that payment of interest by issuing a Suspension Notice (as defined below) and no interest or, as the case may be, less than the full interest amount (being an amount that could be paid without resulting in non-compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios, as the case may be) shall be due and payable on such Interest Payment Date (a "Mandatory Suspension Date"). The Borrower shall give notice (a "Suspension Notice") to the Lender as soon as it becomes aware that an Interest Payment Date will be a Mandatory Suspension Date which notice shall include the amount (if any) of interest payable on that date and the grounds upon which such suspension has been made.
Mandatory Interest Suspension under the Notes:	The Issuer shall suspend the payment of interest otherwise due and payable to the Noteholders on an Interest Payment Date in the event that, and to the extent that, the Borrower has suspended any payment of interest in respect of such Interest Payment Date and served a Suspension Notice (as defined in the Subordinated Loan Agreement) to that effect pursuant to Clause 4.3 of the Subordinated Loan Agreement.
Optional Repayment by the Borrower under the Subordinated Loan:	The Borrower shall be entitled, at its option, to repay the Loan in whole, but not in part, on any Interest Payment Date from and including the Interest Payment Date falling on 9 November 2015 (the "Optional Repayment Date") at an amount equal to the principal amount of the Loan together with interest which has accrued up to, but excluding, the date on which the Borrower exercises any repayment right hereunder together with any Additional Amounts then payable (the "Par Repayment

	Amount") on giving not less than 30 nor more than 60 days' prior notice to the Lender provided that the payment by the Borrower of such Par Repayment Amount on the Optional Repayment Date will not result in the Borrower's non-compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios and will be subject to the written consent of the FMSA unless such prior approval is no longer required.
Early Redemption and Redemption for Tax Reasons under the Notes:	If the Subordinated Loan should become repayable (and be repaid) pursuant to Clauses 5.1 (*Optional Repayment for the Borrower*) or 5.2 (*Repayment for Tax Reasons*) of the Subordinated Loan Agreement, upon giving not less than 15 nor more than 60 days' written notice, all Notes will thereupon become due and redeemable or repayable at par together with accrued interest and any Additional Amounts (as defined in the Subordinated Loan Agreement) and (subject to the Subordinated Loan being repaid together with accrued interest and any Additional Amounts) shall be redeemed or repaid.
Repayment for Tax Reasons under the Subordinated Loan:	If, as a result of the application of or any amendment or clarification to, or change (including a change in interpretation or application) in, or determination under, the double tax treaty between Kazakhstan and The Netherlands or the laws or regulations (including a holding by a court of competent jurisdiction) of Kazakhstan or The Netherlands or of any political sub-division thereof or any authority therein having power to tax or the enforcement of the security provided for in the Trust Deed, which change or amendment becomes effective on or after 7 November 2005, the Borrower would thereby be required to increase the payment of principal or interest or any other payment due hereunder in excess of the Additional Amounts which the Borrower is liable to pay as of 9 November 2005 (a "Tax Event"), and in any such case such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower will have the right (without premium or penalty), on any Tax Repayment Date upon not less than 30 nor more than 60 days' prior notice to the Lender to repay the Loan in whole (but not in part) on the next Tax Repayment Date at the Par Repayment Amount.
Capital Payment Stopper under the Subordinated Loan:	The Borrower agrees that, beginning on the day on which it gives a Suspension Notice and continuing until the next succeeding date for payment of interest in respect of the Loan, it shall not: (i) declare or pay any dividend or other payment in respect of its share capital (other than with respect to statutory or mandatory rights to receive such dividends or payments in respect of preference shares); (ii) redeem, repurchase or otherwise acquire any of its share capital; or (iii) make a proposal to its shareholders, vote, and shall procure that no vote is cast by any of its Subsidiaries, in favour of any of the declarations, payments, redemptions, repurchases or acquisitions described in (i) and (ii) above.
Events of Default under the Subordinated Loan:	The Lender may give notice to the Borrower that the Loan is, and it shall accordingly become, immediately due and repayable (subject to the prior written approval of the FMSA, unless such prior approval is no longer required on the relevant date) at the Par Repayment Amount, if any of the following events (each an "Event of Default") shall have occurred and, in the case of (i) and (ii) only, be continuing:

(i) *Failure to Pay*

The Borrower fails to pay within ten days any principal amount in the event of repayment pursuant to Clause 5 (Repayment) of the Subordinated Loan Agreement as and when such amount becomes payable in the currency and in the manner specified herein or any interest amount (except where interest is not paid by reason of the Mandatory Interest Suspension pursuant to Clause 4.3 (Mandatory Interest Suspension) of the Subordinated Loan Agreement);

(ii) *Winding-up*

(a) the Borrower seeks or consents to the introduction of proceedings for its liquidation or the appointment of a liquidation committee or a similar officer of the Borrower;

(b) the shareholders of the Borrower approve any plan of dissolution, administration or winding-up of the Borrower; or

(c) a court of competent jurisdiction passes a resolution or an order for the winding-up of the Borrower otherwise than pursuant to a consolidation, amalgamation, merger or reconstruction, the terms of which have been approved in advance in writing by the Lender,

(each event set out in (a) to (c) above, a "Winding-Up Event" and together, the "Winding-Up Events"); or

(iii) *Breach of Capital Payment Stopper*

The Borrower breaches any of the provisions described in Clause 4.4(i), (ii) or (iii) of the Subordinated Loan Agreement.

Enforcement under the Notes: The Trust Deed provides that, in the case of an Event of Default (as defined in the Subordinated Loan Agreement) or of a Relevant Event (as defined in the Trust Deed), the Trustee may, and shall, if requested to do so by Noteholders holding one-quarter in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, declare all amounts payable under the Subordinated Loan Agreement by the Borrower to be immediately due and payable (in the case of an Event of Default) or enforce the security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Subordinated Loan following an Event of Default and a declaration as provided in the Trust Deed, the Notes will be redeemed or repaid and thereupon shall cease to be outstanding. The Issuer and the Trustee have no right to accelerate payments under the Subordinated Loan Agreement without the prior written approval of the FMSA, (unless such prior approval is no longer required).

Certain Covenants: The Trust Deed contains certain covenants, including, without limitation, covenants with respect to the following matters:

(i) limitation on the Issuer conducting other business; and

(ii) limitation on the Issuer issuing further Notes, unless such further Notes are secured on assets other than the Subordinated Loan and include limited recourse terms. See "Terms and Conditions of the Notes – Further Covenants."

Status of Notes:	The Notes will constitute senior, secured, limited recourse obligations of the Issuer that rank *pari passu* and rateably without any preference among themselves, all as described in "Terms and Conditions of the Notes-Status and Limited Recourse".
Withholding Tax on Notes:	All payments by the Issuer under the Notes will be made without the imposition of any Dutch withholding taxes. In the event that the Issuer is obligated to deduct or withhold tax the Issuer shall make such additional payments as shall result in receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been made, subject to the Issuer receiving equivalent sums from the Borrower under the Subordinated Loan Agreement.
Governing Law:	The Notes, the Trust Deed and the Subordinated Loan Agreement will be governed by, and shall be construed in accordance with, English law.
Listing:	Application has been made to the Financial Services Authority for the Notes to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.
Selling Restrictions:	The offering and sale of Notes is subject to all applicable selling restrictions, including, without limitation, those of the United States, the United Kingdom, the European Economic Area and Kazakhstan. See "Subscription and Sale".
Investment Considerations:	Prospective investors should carefully consider the information under "Risk Factors" in conjunction with the other information contained in this Prospectus.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Potential investors should carefully review the entire Prospectus and in particular should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. These risk factors, individually or collectively, could have a material adverse effect on the Issuer's or the Bank's, or the Group's respective business, operations and financial condition and/or the rights under the Notes of the holders of the Notes.

Risks Relating to the Issuer

The Issuer is a finance subsidiary of the Bank without independent operations or revenues.

Risks Relating to the Bank

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

The Bank's net loan portfolio increased by 74.8 per cent. in 2004 and was KZT494.9 billion as at the end of that year compared to KZT283.1 billion a year earlier. In the first six months of 2005, the net loan portfolio increased by 11.7 per cent. compared to the net loan portfolio in the year ended 31 December 2004. The significant 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. Growth rates such as those recently experienced by the Bank also require the Bank to attract and retain a significant number of qualified personnel and to train new personnel appropriately, not only to monitor asset quality but also to ensure access to appropriately flexible funding sources. Furthermore, the development of relatively new products such as fixed rate mortgages and financing packages for SMEs require not only credit assessment skills and personnel, but also appropriate risk management systems, some of which were only recently introduced in the Bank. 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 results of operations and financial condition.

Concentration in the Bank's loan portfolio subjects it to risks from default by its largest borrowers.

The Bank will seek to continue to diversify its portfolio and reduce concentrations in its lending. As at 30 June 2005, the Bank's top 20 borrowers comprised 28.0 per cent. of its gross loan portfolio compared to 26.5 per cent. as at 30 June 2004. As at 31 December 2004, the Bank's top 20 borrowers comprised 24.8 per cent. of its gross loan portfolio compared to 30.3 per cent. as at 31 December 2003 and 33.4 per cent. as at 31 December 2002. Despite the growing diversity of its portfolio, 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 could have a material adverse effect on the Bank's business, liquidity, results of operations and financial condition.

The lack of statistical, corporate and financial information in Kazakhstan may decrease the accuracy of the Bank's assessments of credit risk.

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors and companies within it, 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. 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 market 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 decrease the accuracy of the Bank's assessments of credit risk.

The Bank, in cooperation 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 competition from both domestic and foreign banks. As at 30 June 2005, there were 36 banks, excluding the NBK, in Kazakhstan, of which 14 were banks with foreign ownership, including subsidiaries of foreign banks. Although the Bank believes that it is well positioned to compete in the Kazakhstan banking sector due to its relatively large capitalisation and asset base, relatively low-cost deposit base and diversified client base, the Bank faces competition from a number of existing and prospective participants in the Kazakhstan banking sector.

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.

In September 1995, the NBK introduced strict rules and prudential requirements for the operations and the capital adequacy of banks. In addition, the NBK has adopted an institutional development plan for leading Kazakhstan banks, including the Bank. According to the plan, banks are required to prepare their accounts in accordance with IFRS and to start to apply the principals of the Basle Accord within a period determined by the NBK on a case-by-case basis. Banks are also required to join a bank-funded deposit insurance scheme and be audited annually by a public accountancy firm approved by the NBK. Following legislative changes in July 2003, the FMSA was formed and as from 1 January 2004 took responsibility for most of the supervisory and regulatory functions in the financial sector which had previously been performed by the NBK. The FMSA's main task is to regulate and supervise the financial markets and financial institutions. See "The Banking Sector in Kazakhstan". 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 Notes. However, in most cases the changes in legislative and regulatory acts that substantially influence the banking sector are only made after preliminary discussions and consideration of the comments made by the Kazakhstan Financier's Association. The Kazakhstan Financier's Association is a trade representative of second tier banks and other financial institutions. In addition, the Government of Kazakhstan may implement additional regulations or policies, including with respect to taxation, interest rates, inflation, exchange controls or may otherwise take action that could have a material adverse effect on the Bank's financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

Notwithstanding regulatory standards in Kazakhstan, which are high relative to other CIS countries, 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 "— Risks relating to Kazakhstan — Kazakhstan's legislative and regulatory framework is less developed than in many Western countries".

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

In 2001, the Basle Committee issued a proposal for a new capital adequacy framework to replace the Basle Accord. With regard to the risk weightings to be applied to banks' credit exposures, the Basle 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 results of operations and financial condition.

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

The Bank's growth and development 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, 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 that 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.

Risks 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 only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

The Bank is subject to general political and regional risks.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the 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 has been marked by political uncertainty and tension, a recessionary economy marked by high inflation and instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free-market economy through privatisation of state enterprises and deregulation, and is more advanced in this respect than most other countries of the CIS. However, as with any transition economy, such reforms and other reforms described elsewhere in this Prospectus may not continue or such reforms may not achieve all or any of their intended aims.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, steel, copper and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. In January 1995, Kazakhstan, Russia, Kyrgyzstan and Belarus, joined by Tajikistan in 1999, signed a customs union which, amongst other things, provides for the removal of trade tariffs between these nations, and Kazakhstan has taken other steps to promote regional economic integration. Government policy advocates further economic integration within the CIS, one of the aims of which is to assure continued access to export routes. However, should access to these routes be materially impaired, this could adversely impact the economy of Kazakhstan.

Like other countries in Central Asia, Kazakhstan could be affected by continued military operations taken in Afghanistan by the United States and an international coalition in response to the September 2001 terrorist attacks in the United States. In addition, the continuation of military operations by a United States and British-led coalition in Iraq could also affect the world economy and the political stability of other countries. In particular, countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and oil products, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil 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.

The Bank is subject to macroeconomic conditions and exchange rate policies in Kazakhstan and in regional countries.

Since Kazakhstan is heavily dependent upon export trade and commodity prices, it was particularly affected by the Asian financial crisis in early 1998 and by the Russian crisis later that year, both of which exacerbated the problems associated with falling commodity prices. Because Kazakhstan is negatively affected by low commodity prices and economic instability elsewhere in the world, the Government of Kazakhstan has promoted economic reform, inward foreign investment and the diversification of the economy. Notwithstanding these efforts, however, low commodity prices and weak demand in its export markets may adversely affect Kazakhstan's economy in the future.

The Government of Kazakhstan began implementing market-based economic reforms in 1992, including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment, particularly in the oil and gas sector, and the introduction of an extensive legal framework. Despite uneven progress in this regard, Kazakhstan has experienced extensive economic transformation over the last ten years. Since mid-1994, the Government of Kazakhstan 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, while gross domestic product, or GDP, fell in 1998 by 1.9 per cent. in the aftermath of the Asian and Russian financial crises, it began to rebound in 1999 following the flotation of the Tenge in April of that year and increased by 2.7 per cent. in real terms over the course of the full year. According to the NSA, GDP continued to grow in real terms, increasing 9.5 per cent. in 2002, 9.2 per cent. in 2003 and 9.4 per cent. in 2004. There was a 9.1 per cent. increase in real GDP between the end of June 2005 and the end of June 2004.

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. However, depressed export markets in 1998 and early 1999 caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the authorities instituted a number of expenditure cuts and took revenue increasing measures and, in April 1999, the NBK floated the Tenge. The Tenge fell by 64.6 per cent. against the U.S. dollar in the year ended 31 December 1999, compared to a decline of 10.7 per cent. in the year ended 31 December 1998. The Tenge has been generally stable against the U.S. dollar during 2001 and 2002 with an annual depreciation of between 3.3 per cent. and 3.8 per cent. In 2003 and 2004, the Tenge strengthened against the U.S. dollar and appreciated by 7 per cent. and 10 per cent. respectively. According to the NBK, during the first half of 2005, the Tenge depreciated by 4 per cent. against the U.S. dollar.

While the NBK has stated that it has no plans to resume a managed exchange rate policy, the NBK's exchange rate policy may change in the future and any subsequent decision to support the exchange rate could have an adverse impact on Kazakhstan's public finances and economy.

The Bank's business is dependent upon the continuation of market-based economic reforms in Kazakhstan.

The need for substantial investment in many enterprises has driven the Government of Kazakhstan's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government of Kazakhstan, although major privatisations in key sectors have taken place, such as full or partial sales of large oil and gas producers, mining companies and the national telecommunications company. However, there remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the amount of non-cash transactions in the economy and the size of the black market adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government of Kazakhstan has stated that it intends to address these problems by improving bankruptcy procedures, the business infrastructure and tax administration and by continuing the privatisation process. Implementation of these measures, however, may not happen in the short-term and any positive results of such actions may not materialise until the medium-term, if at all.

Kazakhstan's legislative and regulatory framework is less developed than in many Western countries.

Although a large volume of legislation has come into force since early 1995, including a revised tax code, laws relating to 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 at an early stage of development compared to countries with established market economies. In addition, judicial and Government officials in Kazakhstan may not be fully independent of outside social, economic and political forces and there have been instances of improper payments being made. Court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. 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, making it difficult for companies to ascertain whether they are liable to additional taxes, penalties and interest. As a result of these ambiguities, as well as a lack of an established system of precedent or consistency in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system. In May 2004, the Bank received an assessment in respect of additional tax which it is disputing. See "Management's Discussion and Analysis of Results of Operations and Financial Condition – Results of Operations for the Year ended 31 December 2004 Compared to the Year ended 31 December 2003 – Taxation". The Government of Kazakhstan has stated that it believes in continued reform of corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, the Government of Kazakhstan may not continue such 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.

Risks Relating to an Investment in the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In Particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Uncertainties surrounding Kazakh Prudential Capital Regulations (the "Capital Regulations") may lead to a suspension of interest payments

With respect to regulatory capital for banks, the concept of subordinated debt is relatively new in Kazakhstan, and the rules governing subordinated debt and Tier 1 Capital, in particular, may be subject to further review, clarification and development. In particular, the Capital Regulations in relation to Tier 1 Capital have not yet formally entered into force and are currently rudimentary as compared with regulatory capital legislation enacted in other jurisdictions, which could lead to uncertainty and a lack of clarity in the interpretation and application of such regulations. Furthermore, the Capital Regulations do not currently address certain concepts relating to Tier 1 Capital, which are generally accepted as standard in the world's more developed financial markets, and which are contained in the Subordinated Loan Agreement.

There is a risk either that the interpretation of such capital treatment could change or that the Capital Regulations when adapted could differ from those in draft form at the date of this Prospectus or that they could be subsequently amended or clarified. As a result, the Borrower could lose the regulatory capital treatment granted to the Subordinated Loan Agreement. Further, the Capital

Regulations provide that if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios required to be maintained under the Capital Regulations shall be deemed to be not satisfied, irrespective of the actual position. If this becomes applicable to the Bank, even through inadvertent error, interest payments on the Loan could be suspended.

Repayment of the Subordinated Loan may require the consent of the FMSA

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

Risks associated with the nature of the Notes

As it is intended that the proceeds of the Subordinated Loan will constitute Tier 1 Capital of the Borrower on a consolidated basis for capital adequacy purposes, such proceeds will be available to absorb losses of the Borrower. Such loss absorption could result in adverse consequences for Noteholders, including non-payment of interest on the Notes.

Suspension of Interest Payments and Interest not Cumulative

In certain circumstances, the Issuer may, subject to the imposition of a dividend and capital payments stopper on the Borrower pursuant to the terms of the Subordinated Loan Agreement, elect to suspend payment of interest on the Notes. If the Issuer does suspend the payment of any interest on the Notes, that interest will cease to be payable and all claims thereto will be irrevocably cancelled forthwith. Interest payable on the Notes is not cumulative.

Perpetual nature of the Notes

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

No Voting Rights

The Notes do not give Noteholders the right to vote at shareholders' meetings.

Noteholders may be bound by the decision of other holders notwithstanding that they were not present at the meeting

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined percentages of Noteholders to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a contrary manner.

Payments of interest to individuals within a Member State of the EU could be subject to taxation under EC Council Directive 2003/48/EC

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

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

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

Although application may be made to list the Notes on the London Stock Exchange, there is no prior market for the Notes.

An active trading market in the Notes may not develop or be maintained after any listing. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile.

In recent years stock markets have experienced significant price fluctuations. These fluctuations often were unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan. In the last quarter of 1997, certain markets in Southeast Asia experienced significant financial turmoil that had a ripple effect on other emerging markets. In August 1998, the government of the Russian Federation declared a moratorium on the payment of certain debt obligations of Russian entities and forced a restructuring of certain short-term domestic sovereign instruments. Although this moratorium expired in November 1998, the economic and financial situation in Russia remains uncertain and events may occur which would cause volatility of the sort which occurred in world-wide financial markets in 1997 and 1998. Any such volatility may adversely affect the liquidity of the market for, or price of, the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes when the interest rate is set at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Enforceability of judgments

Kazakhstan's courts will not enforce any judgment 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. Each of Kazakhstan and the United Kingdom are parties to the 1958 New York convention on Recognition and Enforcement of Arbitral Awards (the "Convention"), and, accordingly, an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions of enforcement set out in the Convention are met. See "Enforceability of Judgments".

Uncertainties surrounding the enforcement of security rights under Netherlands law

Under Netherlands law, any rights of a company, which come into existence or are acquired by such company after it is declared bankrupt (*failliet verklaard*) or granted a (provisional) moratorium of payment ((*voorlopige*) *surséance van betaling*) cannot be validly disposed of without the cooperation of the trustee in bankruptcy (in the case of a bankruptcy) or the administrator (in the case of a moratorium of payment). Consequently, the Trust Deed will not create a valid charge over any rights of the Issuer purported to be charged thereby, such as rights in any amounts paid into the Issuer's bank accounts, which come into existence or are acquired by the Issuer after the Issuer has been declared bankrupt or granted a (provisional) moratorium of payment or a valid assignment of any rights of the Issuer purported to be assigned thereby which come into existence or are acquired by the Issuer after it is declared bankrupt or granted a (provisional) moratorium of payment.

It is uncertain under Netherlands law whether a lender's right to payment of interest falling due on a loan at a time in the future constitutes a right which comes into existence at the time of the granting of the loan or a right which comes into existence at the time when the interest falls due. The prevailing view in Dutch legal literature is that interest falling due at a time in the future in respect of a fixed term loan constitutes a right of the lender which comes into existence at the time of the granting of the loan and that security over the lender's rights under such a loan which is granted prior to a bankruptcy of or a (provisional) moratorium of payment to the lender will therefore attach to the interest falling due on such loan after a bankruptcy of or grant of a (provisional) moratorium of payment to the lender. However, it is unlikely that the Loan (as defined in the Subordinated Loan Agreement) will be considered a fixed term loan for these purposes after the Optional Repayment Date and there is no decisive case law on this matter. Consequently, it is not certain that the Trust Deed will create a valid charge over the Issuer's rights to interest payments which fall due under the Subordinated Loan Agreement after the Issuer has been declared bankrupt or granted a (provisional) moratorium of payment.

Enforcement of security rights against a party which has been declared bankrupt (*failliet verklaard*) or granted a (provisional) moratorium of payment ((*voorlopige*) *surseance van betaling*) may be suspended by a court for a period not exceeding four months. A holder of a security right may be prevented from enforcing its security right if such enforcement would be contrary to principles of reasonableness and fairness in the circumstances at hand.

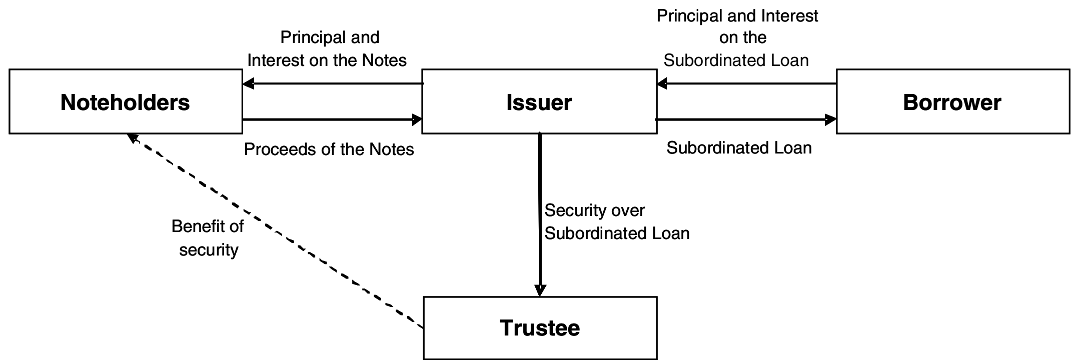
A trustee in bankruptcy (*curator*) in the bankruptcy of a Netherlands company may require a secured creditor to enforce its security right within a reasonable period of time and, if such creditor fails to do so, the trustee in bankruptcy may sell the security assets himself, without prejudice to the rights of the secured creditor to the sale proceeds, it being understood that in the event of such sale of the security assets by the trustee in bankruptcy, the secured creditor will be liable for an apportionment of the costs made by the trustee in bankruptcy for the purpose of completion of the bankruptcy proceedings or cause the release of the security assets against payment of the liabilities secured thereby and the enforcement expenses of the secured creditor, if any.

With respect to the enforcement in the Netherlands of the charge and the assignment created by the Trust Deed, it should be noted that foreign property rights may only be given effect by Netherlands courts if and to the extent that they fit in the closed Dutch system of property rights (*zakelijke rechten*). A foreign property right, such as the charge and the assignment created by the Trust Deed, will therefore be treated by a Netherlands court as the property right under Netherlands law to which it may, in light of its purport and content (*inhoud en strekking*) and with a view to the specific provision relating to enforcement which the holder of such foreign property right has invoked, be considered equivalent.

DESCRIPTION OF THE TRANSACTION

The following description should be read in conjunction with, and is qualified in its entirety by, the Terms and Conditions of the Notes and the provisions of the Subordinated Loan Agreement which are set out elsewhere in this offering memorandum.

The following diagram illustrates the structure of the transaction.



The Issuer will structure the transaction as a Subordinated Loan to the Borrower by the Issuer. The Issuer will issue the Notes, which will be limited recourse loan participation notes issued for the sole purpose of funding the Subordinated Loan to the Borrower. The Notes will be constituted by, be subject to, and have the benefit of, the Trust Deed. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and additional amounts (if any) actually received by, or for the account of, the Issuer pursuant to the Subordinated Loan Agreement less any amounts in respect of the Reserved Rights (as defined in the Terms and Conditions of the Notes). Accordingly, the obligations of the Borrower pursuant to the Subordinated Loan are of a nature which will service the payments due and payable under the Notes.

As provided in the Trust Deed, the Issuer will charge by way of first fixed charge in favour of the Trustee for the benefit of the Noteholders as continuing security for its payment obligations in respect of the Notes (the "Charge"):

- all principal, interest and other amounts payable by the Borrower to the Issuer as lender under the Subordinated Loan Agreement;
- the right to receive all sums which may be or become payable by the Borrower under any claim, award or judgment relating to the Subordinated Loan Agreement; and
- all the rights, title and interest in and to all sums of money now or in the future deposited in an account with JPMorgan Chase Bank N.A. in the name of the Issuer (the "Account") and the debts represented thereby (including interest from time to time earned on the Account, if any),

provided that the Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

In addition, the Issuer with full title guarantee will assign absolutely to the Trustee for the benefit of itself and the Noteholders all the rights, title, interest and benefits, both present and future, which have accrued or may accrue to the Issuer as lender under or pursuant to the Subordinated Loan Agreement (including, without limitation, all monies payable to the Issuer and any claims, awards and judgments in favour of the Issuer in connection with the Subordinated Loan Agreement and the right to declare the Subordinated Loan immediately due and payable, to take proceedings to enforce the obligations of the Borrower thereunder and to wind up the Borrower pursuant to sub-Clause 9.3 of the Subordinated Loan Agreement) other than any rights, title, interests and benefits which are subject to the Charge and other than the Reserved Rights and any amounts relating to the Reserved Rights. As a consequence of such assignment, the Trustee will assume the rights of the Issuer under the Subordinated Loan Agreement as set out in the relevant provisions of the Trust Deed.

The Issuer will covenant not to agree to any amendments to or any modification or waiver of, or authorise any breach of, the terms of the Subordinated Loan Agreement unless the Trustee has given its prior written consent. The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Subordinated Loan Agreement (subject to being indemnified or secured to its satisfaction by the Borrower), save as otherwise provided in the Trust Deed and except in relation to the Reserved Rights. Any amendments, modifications, waivers or authorisations made with the Trustee's consent shall be notified to the Noteholders in accordance with Condition 16 of the Terms and Conditions relating to the Notes and shall be binding on the Noteholders.

The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event as further described in the Terms and Conditions of the Notes.

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 to support the Tenge, allowing the exchange rate to float freely. As a result, the Tenge depreciated from a pre-announcement rate of KZT88 per U.S. dollar to a rate of approximately KZT130 per U.S. dollar by May 1999. Since then, the Tenge generally has continued to depreciate in nominal terms against the U.S. dollar, although it strengthened against the U.S. dollar in 2004. Whilst depreciating slightly in the first six months of 2005, the Tenge has remained relatively stable against the U.S. dollar to date in 2005.

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/U.S.$ exchange rates on the Kazakhstan Stock Exchange, as reported by the NBK:

Year ended 31 December	Period end	Average(1)(2)	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				
January	130.37	130.09	130.64	129.98
February	130.15	130.10	130.59	129.83
March	132.59	130.44	132.59	129.88
April	131.61	131.38	132.55	130.45
May	132.49	131.38	132.49	130.28
June	135.26	133.79	136.00	131.39
July	135.84	135.59	136.12	134.41
August	135.25	135.47	135.89	135.05
September	133.89	134.31	135.35	133.89

(1) The average of the middle rate reported by the NBK on each day during the relevant period.
(2) For the six months ended 30 June 2005, the average rate was KZT131.19.

The middle KZT/U.S. dollar exchange rate on the Kazakhstan Stock Exchange, as reported by the NBK on 12 October 2005 was 133.74/1.00.

The inclusion of these exchange rates is not meant to suggest that the Tenge amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all.

Exchange Controls

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

Kazakhstan recently significantly liberalised its foreign exchange regulations. Since May 2003 a licence has not been needed for a resident of Kazakhstan to invest in foreign investment-grade securities or to acquire more than 50 per cent. of the voting interests in a company incorporated in any OECD country or for an individual to open an account with a bank rated not below A by Standard & Poor's and incorporated in an OECD country or for banks based in Kazakhstan to make loans to non-residents. The NBK intends further to liberalise licensing rules in the next few years.

USE OF PROCEEDS

The Issuer will lend the proceeds it receives from the Notes to the Bank on a subordinated basis. The Bank will use the proceeds from such a subordinated loan to augment its capital base.

CAPITALISATION

The following table sets forth the Bank's unaudited consolidated capitalisation as at 30 June 2005. This information should be read in conjunction with ''Management's Discussion and Analysis of Results of Operations and Financial Condition''.

	As at 30 June 2005	
	(U.S.$ thousands) (Unaudited)[1]	(KZT millions) (Unaudited)
Liabilities:		
Senior long-term debt[2]	2,081,128	281,493
Subordinated long-term debt[3]	198,610	26,864
Total liabilities	2,279,738	308,357
Equity:		
Common shares	27,725	3,750
Preference shares	9,238	1,250
Share capital	36,963	5,000
Share premium	165,179	22,342
Fixed assets valuation reserve	11,380	1,539
Retained earnings	366,975	49,637
Minority interest	46,414	6,278
Total equity	626,911	84,796
Total capitalisation	2,906,649	393,153

(1) See ''Presentation of Financial and Other Information'' for information as to the U.S. dollar/Tenge exchange rate used to calculate U.S. dollar amounts and see ''Exchange Rates and Exchange Controls'' for historical exchange rate data.

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

(3) In December 2002, the Bank registered an issue of KZT7.5 billion 8 per cent. subordinated notes due 2009. As at 30 June 2005, the Bank had sold U.S.$27.4 million of these notes primarily to pension funds on the domestic market. Subordinated long-term liabilities also include U.S.$ 0.4 million domestic subordinated notes due 2007 and U.S.$19.8 million of 11 per cent. subordinated notes due 2007. In March 2005 the Bank issued U.S.$51 million 7.5 per cent. domestic subordinated notes due 2005. Subordinated long-term debt also includes a subordinated loan from Citigroup Global Markets Deutschland AG & Co. KgaA in the amount of U.S.$100 million which is repayable in 2014 and was funded by an issue of 7.375 per cent. Subordinated Loan Participation Notes due 2014.

As at 30 June 2005, the Bank's authorised share capital was KZT5 billion, consisting of 500 million shares with a nominal value of KZT10 each, of which 375 million are common voting shares and 125 million are non-voting preference shares. As of the same date, the Bank's issued and paid-in share capital was KZT4,999,554,600, comprising 374,997,700 common voting shares and 124,957,760 non-voting preference shares. Each preference share entitles the holder to a fixed annual dividend of U.S.$0.04. If such dividends are not paid, holders of preference shares are entitled to one vote per share voting together with the common shares as a class until all accrued and payable dividends are paid in full. None of the preference shares are convertible into common shares.

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

SELECTED CONSOLIDATED FINANCIAL DATA

The following table contains summary historical financial information derived from the Bank's audited consolidated financial statements as at and for the years ended 31 December 2004, 2003 and 2002. The summary information as at and for the six months ended 30 June 2005 and 2004 is extracted from the unaudited condensed consolidated interim financial statements prepared by the Bank. Investors should not rely on interim results as being indicative of results the Bank may expect for the full year. The Bank's 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 summary income statement information for the six months ended 30 June 2005 and for the year ended 31 December 2004 into U.S. dollars at the rates of U.S.$1.00 = KZT131.19 and U.S.$1.00 = KZT136.07, respectively and the summary balance sheet information as at 30 June 2005 and 31 December 2004 at the rates of U.S.$1.00 = KZT135.26 and U.S.$1.00 = KZT130.00, respectively.

Prospective investors should read the following summary consolidated financial and other information in conjunction with the information contained in "Capitalisation", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "Selected Statistical and Other Information" and the Bank's consolidated financial statements and condensed consolidated interim financial statements and the related notes thereto appearing elsewhere in this Prospectus.

	For the six month period ended 30 June			For the year ended 31 December			
	2005	2005	2004	2004	2004	2003	2002
	(U.S.$ thousands) (Unaudited)	(KZT millions) (Unaudited)		(U.S.$ thousands) (Unaudited)	(KZT millions) (Audited)		
Income Statement:							
Interest income	288,351	37,829	23,815	404,223	55,003	35,106	24,501
Interest expense	(147,008)	(19,286)	(11,660)	(192,899)	(26,248)	(18,624)	(11,258)
Net interest income before provisions for loan losses	141,343	18,543	12,155	211,324	28,755	16,482	13,243
Provision for loan losses	(47,127)	(6,183)	(5,365)	(82,469)	(11,222)	(5,887)	(7,342)
Net interest income	94,216	12,360	6,790	128,854	17,533	10,595	5,901
Net gain/(loss) on trading securities	1,301	171	(225)	163	22	(317)	936
Net gain on foreign exchange operations	6,268	822	964	11,442	1,557	1,600	1,207
Fee and commission income	42,360	5,557	4,611	76,358	10,390	8,400	5,792
Fee and commission expenses	(3,881)	(509)	(742)	(14,341)	(1,951)	(1,334)	(1,126)
Net gain/(loss) from investment securities	—	—	9	143	19	(47)	3,916
Dividends received	76	10	14	111	15	382	447
Other income	6,439	845	496	14,425	1,963	1,239	433
Net non-interest income	52,563	6,896	5,127	88,300	12,015	9,923	11,605
Operating income	146,779	19,256	11,917	217,154	29,548	20,518	17,506
Operating expenses	(46,849)	(6,146)	(4,402)	(69,898)	(9,511)	(8,969)	(7,956)
Operating profit	99,930	13,110	7,515	147,256	20,037	11,549	9,550
Provision for losses on other operations	(6,716)	(881)	124	(5,303)	(722)	(270)	(1,327)
Income/(expenses) from associates	761	99	(15)	92	13	(20)	34
Profit before taxation and minority interest	93,975	12,328	7,624	142,045	19,328	11,259	8,257
Income tax expense	(10,772)	(1,413)	(1,962)	(70,354)	(9,573)	(2,092)	(276)
Net profit before minority interest	83,203	10,915	5,662	71,691	9,755	9,167	7,981
Minority interest	(5,915)	(776)	(397)	(7,832)	(1,066)	(406)	(2)
Net profit	77,288	10,139	5,265	63,859	8,689	8,761	7,979

	As at 30 June			As at 31 December			
	2005	2005	2004	2004	2004	2003	2002
	(U.S.$ thousands) (Unaudited)	(KZT millions) (Unaudited)		(U.S.$ thousands) (Unaudited)	(KZT millions) (Audited)		
Balance Sheet:							
Assets:							
Cash and balances with the national (central) banks	146,507	19,817	17,309	509,945	66,293	28,485	19,395
Precious metals	—	—	—	—	—	300	—
Loans and advances to banks less allowance for loan losses	1,049,371	141,938	27,701	321,797	41,834	38,583	43,451
Trading securities	382,171	51,693	81,431	575,229	74,780	71,201	21,279
Securities purchased under agreements to resell, less allowance for losses	77,191	10,441	9,004	64,634	8,402	2,608	2,267
Derivative financial instruments	2,742	371	36	153	20	15	7
Loans to customers, net	4,085,886	552,657	377,245	3,807,158	494,931	283,062	175,249
Securities available for sale	240	32	64	3,759	489	138	5,539
Securities held to maturity	320	43	76	494	64	32	17
Investments into associates	2,351	318	131	1,677	218	146	286
Fixed assets, less accumulated depreciation	57,385	7,762	6,083	53,854	7,001	5,868	3,448
Intangible assets, less accumulated amortization	3,575	483	414	2,965	385	436	608
Other assets, less allowance for losses	27,339	3,698	2,981	74,155	9,640	3,366	3,215
Total assets	5,835,078	789,253	522,475	5,415,820	704,057	434,241	274,761
Liabilities and Shareholders' Equity:							
Liabilities:							
Loans and advances from banks	1,245,530	168,470	83,959	1,310,241	170,331	76,222	54,663
Securities sold under agreements to repurchase	66,961	9,057	7,418	218,805	28,445	37,251	—
Derivative financial instruments	1,511	204	20	241	31	1	2
Customer accounts	1,740,312	235,395	178,059	1,521,749	197,827	151,589	141,372
Debt securities issued	1,730,885	234,120	162,611	1,598,775	207,841	98,233	30,317
Other borrowed funds	102,116	13,812	2,715	34,338	4,464	3,525	4,651
Dividends payable	4,063	550	324	3	1	1	1
Other liabilities	114,988	15,553	9,597	99,187	12,894	8,403	5,548
Subordinated debt	201,801	27,296	22,147	149,598	19,448	8,733	6,060
Total liabilities	5,208,167	704,457	466,850	4,932,937	641,282	383,958	242,614
Minority interest	46,414	6,278	4,853	42,062	5,468	4,705	81
Shareholders' Equity:							
Share capital	36,963	5,000	4,019	32,286	4,197	4,019	3,500
Share premium	165,179	22,342	9,454	90,403	11,752	9,453	5,473
Fixed assets revaluation reserve	11,380	1,539	774	10,102	1,313	570	7
Retained earnings	366,975	49,637	36,525	308,030	40,044	31,537	23,086
Total shareholders' equity	580,497	78,518	50,772	440,821	57,307	45,579	32,066
Total liabilities and shareholders' equity	5,835,078	789,253	522,475	5,415,820	704,057	434,241	274,761

	As at or for the six month period ended 30 June		As at or for the year ended 31 December		
	2005	2004	2004	2003	2002
Combined Key Ratios:					
Return on average shareholders' equity[1] [2]	29.9%	21.9%	16.9%	22.6%	28.2%
Net earnings per common share (in KZT)	25.6	13.2	24.3	25.9	25.9
Operating expenses/operating income before provisions for loan losses	24.2%	25.5%	23.3%	34.0%	32.0%
Operating expenses/operating income after provisions for loan losses	31.9%	36.9%	32.2%	43.7%	45.4%
Effective provisioning rate on customer loans	6.0%	6.1%	5.7%	6.3%	7.4%
Profitability Ratios:[3]					
Net interest margin (i.e., net interest income before provisions for loan losses as a percentage of average interest-earning assets)[2][3]	5.7%	5.7%	6.1%	5.2%	7.2%
Net interest income after provisions for loan losses as a percentage of average interest-earning assets[2][3]	3.8%	3.2%	3.7%	3.3%	3.2%
Operating expenses as a percentage of net interest income before provisions for loan losses	33.1%	36.2%	33.1%	54.4%	60.1%
Operating[2][3] expense as a percentage of average total assets	1.8%	1.9%	1.8%	2.6%	3.8%
Profit after taxation as a percentage of average total assets[2][3]	3.1%	2.4%	1.9%	2.6%	3.8%
Profit after taxation as a percentage of average shareholders' capital	31.0%	21.4%	16.8%	22.9%	27.6%
Balance Sheet Ratios:					
Deposits as a percentage of total assets	29.8%	34.1%	28.1%	34.9%	51.5%
Total net loans to customers as a percentage of total assets	70.0%	72.2%	70.3%	65.2%	63.8%
Total equity as a percentage of total assets	10.7%	10.6%	8.9%	11.6%	11.7%
Liquid assets as a percentage of customer accounts[4]	88.4%	71.2%	89.4%	82.9%	61.2%
Liquid assets as a percentage of liabilities of up to one month	168.8%	108.3%	103.7%	111.1%	131.1%
Capital Adequacy Ratios:[5]					
Total capital	16.6%	16.9%	15.0%	16.4%	16.4%
Tier 1 Capital	11.1%	11.2%	10.6%	13.5%	14.0%
Credit Quality Ratios:[6]					
Non-performing loans as a percentage of total loans	2.3%	1.4%	1.5%	0.8%	1.2%
Non-performing loans as a percentage of total loans and guarantees	2.1%	1.2%	1.3%	0.7%	1.0%
Provisions for loan losses as a percentage of non-performing loans	257.9%	442.7%	380.6%	777.4%	606.2%
Macroeconomic Data:					
Consumer Price Inflation (for the twelve months then ended)	3.5	2.4	6.7	6.8	6.6
Real GDP (change during the year)	9.1	9.1	9.4	9.2	9.5

(1) Calculated based on average opening and closing balances for the period.
(2) Annualised.
(3) Averages are based upon average daily balances.
(4) Liquid assets include cash and assets with the NBK, loans and advances to banks (with maturities of less than one month), trading securities and securities purchased under agreements to resell.
(5) Calculated in accordance with the Basle Accord, as currently in effect.
(6) For the definition of non-performing loans used by the Bank, see "Selected Statistical and Other Information-Non-Performing Loans and Provisioning Policy".

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

The following discussion should be read in conjunction with "Selected Consolidated Financial Data" and the Financial Statements included elsewhere in this Prospectus. This discussion includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Risk Factors" appearing elsewhere in this Prospectus.

Introduction

Established in 1990, Kazkommertsbank is the largest bank in Kazakhstan, measured by total assets as at 30 June 2005, providing corporate banking, retail banking and other financial services. As at and for the six months ended 30 June 2005, the Bank had net income of KZT10,915 million, total assets of KZT789,253 million and shareholders' equity of KZT84,796 million.

The Bank's financial statements as at and for the years ended 31 December 2004, 2003 and 2002 were prepared in accordance with IFRS. These financial statements are consolidated and, for 2004, reflect the results of operations of the Bank and its subsidiaries, JSC Kazkommerts Securities, JSC Kazkommerts Policy, JSC Kazkommertsbank Kyrgyzstan and Kazkommerts International B.V., as well as CB Moskommertsbank, which is not a subsidiary but is controlled by the Bank.

The discussion in relation to the Bank's financial statements as at and for the years ended 31 December 2004, 2003 and 2002 is, unless otherwise stated, based upon the Bank's audited consolidated financial statements as at and for the years ended on such dates. This discussion, in so far as it refers to average amounts, has been based upon an analysis of average daily balances calculated on the basis used in the Bank's IFRS financial statements.

The discussion in relation to the Bank's results of operations and financial condition for the six months ended and as at 30 June 2005 is based on the Bank's unaudited consolidated condensed interim financial statements for the six months ended and as at 30 June 2005 and 2004 which have been prepared in accordance with IFRS and are stated on a basis substantially consistent with the audited annual financial statements included elsewhere in this Base Prospectus.

Kazakhstan's Economy

Overview

Kazakhstan has been recognised by both the European Union and the United States as having a market economy. It has experienced extensive economic transformation since independence; for example, real GDP, which fell by 38.6 per cent. between 1990 and 1995, is estimated to have grown by roughly the same amount since then, assisted substantially by the flotation of the Tenge in April 1999 and its subsequent devaluation, improvement in the global economic environment and rising commodity prices over the period.

Raw minerals extraction is the biggest sector of Kazakhstan's economy which makes it largely dependent on the world market prices for mineral resources. Therefore, the main tasks facing Kazakhstan in the long-term are diversifying its economy and shifting its production toward value-added products.

Gross domestic product

The black market sector constitutes a significant portion of Kazakhstan's economy and the NSA makes adjustments to its GDP data in accordance with approved IMF practices in order to reflect this. The NSA's estimate of the size of the black market (including the household sector) has been that, at times, it has exceeded 35 per cent. of GDP.

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

	Year ended 31 December						
	2004	2003	2002	2001	2000	1999	1998
Nominal GDP (KZT millions)	5,543,000	4,449,800	3,747,200	3,250,593	2,599,902	2,016,456	1,733,264
Real GDP (percentage change during the twelve months then ended)	9.4	9.2	9.5	13.5	9.8	2.7	(1.9)
Nominal GDP per capita (KZT)	367,086	297,844	252,263	219,170	174,854	135,088	114,991
Population (millions average annual)	15.1	14.94	14.86	14.85	14.86	14.9	15.0

Source: NSA, NBK

Real GDP increases over the period are principally the result of systemic reforms (including price and trade liberalisation as well as privatisation), foreign investment (particularly in the oil and gas and non-ferrous metallurgy sectors), increases in agricultural production, strong commodity prices in recent years and the flotation of the Tenge in April 1999.

GDP by source

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

	Year ended 31 December						
	2004	2003	2002	2001	2000	1999	1998
	(per cent. share of GDP)						
Industry	10.0	29.5	29.3	30.7	31.9	28.2	24.4
Construction	11.2	6.2	6.1	5.5	5.3	4.8	4.9
Agriculture	0.1	7.3	7.9	8.7	8.7	9.9	8.6
Transportation and Telecommunications	12.2	12.1	11.5	11.2	12.0	12.0	13.9
Trade	10.4	12.1	12.0	12.1	12.6	3.6	15.2
Other(1)	43.9	32.8	33.2	31.8	29.5	31.5	33.0
Total	100	100.0	100.0	100.0	100.0	100.0	100.0

Source: NSA

(1) Includes finance and non-production sectors such as medicine, education, culture, defence and state administration, as well as taxes.

The composition of Kazakhstan's GDP has changed over recent years, with the share of agriculture decreasing and that of industry increasing by more than 50 per cent. since 1997.

The extraction and production of hydrocarbons (i.e., oil, gas and gas condensates) and minerals are the most significant industries in the Kazakhstan economy. Exports of hydrocarbons and minerals accounted for 65 per cent. of total exports in the first six months of 2004 and in the whole of 2003.

Inflation

The year-on-year rate of consumer price inflation has fallen from 1,258.3 per cent. at the end of 1994 to 6.6 per cent. as at the end of December 2004, although there have been times in the period when inflationary pressures have resumed, principally as a result of the flotation of the Tenge and rising commodity prices.

The following table sets forth the year-on-year rates of consumer price inflation and producer price inflation as at the dates indicated:

	As at 30 June	As at 31 December						
	2005	2004	2003	2002	2001	2000	1999	1998
Consumer Prices	3.5	6.6	6.8	6.6	6.4	9.8	17.8	1.9
Producer Prices	6.0	9.4	5.9	11.9	(14.1)	19.4	57.2	(5.5)

Source: NSA, NBK

Current account

Based on NBK data, Kazakhstan's current account deficit in 2003 was U.S.$39.0 million, U.S.$843.4 million in 2002 and U.S.$1,209.3 million in 2001 compared with a surplus of U.S.$563.1 million in 2000. The current account surplus in 2004 was U.S.$533 million. The current account surplus in the first six months of 2005 was U.S.$508.8 million.

Capital and financial account

The current account deficit has been offset by inflows of foreign direct investment. The capital and financial account surplus in 2000 was U.S.$1,016.5 million, resulting in a balance of payment surplus of U.S.$585.1 million. In 2001, foreign direct investment in the amount of U.S.$4,556.6 million resulted in a capital and financial account surplus of U.S.$2,428.7 million. In 2002, foreign direct investment for the year amounted to U.S.$4,106.5 million, which resulted in a capital and financial account surplus of U.S.$1,239.2 million. In 2003, foreign direct investment was U.S.$4,607 million and the capital and financial account surplus was U.S.$2,755.2 million, compared to U.S.$5,886.5 million and U.S.$2,529.1 million respectively in 2004. In the first six months of 2005, foreign direct investment was U.S.$1,841.9 million and the capital and financial account surplus was U.S.$271.6 million.

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 judgement 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 loan losses

The determination of the Bank's allowance for loan 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 loan 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 loan 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 in financial results. 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 instrument.

As at 30 June 2005 and 2004 and as at 31 December 2004, 2003 and 2002, certain securities available for sale are accounted for at fair value. Such securities are initially recorded at cost, which approximates the fair value of the consideration given. 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 the reference to the share in the estimated equity capital of the investee. If such quotes do not exist, management estimation is used.

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 2005, the Bank has issued outstanding guarantees totalling KZT25,631 million compared to KZT20,498 million as at 30 June 2004; had outstanding open letters of credit totalling KZT48,938 million compared to KZT32,637 million as at 30 June 2004; and had open forward contracts (i.e., foreign exchange, repurchase and swap transactions) totalling KZT25,819 million compared to KZT17,219 million as at 30 June 2004. As at 31 December 2004 and 2003, the Bank had issued outstanding guarantees totalling KZT22,972 million and KZT22,769 million, respectively; had outstanding open letters of credit totalling KZT41,490 million and KZT23,409 million, respectively; and had open forward contracts totalling KZT13,753 million and KZT17,193 million, respectively. 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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Contractual commitments

As at 30 June 2005, provisions for losses on contingent liabilities were KZT2,062 million, as compared to KZT1,530 million as at 31 December 2004.

The following table sets forth the commitments and contingent liabilities of the Bank in Tenge, by contractual maturity, as at 30 June 2005:

	Up to one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Guarantees	1,099	2,097	11,727	7,891	2,817	25,631
Letters of credit	20,966	7,935	16,594	3,443	—	48,938
Forward contracts	21,989	—	3,830	—	—	25,819

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.

Results of Operations for the Six Months ended 30 June 2005 Compared to the Six Months ended 30 June 2004

Net income

The following table presents the main components of the Bank's net income as at 30 June 2004 and 30 June 2005:

	Six months ended 30 June		
	2005	2004	Change
	(KZT millions)		(per cent.)
Interest income	37,829	23,815	58.8
Interest expense	(19,286)	(11,660)	65.4
Net interest income before provisions for loan losses	18,543	12,155	52.6
Provisions for loan losses	(6,183)	(5,365)	15.2
Net interest income	12,360	6,790	82.0
Net non-interest income	6,896	5,127	34.5
Operating expenses	(6,146)	(4,402)	39.6
(Provisions for)/recovery of losses on other transactions	(881)	124	(810.5)
Expenses/Income from associates	99	(15)	(760.0)
Income Before Tax	12,328	7,624	61.7
Income tax expense	(1,413)	(1,962)	(28.0)
Minority Interest	776	397	95.5
Net income before minority interest	10,915	5,662	92.8

Net income before taxes and minority interest increased 61.7 per cent. to KZT12,328 milllion for the six months ended 30 June 2005 from KZT7,624 million for the same period in 2004. The Bank's tax liability decreased by 28 per cent. over the same period to KZT1,413 million as at 30 June 2005. The Bank's net income after taxes has almost doubled (an increase of 92.8 per cent.), mainly as a result of increased net interest income.

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 2005 and 2004:

	Six months ended 30 June		
	2005	2004	Change
	(KZT millions)		(per cent.)
Interest on loans to customers	34,528	20,521	68.3
Interest on loans and advances to banks	1,275	840	51.8
Interest on debt securities	2,026	2,454	(17.4)
Total	37,829	23,815	58.8

During the first six months of 2005, total interest income increased by 58.8 per cent. (or KZT14,014 million) to KZT37,829 million from KZT23,815 million in the first six months of 2004, primarily as a result of growth in loans to customers and loans and advances to banks.

The following table sets out the average annual rate of interest earned by the Bank on loans to clients before provisions and on securities for the six months ended 30 June 2005 and 2004:

	Six months ended 30 June	
	2005	2004
	(per cent.)	
KZT loans to customers	13.9	14.4
Foreign currency loans to customers	13.4	12.6
Total loans to customers	13.5	12.9
KZT loans to banks	2.2	3.4
Foreign currency loans to banks	2.7	4.2
Total loans to banks	2.7	4.0
KZT denominated securities	3.4	5.1
Foreign currency denominated securities	11.0	7.0
Total securities	6.0	5.9

Interest income from loans to customers continued to make up the largest share in interest income, constituting 91.3 per cent. of interest income in the first six months of 2005 compared to 86.2 per cent. in the same period of 2004. Although there was only a minor increase in average interest rates from 12.9 per cent. in the first half of 2004 to 13.5 per cent. in the same period of 2005, interest income from loans to clients grew by 68.3 per cent. in this period. This growth was caused by a 62.1 per cent. (or KZT202.1 billion) increase in the average volume of loans to clients. The average volume of loans in the first six months of 2005 constituted KZT527.5 billion compared to KZT325.4 billion in the first six months of 2004.

Interest income from loans and advances to banks increased by 51.8 per cent. (or KZT435 million) to KZT1,275 million as at 30 June 2005 from KZT840 million for the six months ended 30 June 2004 despite the decrease in average annual interest rates from 4 per cent. as at 30 June 2004 to 2.6 per cent. as at 30 June 2005. This increase was due a KZT41.9 billion growth in the average gross volume of loans to banks. The average volume of loans to banks was KZT72.9 billion for the six months ended 30 June 2005 compared to KZT31.1 billion for the six months ended 30 June 2004. In the first six months of 2005, interest income from loans and funds to banks as a proportion of total interest income remained insignificant at 3.4 per cent.

Interest income from tradable securities decreased from KZT2,454 million in the first six months of 2004 to KZT2,026 million in the first six months of 2005. This decrease of 17.4 per cent. (or KZT428 million) was due to a 14.1 per cent. decrease in the average volume of the tradable securities portfolio from KZT89.8 billion as at 30 June 2004 to KZT77.2 billion as at 30 June 2005 and minor fluctuations of average yield on trade securities from 5.9 per cent. as at 30 June 2004 to 6.0 per cent. as at 30 June 2005. Interest income from trading securities as a proportion of total interest income was 5.4 per cent. for the six months ended 30 June 2005 compared to 10.3 per cent. for the six months ended 30 June 2004.

Interest Expense

The following table sets out details of the Bank's interest expense for the six months ended 30 June 2005 and 2004:

	Six months ended 30 June		
	2005	2004	Change
	(KZT millions)		(per cent.)
Interest expense on debt securities issued	10,761	5,719	88.2
Interest expense on customer accounts	4,666	3,580	30.3
Interest expense on loans and advances from banks	3,575	1,583	125.8
Interest expense on other liabilities	284	778	(63.5)
Total	19,286	11,660	65.4

Interest expense increased by 65.4 per cent. (or KZT7.6 billion) to KZT19.3 billion for the six months ended 30 June 2005 from KZT11.7 billion for the six months ended 30 June 2004. All categories of interest expense increased during this period and the share of different categories of interest expense also changed substantially. Interest expense on issued debt securities grew to 55.8 per cent. of total interest expense for the six months ended 30 June 2005 compared to 49.0 per cent. as at 30 June 2004. Interest expense on loans and advances from banks also increased to 18.5 per cent. of total interest expense as at 30 June 2005 compared to 13.6 per cent. as at 30 June 2004. In contrast, interest expense on customer accounts fell to 24.2 per cent. of total interest expense in the six months ended 30 June 2005 compared to the same period in 2004 as accounts as a proportion of the Bank's funding decreased slightly. Interest expense on other liabilities also fell to 1.5 per cent. of total interest expense in the first six months of 2005 compared to 6.7 per cent. in the same period in 2004.

Interest expense on issued debt securities increased by 88.2 per cent. (or KZT5 billion) in the first six months of 2005 compared to the same period of 2004. This increase resulted from the issuance of the U.S.$500 million 7 per cent. Notes in two tranches in November 2004 and February 2005. The average volume of issued debt securities grew by 66 per cent. to KZT219.4 billion as at 30 June 2005 from KZT132.1 billion as at 30 June 2004.

Interest expense on customer accounts increased by 30.3 per cent. to KZT4,666 as at 30 June 2005 from KZT3,580 million as at 30 June 2004. This increase was due to a 31.4 per cent. (or KZT50.5 billion) growth in the average volume of customer accounts as well as a fall in interest rates on term deposits and demand deposits. The average volume of demand deposits was KZT66.3 billion as at 30 June 2005 in comparison to KZT50.5 billion as at 30 June 2004. The average volume of term deposits was KZT144.9 billion as at 30 June 2005 in comparison to KZT110.3 billion as at 30 June 2004.

The following table sets out the average cost of the Bank's deposits for the six months ended 30 June 2005 and 2004:

	Six months ended 30 June	
	2005	**2004**
	(per cent.)	
KZT deposits:		
Time deposits	7.9	9.2
Demand deposits	0.5	0.8
Foreign currency deposits:		
Time deposits	5.2	5.4
Demand deposits	0.2	0.5

Interest expense on loans and advances from banks increased 2.3 times to KZT3,575 million for the six months ended 30 June 2005 from KZT1,583 million for the six months ended 30 June 2004. This was due to a 66.3 per cent. increase in the average volume of borrowing from banks and financial institutions and certain changes in average interest rates.

The following table contains data on the average cost of interbank borrowings in the first six months of 2005 and 2004:

	Six months ended 30 June	
	2005	**2004**
	(per cent.)	
Correspondent Accounts	0.3	2.0
Tenge	0.4	0.8
Foreign currency	0.03	4.6
Short term interbank loans	4.4	2.8
Tenge	2.5	3.6
Foreign currency	4.7	2.8
Long term loans from banks	4.5	5.0
Tenge	6.5	—
Foreign currency	4.5	5.0

Provisions for Loan Losses

Provisions for loan losses increased by 15.2 per cent. to KZT6,183 million as at 30 June 2005 from KZT5,365 million as at 30 June 2004.

The following table presents data on the Bank's provisions for loan losses for the first six months ended 30 June 2005 and 2004:

	Six months ended 30 June		
	2005	**2004**	**Change**
	(KZT millions)		**(per cent.)**
Provisions for losses on loans to clients	6,020	5,405	11.4
Provisions for losses on loans to banks	163	(40)	507.5
Total	6,183	5,365	15.2

Provisions for loan losses increased by 15.2 per cent. to KZT6,183 million as at 30 June 2005 to KZT5,365 million as at 30 June 2004, while the gross loan portfolio increased by 46.3 per cent. to KZT588.1 billion as at 30 June 2005 from KZT401.9 billion as at 30 June 2004. As a consequence, the effective rate of provisions on customer loans fell from 6.1 per cent. as at 30 June 2004 to 6.0 per cent. as at 30 June 2005. This reduction reflected the improvement in the local economy over the period as well as the overall improvement in the Bank's loan portfolio.

Average provisions for losses on loans to clients increased by 45.9 per cent. (or KZT9.8 billion) to KZT31,098 million as at 30 June 2005 from KZT21,307 million as at 30 June 2004. The increase resulted from the 62.1 per cent. (or KZT202.1 billion) growth in the average volume of loans in this period. Non-performing and overdue loans as a percentage of the average volume of loan portfolio was 3 per cent. as at 30 June 2005 compared to 2 per cent. as at 30 June 2004. For further discussion, please see "Selected Statistical and other Information; Non-Performing Loans and Provisioning Policy".

Net interest income

The following table sets out details of the Bank's net interest income in the six months ended 30 June 2005 and 2004:

	Six months ended 30 June		
	2005	**2004**	**Change**
	(KZT millions)		**(per cent.)**
Interest income	37,829	23,815	58.8
Interest expense	(19,286)	(11,660)	65.4
Net interest income before provisions for loan losses	18,543	12,155	52.6
Provisions for loan losses	(6,183)	(5,365)	15.2
Net interest income	12,360	6,790	82.0

Net interest margin (net interest income before provisions for loan losses as a percentage of average interest earning assets) remained static at 5.7 per cent. period on period. Net interest income before provisions for loan losses increased by 52.6 per cent. to KZT18,543 million as at 30 June 2005 from KZT12,155 million as at 30 June 2004. This resulted from a 51.8 per cent. growth in average interest-earning assets. Provisions for loan losses increased by 15.2 per cent. to KZT6,183 million as at 30 June 2005 from KZT5,365 million as at 30 June 2004. Provisions for loan losses as a percentage of net interest income before provisions for loan losses decreased to 33.3 per cent. as at 30 June 2005 from 44.1 per cent. as at 30 June 2004. Net interest income after deducting provisions for loan losses increased by 82 per cent. to KZT12,360 million as at 30 June 2005 from KZT6,790 million as at 30 June 2004. The ratio of net interest income to average interest-earning assets increased to 3.8 per cent. as at 30 June 2005 from 3.2 per cent. as at 30 June 2004.

Net Non-Interest Income

Net non-interest income increased by 34.5 per cent. to KZT6,896 million as at 30 June 2005 from KZT5,127 million as at 30 June 2004. This increase was primarily due to an increase in net fees and commissions and income from securities operations. The composition of net non-interest income changed slightly in the first six months of 2005 compared to the same period in 2004. Net fee income remained the main part of net non-interest income and constituted 73.2 per cent. of total net non-interest income as at 30 June 2005 compared to 75.5 per cent. as at 30 June 2004. Gains on foreign exchange operations decreased to 11.9 per cent. as at 30 June 2005 from 18.8 per cent. as at 30 June 2004. The Bank made a profit of KZT171 million from trading securities operations as at 30 June 2005 compared to a loss of KZT216 million as at 30 June 2004.

Fee and commission income increased by 20.5 per cent. to KZT5,557 million as at 30 June 2005 from KZT4,611 million as at 30 June 2004 primarily as a result of an increase in the range of banking products sold to corporate and private clients and an increase in the number of customers. The increase was also a result of the increase in the volume of general banking operations and occurred despite narrowing margins in a highly competitive domestic market. Income from credit card fees increased by 33.1 per cent., income from cashier services increased by 28.5 per cent. and fees from customers settlement services increased by 26.7 per cent. Other fees, including collection, documentary operations, foreign exchange operations and securities operations remained at KZT1.3 billion as at 30 June 2005 and 30 June 2004.

Fee and commission expenses decreased by 31.4 per cent. to KZT509 million as at 30 June 2005 from KZT742 million as at June 2004. The composition of the Bank's fee and commission expenses changed substantially during this period. 23.8 per cent. (or KZT121 million) of fee and commission expenses were paid in relation to international borrowing as at 30 June 2005, compared to 48.2 per cent. (or KZT358 million) as at 30 June 2004. This decrease was due to the reduced volume of external borrowing in the first six months of 2005 as most of the Bank's external borrowing is scheduled for the second half of 2005. Bank card fees and commission expenses constituted 40 per cent. (or KZT203 million) of all fee and commission expenses as at 30 June 2005 compared to 21.5 per cent. (or KZT160 million) as at 30 June 2004. As at 30 June 2005, commissions on letters of credit and guarantees decreased by 37.4 per cent. and commissions paid to correspondent banks decreased by 35.4 per cent. as compared to 30 June 2004. As at 30 June 2005, foreign exchange and securities related commissions increased by 9.7 per cent., commissions paid for services of the IT centre of the NBK increased by 64.9 per cent. and other commissions decreased by 32.2 per cent. as compared to 30 June 2004.

Net income from foreign exchange operations for the six months ended 30 June 2005 was KZT822 million in comparison to KZT964 million in the same period in 2004, a decrease of 14.7 per cent. The decrease can be attributed to the less significant changes in exchange rates in the first six months of 2005 (8 per cent. annualized) in comparison to the same period in 2004 (11 per cent. annualized) that has narrowed the Bank's margin on foreign exchange operations.

During the six months ended 30 June 2005, the Bank received dividends on shares held in its trading portfolio in the amount of KZT10 million in comparison to KZT14 million for the same period in 2004.

Another component of the increase in other non-interest income was an increase by 102.2 per cent. to KZT736 million as at 30 June 2005 from KZT364 million as at 30 June 2004 in insurance premiums from Kazkommerts Policy. It accounts for 10.7 per cent. of other non-interest income as at 30 June 2005 compared to 7.1 per cent. as at 30 June 2004. The Bank believes that the continuing growth of Kazakhstan's insurance market led to the growth in insurance premiums to KZT736 million as at 30 June 2005 from KZT364 million as at 30 June 2004.

Operating Expenses

The Bank continued to develop its retail network based on international standards and best practice. This involved investment in facilities, personnel, management information systems and the development and implementation of new banking products.

Operating expenses increased by 39.6 per cent. to KZT6,146 million as at 30 June 2005 from KZT4,402 million as at 30 June 2004. As a result of strict cost controls, the Bank reduced the ratio of operating expenses to operating income after provisions for loan losses from 36.9 per cent. as at 30 June 2004 to 32.2 per cent. as at 31 December 2004 and to 31.9 per cent. as at 30 June 2005. The ratio of operating expenses to average assets has also decreased from 1.9 per cent. as at 30 June 2004 to 1.8 per cent. as at 30 June 2005.

Staff costs comprised the main operating expense and accounted for 48.7 per cent. of operating expenses as at 30 June 2005 compared to 40.8 per cent. as at 30 June 2004. Staff costs increased by 66.8 per cent. to KZT2,996 million as at 30 June 2005 from KZT1,797 million as at 30 June 2004. This increase reflects an increase in the number of employees and an increase in employees' salaries as the Bank grew its retail business.

Depreciation and amortisation costs increased by 17.1 per cent. to KZT735 million as at 30 June 2005 from KZT628 million as at 30 June 2004 due to the Bank's investment in its customer service network. For example, average tangible and intangible assets in the first six months of 2005 increased by 36 per cent. as compared to the average in the same period in 2004. As a percentage of overall operating expenses, depreciation and amortisation costs decreased to 12 per cent. as at 30 June 2005 compared to 14.3 per cent. as at 30 June 2004.

Current 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 22.6 per cent. to KZT264 million as at 30 June 2005 from KZT341 million as at 30 June 2004.

Advertising expenses increased by 97.5 per cent. to KZT226 million as at 30 June 2005 from KZT115 million as at 30 June 2004.

Rental expenses increased by 29.0 per cent. to KZT227 million as at 30 June 2005 from KZT176 million as at 30 June 2004 as a result of the Bank opening new branches.

Tax paid by the Bank (not including corporate income tax and VAT) decreased by 30.3 per cent. to KZT54 million as at 30 June 2005 from KZT77 million as at 30 June 2004. VAT payments increased by 87.6 per cent. to KZT192 million as at 30 June 2005 from KZT102 million as at 30 June 2004 in line with overall operating expenses.

Taxation

The statutory corporate tax rate in Kazakhstan is 30 per cent. Tax expense decreased by 28 per cent. to KZT1,413 million for the six months ended 30 June 2005 compared to KZT1,962 million for the six months ended 30 June 2004. For the six-month period ended 30 June 2005 the effective tax expense incurred by the Bank was 11.5 per cent. compared to 25.7 per cent. for the six-month period ended 30 June 2004 following increases in tax exempt development loans by the Bank and the increased deductibility of interest expense as the Bank's equity increased. Tax expense in the first half of 2004 did not contain any accrual in respect of the tax assessment issued in May 2004 because the Bank believed the assessment to be incorrect. See "– Results of Operations for the Year ended 31 December 2005 compared to the Year ended 31 December 2004 – Taxation".

Results of Operations for the Year ended 31 December 2004 Compared to the Year ended 31 December 2003

Net income

The following table presents the main components of the Bank's net income as at 31 December 2004 and 2003:

	Year ended 31 December		
	2004	2003	Change
	(KZT millions)		(per cent.)
Interest income	55,003	35,106	56.7
Interest expense	(26,248)	(18,624)	40.9
Net interest income before provisions for loan losses	28,755	16,482	74.5
Provisions for loan losses	(11,222)	(5,888)	90.6
Net interest income	17,533	10,595	65.5
Net non-interest income	12,015	9,924	21.1
Operating expenses	(9,511)	(8,969)	6.0
Provision for losses on other transactions	(722)	(270)	167.4
Expenses/Income from associates	13	(20)	—
Income Before Tax	19,328	11,259	71.7
Income tax expense	(9,573)	(2,092)	357.6
Minority Interest	(1,066)	(4,077)	161.9
Net income before minority interest	9,755	9,167	6.4

For the year ended 31 December 2004, the Bank's net income was KZT8,689 million, an increase of 0.8 per cent. compared to the same period in 2003. This relatively low increase was primarily due to the 357.6 per cent. increase in income tax expense (from KZT2,092 million in the year ended 31 December 2003 to KZT9,573 million in the year ended 31 December 2004). At the same time, the Bank's net interest income after provisions for loan losses increased 65.5 per cent. from KZT10,595 million to KZT17,533 million. The Bank's net non-interest income increased 21.1 per cent. from KZT9,924 million in the year ended 31 December 2003 to KZT12,015 million in the year ended 31 December 2004. Operating expense for the year ended 31 December 2004 increased 6.0 per cent. compared to the same period in 2003 and operating profit increased 73.5 per cent. to KZT20,037 million in the year ended 31 December 2004 from KZT11,550 million in the year ended 31 December 2003.

Interest Income

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

	Year ended 31 December		
	2004	2003	Change
	(KZT millions)		(per cent.)
Interest on loans to customers	48,630	29,749	63.5
Interest on loans and advances to banks	1,488	1,582	(5.9)
Interest on debt securities	4,885	3,775	29.4
Total	55,003	35,106	56.7

During this period, total interest income grew by 56.7 per cent. or KZT19,897 million to KZT55,003 million as at 31 December 2004 from KZT35,106 million as at 31 December 2003, primarily as a result of growth in interest on loans to customers and interest on debt securities.

The following table sets out the average annual rate of interest earned by the Bank on loans to clients before provisions and on securities for the years 2004 and 2003:

	Year ended 31 December	
	2004	2003
	(per cent.)	
KZT loans to customers	14.6	14.9
Foreign currency loans to customers	12.6	14.3
Total loans to customers	12.9	14.4
KZT loans to banks	2.8	4.1
Foreign currency loans to banks	4.3	3.1
Total loans to banks	3.8	3.1
KZT denominated securities	4.7	5.1
Foreign currency denominated securities	8.8	6.4
Total securities	6.2	5.8

Interest income from loans to customers was the largest component of interest income, constituting 88.4 per cent. of interest income as at 31 December 2004 compared to 84.7 per cent. as at 31 December 2003. The increase in interest income on loans to customers was 63.5 per cent., mainly due to the 31.8 per cent. growth in the Bank's average loan portfolio from KZT197.7 billion to KZT359.5 billion and the decrease in average interest rates on performing loans to customers from 14.4 per cent. in 2003 to 12.9 per cent. in 2004.

The Bank's loan portfolio (net) increased by 74.8 per cent. from KZT283.1 billion in 2003 to KZT494.9 billion in 2004. Foreign currency-denominated loans constituted the largest share of the Bank's loan portfolio.

Interest income on loans and advances to banks decreased by 5.9 per cent. from KZT1,582 million to KZT1,488 million, primarily attributable to a decrease in average loans and advances to banks, net of provisions, from KZT47.6 billion in 2003 to KZT25.2 billion in 2004.

Interest income on debt securities increased from KZT3,775 million in 2003 to KZT4,885 million in 2004. This increase 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 years ended 31 December 2004 and 2003:

	Year ended 31 December		
	2004	2003	Change
	(KZT millions)		(per cent.)
Interest expense on debt securities issued	14,995	8,578	74.8
Interest expense on customer accounts	6,970	7,773	(10.3)
Interest expense on loans and advances from banks	4,076	1,911	113.0
Interest expense on other liabilities	207	362	(42.8)
Total	26,248	18,624	40.9

Interest expense increased by 40.9 per cent. from KZT18,624 million in the year ended 31 December 2003 to KZT26,248 million in the year ended 31 December 2004. This growth was attributable to a 74.8 per cent. increase in interest expense on issued debt securities. Interest expense on issued debt securities increased as a result of the Bank's issuance of the U.S.$400 million 7.875 per cent. Notes and the U.S.$350 million 7 per cent. Notes. The average volume of issued debt securities increased by 76.6 per cent. to KZT152 billion in 2004 from KZT86.1 billion in 2003.

Interest expense on issued debt securities as a percentage of total interest expense grew to 57.1 per cent in 2004 from 46.1 per cent. in 2003, while interest expense on loans and advances from banks as a percentage of total interest expense increased to 15.5 per cent. in 2004 from 10.3 per cent.

in 2003. In contrast, interest expense on customer accounts as a percentage of total interest expense fell to 26.6 per cent in 2004 from 41.7 per cent in 2003. Interest expense on other liabilities as a percentage of total interest expense also decreased to 0.8 per cent in 2004 from 1.9 per cent. in 2003.

Interest expense on customer accounts decreased by 10.3 per cent. to KZT6,970 million in the year ended 31 December 2004 from KZT7,773 million in the year ended 31 December 2003 as a result of a fall in interest rates on term deposits as well as demand deposits.

The following table sets out the average cost of the Bank's deposits for the years ended 31 December 2004 and 2003:

	As at 31 December	
	2004	**2003**
	(per cent.)	
KZT deposits:		
Time deposits	8.7	10.5
Demand deposits	0.5	0.7
Foreign currency deposits:		
Time deposits	5.1	6.2
Demand deposits	0.6	0.8

Interest expense on loans and advances from banks increased 113 per cent. to KZT4,076 in the year ended 31 December 2004 from KZT1,911 in the previous year.

The following table contains data on the average cost of interbank borrowing in 2004 compared with 2003:

	Year ended 31 December	
	2004	**2003**
	(per cent.)	
Correspondent Accounts	0.8	1.8
Tenge	0.4	1.4
Foreign currency	1.1	1.9
Short term interbank loans	2.6	2.6
Tenge	2.5	4.2
Foreign currency	2.6	2.5
Long term loans from banks	3.8	4.3
Tenge	—	9.7
Foreign currency	3.8	4.3

Provisions for loan losses

In the year ended 31 December 2004, the Bank's total gross loan portfolio increased by 73.7 per cent. (from KZT302.1 billion at the end of 2003 to KZT524.8 billion at the end of 2004). Primarily as a result of such increase, the Bank's provisions for loan losses increased by 90.6 per cent. from KZT5,888 million as at 31 December 2003 to KZT11,222 million as at 31 December 2004. As at 31 December 2004, the effective provisioning rate for loan losses fell to 5.7 per cent. as at 31 December 2004 compared to 6.3 per cent. as at 31 December 2003. This can be attributed to an improvement in the general economic conditions in Kazakhstan as well as the generally improved quality of the Bank's loan portfolio.

Net interest income

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

	Year ended 31 December		
	2004	2003	Change
	(KZT millions)		(per cent.)
Interest income	55,003	35,106	56.7
Interest expense	(26,248)	(18,624)	40.9
Net interest income before provisions for loan losses	28,755	(16,482)	74.5
Provisions for loan losses	(11,222)	(5,888)	90.6
Net interest income	17,533	10,595	65.5

Net interest margin increased from 5.2 per cent. for the year ended 31 December 2003 to 6.1 per cent. for the year ended 31 December 2004. Such growth is primarily attributable to a decrease in the cost of interest-bearing liabilities from 6.3 per cent. to 6.0 per cent. and a slight decrease in the return on assets from 2.0 per cent. to 1.2 per cent. Net interest income before provisions for loan losses increased 74.5 per cent. due to the 49.9 per cent. increase in average interest-earning assets for the year ended 31 December 2004 compared to the same period in 2003. Loan loss provisions increased from KZT5,888 million as at 31 December 2003 to KZT11,222 million as at 31 December 2004, which resulted in loan loss provisions as a percentage of net interest income increasing from 55.6 per cent. to 64.0 per cent. Net interest income after loan loss provisions for the year ended 31 December 2004 was KZT17,533 million compared to KZT10,595 million for the year ended 31 December 2003 and, as a percentage of average interest-earning assets, decreased over the period to 3.7 per cent. from 3.3 per cent.

Net non-interest income

Net non-interest income for the year ended 31 December 2004 was KZT12,015 million representing an increase of 21.1 per cent. from KZT9,924 million for the year ended 31 December 2003. This increase was primarily due to an increase in income from the Bank's foreign exchange operations and the simultaneous growth of fees and commissions income, which was partially offset by a decrease in income from the Bank's securities operations and in dividends received.

The main component of net non-interest income is net fee income, which constituted 70.2 per cent. of net non-interest income in 2004 compared to 71.2 per cent in 2003. Whereas there was a net loss from operations with trading securities in the amount of KZT317 million in 2003, the Bank had a net gain of KZT22 million in 2004.

Fee and commission income grew 23.7 per cent. from KZT8,400 million in 2003 to KZT10,390 million in 2004 primarily as a result of an increase in the range of banking products the Bank provided to corporate and private clients. Fees from credit card operations increased by 42.3 per cent., fees from cash operations increased by 33.0 per cent. and fees for customers settlement services increased by 23.3 per cent in 2004. Other fees, including collection, documentary operations, foreign exchange operations, operations with securities and other incomes increased by 16.0 per cent. during this period.

The Bank's net gain on trading securities in the year ended 31 December 2004 was KZT22.2 million compared to a net loss of KZT317.0 million in the same period in 2003. The Bank's net gain on foreign exchange operations in the year 31 December 2004 was KZT1,557 million compared to KZT1,601 million in the same period in 2003 representing a decrease of 2.8 per cent.

In the year ended 31 December 2004, the Bank received dividends of KZT15.1 million from its portfolio of trading securities, compared to KZT382 million in the year ended 31 December 2003. The fall primarily reflected the sale of the Bank's holding in ABN AMRO Bank Kazakhstan.

In the year ended 31 December 2004, the Bank recognised KZT1,963 million as other income, as compared to KZT1,239 million in the year ended 31 December 2003, representing an increase of 58.4 per cent. Insurance premiums paid to JSC Kazkommerts Policy were the main item of other income, with premiums increasing from KZT1,049 million as at 31 December 2003 to KZT1,479 million as at 31 December 2004 (representing a 41.0 per cent. growth) which the Bank believes resulted from the continuing development of the insurance market in Kazakhstan.

Operating expenses

Operating expenses increased by 6.0 per cent. from KZT8,969 million in the year ended 31 December 2003 to KZT9,511 million in the year ended 31 December 2004. The Bank exercises tight control over expenses and as a result the ratio of its operating expense to its operating income after provisions for loan losses fell to 32.2 per cent. as at 31 December 2004 from 43.7 per cent. as at 31 December 2003. Operating expenses as a percentage of average assets decreased to 1.8 per cent. as at 31 December 2004 from 2.6 per cent. as at 31 December 2003.

Staff costs was the main operating expense, constituting 39.8 per cent. of total operating expenses. Staff costs decreased by 10.0 per cent. from KZT4,201 million as at 31 December 2003 to KZT3,782 million as at 31 December 2004 due to changes in headcount and applicable exchange weighting of salaries during the period.

Depreciation and amortisation costs rose 33.0 per cent. in 2004 compared to the same period in 2003, from KZT979 million to KZT1,302 million due to the Bank's investment in the customer service network.

In 2004 the Bank paid KZT333.0 million in taxes (excluding corporate income tax and VAT), a 44.4 per cent. increase from KZT230.7 million in 2003 as a result of an increase in withholding tax relating to operations with clients who are non-residents of Kazakhstan. Withholding tax comprised KZT236.0 million of the total amount of taxes, KZT333.0 million.

The general expansion of the Bank's business in 2004 also led to an increase in other operating expenses. VAT payments increased by 31.2 per cent. from KZT253.1 million in 2003 to KZT332.1 million in 2004. Communications costs increased by 27.4 per cent. from KZT262.0 million in 2003 to KZT333.8 million in 2004. The Bank's contributions to the Deposit Insurance Fund decreased by 8.1 per cent. and totalled KZT285.1 million in 2004 compared to KZT310.4 million in 2003 as a result of a reduction in contribution rates on a quarterly basis from 0.25 per cent. of all deposits to be guaranteed to 0.16 per cent. per quarter. Expansion of its branch network and renovation of its customer service network led to a 81.7 per cent. increase in the Bank's lease expenses from KZT206.6 million in 2003 to KZT375.3 million.

Taxation

During the year ended 31 December 2003, the Bank's effective tax expense was 18.6 per cent., as compared to 49.5 per cent. over the year ended 31 December 2004. Following an audit completed by the Kazakhstan tax authorities in May 2004, the Bank was assessed with additional taxes and penalties of KZT4,008 million. The assessment resulted mainly from a disagreement as to the deductibility for tax purposes of provisions for loan losses. As at 30 June 2004, the Bank believed that it had taken proper deductions in relation to provisions for loan losses and had sought official guidance before filing the relevant returns. Accordingly, the Bank disputed the assessment and penalties, and initiated appropriate judicial proceedings to have them withdrawn. Although the Bank was unsuccessful in the first stage of these proceedings in the Astana City Court and its application to the Supreme Court Board of Appeal for a reversal of this decision has been refused, the Bank has lodged an appeal, as it believes that its filing position was appropriate. In order to be eligible to appeal, the Bank paid the disputed taxes and penalties on 23 November 2004, resulting in a tax charge of approximately the KZT4.0 billion claimed. The hearing of the appeal is expected to take place before the end of this year.

Results of Operations for the Year ended 31 December 2003 Compared to the Year ended 31 December 2002

Net income

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

	Year ended 31 December		
	2003	**2002**	**Change**
	(KZT millions)		**(per cent.)**
Interest income	35,106	24,501	43.3
Interest expense	(18,624)	(11,258)	65.4
Net interest income before provisions for loan losses	16,482	13,243	24.5
Provisions for loan losses	(5,888)	(7,342)	(19.8)
Net interest income	10,595	5,901	79.5
Net non-interest income	9,924	11,605	(14.5)
Operating expenses	(8,969)	(7,956)	12.7
Provisions for losses on other transactions	(270)	(1,327)	(79.6)
Expenses/Income from associates	(20)	34	(158.8)
Income Before Tax	11,259	8,257	36.4
Income tax expense	(2,092)	(276)	658
Minority Interest	(406)	(2)	18,131
Net income before minority interest	8,761	7,979	9.8

The Bank's net income increased 9.8 per cent. from KZT7,979 million in 2002 to KZT8,761 million in 2003. This growth was primarily due to the 79.5 per cent. increase in net interest income after provisions for loan losses in 2003 (from KZT5,901 million to KZT10,595 million). At the same time, operating income increased 17.2 per cent. from KZT17,506 million in 2002 to KZT20,518 million in 2003. Operating profit in 2003 was KZT11,549 million compared to KZT9,550 million in 2002, representing year-on-year growth of 20.9 per cent.

Interest income

The following table sets out details of the Bank's interest income for the years ended 31 December 2003 and 2002:

	Year ended 31 December		
	2003	**2002**	**Change**
	(KZT millions)		**(per cent.)**
Interest on loans to customers	29,749	23,044	29.1
Interest on loans and deposits with other banks	1,527	346	341.3
Interest on debt securities	3,830	1,111	244.7
Total	35,106	24,501	43.3

Interest income in 2003 increased by KZT10,605 million, or 43.3 per cent., to KZT35,106 million from KZT24,501 million in 2002, primarily due to the increase in interest income on loans to customers and on marketable securities held by the Bank as average interest-earning assets increased 72 per cent. from KZT184.3 billion in 2002 to KZT317.1 billion in 2003.

The following table sets out the average annual rate of interest earned by the Bank on loans to clients before provisions and on securities for the years 2003 and 2002:

	Year ended 31 December	
	2003	2002
	(per cent.)	
KZT loans to customers	14.9	13.7
Foreign currency loans to customers	14.3	14.0
Total loans to customers	14.4	13.9
KZT loans to banks	4.1	5.2
Foreign currency loans to banks	3.1	3.1
Total loans to banks	3.1	3.2
KZT denominated securities	5.1	6.2
Foreign currency denominated securities	6.4	9.3
Total securities	5.8	8.6

Although interest income on loans to customers continued to comprise the majority of the Bank's total interest income, its proportion of total interest income decreased in 2003 to 84.7 per cent., as compared to 94.0 per cent. in 2002. The increase in interest income on loans to customers was 29.1 per cent., mainly due to the 23.8 per cent. growth in the Bank's average loan portfolio from KZT169.8 billion in 2002 to KZT210.3 billion in 2003 and the increase in average interest rates on performing loans to customers from 13.9 per cent. in 2002 to 14.4 per cent. in 2003.

The Bank's loan portfolio (net) increased by 61.6 per cent., from KZT175.3 billion in 2002 to KZT283.1 billion in 2003. Foreign currency-denominated loans continue to dominate in the structure of the Bank's loan portfolio. The proportion of Tenge-denominated loans decreased slightly to 21.1 per cent. of the Bank's loan portfolio in 2003, as compared to 24.4 per cent. in 2002. In 2003, 75.9 per cent. of the Bank's average foreign currency-denominated performing loans to customers were in U.S. dollars.

Interest income on loans and deposits with other banks increased to KZT1,527 million in 2003 from KZT346 million in 2002. This growth was primarily attributable to an increase in average loans to and deposits with other banks, net of provisions, from KZT9.4 billion in 2002 to KZT47.6 billion in 2003.

Interest income on debt securities (which comprises interest income on the Bank's marketable securities portfolio) increased from KZT1,111 million in 2002 to KZT3,830 million in 2003. This increase was due to the increase in the Bank's average marketable securities portfolio from KZT12.9 billion in 2002 to KZT66.2 billion in 2003, partially offset by a decline in the average yield of marketable securities from 8.6 per cent. in 2002 to 5.8 per cent. in 2003.

Interest expense

The following table sets out the components of the Bank's interest expense for the years 2003 and 2002:

	Year ended 31 December		
	2003	2002	Change
	(KZT millions)		(per cent.)
Interest expense on customer accounts	7,773	6,880	13.0
Interest expense on loans and advances from banks	1,911	1,940	(1.5)
Interest expense on debt securities issued	8,578	2,083	311.8
Interest expense on other liabilities	362	355	20
Total	18,624	11,258	65.4

Interest expense increased by KZT7.4 billion, or 65.4 per cent., from KZT11.3 billion in 2002 to KZT18.6 billion in 2003. This increase was primarily due to a 69.4 per cent. increase in average interest-bearing liabilities from KZT172.0 billion in 2002 to KZT291.4 billion in 2003. Average rates were 6.6 per cent. in 2002 and 6.4 per cent. in 2003. In addition, in 2003, the structure of the Bank's interest expense significantly changed. In 2002, interest expense on customer accounts represented

61.1 per cent. of total interest expense, whilst interest expense on debt securities issued represented 18.5 per cent. of such total. However, in 2003, interest expense on customer accounts represented 41.7 per cent. of total interest expense, whilst interest expense on debt securities issued represented 46.1 per cent. of such total, following various issuances of debt securities in that year.

The following table sets out the average cost of the Bank's deposits for the years 2003 and 2002:

	Year ended 31 December	
	2003	**2002**
	(per cent.)	
KZT deposits:		
Time deposits	10.5	9.6
Demand deposits	0.7	1.1
Foreign currency deposits:		
Time deposits	6.2	7.8
Demand deposits	0.8	1.1
Total time deposits	7.0	8.1
Total demand deposits	0.7	1.1

Interest expense on customer accounts increased 13.0 per cent. from KZT6,880 million in 2002 to KZT7,773 million in 2003. This increase was primarily attributable to the increase in average demand deposits from KZT32,387 million in 2002 to KZT43,711 million in 2003 and in average time deposits from KZT81,007 million in 2002 to KZT106,948 million in 2003, partially offset by a decline in rates on time deposits from 8.1 per cent. in 2002 to 7.0 per cent. in 2003 and on demand deposits from 1.1 per cent. to 0.7 per cent. This increase in customer deposits reflects the Bank's strategy in increasing funding from time deposits from corporate and retail clients.

Interest expense on loans and advances from banks fell 1.5 per cent. period on period as a result of falling interest rates notwithstanding a 39 per cent. increase in such loans and advances.

The following table contains data on the average cost of interbank borrowing in 2003 compared with 2002:

	Year ended 31 December	
	2003	**2002**
	(per cent.)	
Correspondent Accounts	1.8	1.6
Tenge	1.4	1.4
Foreign currency	1.9	1.8
Short term interbank loans	2.6	7.0
Tenge	4.2	11.5
Foreign currency	2.5	4.6
Long term loans from banks	4.3	7.0
Tenge	9.7	—
Foreign currency	4.3	7.0

Provisions for loan losses

In 2003, the Bank's total gross loan portfolio increased by 59.6 per cent. (from KZT189.3 billion at the end of 2002 to KZT302.1 billion at the end of 2003). Primarily as a result of an improvement in the quality of the Bank's loan portfolio, total provisions for loan losses decreased in 2003 to KZT5,694 million. As at 31 December 2003, the effective provisioning rate for loan losses decreased to 6.3 per cent., as compared to 7.4 per cent. as at 31 December 2002. This decrease can be attributed to an improvement in the general economic conditions in Kazakhstan as well as the generally improved quality of the Bank's loan portfolio.

Average overdue loans, including non-performing loans to customers, remained relatively unchanged in increasing slightly from KZT4,213 million in 2002 to KZT4,394 million in 2003. Average overdue foreign currency loans, including non-performing foreign currency loans to customers declined 16.0 per cent. from KZT3,543 million in 2002 to KZT2,975 million in 2003 despite an increase in overall foreign currency lending to customers in 2003. Average provisions for loan losses increased from KZT10,373 million in 2002 to KZT12,566 million in 2003, primarily due to the increased provisioning in respect of foreign currency loans to customers in 2003. Recovery of previously written-off provisions on the loan portfolio increased 30.6 per cent. from KZT1,215 million in 2002 to KZT1,586 million in 2003. See "Selected Statistical and Other Information – Non-Performing Loans and Provisioning Policy."

Net interest income

The following table sets out details of the Bank's net interest income before provisions for loan losses in 2003 and 2002:

	Year ended 31 December		
	2003	2002	Growth
	(KZT millions)		(per cent.)
Interest income	35,106	24,501	43.3
Interest expense	(18,624)	(11,258)	65.4
Net interest income before provisions for loan losses	16,482	13,243	24.5
Provisions for loan losses	(5,888)	(7,342)	(19.8)
Net interest income	10,595	5,901	79.5

Net interest margin decreased from 7.2 per cent. in 2002 to 5.2 per cent. in 2003. Such reduction was primarily attributable to the 72.0 per cent. growth of average interest-earning assets in 2003 as compared to 2002. As a result of the decrease in loan loss provisions from KZT7,342 million in 2002 to KZT5,887 million in 2003, net interest income after loan loss provisions increased to KZT10,595 million in 2003, as compared to KZT5,901 million in 2002 and the ratio of net interest income after provisions for loan losses to average interest-earning assets increased to 3.3 per cent. in 2003 from 3.2 per cent. in 2002.

Net non-interest income

Net non-interest income in 2003 was KZT9,923 million, representing a decrease of 14.5 per cent. from KZT11,605 million in 2002. This decrease was primarily due to a decrease in income from the Bank's securities operations partially offset by the growth of fees and commissions and other income.

Fees and commissions increased by 45 per cent. from KZT5,792 million in 2002 to KZT8,400 million in 2003. The Bank believes that this increase is attributable to increased sales of financial products resulting from its marketing campaign in 2003 to cross-sell the Bank's products to high net-worth individuals, as well as to medium-sized corporate clients. Furthermore, this increase in fees and commissions resulted from an increase in the overall volume of the Bank's operations, despite a decline in fee and commission margins resulting from increased domestic competition. Commissions for customer settlement services increased by 27.2 per cent., commissions for cashier services increased 28.1 per cent., commissions for documentary operations increased 32.9 per cent., commissions for credit and charge card operations increased 54.5 per cent. and the Bank's other fees and commissions, which include cash collection services, cheque facilities and account maintenance fees, increased 93.5 per cent. from period to period.

Fees and commissions paid increased 18.5 per cent. in 2003 to KZT1,334 million from KZT1,126 million in 2002. Fees and commissions paid under international borrowings (including loans and bonds) comprised the majority of the Bank's total fees and commissions paid (30 per cent. or KZT396 million) in 2003. In 2003, 22.8 per cent. of fees and commissions were related to bank card expense, as compared to 32.7 per cent. in 2002. Fees and commissions paid to correspondent banks increased by 15.2 per cent. in 2003, while fees and commissions relating to foreign exchange and securities operations increased by 34.2 per cent. and fees and commissions from documentary operations increased by 73.6 per cent. in 2003.

During 2003, the Bank increased its portfolio of marketable securities and, accordingly, entered into a greater volume of securities transactions than in 2002, representing an increase of over 230 per cent. In 2002, the Bank realised a significant amount of net income from the sale of marketable securities which it was required to sell as a result of restrictions introduced that year by the NBK on holdings of Russian sovereign paper. The Bank recorded a loss on trading and investment securities of KZT364 million in 2003 compared to net income of KZT4,852 million in 2002.

The Bank's loss on securities available-for-sale was KZT47 million in 2003, as compared to a net gain of KZT3,916 million in 2002. This item included unrealised income on securities available-for-sale in 2003 resulting from a re-assessment of shares held by JSC Kazkommerts Securities. Significant unrealised income on securities available-for-sale in 2002 resulted from the re-classification of the Bank's equity investment in ABN AMRO Bank Kazakhstan to the securities available-for-sale category. This reclassification accounted for a net unrealised gain of KZT1,560 million in 2002. In addition, in 2002 the Bank revalued its equity shareholding in JSC Air Kazakhstan, which the Bank acquired through a partial debt-equity swap, from nil to KZT2,391 million. The revaluation was part of a restructuring of JSC Air Kazakhstan implemented by the Government of Kazakhstan pursuant to which the Government paid the Bank KZT2,391 million for the Bank's 50 per cent. holding in JSC Air Kazakhstan in early 2003.

In 2003, the Bank realised a loss on securities available-for-sale of KZT88 million, primarily resulting from the KZT171 million loss on the sale of its shareholding in JSC ABN AMRO Bank Kazakhstan which was partially offset by gains on other securities available-for-sale. See note 9 to the Bank's consolidated financial statements for that year appearing elsewhere in this Offering Circular.

The Tenge remained relatively stable over the years in question, during which time it depreciated by 3.8 per cent. and 3.9 per cent. in 2001 and 2002, respectively, against the U.S. dollar, and the Tenge strengthened against the U.S. dollar in 2003 in excess of 7 per cent. The change in currency exchange rates led to an increase in the margin and volume of the Bank's currency operations in 2003. As a result, the Bank's net gain on foreign exchange operations increased to KZT1,419 million in 2003 from KZT640 million in 2002.

Due to uncertainties relating to the currency market, the Bank maintained an immaterial open long U.S. dollar position in 2003. Accordingly, the Bank's net change in currency position was KZT182 million in 2003, as compared to KZT567 million in 2002. The Bank engages in foreign currency exchange transactions for its clients. In addition, the Bank makes a market primarily in the Tenge/U.S. dollar exchange rate. The Bank does not maintain, for its own account, material open currency positions in any currency other than Tenge and U.S. dollars.

In 2003, the Bank received a dividend of KZT382 million, primarily from its holding in ABN AMRO Bank Kazakhstan, as compared to KZT447 million in 2002.

In 2003, the Bank recognised KZT1,239 million as other income, as compared to KZT433 million in 2002, representing an increase of 186.1 per cent. Following the consolidation of JSC Kazkommerts Policy into the Bank's financial statements, insurance premiums of JSC Kazkommerts Policy were the main item of other income, with premiums increasing from KZT335 million in 2002 to KZT1,049 million in 2003 (representing 3.1 times growth) which the Bank believes resulted from the continuing development of the insurance market in Kazakhstan.

Operating expenses

Operating expenses increased by 12.7 per cent. from KZT7,956 million in 2002 to KZT8,969 million in 2003. The Bank maintains strict expense controls, which it believes have allowed it to reduce operating expenses to 43.7 per cent. of operating income in 2003 from 45.4 per cent. in 2002. Operating expenses as a percentage of average interest-earning assets decreased in 2003 to 2.6 per cent. from 3.8 per cent. in 2002.

Staff costs comprise the major component of the Bank's operating expenses, and these costs accounted for 46.0 per cent. of the Bank's total operating expenses in 2003, as compared to 52.5 per cent. in 2002. Staff costs in 2003, including annual bonuses, were KZT4,129 million, as compared to KZT4,178 million in 2002, representing a period-to-period reduction of 1.2 per cent. This decrease was primarily due to changes in the applicable exchange rates from period to period. The Bank's total number of employees increased by 6.8 per cent. from 2,850 as at 31 December 2002 to 3,044 as at 31 December 2003.

Depreciation and amortisation costs increased 56.6 per cent. to KZT979 million, as compared to KZT625 million in 2002. This increase was primarily related to the 52.5 per cent. increase in net average fixed and intangible assets from period to period, which included the purchase of back-up servers for the Bank's Equation DBA banking information system, as well as the expansion of its ATM network from 199 machines in early 2003 to 230 at the end of the year. Depreciation and amortisation cost as a percentage of the total amount of operating expenses was 10.9 per cent. in 2003.

The Bank continued to expand its customer base in 2003, with average customer deposits increasing by 32.9 per cent. from KZT113,394 million in 2002 to KZT150,659 million. In addition, the Bank's deposit insurance payments to the Deposit Insurance Fund decreased by 12.2 per cent. from KZT353 million in 2002 to KZT310 million in 2003 as a result of a reduction of deposit insurance premium rates.

Advertising costs increased 21.5 per cent. from KZT312 million in 2002 to KZT379 million in 2003 due to the Bank's active advertising campaign to promote its banking products.

Fixed asset maintenance costs include all expenses for maintenance and repair of owned and rented buildings, furniture, computer and other facilities, as well as costs for property insurance. In 2003 these costs were KZT443 million, as compared to KZT242 million in 2003. A significant part of these costs, representing KZT247 million, was paid for service and maintenance of the Bank's Equation DBA banking information system in 2003.

Value added tax expenses increased by 8.1 per cent. from KZT234 million in 2002 to KZT253 million in 2003 as a result of an increase in the volume of the Bank's operations during 2003.

The Bank's expansion has also resulted in increased rent, communication and travel expenses as well as building security and transport maintenance expenses. The Bank's communication expenses increased 19 per cent. to KZT262 million in 2003, as compared to KZT220 million in 2002, and comprised about 3 per cent. of the Bank's total expenses. Costs relating to rent increased 29.5 per cent. from KZT160 million in 2002 to KZT207 million in 2003 due to the opening of a number of new branches and settlement outlets in rented buildings. Travel expenses increased by 6.7 per cent. to KZT270 million in 2003 from KZT253 million in 2002, and comprised 3 per cent. of the Bank's total expenses in 2003. Security costs and transport expenses increased 34.9 per cent. from KZT212 million in 2002 to KZT286 million in 2003.

In 1999, the Government of Kazakhstan introduced a customs duty of 1.0 per cent. on the import of all physical foreign banknotes and, in May 2003, this rule was repealed. As a result, in 2003 the Bank's expenses relating to customs duties were KZT20 million in 2003, as compared to KZT89 million in 2002.

In 2003, taxes paid by the Bank, excluding corporate income tax and VAT, increased 30.6 per cent. This increase primarily related to the payment of auction duties due upon the sale of foreclosed assets of pledged property. Auction duties comprised KZT103 million in 2003 of the total KZT182 million in total taxes paid by the Bank in that year.

Taxation

In 2002, the effective tax expense incurred by the Bank was 3.3 per cent., compared to an effective tax expense in 2003 of 18.6 per cent. Effective tax rates are substantially lower than the 30 per cent. statutory rate primarily as a result of certain income (including income from trading with state securities and long-term loans) being non-taxable under Kazakhstan tax legislation. The effective tax rate in 2003 was higher than in 2002, mainly as a result of changes in Kazakhstan tax law regarding the deductibility of provisions.

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

Total Assets

The Bank's total assets increased by 12.1 per cent. to KZT789.3 billion as at 30 June 2005 from KZT704.1 billion as at 31 December 2004, which in turn represented a 62.1 per cent increase from KZT434.2 billiion as at 31 December 2003. The growth in the first half of 2005 was primarily due to a 11.7 per cent. increase in the Bank's net loan portfolio. The net loan portfolio of the Bank increased by KZT57.7 billion to KZT552.7 billion as at 30 June 2005 from KZT494.9 billion as at 31 December 2004 and KZT283.1 billion as at 31 December 2003.

Loans and advances to banks increased by 239 per cent. to KZT141.9 billion as at 30 June 2005 from KZT41.8 billion as at 31 December 2004 and KZT38.6 billion as at 31 December 2003 as the Bank responded to falls in interest rates on Tenge denominated securities by switching into foreign currency deposits. During the first half of 2005, deposit accounts increased by KZT102.6 billion, inter-bank lending increased by KZT1.6 million and funds held in correspondent accounts with banks decreased by KZT4 billion.

The Bank's securities portfolio decreased by 31.3 per cent. to KZT51.8 billion as at 30 June 2005 from KZT75.3 billion as at 31 December 2004 and KZT71.4 billion as at 31 December 2003 in part because of the switch into foreign currency deposits described above but also as a result of liquidation of part of the portfolio to fund loans to customers. Trading securities constitute almost allof this portfolio.

The Bank's cash and balances with the NBK and other central banks decreased by 70.1 per cent. to KZT19.8 billion as at 30 June 2005 from KZT66.3 billion as at 31 December 2004, which in turn represented a 132.7 per cent. increase from KZT28.5 billion as at 31 December 2003. The decrease in the first half of 2005 was in response to changing regulatory requirements.

As at 30 June 2005, the Bank held KZT10.4 billion of securities as part of a reverse repurchase transaction compared to KZT8.4 billion held as at 31 December 2004 and KZT2.6 billion held as at 31 December 2003. The increase resulted from the Bank's use of liquidity from debt securities issues and syndicated loans to enter into short-term assets.

The Bank's fixed assets and intagible assets increased by 11.6 per cent. to KZT8.2 billion as at the 30 June 2005 from KZT7.4 billion as at the 31 December 2004, which in turn represented a 17.2 per cent. increase from KZT6.3 billion as at 31 December 2003.

The Bank's average assets increased by 35.5 per cent. to KZT697.6 billion as at 30 June 2005 from KZT514.8 billion as at 31 December 2004, which in turn represented a 46.8 per cent. increase from KZT350.8 billion as at 31 December 2003. The increase in the first half of 2005 was due to the 38.1 per cent. growth in average net loan portfolio. During the same period, the average portfolio of loans and funds extended to banks increased by KZT47.2 billion, the Bank's average portfolio of marketable securities decreased by KZT8.6 billion and the Bank's average interest-earning assets increased by KZT175.5 billion.

Total Liabilities

The Bank's total liabilities increased by 9.9 per cent. to KZT704.5 billion as at 30 June 2005 from KZT641.3 billion as at 31 December 2004, which in turn represented a 67.0 per cent. increase from KZT384.0 billion as at 31 December 2003. The increase in the first half of 2005 was primarily due to an additional international bond issuance of KZT26.3 billion and a growth in client deposit of KZT37.6 billion.

Between 31 December 2003 and 2004, the Bank's issued debt securities increased 111.6 per cent to KZT207.8 billion. Between 31 December 2004 and 30 June 2005, issued debt securities increased 12.6 per cent. due to the issue by the Bank of its U.S.$150 million 7 per cent. Notes. As at 30 June 2005, issued debt securities included Russian promissory notes in the amount of KZT12.8 billion issued by CB Moskommertsbank according to the Law of the Russian Federation.

International subordinated and indexed notes issued by the Bank in 2005, 2004 and 2003 are classified in its balance sheet as subordinated debt. The Bank's subordinated debt increased by 40.4 per cent. to KZT27.3 billion as at 30 June 2005 from KZT19.4 billion as at 31 December 2004 which in turn represented a 122.7 per cent. increase from KZT8.7 billion as at 31 December 2003. The increase in the first half of 2005 was primarily due to the fourth issue in March 2005 of a KZT7 billion floating rate 10 year subordinated loan.

Advances received from banks decreased by 1.1 per cent. to KZT168.5 billion as at 30 June 2005 from KZT170.3 billion which in turn represented a 123.5 per cent. increase from KZT76.2 billion as at 31 December 2003. Customer accounts increased by 19 per cent. to KZT235.4 billion as at 30 June 2005 from KZT197.8 billion as at 31 December 2004 which in turn represented a 30.5 per cent. increase from KZT151.6 billion as at 31 December 2003. The volume of securities sold under repurchase agreements decreased by 68.2 per cent. to KZT9.1 billion from KZT28.4 billion as at 31 December 2004, which in turn represented a 23.6 per cent. decrease from KZT37.3 billion as at 31 December 2003.

The average liabilities of the Bank increased by 36.7 per cent. to KZT626.8 billion as at 30 June 2004 from KZT458.4 billion as at 31 December 2004, which in turn represented a 48.3 per cent. increase on the average as at 31 December 2003. The Bank's average interest-bearing liabilities as at 30 June 2005 increased by 37.2 per cent. in comparison to the figure as at 31 December 2004, primarily as a result of the issuance of additional debt securities (as shown in the 44.3 per cent. increase in average liabilities) and the 40.4 per cent. increase in average inter-bank borrowings. In 2004, the Bank's average interest bearing liabilities increased by 50.7 per cent. compared to 2003. During the first six months of 2005, average time deposits and demand deposits increased by 30.2 per cent. and 14.2 per cent., respectively. During 2004, average time deposits and demand deposits increased by 4.1 per cent. and 32.8 per cent., respectively.

Equity and Capital Ratios

The Bank's equity capital increased by 35.1 per cent. to KZT84.8 billion as at 30 June 2005 from KZT62.8 billion as at 31 December 2004, which in turn represented a 24.9 per cent. increase from KZT50.3 billion as at 31 December 2003. This increase resulted primarily from the new issue of the Bank's shares as well as from the capitalisation of current profits.

The Bank's average equity increased by 26.3 per cent. to KZT65.4 billion as at 30 June 2005 from KZT51.8 billion as at 31 December 2004 and KZT38.2 billion as at 31 December 2003. The Bank's equity capital, calculated in accordance with the Basle Accord, increased by 25.3 per cent. to KZT109.3 billion as at 30 June 2005 (including Tier I capital of KZT73.1 billion) from KZT87.2 billion as at 31 December 2004 (including Tier I capital of KZT61.5 billion). As at 31 December 2003, the Bank's equity capital, calculated in accordance with the Basle Accord, was KZT60.6 billion, including Tier I capital of KZT49.7 billion. The Bank's Tier I capital adequacy ratio, calculated in accordance with the Basle Accord, increased to 11.1 per cent. as at 30 June 2005 from 10.6 per cent. as at 31 December 2004, which decreased from 13.5 per cent. as at 31 December 2003. The Bank's total capital adequacy ratio, calculated in accordance with the Basle Accord, increased to 16.6 per cent. as at 30 June 2005 from 15.0 per cent. as at 31 December 2004, which decreased from 16.4 per cent. as at 31 December 2003.

The following table sets out the Bank's position in relation to share capital and certain ratios prescribed by the NBK as at 30 June 2005 and as at 31 December 2004, 2003 and 2002:

	NBK's minimum requirements	As at 30 June	As at 31 December		
		2005	2004	2003	2002
		(per cent., unless otherwise noted)			
Share capital	Not less than KZT2 billion[(1)]	KZT5.0 billion	KZT4.2 billion	KZT4.0 billion	KZT3.5 billion
K1-tier I capital to total risk-weighted assets	Not less than 6 per cent.	7.4	6.1	7.0	6.8
K2-own capital to total risk weighed assets	Not less than 12 per cent.	13.8	12.2	12.6	12.4
K4-current liquidity ratio	Greater than 30 per cent.	193.0	96.3	91.0	78.0
K5-short-term liquidity ratio	Greater than 30 per cent.	184.0	102.7	78.0	95.8
K6-investments to fixed assets and non-financial assets to equity as a percentage of own capital[(3)]	Not greater than 50 per cent.	9.1	10.6	13.1	15.9
Reserve requirements as a percentage of average customer account balances	Not less than 6 per cent.	14.0	78.9	21.5	13.5
Maximum aggregate net open foreign currency position[(2)] as a percentage of own capital[(3)]	50 per cent.	7.8 (short)	18.7 (short)	7.8 (short)	1.4 (long)
Maximum currency position in U.S. dollars[(3)] as a percentage of own capital	30 per cent.	12.0	19.5	15.7	2.5
Maximum currency position in Russian roubles[(4)] as a percentage of own capital	15 per cent.	0.2	0.0	0.8	0.9
Maximum aggregate credit exposure to related parties (including on-balance and off-balance sheet exposures) as a percentage of own capital	100 per cent.	11.3	5.9	9.0	11.2
Funds placement into internal assets ratio	Not less than 100 per cent.	187.0	240.0	189.0	150.0
Maximum exposure as a percentage of own capital to any single borrower					
–related parties	10 per cent.	6.7	3.1	5.6	5.4
–other borrowers	25 per cent.	19.1	18.7	22.4	23.9
–unsecured loans	10 per cent.	5.2	7.2	2.5	4.2

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

(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. No borrowed funds are permitted as a contribution to share capital.
- The applicable definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) less equity investments and holdings of subordinated debt. Tier I capital is the sum of share capital plus share premium plus revenue reserves less treasury stock and certain intangible assets and Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to

the extent that they do not exceed 1.25 per cent. of risk weighed assets) plus a specified proportion of dated eligible subordinated debt not greater than 50 per cent. of Tier I capital.

- 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 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, inter-bank 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, the 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.

Asset and Liability Management

The Bank controls the size and degree of its interest rate and exchange rate exposure in order to optimise their effects on profitability levels and to ensure that there is sufficient liquidity to meet its funding requirements. The Bank also maintains a liquid balance sheet, including substantial Tenge and foreign currency-denominated demand deposits, so as to respond to the cash needs of its corporate clients and to minimise short-term liquidity problems.

The additional issue by the Bank in 2004 of its U.S.$350 million Notes due 2009 resulted in an increase in debt securities to 33.2 per cent. of the Bank's interest liabilities as at 30 June 2005 from 32.4 per cent. as at 31 December 2004 and 25.6 per cent. as at 31 December 2003. Long term liabilities increased to 43.8 per cent. of the Bank's interest liabilities as at 30 June 2005 from 42.6 per cent. as at 31 December 2004 and 38.7 per cent. as at 31 December 2003.

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 five years) increased by 14.0 per cent. during the first half of 2005 and accounted for 47.9 per cent. of assets as compared to 47.1 per cent. as at 31 December 2004. The asset and liability interest gap was positive both in the short and in the long term, at 13 per cent. of assets. The positive gap means that the interest rate growth will have a positive effect on net interest income. Where practicable, the Bank also links loans to their underlying funding sources through participation in the 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.

The Bank monitors and manages its asset and liability position through its Asset and Liability Management Committee chaired by the Chairman of the Bank and includes four Managing Directors and its Director of the Treasury Department. The committee meets at least twice each week to control the Bank's exposures based on information which includes analyses of maturities, interest margins, liquidity and the Bank's net foreign currency positions. The Bank's treasury operations and investment strategies are planned at committee meetings.

Maturities

The Bank's senior management monitors asset and liability maturities to ensure that they are consistent with its strategy according to prevailing market conditions, that the Bank has sufficient liquidity and that it is in compliance with limits established by the NBK and its internal procedures.

The Bank's Asset and Liability Management Committee reviews the Bank's positions at least twice each week and advises on any prospective changes to be made to them.

The following table summarises the Bank's assets and liabilities by maturity as at 30 June 2005 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 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 2005, the Bank's cumulative maturity gap was positive for all periods at KZT102,849 million.

	Up to one month	One to three months	Three months to one year	One to five years	Over five years	Provisions for losses	Total
				(KZT millions)			
Assets:							
Term deposits with NBK	4,000	—	—	—	—	—	4,000
Loans and advances to banks, net	126,132	9,507	6,878	—	—	(696)	141,821
Dealing securities	16,885	6,525	27,662	—	—	—	51,072
Loans to clients, net	45,488	33,786	126,563	227,748	140,400	(35,749)	538,506
Securities	—	—	75	—	—	—	75
Securities purchased under agreement to resell	10,425	—	—	—	—	—	10,425
Total interest earning assets	202,930	49,818	161,178	227,748	140,400	(36,175)	745,899
Cash and balances with the NBK	15,811	—	—	—	—	—	15,811
Derivative financial instruments	371	—	—	—	—	371	
Investments in associates	—	—	—	—	318	—	318
Fixed assets, net	—	—	—	—	7,762	—	7,762
Intangible assets, net	—	—	—	—	483	—	483
Accrued interest	8,446	1,945	3,630	885	5	—	14,911
Other assets	1,942	244	1,338	238	16	(80)	3,968
Total Assets	229,500	52,007	166,146	228,871	148,894	(36,255)	789,253
Liabilities:							
Loans and advances from Banks	18,770	11,779	19,870	13,811	712	—	64,942
Debt securities issued	—	—	1,046	108,533	120,637	—	230,216
Customer accounts	92,505	51,670	67,099	19,827	1,024	—	232,125
Other borrowed funds	—	139	4,063	3,254	6,190	—	13,646
Securities sold under agreements to repurchase	9,057	—	—	—	—	—	9,057
Syndicated loan	—	20,266	82,276	—	—	—	102,542
Total interest bearing liabilities	120,332	83,854	174,354	151,863	148,989	—	679,392
Derivative financial instruments	147	—	23	34	—	—	204
Other liabilities	1,950	1,098	1,840	6,730	—	3,935	15,553
Accrued interests	851	2,316	4,849	742	—	—	8,758
Dividends payable	—		550	—	—	—	550
Total Liabilities	123,280	87,268	181,616	159,369	148,989	3,935	704,457
Maturity gap	82,598	48,562	35,386	111,271	102,682		
Cumulative maturity gap	10.5%	6.2%	4.5%	14.1%	13.0%		
Off balance sheet assets and liabilities							
Payables from forwards and tradable securities	(21,989)		(3,830)	—	—		(25,819)
Receivables from forwards and tradable securities	25,986			—	—		25,986
Off balance sheet assets and liabilities gap	(3,997)		(3,830)	—	—		
Cumulative off balance sheet assets and liabilities gap	3,997	3,997	167	167	167		
Aggregated cumulative gap, balance sheet and off balance sheet assets and liabilities	86,595	52,559	35,553	111,438	102,849		

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 re-price its assets and liabilities. 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 re-price 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.

Funding and Liquidity

As at 30 June 2005, 56.7 per cent. of the Bank's liabilities had a maturity of less than one year, while the 55.7 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 allowed the Bank to maintain prudent levels of liquidity from 2003 until now.

Over the course of the past several years the Bank has entered into a number of financings with commercial banks and international financial institutions. 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 U.S.$50 million through an international offering of its common shares in the form of depositary receipts, which are now listed on the London and Istanbul Stock Exchanges and traded on the Frankfurt and Berlin Stock Exchanges. In December 2001, the Bank raised U.S.$21.2 million through a public offering of preference shares in Kazakhstan. In 2003, the Bank raised an additional U.S.$30.6 million by placing common shares with the EBRD. The Bank's common and preference shares are listed in the A-category on the Kazakhstan Stock Exchange.

The Bank and Kazkommerts International B.V. have used both the domestic and international capital markets to raise funds. For example:

- in 1998 Kazkommerts International B.V. issued U.S.$100 million of its 11.25 per cent. Notes due 2001, the first eurobond issue by a non-sovereign corporate issuer from Kazakhstan;
- in September 1999, the Bank issued a U.S.$30 million domestic bond which matured in September 2001;
- in 2000, the Bank issued U.S.$19.8 million of its 11 per cent. subordinated notes due 2007;
- in 2002, Kazkommerts International B.V. raised U.S.$200 million through the issue of its 10.125 per cent., Notes due 2007 in two tranches of U.S.$l50 million and U.S.$50 million;
- in May and December 2003, Kazkommerts International B.V. raised U.S.$500 million through the issue of its 8.5 per cent. Notes due 2013 in two tranches of U.S.$350 million and U.S.$150 million;
- in April 2004, Kazkommerts International B.V. raised U.S.$ 400 million through the issue of its 7.875 per cent. Notes due 2014 and simultaneously the Bank raised U.S.$100 million through the issuance by an intermediary bank of 7.375 per cent. loan participation notes that funded a 10 year subordinated loan to the Bank;
- in November 2004, Kazkommerts International B.V. raised U.S.$350 million through the issue of its 7 per cent. Notes due 2009. In February 2005 the Issuer raised U.S.$150 million through the additional issue of the same notes; and
- in March 2005, the Bank issued a KZT7 billion floating rate 10-year note (the rate is fixed at 7.5 per cent. until 2007).

In 2001, the Bank signed a seven-year credit facility with DEG (Deutsche Investitions-und Entwicklungsgesellschaft mbH), which was subsequently converted into a subordinated loan in April 2002.

In September 2002, the Bank signed a U.S.$50 million four-year term-loan agreement with the EBRD. The loan was effectively structured as two tranches: a U.S.$30 million loan for four years provided by the EBRD and a U.S.$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 U.S.$53.8 million in different loans outstanding to the Bank.

In December 2002, the Bank issued KZT1,325 million subordinated notes to preference shareholders in lieu of dividends.

In April 2003 the Bank signed a U.S.$45 million term loan with ING providing finance to Food Contract Corporation. The proceeds were placed by the Issuer as a deposit with the Bank. On 7 July 2004, the loan was fully prepaid.

In the first six months of 2005, the Bank attracted loans from DEG in the amount of U.S.$37 million for a nine-year period, and EBRD for the total amount of U.S.$ 31.5 million.

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.

The Bank's anticipated capital expenditures primarily relates to investments in new information technology. The Bank intends that these expenditures be fully funded and the amount of such expenditures will depend upon the Bank's net income.

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

	As at 30 June		As at 30 December		
	2005	2004	2004	2003	2002
			(per cent.)		
	(Unaudited)			(Audited)	
Liquid assets as a percentage of total assets	26.4	24.3	25.1	28.9	31.5
Liquid assets as a percentage of total deposits	88.4	71.2	89.4	82.9	61.2
Liquid assets: liabilities up to one month	168.8	108.3	103.7	111.1	131.1
Loans to customers, net: total assets	70.0	72.2	70.3	65.2	63.8
Loans to customers, net: customer accounts	234.8	211.9	250.2	186.7	124.0
Loans to customers, net: total equity	651.7	678.2	788.4	562.9	545.1

The Bank's funding base consists of demand and time deposits (33.4 per cent.), debt securities issue (33.2 per cent.), loans and advances from banks including REPO (25.2 per cent.), subordinated debt (3.9 per cent.) and other liabilities (4.3 per cent.). This structure positively affects funding costs and improves the Bank's liquidity.

The Bank managed to increase its retail deposit base as total customer accounts increased by 19 per cent. to KZT235,395 million as at 30 June 2005 from KZT197,827 million as at 31 December 2004, which in turn represented a 30.5 per cent. increase from KZT151,589 million as at 31 December 2003. The Bank intends further to 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 2005, retail deposits (less interests accrued) comprised 36.1 per cent. of total customer deposits (less interests 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, payments to utilities, asset management and insurance products to individuals), it will be able to attract new customers and improve its ability to cross-sell products. See "Description of Business — Banking Services — Retail Banking."

The following table sets out the net open foreign currency position of the bank for the dates indicated.

	As at 30 June		As at 30 December		
	2005	2004	2004	2003	2002
			(per cent.)		
	(Unaudited)			(Audited)	
Net long (short) position (millions of U.S. dollars)	38.2	(143.4)	(156.0)	(65.6)	(1.2)
As a percentage of shareholders' equity (per cent.)	4.7	(26.2)	(23.3)	(15.6)	(0.6)
As a percentage of total liabilities (per cent.)	0.7	(4.2)	(2.9)	(2.5)	(0.1)

The NBK regulates and closely monitors the net open foreign currency position of banks. According to the NBK's requirements, a bank's aggregate net open foreign currency position may not exceed 50 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 30 per cent. of its capital. The open short position for any currency of a country with a sovereign rating lower than "A" by Standard & Poor's is limited to 15 per cent. of its capital and the corresponding open long position is limited to five 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 Asset and Liability Management Committee monitors the size of net open foreign currencies positions.

Treasury

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

The size of the Bank's trading portfolio decreased by 30.9 per cent. to KZT51.7 billion as at 30 June 2005 from 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.

THE ISSUER

General

History

The Issuer was incorporated as a private company with limited liability (a *besloten vennootschap met beperkte aanspakelijkheid*, or B.V.) under and subject to, the laws of The Netherlands on 13 February 2001 for an unlimited duration. The Issuer has a statutory seat is in Rotterdam and is registered in the commercial register under number 24317181.

Capitalisation and Indebtedness

The Issuer is a wholly-owned subsidiary of the Bank. The following table sets forth the capitalisation of the Issuer as at 30 June 2005:

	As at 30 June 2005 (Unaudited) (U.S.$)
Long-term debt:	
Shareholders' equity:	
Share capital comprising 20 ordinary shares, par value €1,000 per share	24,168
Retained earnings	(55,794)
Total shareholders' equity	(31,626)
Total capitalisation	(31,626)

The Bank has agreed to increase the Issuer's total paid-in capital by the equivalent in euro of U.S. $1 million upon the issue and sale of the Notes, by way of a payment of share premium. Except for such increase and the issue of the Notes, there has been no material change in the capitalisation of the Issuer since 30 June 2005. The total capitalisation of the Issuer has not been adjusted to reflect such increase or the issue and sale of the Notes.

Business

The Issuer was established for the primary purpose of raising funds for the Bank. Consequently, the Issuer has no employees. The Issuer may in the future enter into other financing arrangements for similar purposes.

Other than U.S.$28,391 owed to its sister company, Kazkommertsbank International B.V., the Issuer has no other outstanding indebtedness, including borrowings, guarantees or contingent liabilities, as at the date of this Prospectus.

The Issuer is not involved in any legal or arbitration proceedings, including any such proceedings which are pending or, to the Issuer's knowledge, threatened, which may have, or have had since 30 June 2005, a significant effect on the financial position of the Issuer.

Financial Statements

In accordance with Dutch law, the Issuer is required to publish statutory annual financial statements, which must be filed with the commercial register in Rotterdam. Pursuant to an NBK requirement that accounts of overseas subsidiaries of Kazakhstan banks be independently audited, the Issuer engaged Mazars Paardekooper Hoffman of Rivium Promenade 200, 3001 KC Rotterdam to conduct an audit of its statutory financial statements. The audit of the Issuer's 2002, 2003 and 2004 financial statements has been completed. The Issuer's statutory financial statements as at and for the years ended 31 December 2004 and 2003 are included elsewhere in this Prospectus. Copies of the Issuer's audited statutory financial statements, as well as the Issuer's latest published financial statements and any auditors' reports relating thereto, are available for inspection, and copies of these documents may be obtained, on any business day during usual business hours at the registered office of the Issuer and at the specified office of the Principal Paying and Transfer Agent. The Issuer does not publish interim financial statements. The Issuer is a non-consolidated subsidiary of the Bank.

Management

The Issuer has two directors: Mr. Andrey I. Timchenko, aged 29, who is a Managing Director of the Bank; and Equity Trust Co. N.V. ("Equity Trust"), a company with limited liability incorporated in The Netherlands. The directors and deputy directors of Equity Trust are F. van der Rhee, R.G.A. de Schutter and J. C. W. van Burg (each a director) and W. P. Ruoff and W. H. Kamphuijs (each a deputy director), each is solely authorised to represent Equity Trust as a managing director of Kazkommerts Finance 2 B.V.

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

General Information

The business address of the Issuer is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands and its telephone number is +31 10 2245 333. The business address of Mr. Timchenko is 135 "Zh" Gagarin Ave., Almaty 050060, Kazakhstan. Administrative services are provided to the Issuer by Equity Trust, whose business address is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands.

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

Established in 1990, the Bank is the largest bank in Kazakhstan, measured by total assets as at 30 June 2005, providing corporate banking, retail banking and other financial services. As at and for the six months ended 30 June 2005, the Bank had net income before minority interest of KZT10,915 million, total assets of KZT789,253 million and shareholders' equity of KZT84,796 million.

The Bank's principal activities traditionally have been the acceptance of deposits and the provision of loans and other credit facilities in Tenge and foreign currencies. It also offers a wide range of current account-related services, such as payment facilities, debit and credit cards, collection services and also retail banking and overdraft facilities. As at 30 June 2005, in addition to its head office, the Bank had 22 branches throughout Kazakhstan and 56 settlement outlets, although the Bank intends to reduce the number of settlement outlets as part of an ongoing rationalisation programme. The Bank also has a representative office in London and a banking subsidiary in Kyrgyzstan. As at 30 June 2005, it had total customer retail deposits of KZT83,895 million, a significant increase from the KZT3,180 million in retail deposits held by the Bank at the end of 1999, and the Bank believes that it currently has the largest deposit base amongst Kazakhstan banks. Since the end of 2002, the Bank's gross loans to individuals have grown from KZT12,234 million to KZT81,007 million as at 30 June 2005.

The Bank issues both VISA and Europay/MasterCard payment cards. Its debit and credit cards provide access to the Cirrus/Maestro system. As at 30 June 2005, the Bank had 356,150 cards in issue. The Bank is also an authorised agent for distribution of American Express and Diners Club cards and was the first bank in Kazakhstan to issue to its customers EMV-standard chip cards, which incorporate a chip as well as a magnetic strip for security, in 2002. Also, the Bank was the first bank in Kazakhstan to certify POS-terminals servicing EMV-standard chip cards. In addition, the Bank has an established ATM network, and, as at 30 June 2005, it operated 333 ATMs and 1,925 point-of-sale terminals. The Bank was also the first local bank to offer telephone banking and internet banking services to its customers.

In 2003, the Bank passed the certification for card servicing under the 3D-Secure protocol. The 3D-Secure protocol was developed by VISA International with support of MasterCard International, and is used to protect financial transactions from Internet fraud. For the time being, the Bank is the only one to develop this segment of business. For the convenience and security of its clients who effect transactions on the Internet, the Bank also issues virtual cards.

In addition, the Bank supported Kazkommertsbank Kyrgyzstan, its subsidiary in Kyrgyzstan, which became an associate member of VISA International and was certified to issue payment cards.

Through its commercial banking business, the Bank provides products and services to predominantly medium and large-sized Kazakhstan and international corporations operating in Kazakhstan, including trade and structured finance products, project finance, e-banking and asset management services, as well as short-term credit facilities and other general banking services. Consistent with the Bank's policy of maintaining high levels of liquidity, it typically provides loans with an average maturity of up to 18 months for its corporate clients, and provides long-term financing in accordance with current funding sources. The Bank also arranges syndicated loans to top corporate clients in Kazakhstan with foreign banks. In addition, the Bank also provides financing to large corporate clients in the neighbouring countries of Russia and Kyrgyzstan. As at 31 December 2003, the Bank's total gross loan portfolio amounted to KZT302,132 million and as at 30 June 2005 it amounted to KZT588,136 million.

In addition to banking, the Bank offers other financial services. It is a major participant in the securities markets and the foreign currency markets in Kazakhstan. 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. In 2001, the Bank began to offer asset management services to its corporate and retail clients.

Strategy

The Bank's strategy is to maintain its position as a leading bank and financial services company in Kazakhstan, while increasing profitability through managed growth and increased operating efficiency. The strategy was developed in cooperation with an external consultant. In order to implement this strategy, the Bank intends to focus on the following:

- *Expansion of Banking Services.* The Bank will also focus on expanding its corporate and retail banking services:
  - Corporate banking services. The Bank plans to increase the cross-selling of its non-lending products, for example, investment banking, transaction services and factoring, to corporate clients and to introduce incentives to its employees to encourage this. Corporate clients are now classified on the basis of revenues derived from them and those producing smaller revenues are now handled at the branch level while those producing larger revenues will be served by regional directors or by head office. The Bank also intends to expand its corporate client base and improve the quality of its loan portfolio. In order to diversify its portfolio, the Bank will seek to increase its lending to small- and medium-sized enterprises. In addition, it will seek to proportionately increase its lending to companies in the oil and gas, food processing, construction, telecommunication, commercial trade, mining and metallurgy and other sectors identified by the Bank as sectors with the potential for growth. To assist its risk assessment of various sectors, the Bank has established a market research group and is also engaged in a process of assessing the pricing of its products by reference to the risks involved in them.
  - Retail banking services. The Bank will continue to seek to increase its retail banking business by targeting middle-income and high net worth individuals, a market segment the Bank believes continues to be underserved by its retail competitors. The Bank intends to attract and retain these clients by providing up-to-date products, such as money transfer payment services, direct debit payments, currency exchange facilities and a reliable ATM network, as well as a high level of personal customer service. The Bank believes that, by serving these more affluent clients, it is better able to sell higher-margin products and improve its cross-selling of non-banking products, such as insurance and pension products. The Bank also plans to target a wider retail market by increasing the accessibility of its services and products through expanding its branch network and focussing on automated channels such as ATMs. The Bank will offer lower service charges at ATMs compared to its branch offices to encourage customers to use such automated channels.
- *Improvement of management information systems and operating efficiencies.* The Bank has been working to improve operating efficiencies through organisational restructuring and investments in human resources and information technology. As part of this strategy, the Bank hired officers experienced in working with international banks and companies. In 2002 the Bank fully implemented its unified information system, connecting all of its branches on a real-time basis. The Bank intends to continue to introduce more advanced information systems in the future, including a customer relationship management system based on CRM Siebel, a call centre system, an Oracle-based system for re-engineering business processes and internet banking systems.
- *Improvement of funding base.* The Bank intends to increase its capital markets funding, including subordinated and senior debt issues, asset securitisation programmes, co-operating with multilateral financial institutions and foreign export credit agencies and by increasing its market share in term deposits from corporate and, in particular, retail clients. The Bank also plans to raise further equity. In doing so, the Bank will seek to diversify its funding sources, lower its overall funding costs and increase tenors to support its anticipated asset growth.
- *Expand into other financial services markets.* The infrastructure, including the legal framework, of the Kazakhstan securities market is still developing. To capitalise on expected opportunities in this market, the Bank is taking steps to further its expertise and position itself through, amongst other things, the operations of its subsidiaries such as JSC Kazkommerts Securities and JSC Kazkommerts Policy, which provides insurance services. The Bank further intends to increase the cross-selling of such services.
- *Developing its presence in other CIS countries.* The Bank seeks to develop its geographic presence, principally by expanding its operations in other CIS countries, while maintaining its leading position in Kazakhstan. In September 2002, the Bank acquired a controlling shareholding in JSC Kazkommertsbank Kyrgyzstan, a bank with offices in Dzhalal-Abad and Osh, and, in conjunction with the EBRD, the Bank provides financings for small- and

medium-sized enterprises in Kyrgyzstan. The Bank has operating control over, consolidates for financial reporting purposes and intends to purchase a controlling shareholding in, CB Moskommertsbank, a small Russian bank based in Moscow with which it currently has a strategic alliance. The Bank believes that developing its operations in other countries within the region will enable it to better serve clients active in those countries and to attract large and medium-sized, corporate clients with regional operations in these countries.

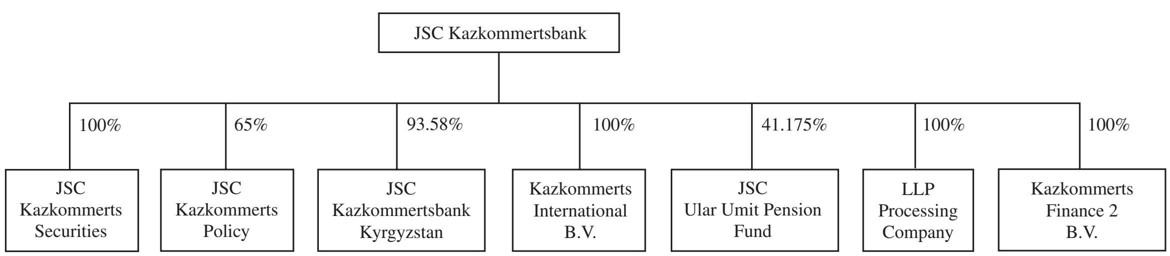
History

The Bank was incorporated as a joint stock company on 12 July 1990 for an unlimited duration with the name JSC Medeu Bank, in accordance with the laws of the Kazakh Soviet Socialist Republic, to engage in various activities in the banking sector. Following the independence of Kazakhstan, Medeu Bank was renamed JSC Kazkommertsbank and obtained a banking licence from the NBK on 21 October 1991. Its NBK banking licence number is 48 and the Bank's registration certificate number with the Ministry of Justice is 4466-1910-AO. The registered office of the Bank is 135 "Zh" Gagarin Avenue, Almaty 050060, Kazakhstan and its telephone number is +7 3272 585 444.

In 1994, the Bank merged with another commercial bank incorporated in Kazakhstan and, the same year, a management buy-out of the Bank was consummated. In 2003, the EBRD purchased 15.0 per cent. of the outstanding common shares of the Bank. The Bank has a representative office in London and, since September 2002, a majority holding in JSC Kazkommertsbank Kyrgyzstan, a Kyrgyzstan bank.

Corporate Structure

The following chart sets out details of the Bank's major subsidiaries and other direct and indirect equity holdings in affiliates:



The Bank's principal subsidiaries (other than the Issuer) and entities over which it exercises management control are:

- *JSC Kazkommerts Securities.* Kazkommerts Securities, a wholly-owned, consolidated subsidiary of the Bank, was established to provide investment services both to foreign and domestic clients and to participate in privatisation projects and other transactions. The company is engaged in investment banking operations and is one of the major underwriters of corporate domestic bonds in Kazakhstan. Although the securities market in Kazakhstan is relatively small, the Bank believes that the establishment of this business will enable it to take advantage of the expected growth and development in this market as the country develops and establish the Bank as a recognised and experienced name in investment banking. Its registered office is at 135-"Zh" Gagarin Avenue, Almaty 050060, Kazakhstan.

- *JSC Kazkommerts Policy.* Kazkommerts Policy is a leading insurance company in Kazakhstan acquired by the Bank in 2000. Kazkommerts Policy primarily underwrites property and casualty insurance policies for retail and commercial clients. The Bank seeks to cross-sell products of Kazkommerts Policy to its existing banking customers. The Bank currently holds 65 per cent. of the equity of Kazkommerts Policy while the EBRD holds the remaining 35 per cent. In the first six months of 2005, the net income of the company totalled KZT269 million compared to KZT370 million in the first six months of 2004. Its registered office is at 24 Satpayev Street, Almaty 050013, Kazakhstan.

- *JSC Kazkommertsbank Kyrgyzstan.* Kazkommertsbank Kyrgyzstan is a commercial bank with branches in Dzhalal-Abad and Osh. The Bank currently holds 93.58 per cent. of the equity of Kazkommertsbank Kyrgyzstan. Kazkommertsbank Kyrgyzstan was incorporated in 1989 as JSC Kyrgyzavtobank and in 2002 Kazkommertsbank acquired a 72.4 per cent. shareholding in this bank for KZT244 million. The same year it was renamed as JSC Kazkommertsbank Kyrgyzstan. As at 31 December 2003, the Bank had increased its shareholding in Kazkommertsbank Kyrgyzstan to 73.97 per cent. As at 30 June 2005, its assets and shareholders' equity totalled KZT3,318 million and KZT419.5 million, respectively, compared to KZT2,426 million and KZT364.3 million, respectively, as at 30 June 2004. As at 30 June 2005, the net income of Kazkommertsbank Kyrgyzstan totalled KZT1.04 million compared to KZT56.1 million for the first six months of 2004. Its registered office is at 42 Isanov Street, Bishkek 720017, Kyrgyz Republic.
- *CB Moskommertsbank.* The Bank holds an exclusive right to acquire the shares of CB Moskommertsbank. In 2002 the Bank signed a partnership agreement with the predecessor of CB Moskommertsbank's majority shareholder pursuant to which the Bank controls CB Moskommertsbank's operations. CB Moskommertsbank assists the Bank by introducing it to customers in Russia for whom the Bank provides services. It currently has no licence for retail operations. The net income of CB Moskommertsbank totalled KZT681.7 million as at 30 June 2005 compared to KZT253.2 million as at 30 June 2004. The total assets and capital of CB Moskommertsbank as at the end of 2004 equalled KZT39.2 billion and KZT5.0 billion, respectively. As at 30 June 2005, assets amounted to KZT38.3 billion as compared to KZT34.4 billion as at 30 June 2004. Capital amounted to KZT5.7 billion as at 30 June 2005 compared to KZT4.4 billion as at 30 June 2004. Its registered office is at 1 Bolshoy Gnezdnikovsky Pereulok, Stroeinie 2, Moscow 125009, Russian Federation.
- *JSC UlarUmit Pension Fund.* The Bank owns a minority shareholding in the UlarUmit Pension Fund, which the Bank believes is the second-largest private pension fund in Kazakhstan, measured by the value of managed assets. The Bank believes that its ownership in this fund presents additional cross-selling opportunities. Its registered office is at 115A Abay Avenue, Almaty 050008, Kazakhstan.
- *LLP Processing Company.* Processing Company was established as a wholly owned subsidiary in 2004 to provide card and related services. This subsidiary has been consolidated since 31 December 2004. As at 30 June 2005, its assets and shareholders' equity totalled KZT5 million and KZT5 million respectively, demonstrating no change as compared to 31 December 2004 due to insignificant business activity. Its registered office is at 135-zh Gagarin Avenue, Almaty 050060, Kazakhstan.

As the Bank continues to expand its corporate and retail banking services, management anticipates that its business will be divided into three core divisions to streamline operations and increase competitiveness within the sectors in which the Bank operates as follow:

- a Corporate Investment Banking Division, which will be responsible for cash management, e-banking, structured finance and corporate finance products for international corporations, large domestic corporations and pension funds;
- a Commercial Banking Division providing working capital, capital expenditure and trade finance facilities for small- and medium-sized enterprises; and
- a Consumer Banking Division, which will encourage retail deposits and provide consumer loans, mortgages and asset management services for high net worth individuals and middle-income clients.

Banking Services

Corporate banking

The Bank provides commercial banking products and services to predominantly medium- and large-sized Kazakhstan and international corporations operating in Kazakhstan. In 2001, the Bank developed a new method of classifying its corporate clients on the basis of revenues derived by the Bank from them. Corporate clients are classified as small, medium and large by revenues derived from them. Those producing smaller revenues are now handled at the branch level while those producing larger revenues are handled by the regional directors or by head office. The principal services offered to corporate clients include trade and structured finance products, project finance, e-banking, asset management and short-term credit facilities denominated in Tenge and foreign currencies, predominantly U.S. dollars and euro, as well as other general banking services. The Bank typically provides loans with an average maturity of up to 18 months for corporate clients, and provides long-term financing in accordance with current funding sources ensuring that such loans allow early prepayment or interest rate adjustment. The Bank also arranges syndicated loans to large corporate clients in Kazakhstan with foreign banks.

The Bank's primary objective with respect to its lending activities is to diversify into different sectors of the economy in order to reduce its exposure to particular industries, which the Bank believes will enhance the quality of its loan portfolio. The main sectors served by the Bank are trade (which increased from KZT85,456 million as at 30 June 2004 to KZT109,641 million as at 30 June 2005 and comprised 18.6 per cent. of the Bank's total gross loan portfolio as at 30 June 2005) and construction (which increased from KZT51,315 million as at 30 June 2004 to KZT98,471 million as at 30 June 2005 and comprised 16.7 per cent. of the Bank's gross loan portfolio as of such date). The Bank also increased its exposure to consumer lending to 13.8 per cent. of its gross loan portfolio in the first six months of 2005 compared to 10.7 per cent. in the first six months of 2004, and transport and communication from 8.1 per cent. to 6.2 per cent. of the loan portfolio for the same periods, and in each case before provisions and revaluation reserve. The Bank continues to seek to expand its market share in relation to medium-size borrowers, which it considers as having high growth potential.

In addition, the Bank provides financing to large corporate clients in the neighbouring countries of Russia and Kyrgyzstan. As at 30 June 2005, the Bank's exposure, through CB Moskommertsbank and JSC Kazkommertsbank Kyrgyzstan, to Russian and Kyrgyzstan clients as a percentage of its total gross loan portfolio, guarantees and letters of credit was 3.5 per cent. and 0.4 per cent. respectively.

Retail banking

The Bank offers its retail customers traditional deposit accounts. In addition, the Bank offers lending products which are primarily mortgages relating to properties within Kazakhstan's largest cities. Lending tends to be concentrated in these areas because their more established property markets make valuation easier. The Bank also provides other lending products to its retail customers, particularly automobile loans and personal loans for customers who meet certain income levels and other requirements. In addition to the Bank's existing branch network, the Bank expects to open between 160 and 200 branches over the next five years, primarily in regions which the Bank believes have a high growth potential. In the longer term, the Bank expects that this strategy will increase its retail deposits and enhance cross-selling opportunities relating to insurance and pension products.

In 2004 and the first half of 2005, the Bank continued its retail market strategy in developing a retail branch network in Kazakhstan. The network includes a "VIP Centre" in Almaty targeting high net worth individuals, which the Bank defines as clients maintaining deposits of at least U.S.$50,000, borrowing secured loans of more than U.S.$50,000 or holding a gold-status credit card with turnover of more than U.S.$3,000 per month. In addition, the Bank also considers individuals with monthly salaries above U.S.$5,000 to be VIP clients. The Bank is also targeting middle-income clients maintaining deposits of between U.S.$l,000 to U.S.$50,000. Separate branches of the Bank serve mass retail customers; however, the Bank does not currently open new accounts with deposits of less than U.S.$500 and the minimum amount which can be held in an account is U.S.$100. As at 30 June 2005, retail deposits accounted for 36 per cent. of the Bank's total customer deposits with deposits by high net worth individuals constituting 50.4 per cent. of retail deposits.

In 2003, the Bank continued its policy of cross-selling products to attract new customers. Payment cards are offered as supplementary services to all customers. These cards are primarily Europay International and VISA credit cards but also include Cirrus Maestro and VISA Electronic debit cards. As at 30 June 2005, 356,150 cards had been issued, representing an increase of more than 80,147 cards as compared to 276,003 cards issued as at 30 June 2004. AIG, a leading international insurance company, provides insurance services to the Bank's card holders in Kazakhstan and abroad. Although credit cards are not as heavily used in Kazakhstan as in some other countries, the Bank believes this market will continue to grow and that at present it is one of the market leader in terms of volume of card transactions.

As at 30 June 2005, the Bank operated 333 ATMs in cities throughout Kazakhstan, and it intends to add up to 63 more ATMs by the end of the year. The Bank believes that its network is the second-largest in Kazakhstan. The Bank seeks to attract customers to its ATM network by locating machines in densely populated areas around cities and by maintaining a high proportion of operating machines. Accordingly, the Bank has a policy of operating ATMs only in areas which are accessible for maintenance on a 24-hour basis and it believes that, relative to competitors, it maintains a high ratio of machines to issued ATM cards to help ensure good service and available funds. The Bank charges fees for each ATM withdrawal, including withdrawals by its own accountholders. The Bank seeks to recoup the initial cost of its ATM machines within three years of installation, which the Bank believes is a relatively aggressive pay-back period.

In addition, the Bank currently operates 1,925 point of sale terminals, located at various retail stores, through which the stores' customers can pay for their purchases using credit or debit cards.

The Bank was the first local bank to offer telephone banking and internet banking services to its customers. At present, the systems are in an early stage of development and the Bank does not anticipate significant demand for these services in the short-term, in particular in internet banking services, as personal computers are an expensive commodity in Kazakhstan and not widely used. 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 to pay their mobile telephone and utility bills.

The Bank's strategy calls for cross-selling of its insurance, pension and other services. The Bank offers commissions to its managers relating to their sales of its insurance products, as well as offering commissions to the managers of its insurance businesses for their cross-selling of banking products. The Bank has recently entered into an agreement to provide its retail banking services through local post offices, although as yet no system has been put in place.

Other banking and financial services

The Bank is authorised to engage in other transactions, including the sale, purchase and safekeeping of precious metals (including gold and silver) as well as providing certain derivative products, under its general banking licence. In 2001, the Bank began to offer trust services to its corporate and retail clients, which mostly relate to asset management.

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.

Branch Operations and Technology

Branch operations

As at 30 June 2005, the Bank's branch network comprised, in addition to its head office, 22 branches in the main industrial cities of Kazakhstan, including Astana, Zhezkazgan, Ust-Kamenogorsk, Pavlodar and Karaganda.

All branches provide both retail and corporate banking services. The operations of each branch are subject to internal regulations and to oversight by the Bank's head office. Each branch has limits on its lending authority and the branch directors and loan officers report regularly to the Bank's credit committee at the head office. All branches also undergo an annual internal audit. See "Selected Statistical and Other Information – Lending Policies and Procedures". The coordination 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 regional policies and expansion strategies of the Bank.

In addition to the branch network, the Bank has settlement outlets in towns and villages near to cities in which branches operate. As at 30 June 2005, the Bank had 56 settlement outlets in Kazakhstan. To support the Bank's international activities, two representative offices were opened in London and in Bishkek, Kyrgyzstan in 1999. In addition, the Bank purchased a controlling shareholding in JSC Kazkommertsbank Kyrgyzstan in September 2002, following which it closed its representative office in Bishkek.

The Bank has implemented an organisational restructuring programme at its head office and throughout its branch network, which is intended to increase operational efficiency and reduce over-staffing within the Bank. Staffing guidelines and quotas under the programme and a new human resources management policy are being developed 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 skill base and cross-selling ability of employees. The Bank expects that these measures, combined with its Equation DBA information system which was activated in 2002, will assist it in expanding certain corporate and consumer banking products, such as credit cards, debit cards and the ATM network in some regions, which have historically suffered from a lack of sufficiently qualified staff and an insufficient computer network infrastructure. See "Technology".

Security

In cooperation 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 is monitored by a camera.

The Bank maintains a strict anti-money laundering policy. As part of this policy, each new high-net worth customer must be recommended by an existing high net worth customer. The Bank interviews each such applicant and performs a background investigation. All applicants are required to provide the Bank with identification documents, as well as their Kazakhstan tax identification number.

Technology

In 2002, the Bank introduced 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 switched to full on-line utilisation of Equation DBA by the head office as well as all branches and settlement outlets by the end of 2002. The Bank believes that its full implementation of the Equation DBA system has significantly improved the scope and efficiency of its information system with respect to risk management in treasury operations, assets and liabilities management and the management of loan transactions and liquidity, as well as financial reports prepared in accordance with IFRS.

Moreover, in order to improve its efficiency, the Bank is incrementally introducing up-to-date banking technologies such as its Customer Relationship Manager system, based on the integration of CRM Siebel and CallCenter products, its system on re-engineering of business processes based on the WorkFlow Oracle product and the Bank's Internet banking system for individuals and legal entities.

The Bank's software system has a separate power source and is equipped with emergency backup and data protection facilities. All data is copied onto a back-up server twice a day. The Bank is in the process of correcting deficiencies in its business continuity planning and access controls.

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

Properties

The Bank owns or leases premises in Kazakhstan where its head office, branches and settlement outlets and other facilities are located. In particular, the Bank owns an office building, with a total area of approximately 10,460 square meters, located at ul. Gagarin 135 "zh", Almaty. As at 30 June 2005, this building had a gross book value of KZT1,060.8 million and a net book value of KZT1,059.7 million. In addition, the Bank owns or leases office premises, branches and settlement outlets, foreign exchange bureaus, ATMs, residential apartments, garages, warehouses and other facilities in Almaty and in 20 other cities and towns within Kazakhstan. The Bank owns the majority of these properties and leases the remaining sites. The Bank typically leases property for terms of between six months and ten years. As at 30 June 2005, the gross book value of the Bank's owned premises, including its head office in Almaty, was KZT12.1 billion.

Competition

The Bank believes that competition in its target markets is primarily driven by brand identity and quality of customer service. Although the Bank believes that it is well positioned to compete in the Kazakhstan banking sector, being the largest bank in Kazakhstan, based on total assets, and having a relatively low cost deposit base and diversified client base, the Bank faces competition from a number of existing participants in the banking sector in Kazakhstan. As at 30 June 2005, there were a total of 35 banks, excluding the NBK, operating in Kazakhstan. These can be divided into four groups: large banks, including the Bank, Halyk Savings Bank and Bank TuranAlem; state-owned banks, including Zhylstroysberbank and DBK; subsidiaries of foreign banks, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan; and smaller banks.

Bank TuranAlem is considered by the Bank to be a major competitor. Bank TuranAlem resulted from a merger initiated by the Government of Kazakhstan between two state-owned banks, Turan Bank and Alem Bank, in April 1997. The State's interest in TuranAlem was sold by auction in March 1998 for U.S.$72 million to a group of investors from Kazakhstan. As at 30 June 2005, TuranAlem was the second-largest private bank by assets and in terms of equity in Kazakhstan after the Bank.

The extensive branch network of the formerly state-owned Halyk Savings Bank of Kazakhstan, also known as People's Savings Bank or HSBK, makes it one of the Bank's major competitors with respect to retail banking. HSBK is also the leading participant in the primary domestic securities market. In November 2001, the Government of Kazakhstan sold its remaining one-third interest in HSBK to domestic investors.

In 2001, the Government of Kazakhstan established DBK to provide longer-term financing for projects within Kazakhstan. DBK was established with a charter capital of U.S.$200 million, the largest equity base of any domestic bank in Kazakhstan. Other than, potentially, within the corporate lending sector, DBK is not considered to be a competitor of the Bank as it is not licensed to accept corporate or retail deposits or to provide corporate settlement services. The Bank plans to co-finance certain projects within the corporate lending sector with DBK.

ABN AMRO Bank Kazakhstan is the second-largest subsidiary of a foreign bank in terms of equity. Following the Bank's assessment that it ceased to have significant influence in the financial and operating affairs of ABN AMRO Bank Kazakhstan in 2002, the Bank sold its 29 per cent. shareholding in ABN AMRO Bank Kazakhstan in June 2003.

Citibank Kazakhstan was established in 1998 and has been aggressively increasing its market share in corporate banking.

Whilst subsidiaries of foreign banks do not currently provide significant domestic competition as they are not active in the retail banking sector, the Bank believes that such banks, some of which may have significantly greater resources and a cheaper funding base than the Bank, have already become the Bank's main competitors in the corporate banking sector. Foreign banks also bring international experience in servicing customers and target the best corporate clients of Kazakhstan banks as well as foreign companies.

Employees

As at 30 June 2005, the Bank had 3,410 full-time employees, of whom approximately 2,477 were employed in its branches. The number of full-time employees as at 31 December 2004 was 3,186.

Currently, there are no labour unions in the Bank. The Bank has not experienced strikes or other work stoppages resulting from labour disputes.

Litigation

The Bank is currently not involved in any, nor is it aware of any pending or threatened, legal or administrative proceedings that it would reasonably expect to have a material adverse effect on its financial condition or results of operations. From time to time, however, the Bank is involved in legal and administrative proceedings incidental to its business. See "Results of Operations for the Year ended 31 December 2004 Compared to the Year ended 31 December 2003 – Taxation".

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

The following table sets out the Bank's average balance sheets based upon an aggregation of the average of the daily balances of the Bank and the average of the daily balances of Kazkommertsbank Kyrgyzstan and CB Moskommertsbank.

	For the six month period ended 30 June				Year ended 31 December			
	2005		2004		2004		2003	
	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
	(Unaudited)				(Audited)			
Assets								
Loans to and deposits with other banks, net	72,610	2.66	30,564	4.0	24,762	3.9	47,320	3.2
Loans to and deposits with other banks	72,905	2.65	31,051	4.0	25,215	3.8	47,628	3.1
Tenge	8,070	2.17	7,075	3.4	7,581	2.8	2,822	4.1
Foreign currency	64,835	2.71	23,976	4.2	17,634	4.3	44,806	3.1
Provisions	(295)	—	(487)	—	(453)	—	(308)	—
Tenge	(53)	—	(29)	—	(56)	—	(6)	—
Foreign currency	(242)	—	(458)	—	(397)	—	(302)	—
Correspondent account with NBK	4,518	—	3,253	—	2,859	—	3,122	—
Tenge	4,448	—	2,627	—	2,850	—	3,059	—
Foreign currency	70	—	626	—	9	—	63	—
Marketable securities	77,155	5.98	89,842	5.9	85,783	6.2	66,169	5.8
Tenge	50,752	3.35	53,104	5.1	53,708	4.7	31,454	5.1
Foreign currency	26,403	11.03	36,738	7.0	32,075	8.8	34,715	6.4
Loans to customers, net	496,424	13.91	304,076	13.5	359,476	13.5	197,709	15.0
Performing loans	511,547	13.50	318,931	12.9	376,197	12.9	205,881	14.4
Tenge	127,152	13.90	51,238	14.4	56,519	14.6	43,343	14.9
Foreign currency	384,395	13.37	267,693	12.6	319,678	12.6	162,538	14.3
Non-performing loans	15,975	—	6,452	—	8,399	—	4,394	—
Tenge	4,076	—	2,153	—	2,555	—	1,419	—
Foreign currency	11,899	—	4,299	—	5,844	—	2,975	—
Loan loss reserves	(31,098)	—	(21,307)	—	(25,120)	—	(12,566)	—
Tenge	(8,660)	—	(5,611)	—	(6,019)	—	(3,689)	—
Foreign currency	(22,438)	—	(15,696)	—	(19,101)	—	(8,877)	—
Cash	11,706	—	8,870	—	9,676	—	8,204	—
Tenge	5,861	—	3,896	—	4,670	—	3,579	—
Foreign currency	5,845	—	4,974	—	5,006	—	4,625	—
Correspondent accounts with other banks	4,577	1.33	4,225	1.3	5,224	1.2	5,882	0.5
Tenge	783	0.01	242	0.0	258	0.0	196	0.0
Foreign currency	3,794	1.61	3,983	1.4	4,966	1.3	5,686	0.6
Fixed and intangible assets, net	8,285	—	6,090	—	6,712	—	5,513	—
Tenge	7,451	—	5,910	—	6,163	—	5,367	—
Foreign currency	834	—	180	—	549	—	146	—
Investments	3,299	—	2,003	—	2,664	—	3,221	—
Tenge	2,803	—	2,003	—	2,241	—	3,000	—
Foreign currency	496	—	—	—	423	—	221	—
Other assets	19,066	—	16,335	—	17,628	—	13,614	—
Tenge	7,701	—	5,705	—	6,413	—	4,230	—
Foreign currency	11,365	—	10,630	—	11,215	—	9,384	—
Total	697,640	10.84	465,258	10.2	514,784	10.68	350,754	10.0
Tenge	210,384	9.29	128,313	8.1	136,883	8.03	94,774	8.6
Foreign currency	487,256	11.51	336,945	11.1	377,901	11.64	255,980	10.5

	For the six month period ended 30 June				Year ended 31 December			
	2005		2004		2004		2003	
	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
	(Unaudited)				(Audited)			
Liabilities and shareholders' equity								
Demand deposits	66,329	0.41	50,507	0.7	58,070	0.5	43,711	0.7
Tenge	42,129	0.52	30,692	0.8	32,448	0.5	23,566	0.7
Foreign currency	24,200	0.21	19,815	0.5	25,622	0.6	20,145	0.8
Time deposits	144,914	6.25	110,271	6.2	111,339	6.0	106,948	7.0
Tenge	57,984	7.90	23,814	9.2	28,502	8.7	18,234	10.5
Foreign currency	86,930	5.16	86,457	5.4	82,837	5.1	88,714	6.2
Correspondent accounts of other banks	3,355	0.28	945	2.0	1,486	0.8	1,656	1.8
Tenge	2,239	0.41	628	0.7	766	0.4	391	1.4
Foreign currency	1,116	0.03	317	4.6	720	1.1	1,265	1.9
Short-term interbank borrowings	15,486	4.36	16,212	2.8	20,171	2.6	9,021	2.6
Tenge	2,311	2.54	1,022	3.6	1,634	2.5	499	4.2
Foreign currency	13,175	4.68	15,190	2.8	18,537	2.6	8,522	2.5
Long-term borrowings	144,205	4.53	81,023	5.0	93,562	3.8	39,779	4.3
Tenge	1,678	6.48	—	—	52	9.7		
Foreign currency	142,527	4.50	81,023	5.0	93,562	3.8	39,727	4.3
Other borrowed funds	8,957	5.63	3,128	7.5	2,551	7.4	4,238	7.1
Tenge	195	1.98	0.0	—	—	254	0.9	
Foreign Currency	8,762	5.71	3,128	7.5	2,551	7.4	3,984	7.5
Debt securities issued	219,365	9.81	132,129	8.7	151,999	9.9	86,061	10.0
Tenge	7,523	7.23	3,006	7.0	3,505	7.0	—	—
Foreign currency	211,842	9.90	129,123	8.7	148,494	9.9	86,061	10.0
Other liabilities:	24,211	—	17,690		19,226	—	17,794	—
Tenge	12,665	—	6,617		7,551	—	3,601	—
Foreign currency	11,546	—	11,073		11,675	—	14,193	—
Total liabilities	626,822	6.15	411,905	5.7	458,404	5.7	309,208	6.0
Tenge	126,724	4.36	65,779	4.1	74,406	3.9	46,597	4.5
Foreign currency	500,098	6.61	346,126	6.0	383,998	6.1	262,611	6.3
Shareholders' equity and reserves	65,421	—	49,093		51,810	—	38,212	—
Tenge	65,001	—	49,093		51,810	—	38,212	—
Foreign currency	420	—	—		—	—	—	
Minority Interest	5,397	—	4,260		4,570	—	3,334	—
Tenge	—	—	—		—	—	—	—
Foreign currency	5,397	—	4,260		4,570	—	3,334	—
Total	697,640	5.53	465,258	5.0	514,784	5.1	350,754	5.3
Tenge	191,725	2.88	114,872	2.3	126,216	2.3	84,809	2.5
Foreign currency	505,915	6.53	350,386	5.9	388,568	6.0	265,945	6.2
Average Exchange Rate KZT/U.S.$	131.19		138.59		136.07		149.54	

Assets

The total assets of the Bank were KZT789.3 billion as at 30 June 2005, reflecting an increase of 12.1 per cent. compared to 31 December 2004. The following table sets out the major asset groups of the Bank as at the indicated dates:

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
	(Unaudited)				(Audited)			
Trading and investment portfolio:								
Tenge	32,856	4.2	59,437	11.4	56,227	8.0	29,430	6.8
Foreign currency	19,230	2.4	22,265	4.3	19,324	2.7	42,087	9.7
Total	52,086	6.6	81,702	15.7	75,551	10.7	71,517	16.5
Cash and correspondent accounts with national (central) banks:								
Tenge	12,357	1.6	11,514	2.2	53,298	7.6	22,315	5.1
Foreign currency	7,460	0.9	5,795	1.1	12,995	1.8	6,470	1.5
Total	19,817	2.5	17,309	3.3	66,293	9.4	28,785	6.6
Loans and advances to banks:								
Tenge	6,733	0.9	1,612	0.3	4,175	0.6	1,790	0.4
Foreign currency	135,901	17.2	26,463	5.1	38,192	5.4	37,208	8.6
Reserves for loan losses	(696)	(0.1)	(374)	(0.1)	(533)	(0.1)	(415)	(0.1)
Total	141,938	18.0	27,701	5.3	41,834	5.9	38,583	8.9
Repurchase transactions:								
Tenge	3,557	0.4	2,543	0.5	3,446	0.5	587	0.1
Foreign currency	6,884	0.9	6,461	1.2	4,956	0.7	2,021	0.5
Reserves for losses	—	—		—	—	—	—	—
Total	10,441	1.3	9,004	1.7	8,402	1.2	2,608	0.6
Loans and advances to customers:								
Tenge	181,554	23.0	63,828	12.2	120,822	17.2	63,548	14.6
Foreign currency	406,582	51.5	338,081	64.7	403,988	57.4	238,584	55.0
Reserves for loan losses	(35,479)	(4.5)	(24,664)	(4.7)	(29,879)	(4.2)	(19,069)	(4.4)
Total	552,657	70.0	377,245	72.2	494,931	70.4	283,063	65.2
Other assets	12,314	1.6	9,514	1.8	17,046	2.4	9,685	2.2
Total Assets	789,253	100.0	522,475	100.0	704,057	100.0	434,241	100.0

As at 30 June 2005, the Bank's assets structure underwent some changes in comparison with the structure as at the end of 2004. The largest component of the Bank's assets remains Loans to customers which, as a percentage of total assets, amounted to 70 per cent. and 70.3 per cent. as at 30 June 2005 and 31 December 2004 respectively. Loans and advances to banks increased from 6 per cent. as at the end of 2004 to 18 per cent. as at 30 June 2005. The trading and investment portfolio, as a percentage of total assets, decreased from 10.7 per cent. to 6.6 per cent. between 31 December 2004 and 30 June 2005. Cash and correspondent accounts with the national banks of Kazakhstan and Kyrgyzstan and the Russian Central Bank fell from 9.4 per cent. to 2.5 per cent. during the same period.

The following table indicates average net interest income, yield, margin and spread for the six months ended 30 June 2005 and 2004 and the years ended 31 December 2004 and 2003.

	For the six month period ended 30 June		Year ended 31 December	
	2005	2004	2004	2003
	(U.S.$ millions, unless otherwise indicated)			
Average interest-earning assets	4,960.0	3,094.0	3,493.0	2,121.0
Interest income	288.0	172.0	404.0	235.0
Net interest income before provision for loan losses	141.0	88.0	211.0	110.0
Yield (per cent.)(1)(4)	11.6	11.1	11.6	11.1
Margin (per cent.)(2)(4)	5.7	5.7	6.1	5.2
Spread (per cent.)(3)(4)	5.2	5.2	5.6	4.6

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

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

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

(4) Annualised.

Trading and Investment Portfolio

The size of the Bank's securities portfolio decreased by 31.3 per cent. as at 30 June 2005 with respect to 31 December 2004, and amounted to KZT51.8 billion compared to KZT75.3 billion as at the end of 2004. The Bank's trading portfolio, which makes up 99.9 per cent. of the Bank's securities portfolio, decreased by 30.9 per cent. or by KZT23.1 billion as a result of the sale of NBK notes in an amount of KZT24.7 billion in response to falling tenge interest rates. Increased yields on new issues of Kazakhstan Treasury Bills in excess of the yield on interbank placements led to the Bank increasing the proportion of Treasury Bills in its portfolio. Thus, by 30 June 2005, the Bank's trading portfolio of Treasury Bills of the Ministry of Finance of the Republic of Kazakhstan had increased by 8.1 per cent. to KZT13.9 billion from KZT12.9 billion as at the end of 2004 whilst the Bank's holdings of eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan remained at the same level, at KZT2.3 billion for the period in question. The Bank continued to invest in securities of prime Kazakhstan companies and municipal bonds, which portfolio as at 30 June 2005 was KZT10.2 billion.

The portfolio of securities available-for-sale and held to maturity is insignificant. The following table shows the composition of securities held by the Bank and its investments in associated companies as at the indicated dates:

	As at 30 June		As at 31 December	
	2005	2004	2004	2003
	(KZT millions)			
	(Unaudited)		(Audited)	
Securities	51,768	81,571	75,333	71,371
Marketable securities	51,693	81,431	74,780	71,201
Securities available-for-sale	32	64	489	138
Securities held to maturity	43	76	64	32
Investments in associated companies	318	131	218	146
Total securities and investments with associated companies	52,086	81,702	75,551	71,517

The average portfolio of marketable securities decreased by 10.1 per cent. to KZT77.5 billion for the first six months of 2005 from KZT85.8 billion for the year ended 2004, whilst average interest rates decreased insignificantly from 6.2 per cent. in 2004 to 6.0 per cent. in the first half of 2005.

The following table shows the structure of the average marketable securities portfolio and average interest rates for the six months ended 30 June 2005 and 2004 and the years ended 31 December 2004 and 2003:

	For the six month period ended 30 June				Year ended 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(Average interest rate, per cent.)	(KZT millions)	(Average interest rate, per cent.)	(KZT millions)	(Average interest rate, per cent.)	(KZT millions)	(Average interest rate, per cent.)
	(Unaudited)				(Audited)			
NBK notes	34,427	3.5	43,112	5.1	39,973	4.5	26,817	5.0
Corporate bonds	20,913	10.9	16,814	8.5	17,530	10.9	11,725	9.8
Long-term and medium-term Treasury bills	13,240	4.5	9,470	5.5	10,533	5.5	4,387	6.0
Eurobonds of foreign governments	3,403	8.0	7,037	5.8	4,157	6.8	12,498	4.7
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	2,223	3.9	5,862	2.6	5,263	3.5	6,458	3.0
Eurobonds of Kazkommerts International B.V	1,554	6.8	5,853	6.8	4,970	7.9	3,559	8.0
Domestic municipal bonds	503	10.4	730	9.1	896	12.6	475	8.1
Short-term Treasury bills	892	3.4	504	5.2	2,462	4.2	250	5.5
Eurobonds of the Ministry of Finance of the Russian Federation	—	—	260	15.4	—	—	—	—
Sub-federal bonds of the Russian Federation	—	—	200	23.2	—	—	—	—
Total	77,155	6.0	89,842	5.9	85,784	6.2	66,169	5.8

The Bank's Loan Portfolio

Loan portfolio monitoring

The following tables set forth information relating to the diversification of the Bank's loan portfolio as at 30 June 2005 and 31 December 2004:

	As at 30 June 2005			
	Total loan indebtedness	Principal amount due	Accrued interest	Percentage of total loan portfolio
		(U.S.$)	(Unaudited)	(per cent.)
Greater than U.S.$10 million	1,132,009,033	1,108,640,719	23,368,314	26.0
From U.S.$5 to U.S.$10 million	547,661,149	533,627,077	14,034,072	12.6
From U.S.$1 to U.S.$5 million	1,020,875,035	986,377,203	34,497,832	23.5
Up to U.S.$1 million	1,647,640,692	1,614,917,902	32,722,790	37.9
Total	4,348,185,909	4,243,562,901	104,623,008	100.0

The following table sets forth information relating to the diversification of the Bank's letters of guarantee portfolio, which amounted to KZT25.6 billion and KZT23 billion as at 30 June 2005 and 31 December 2004, respectively:

	As at 30 June 2005		As at 31 December	
	(U.S.$)	(per cent.)	(U.S.$)	(per cent.)
Greater than U.S.$10 million	14,505,410	7.7	11,979,067	34.1
From U.S.$5 to U.S.$10 million	34,172,635	18.0	63,919,248	17.1
From U.S.$1 to U.S.$5 million	68,741,484	36.3	53,596,888	20.2
Up to U.S.$1 million	72,077,083	38.0	47,210,109	28.6
Total	189,496,612	100.0	176,705,312	100.0

Loans and advances to banks

As at 30 June 2005, loans and advances to banks, net of provisions, increased by 3.4 times by KZT100.1 billion to KZT141.9 billion, as compared to KZT41.8 billion as at 31 December 2004. At the same time, loans and advances to banks as a percentage of total assets increased from 6.0 per cent. as at the end of 2004 to 18 per cent. as at 30 June 2005. The majority of loans and advances to banks (95.3 per cent.) were represented by foreign currency accounts. 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 (95.1 per cent.) of loans and advances to banks had maturities of less than three months.

The reserves for possible losses on loans and advances to banks increased by 30.6 per cent. to KZT696 million, as compared to KZT533 million as at the end of 2004. Cash and balances with the NBK, the National Bank of Kyrgyzstan and the Central Bank of Russia decreased by 70.1 per cent. from KZT66.3 billion as at 31 December 2004 to KZT19.8 billion as at 30 June 2005 as a result of repayment of NBK's term deposit in the amount of KZT22.3 billion and the decrease of a correspondent account balance with NBK by KZT24.7 billion.

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

	As at 30 June		As at 31 December	
	2005	2004	2004	2003
	(KZT millions)			
	(Unaudited)		(Audited)	
Correspondent accounts	9,031	12,696	13,021	3,478
Tenge	4	114	189	8
Foreign currency	9,027	12,582	12,832	3,470
Loans and advances to bank	133,603	15,379	29,346	35,520
Tenge	6,729	1,498	3,986	1,782
Foreign currency	126,874	13,881	25,360	33,738
Loan Loss reserves	(696)	(374)	(533)	(415)
Loans and advances to banks, net	141,938	27,701	41,834	38,583

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 and contingent liability exposure as at 30 June 2005 and 2004 and 31 December 2004 and 2003:

	As at 30 June		As at 31 December	
	2005	2004	2004	2003
	(KZT millions)			
	(Unaudited)		(Audited)	
Loans:				
Loans and advances to customers	588,136	401,909	524,810	302,132
Provisions for losses for contingent liabilities	(35,479)	(24,664)	(29,879)	(19,069)
Loans and advances to customers, net	552,657	377,245	494,931	283,063
Contingent liabilities:				
Letter of guarantee	25,631	20,498	22,972	22,769
Letter of Credit	48,938	32,637	41,490	23,409
Loan loss reserves	(2,062)	(1,390)	(1,530)	(1,426)
Total contingent liabilities, net	72,507	51,745	62,932	44,752
Total loans and contingent liabilities, net	625,164	428,990	557,863	327,815

During the six month period ended 30 June 2005, the average loan portfolio grew by 38.1 per cent., from KZT359.5 billion to KZT496.4 billion. As at 30 June 2005 the total loan portfolio (including letters of credit and letters of guarantee) had risen by 12.1 per cent. from its level at 31 December 2004 and amounted to KZT627.2 billion as compared to KZT559.4 billion as at the end of 2004.

The Bank provides financing for various purposes, although the majority of loans are for working capital purposes and for the term 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 provisions for loan losses by type of loan as at 30 June 2005 and 2004 and as at 31 December 2004:

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
		(Unaudited)				(Audited)		
Working capital finance	153,191	26.0	131,404	32.7	147,475	28.1	118,094	39.1
Construction repair	119,536	20.3	59,558	14.8	96,729	18.4	36,896	12.2
Fixed asset purchase	96,752	16.5	61,482	15.3	90,112	17.2	44,285	14.7
Real estate purchase	61,772	10.5	34,148	8.5	55,303	10.5	27,914	9.2
Equity investment in other enterprises	22,302	3.8	16,075	4.0	22,578	4.3	21,815	7.2
Trade finance	13,997	2.4	19,201	4.8	16,521	3.2	14,253	4.7
Other	120,586	20.5	80,228	20.0	96,092	18.3	38,875	12.9
Total	588,136	100.0	401,909	100.0	524,810	100.0	302,132	100.0

Loan portfolio by sector

In 2004 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 individuals and the trade, construction, and energy sectors have the largest shares in the Bank's loan portfolio. 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 2005 and 2004 and as at 31 December 2004 and 2003:

	For the six month period ended 30 June				Year ended 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
		(Unaudited)				(Audited)		
Trade	109,641	18.6	85,456	21.3	97,326	18.5	55,661	18.4
Construction	98,471	16.7	51,315	12.8	90,494	17.2	34,567	11.4
Individuals(1)	81,007	13.8	42,834	10.7	72,821	13.9	31,791	10.5
Energy	37,583	6.4	40,560	10.1	37,007	7.0	47,506	15.7
Transport and communications	36,355	6.2	32,560	8.1	31,125	5.9	14,765	4.9
Real estate	35,988	6.1	10,200	2.5	27,597	5.3	5,982	2.0
Finance(2)	32,943	5.6	12,859	3.2	32,975	6.3	2,641	0.9
Agriculture	32,401	5.5	39,626	9.9	34,279	6.5	34,469	11.4
Food industry	28,693	4.9	26,457	6.6	29,802	5.7	24,187	8.0
Mining/metallurgy	20,921	3.6	12,754	3.2	14,042	2.7	10,261	3.4
Hotels and catering	16,989	2.9	13,395	3.3	14,517	2.8	14,128	4.7
Machinery Construction	12,438	2.1	10,134	2.5	9,206	1.8	4,940	1.6
Medicine	2,809	0.5	1,569	0.4	1,677	0.3	2,276	0.8
Culture and arts	871	0.1	1,722	0.4	1,632	0.3	2,336	0.8
Other	41,026	7.0	20,468	5.1	30,310	5.8	16,622	5.5
Total	588,136	100.0	401,909	100.0	524,810	100.0	302,132	100.0

(1) Consists mainly of loans to retail customers.

(2) Consists mainly of loans to financial services companies.

Whilst the Bank's total loan portfolio increased by 12.1 per cent. between 31 December 2004 and 30 June 2005, its composition underwent some change. Loans to trade companies increased by 12.7 per cent., although their percentage of the Bank's total loan portfolio remained almost unchanged at the level of 18.6 per cent. compared to 18.5 per cent. as at the end of 2004. Loans to construction companies increased by 8.8 per cent., while their percentage of the total loan portfolio fell to 16.7 per cent. compared to 17.2 per cent. as at the end of 2004 due to the development of large scale construction projects in Astana, Almaty and Atyrau. By 30 June 2005, loans to individuals, including consumer and mortgage lending, had increased by 11.2 per cent. in comparison to the end of 2004. These loans, as a percentage of the Bank's loan portfolio, decreased insignificantly from 13.9 per cent. as at 31 December 2004 to 13.8 per cent. as at 30 June 2005. Loans to the transport and communications industries increased by 16.8 per cent., resulting in a 6.2 per cent. share of the loan portfolio.

Loans to the oil and gas sector increased slightly by 1.6 per cent. from KZT37 billion as at 31 December 2004 to KZT37.6 billion as at 30 June 2005, whilst their share in the total loan portfolio decreased slightly to 6.4 per cent. compared to 7.0 per cent. as at the end 2004. The Bank considers the metallurgy and mining sector to be a sector that is expected to increase its borrowings in future years. Whilst loans to companies in the metallurgy and mining sector increased by 49 per cent. during the first six months of 2005, their share in the total loan portfolio remains small (3.6 per cent.).

The oil and gas sector is represented by large Kazakhstani companies, as well as developing but still relatively small domestic oil producers with existing production facilities. Loans to metallurgy and mining companies are generally to large companies involved in the production of export-quality metals. Due to their export-oriented business, the Bank believes that such companies can withstand a domestic economic downturn and will benefit from improvements in the international economy.

The total amount lent to companies in the agriculture sector decreased by 5.5 per cent., and as a percentage of the Bank's total loan portfolio, such loans decreased from 6.5 per cent. as at the end of 2004 to 5.5 per cent. as at 30 June 2005, as 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 5.7 per cent. of the Bank's total loan portfolio as at the end of 2004 to 4.9 per cent. as at 30 June 2005, while the total amount of loans to this sector decreased by 3.7 per cent. Loans to companies in this sector are principally provided to large conglomerates with potential export capacity.

As at 30 June 2005 the concentration of the Bank's 20 largest borrowers accounted for 28.0 per cent. of the total loan portfolio compared to 24.8 per cent. as at 31 December 2004. The Bank expects to reduce the concentration of its loan portfolio by attracting new medium-and small-sized borrowers.

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 2005, U.S. dollar-denominated or indexed loans comprised 67.4 per cent. of the Bank's loan portfolio, compared to 75.3 per cent. as at 31 December 2004. Tenge loans grew by 50.3 per cent. in the same period, resulting in their comprising 30.9 per cent. of the Bank's loan portfolio. Such loans have a shorter-term maturity profile and usually contain provisions to allow the Bank to increase interest rates or demand early repayment in the event of 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 2005 and 2004 and as at 31 December 2004 and 2003:

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
	(Unaudited)				(Audited)			
Tenge	181,553	30.9	63,954	15.9	120,822	23.0	63,548	21.1
U.S. dollars	396,645	67.4	327,674	81.5	395,397	75.3	229,403	75.9
Euro	7,219	1.2	6,814	1.7	6,647	1.3	6,704	2.2
Other	2,719	0.5	3,467	0.9	1,944	0.4	2,477	0.8
Total	588,136	100.0	401,909	100.0	524,810	100.0	302,132	100.0

Maturity Profile of Loan Portfolio

The maturity structure of the Bank's loan portfolio as at 30 June 2005 reflects a significant position on loans with a maturity of over one year, as a result of demand for longer-term financing. The Bank's potential exposure to such longer-term loans is offset, in part, by the terms of such loans which allow the Bank to require early payment of the loan and/or to revise interest rates, thereby minimising interest rate and credit risks on such longer-term loans.

As at 30 June 2005, the Bank increased its aggregate loans with maturities of one to five years from KZT192.8 billion to KZT228.6 billion. The proportion of these loans within the Bank's total loan portfolio increased from 36.7 per cent. to 38.9 per cent. This increase resulted from a decrease in the percentage of loans with maturities over five years, from 24.8 per cent. as at 31 December 2004 to 23.9 per cent. as at 30 June 2005. These loans grew by 8.1 per cent. from KZT129.9 billion as at the end of 2004 to KZT140.4 billion as at 30 June 2005.

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

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
	(Unaudited)				(Audited)			
Up to one month	53,702	9.1	36,120	9.0	41,039	7.8	28,253	9.4
From one to three months	35,407	6.0	23,826	5.9	35,827	6.8	20,270	6.7
From three months to one year	129,989	22.1	118,450	29.5	125,181	23.9	89,398	29.6
From one to five years	228,633	38.9	141,441	35.2	192,832	36.7	124,276	41.1
Over five years	140,405	23.9	82,072	20.5	129,931	24.8	39,935	13.2
Total	588,136	100.00	401,909	100.0	524,810	100.0	302,132	100.0

Collateralisation of Loan Portfolio

In order to limit its lending risks, the Bank requires collateral from borrowers in various forms, including, but not limited to, domestic securities and 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 is requested from the borrower. In addition, the terms of the loan agreement usually provide the Bank with the flexibility to adjust the interest rate or request a prepayment of the loan or any portion of it upon a change of circumstances.

The following table sets forth the Bank's maximum loan/value ratio as a percentage of collateral value based on the type of collateral:

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

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 2005 and 2004 and as at 31 December 2004 and 2003:

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
	(Unaudited)				(Audited)			
Collateralised	538,178	91.5	367,883	91.5	476,881	90.9	289,853	95.9
Uncollateralised	49,958	8.5	34,026	8.5	47,929	9.1	12,279	4.1
Total	588,136	100.0	401,909	100.0	524,810	100.0	302,132	100.0

Loans may be collateralised by a pledge of fixed assets, guarantees, goods, real estate, state securities, stocks or deposits. The Bank takes a conservative approach in its assessment of the collateral and, if necessary, independent experts are instructed to value such collateral.

Lending Policies and Procedures

The Bank's lending policies and credit approval procedures are based on strict guidelines in accordance with NBK regulations and take into account any applicable requirements of IFRS. For a summary description of the applicable legislation, see "The Banking Sector in Kazakhstan".

Under the Bank's credit approval structure, smaller loans are generally issued by local branches while larger loans are generally centrally administered at the Bank's Almaty head office. The Bank maintains the following credit committees:

- *Branch committees*. Each of the Bank's branches maintains a credit committee, although the authorisations of these committees are relatively conservative. Excluding the committee for the Almaty branch, each such committee is authorised to approve loans from U.S.$15,000 to U.S.$750,000, subject to an aggregate lending limit of between U.S.$400,000 and U.S.$12 million per branch, depending on the size of the branch and experience of its personnel. The Almaty branch is authorised to extend loans of up to U.S.$850,000, subject to an aggregate lending limit of U.S.$22 million.
- *Regional committees*. The regional credit committees cover the central, southern, western, eastern and northern regions of Kazakhstan. Within each region of Kazakhstan, there is a relatively high degree of concentration of particular industry sectors and, accordingly, the regional credit committees tend to specialise in those industries. For example, Region Central primarily serves the agricultural industry; Region East primarily services the heavy manufacturing industries; Region West primarily services the oil and gas industries; the Region South primarily specialises in loans to the construction industry; and Region North primarily services the agricultural and construction industries. 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 from US$500,000 to U.S.$750,000 per borrower.
- *Head office committees*. The Bank's head office in Almaty has two credit committees:

- *Head Office Credit Committee*. This committee is authorised to approve loans of up to U.S.$2 million which were originated by local branches but exceed such branches' individual lending authority.
- *Commercial Directorate*. The Commercial Directorate is comprised of the Chairman of the Bank's Management Board, seven Managing Directors and an adviser to the Chairman of the Management Board, and is authorised to approve individual loans in an amount up to 25 per cent. of the total capital of the Bank.

In considering a loan, in addition to credit proposals by credit managers, the appropriate committee will also obtain advice and recommendations from the following:

- Risk Management Department. This department considers the loan in several respects. The analytic group, which is divided into specialisms according to industry, prepares advice on commercial loans based on its assessment of the borrower's business and/or the project to which the loan relates. This assessment takes into account the required cash and anticipated return to determine the borrower's ability to repay the loan. Retail Banking and the operational risk division are involved in risk assessment, the monitoring of consumer lending and the assessment of operational risks. The Risk Management Department also has a division involved in the Bank's loan portfolio monitoring and in the development of procedures and guidelines on the Bank's lending.
- Collateral Assessment Department. The Bank requests collateral for almost all of its loans. The job of the Collateral Assessment Department is to create a valuation analysis with respect to the proposed collateral.
- Legal. The Bank obtains advice regarding the proposed loan including, in the case of commercial loans, confirmation as to the valid corporate existence of the borrower and its authority to enter into the loan transactions and grant collateral. Most of this work is prepared by the Bank's internal Legal Department.
- Security Department. The Security Department provides information on the assets, credit history and reputation of potential borrowers. Kazakhstan is not currently served by a central credit bureau, since it is in the process of being established and is expected to start operating in a year or so and this in-house department is designed to provide the Bank with similar credit information concerning potential borrowers.

Approval of a loan generally takes two to three weeks, but may take up to six months, depending on the complexity of the loan.

Loans are first categorised by loan officers based upon the borrower's financial condition and the nature of available collateral. These categories are:

- A — Customer is manifestly capable of repaying principal and interest out of his own working capital and it is anticipated that his financial position will be maintained in the future;
- B — 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 — Financial position is so poor that the performance of payment obligations is unlikely.

Loans are then further classified depending on 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 paid timely and there are no signs that the remaining loan amount includes any capitalised amounts of previous re-borrowings. It also includes amounts less than 15 days overdue.

- "Unsatisfactory debt service" means that payments of principal and interest are overdue for between 15 and 45 days, or that the due date for interest or principal payment is extended for a period of three to six months, provided that no payment of interest is overdue.

- "Bad debt service" means that payment of principal or interest is overdue for 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 re-arranged as a new loan shall fall into this category as well.

When making an assessment of debt service, any overdue payment which is the equivalent of more than 10 per cent. of the loan amount is classified as "unsatisfactory" although exceptions can be made for technical delays. Overdue payments exceeding 20 per cent. of the loan amount are classified as "bad".

Loans are reviewed at least every six months, or annually with respect to loans to established clients, 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 from the Risk Management, Problem Loan and Legal Departments. Loans may be referred to this committee based upon 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 and other factors. In addition, where a company has a seasonal business, for example, companies in the agricultural sector, loans are reviewed at appropriate times throughout the season (at the beginning of spring and the end of summer, in the case of agricultural companies). The committee decides upon the best course of action with respect to each loan referred to it, which may include court action, settlement of the outstanding amounts or restructuring or extension of the loan. As the majority of the Bank's loans are secured under agreements which provide for out-of-court enforcement proceedings, the Committee on Problem Loans may also elect to foreclose on and sell the collateral. The Bank's Valuation Department may become involved to seek a private buyer of the collateral, with the borrower's consent.

Loans to retail customers are subject to a standardised approval procedure. Credit officers in the relevant 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 verifies the authenticity of information furnished by the applicant and requests the Bank's Security Department to perform a credit check on the applicant. In addition, a separate subgroup of the Risk Management Department prepares a credit scoring template to be applied to the loan based upon the borrower's profile including, in the case of commercial loans, the borrower's industry.

Non-Performing Loans and Provisioning Policy

Non-performing loans, which include loans on which interest has ceased to accrue, amounted to KZT13,759 million, or 2.3 per cent. of the Bank's loan portfolio as at 30 June 2005, as compared with KZT7,850 million, or 1.5 per cent. as at 31 December 2004. Loans are placed on non-accrual status when interest or principal is in arrears for a period in excess of 30 days, except when all amounts due under a loan are fully collateralised by cash or marketable securities and enforcement proceedings have commenced to realise such collateral.

The definitions in the loan classification matrix (see "—Lending Policies and Procedures") are used in determining provisioning rates. These range from 2 per cent. for "Standard" to 100 per cent. for "Loss". However, if management believes that "Sub Standard", "Doubtful" and "Loss" categories are adequately collateralised, a reduced level of provisioning may apply. For this reason, the overall provisioning level for the intermediate risk categories may be lower than the nominal provisioning rate. A minimum level of provisioning of 2 per cent. applies to all loans classified as

"Sub-standard", "Loss" or "Doubtful" if the loan is covered by collateral for the full amount. Collateral is not considered when provisions are created for "Standard" and "Watch" categories.

The Bank's provisioning policy under IFRS differs from its provisioning policy under the NBK's requirements under which provisions are created for potential losses on loans and advances based principally on the borrower's debt service performance. No general provision is created for loans where payment delays have not been experienced. Thus, under the NBK's regulations, the creation of a provision is event-oriented, i.e., it relies on a lack of timeliness in interest or principal payments.

The table below sets forth certain information relating to the Bank's provisions as at 30 June 2005, and as at 31 December 2004 and 2003:

		As at 30 June			As at 31 December					
		2005			2004			2003		
	Rate of provisioning	Total exposure	Total provisions	Provisions /exposure	Total exposure	Total provisions	Provisions /exposure	Total exposure	Total provisions	Reserves/ exposure
	(per cent.)	(KZT millions)	(KZT millions) (Unaudited)	(per cent.)	(KZT millions)	(KZT millions)	(per cent.)	(KZT millions) (Audited)	(KZT millions)	(per cent.)
Standard	2.0	272,750	5,455	2.0	275,753	5,515	2.0	142,094	2,866	2.0
Watch	5.0	228,482	11,424	5.0	189,927	9,496	5.0	105,676	5,286	5.0
Sub-standard	20.0	56,151	3,632	6.5	36,597	3,056	8.4	27,364	1,764	6.4
Doubtful	50.0	9,695	2,934	30.3	3,276	1,035	31.6	10,805	2,627	24.3
Loss	100.0	21,058	12,034	57.1	19,257	10,777	56.0	16,193	6,526	40.3
Total		588,136	35,479	6.0	524,810	29,879	5.7	302,132	19,069	6.3

The effective level of provisions grew from 5.7 per cent. as at the end of 2004 to 6 per cent. as at 30 June 2005 which the Bank regards as within normal ranges of variation. "Standard" and "Watch" loans increased by 7.6 per cent. and amounted to KZT501.2 billion as at 30 June 2005, as compared with KZT465.7 billion as at 31 December 2004. "Standard" and "Watch" loans decreased from 88.7 per cent. as at the end of 2004 to 85.2 per cent. as at 30 June 2005. At the same time, "Sub-standard" loans increased by 53.4 per cent. while their share of the loan portfolio grew to 9.5 per cent. as at 30 June 2005, as compared to 7 per cent. as at the end of 2004. "Doubtful" and "Loss" loans increased by KZT8.2 billion (36.5 per cent.) to 5.2 per cent. of all loans as at 30 June 2005 compared to 4.3 per cent. as at 31 December 2004. For the six month period ended 30 June 2005, the Bank wrote-off loans in the aggregate amount of KZT0.9 billion, as compared to write-offs in 2004 of KZT0.7 billion.

Previously under the NBK's regulations, loans were written-off when interest and principal were overdue for over 180 days. Since this instruction of the NBK was revoked early in 2004, the Bank has developed and adopted a new internal write-off procedure. 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. Loans up to U.S.$5,000 are written-off following a resolution of the Credit Committee of an appropriate branch, while loans over U.S.$5,000 are considered weekly by the Problem Loans Committee at Head Office.

The following table provides information regarding the Bank's loan loss reserves for the six month periods ended 30 June 2005 and 2004 and the years ended 31 December 2004 and 2003.

	For the six month period ended 30 June		Year ended 31 December	
	2005	2004	2004	2003
	(U.S.$. thousands, unless otherwise indicated)			
	(Unaudited)		(Audited)	
Loan loss reserves at the beginning of period	229,837	132,222	132,222	89,935
Loan loss reserves at the end of period	262,300	180,756	229,837	132,222
Charge-offs	6,593	544	5,639	15,486
Recoveries	1,584	1,547	3,604	11,004
Net charge-offs	5,009	(1,003)	2,035	4,482
Exchange rate (KZT per U.S.$1.00)	135.26	136.45	130.00	144.22

The following tables indicate the allocation of allowance for loan losses between legal entities and individuals.

	As at 30 June		As at 31 December		
	2005	2004	2004	2003	2002
	(U.S.$. thousands)				
	(Unaudited)		(Audited)		
Legal entities	235,346	170,334	209,569	124,728	87,266
Individuals	26,954	10,422	20,268	7,494	2,669
Total	262,300	180,756	229,837	132,222	89,935

	As at 30 June		As at 31 December		
	2005	2004	2004	2003	2002
	(per cent.)				
	(Unaudited)		(Audited)		
Legal entities	6.8	6.5	6.1	6.7	7.7
Individuals	3.8	3.3	3.5	3.2	3.5
Total	6.0	6.1	5.7	6.3	7.4

Funding

The main portion of the Bank's funding base is represented by customer accounts, which the Bank's management believes to be relatively insensitive to short-term fluctuations in market rates of interest. Since 2001 the Bank has managed to increase the size of its retail funding base, having become an important source of funding which the Bank believes is more stable than corporate funding, although it is more costly. The share of customer accounts increased from 30.9 per cent. as at the end of 2004 to 33.4 per cent. as at 30 June 2005, mainly due to the decrease in loans and advances from banks (including repo operations) from 31 per cent. to 25.2 per cent. from period to period.

Debt securities were an important source of funding in the six month period ending 30 June 2005, when the Bank, through Kazkommerts International B.V., issued U.S.$150 million 7 per cent. notes due 2009 forming a single series with U.S.$350 million 7 per cent. notes due 2009 issued in November 2004.

During the first six months of 2005, the Bank continued to exploit bilateral credit lines from banks and international financial institutions. The Bank is engaged in special programmes sponsored by the Government of Kazakhstan and various international financial institutions such as the EBRD, Asian Development Bank, Islamic Development Bank, IBRD and the IFC.

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

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
	(Unaudited)				(Audited)			
Customer deposits	235,395	33.4	178,059	38.1	197,827	30.9	151,589	39.5
Debt securities issued	221,359	31.4	148,409	31.8	192,329	30.0	96,516	25.1
Loans and advances from banks	168,470	23.9	83,959	18.0	170,331	26.6	76,222	19.9
Subordinated debt	27,296	3.9	22,147	4.7	19,448	3.0	8,733	2.3
Promissory notes issued	12,761	1.8	14,202	3.0	15,512	2.4	1,717	0.4
Securities sold under agreement to repurchase	9,057	1.3	7,418	1.6	28,445	4.4	37,251	9.7
Other borrowed funds	13,812	2.0	2,715	0.6	4,464	0.7	3,525	0.9
Dividends payable	550	0.1	324	0.1	1	—	1	—
Other liabilities	15,757	2.2	9,617	2.1	12,925	2.0	8,404	2.2
Total	704,457	100.0	466,850	100.0	641,282	100.0	383,958	100.0

As at 30 June 2005 deposits had increased by 19 per cent. since the end of 2004 mainly due to the growth of time deposits by 47.2 per cent. Demand deposits decreased by 18.9 per cent. compared to the end of 2004. Corporate time deposits, being short-term deposits, increased 2.3 times from KZT38,509 million to KZT90,564 million between 31 December 2004 and 30 June 2005. Corporate demand deposits fell by 25.3 per cent. over the same period, amounting to KZT57,666 million as at 30 June 2005. Retail deposits also decreased slightly in the six months ended 30 June 2005 to KZT83.9 million. The share of time deposits in total customer accounts increased to 69.3 per cent. as at 30 June 2005 from 56.0 per cent. as at 31 December 2004. The share of Tenge-denominated deposits decreased from 56.8 per cent. of total deposits as at the end of 2004 to 42.7 per cent. as at 30 June 2005 as a result of depreciation of the Tenge and more favourable interest notes for foreign-currency deposits.

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

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
	(Unaudited)				(Audited)			
Tenge:								
Demand deposits	43,562	18.5	34,162	19.2	59,235	29.9	28,788	19.0
Time deposits	56,895	24.2	24,792	13.9	53,135	26.9	20,424	13.5
	100,457	42.7	58,954	33.1	112,370	56.8	49,212	32.5
Foreign currency:								
Demand deposits	25,348	10.8	46,550	26.1	25,755	13.0	20,375	13.4
Time deposits	106,320	45.2	69,783	39.2	57,712	29.2	78,804	52.0
	131,668	55.9	116,333	65.3	83,467	42.2	99,179	65.4
Total customer accounts	232,125	98.6	175,287	98.4	195,837	99.0	148,391	97.9
Accrued interest	3,270	1.4	2,772	1.6	1,990	1.0	3,198	2.1
Total with accrued interest	235,395	100.0	178,059	100.0	197,827	100.0	151,589	100.0

As at 30 June 2005 the deposits (including interest accrued) of the 20 largest depositors accounted for 38.9 per cent. of total deposits, compared to 30.7 per cent. at the end of 2004. Although the concentration of deposits remains significant, the Bank intends to reduce the general concentration of domestic funding by attracting small- and medium-sized corporations. However, much of the increase in concentration of deposits results from excess liquidity in the state-owned oil and gas sector and the fact that these entities as a matter of practice place this excess liquidity with the local banking sector. The Bank believes that a number of other banks in Kazakhstan receive substantial deposits from these sources so resulting in increased concentrations.

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

	As at 30 June				As at 31 December			
	2005		2004		2004		2003	
	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)	(KZT millions)	(share per cent.)
	(Unaudited)				(Audited)			
Loans and advances from banks:								
Correspondent accounts	9,094	5.0	950	1.1	6,582	3.8	6,088	7.6
Loans from banks	38,684	21.2	23,818	27.5	40,137	23.0	12,488	15.7
Deposits of banks	6,606	3.6	1,897	2.2	10,877	6.2	2	—
Loans from international financial institutions	11,107	6.1	16,355	18.9	13,607	7.8	14,370	18.0
Syndicated loans	102,979	56.5	40,939	47.2	99,128	56.7	43,274	54.3
Total loans and advances from banks	168,470	92.4	83,959	96.9	170,331	97.5	76,222	95.6
Other borrowed funds:								
Due to Ministry of Finance	474	0.3	780	0.9	578	0.3	913	1.1
Due to the Fund of Small Business Support	320	0.2	1,935	2.2	1,208	0.7	2,612	3.3
Due to other organisations	13,018	7.1			2,678	1.5		
Total other borrowed funds	13,812	7.6	2,715	3.1	4,464	2.5	3,525	4.4
Total borrowed funds	182,282	100.0	86,674	100.0	174,795	100.0	79,747	100.0

Management

On 20 October 2003 the General Meeting of Shareholders of the Bank approved the Bank's new Charter, which was restated for the purpose of complying with the existing legislation of Kazakhstan, including the Law on Joint Stock Companies adopted at the time. According to the present 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 current activities is vested in the Management Board.

Board of Directors

The Bank's Board of Directors comprises not less than three and not more than five persons and is elected annually by the shareholders. Those members elect the chairman from amongst themselves. Members of the Board of Directors serve a one-year term, unless re-elected for an additional term. 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, approval of the strategic and operational plans for the Bank's development, making decisions on the establishment of branches and representative offices of the Bank, on participation in the establishment and activities of other enterprises, on concluding large-scale transactions and in the adoption of operational budgets and estimates of capital expenditures. The Board of Directors must approve all transactions with related parties.

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

Nurzhan S. Subkhanberdin (age 40) has served as Chairman of the Board of Directors since September 2002. Mr. Subkhanberdin is a former Chairman of the Management Board of the Bank and held numerous other positions within the Bank prior to his appointment as Chairman of the Management Board 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 43) has been a member of the Board since September 2002. Ms. Zhussupova is the Chairman of the Management Board of the Bank. Since August 1995, she has served as First Deputy Chairman of the Management Board of the Bank, 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 51) has been a member of the Board of Directors since October 2003. Ms. Buyske acts as the EBRD's representative. Prior to joining the Board, she held the position of Senior Banker with EBRD. She also worked as a Consultant to the World Bank and a Vice President of Chase Manhattan Bank. Ms. Buyske holds a Ph.D. degree in political science from Columbia University, an MPA in international relations from Princeton University and a B.A. in Russian studies from Middlebury College.

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

The Management Board

The Management Board consists of not less than three persons. The Management Board manages the Bank's affairs on a day-to-day basis. Specifically, its responsibilities include managing the current activities of the Bank, making business decisions and 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 43) has been a member of the Board of Directors since September 2002. Ms. Zhussupova is a Chairman of the Management Board of the Bank. Since August 1995, she served as Chief Accountant, Manager of the Accounts Office and First Deputy Chairman of the Management Board. She holds a degree in economics from AINE.

Ludmila P. Vozlublennya (age 48) has served as a Managing Director since 1998. Ms. Vozlublennya is a former Economic Analysis Manager of the Bank. She holds a degree in mathematics from Novosibirsk Electrical and Technical Institute and a Ph.D. in technical sciences from Karaganda Polytechnic Institute.

Ermek N. Shamuratov (age 49) supervises the Bank's IT and Banking Card Department and has served as a Managing Director since 1998. He is the former Deputy Chairman of Halyk Savings Bank and also held a number of positions within that organisation. He holds a degree in mathematics from KSU.

Aidar B. Akhmetov (age 37) supervises the Bank's Credit Department No. 1 and has served as a Managing Director 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.

Nurzhan Kh. Bekshenov (age 32) has served as a Managing Director since 1999. Mr. Bekshenov supervises the Bank's Department of Collateral and Debt Restructuring. He is a former Executive Director of the Bank and a former director of the law firm TOO Imashev and Partners. From 1994 to 1998, he held a number of positions in the Bank. He holds a degree in law from the Kazakhstan State National University.

Alexander V. Barsukov (age 34) supervises the Bank's Legal Department and has served as a Managing Director since January 2005. Mr. Barsukov is a former managing partner of the law firm McGuire Woods (Kazakhstan). He holds a degree in law from the Kazakh State National University.

Alexander V. Yakushev (age 47) has served as a Managing Director 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 38) supervises the Bank's Retail Banking Department and has served as a Managing Director 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 36) supervises the Bank's Credit Department No. 3 and has served as a Managing Director since January 2005. Mr Zhumagulov is a former Deputy General Director of TOO "Caspian Industrial Financial Group". He holds a degree in economics from the Kazakh Economic University.

Magzhan M. Auezov (age 29) supervises the Bank's Risk Management Department and has served as a Managing Director since 2002. Mr. Auezov is a former Country Head of Loan Products of ABN AMRO Bank Kazakhstan and, prior to that, 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, New York and an undergraduate degree in International Economics from Georgetown University, Washington D.C., as well as a diploma in International Affairs from the Kazakhstan State National University.

Andrey I. Timchenko (age 29) supervises the Bank's Financial Institutions Department and has served as a Managing Director since 2003. Mr. Timchenko is a former Tax Advisor of 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., Kazkommerts Finance 2 B.V. and Kazkommerts Capital 2 B.V., as well as the Director of the Financial Institutions Department of the Bank. He has a graduate degree in Law from Kazakhstan State Law University.

Dennis Y. Fedossenko (age 29) supervises the Bank's Treasury Department and has served as a Managing Director 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 36) supervises the Bank's Credit Department No. 2 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.

Baurzhan M. Kuvatov (age 44) supervises the Bank's Security Department and has served as a Managing Director since October 2004. Mr. Kuvatov formerly held different positions in the National Security Committee and Ministry of Internal Affairs of the Republic of Kazakhstan. He holds a degree in law from the Karaganda Higher School of the Ministry of Internal Affairs.

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 2005:

	Principal amount outstanding	
	(U.S.$)	*(KZT thousands)*
Nurzhan Subkhanberdin	2,950,000	399,017
Alexander Yakushev	3,379,362	457,093
Beibit Apsenbetov	476,552	64,458
Andrey Timchenko	254,192	34,382
Aidar Akhmetov	155,262	21,001
Baurzhan Zhumagulov	132,803	17,963
Ermek Shamuratov	80,962	10,951
Lyudmila Vozlyublennaya	50,901	6,885
Baurzhan Kuvatov	25,175	3,405
Nina Zhussupova	2,911	394
Erik Balapanov	2,058	278
Magzhan Auezov	97	13
Total	7,510,275	1,015,840

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 9 per cent. as compared with the usual market rate of 12 per cent.

Compensation of Directors and Senior Management

In 2004, the total aggregate compensation paid to members of the Board of Directors was KZT32.2 million (equivalent to U.S.$239,263), and the total aggregate compensation paid to members of the Management Board was KZT214.5 million (equivalent to U.S.$1,594,419). Total aggregate compensation comprises salaries and bonuses. The Bank does not maintain any stock option or similar plans.

Conflict of Interest

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

RELATED PARTY TRANSACTIONS

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 2005 and 2004 and as at 31 December 2004 and 2003:

	For the six month period ended 30 June		For the year ended 31 December	
	2005	2004	2004	2003
	(KZT millions)			
Loans and advances	1,910	2,147	2,460	2,619
Customer accounts	3,250	2,429	3,350	2,395

For a description of loans to members of the Board of Directors, Management Board and Managing and Executive Directors, see "Management".

The following table sets forth the Bank's interest income and expense relating to transactions with related parties as at 30 June 2005 and 2004 and as at 31 December 2004 and 2003:

	For the six month period ended 30 June		For the year ended 31 December	
	2005	2004	2004	2003
	(KZT millions)			
Interest income	98,983	95,469	177,812	178,210
Interest expense	123,954	90,364	209,884	145,829

As at 30 June 2005, letters of credit and guarantees issued for related parties amounted to KZT0.0 and KZT14,879 thousand respectively. As at 31 December 2004, total guarantees issued for related parties amounted to KZT33.9 million compared to KZT27.1 million at the end of 2003. At the end of 2003 all letter of credit transactions with related parties had been completed.

During the first six months of 2005, the volume of the Bank's purchases and sales of securities with related parties amounted to KZT358 million compared to KZT1,187 million during 2004 and KZT391.9 million in 2003.

As at 30 June 2005, the Bank's investments in shares of related companies amounted to KZT317,978 thousand. The Bank's investments in shares of related companies as at 31 December 2004 equalled KZT218 million, compared to KZT146.2 million at the end of 2003.

In 2004 and 2003 dividends on preferred stock were accrued and paid in the amount of KZT209.4 million and KZT324.1 million, respectively. In the first six months of 2005, dividends on preferred stock were accrued and paid in the amount of KZT549.6 million.

PRINCIPAL SHAREHOLDERS

Introduction

Since late 1994, a majority of the Bank's common shares have been owned and controlled by the Bank's senior management. As at 10 October 2005, the Bank's senior management and some former senior managers beneficially owned 54.3 per cent. of the Bank's outstanding (issued and placed) common shares, of which 49.2 per cent. are held through OJSC Central Asian Investment Company ("CAIC"), a Kazakhstan company.

The Bank's common and preference shares are listed on the "A" list of the Kazakhstan Stock Exchange. In June 1997, the Bank launched an international offering of its common shares in the form of depositary receipts, or GDRs. This was the first international offering of depositary receipts by a Kazakhstan corporate entity. The GDRs are listed on the London and Istanbul Stock Exchanges, traded on the Berlin and Frankfurt Stock Exchanges and are eligible for trading on PORTAL.

Principal Shareholders

The following table sets forth as at 10 October 2005 (unless a different date is noted) the beneficial ownership of the Bank's common shares by:

- each person who, to the Bank's knowledge, beneficially owned more than 5 per cent. of its common shares;
- each of the Bank's directors and senior managers; and
- all of the Bank's directors and senior managers as a group.

Except as indicated, beneficial ownership includes the sole power to vote and to dispose of the Bank's common shares.

	Beneficial Owner	
	(shares)	**(per cent.)(1)**
Major shareholders:		
CAIC(2)	184,679,012	49.2
EBRD	56,250,000	15.0
Directors and senior managers:(2)		
Nurzhan Subkhanberdin(3)	142,943,380	38.1
Nina Zhussupova	17,526,894	4.7
Aidar Akhmetov	6,062,273	1.6
All directors and executive officers as a group (three persons)(2)	166,532,597	44.4

(1) Based on outstanding common shares. As at 10 October 2005, there were 375,000,000 common shares outstanding.

(2) CAIC is the entity through which the Bank's directors and some former senior managers beneficially own common shares in the Bank. 59.6 per cent. of the share capital of CAIC is beneficially owned by Mr. Subkhanberdin.

(3) As at 10 October 2005, Mr. Subkhanberdin beneficially owned 6,431,566 (or 1.7 per cent.) of the Bank's common shares directly and the balance indirectly through CAIC or otherwise.

In addition to its common shares, as at 30 June 2005, the Bank had 124,957,760 non-voting preference shares outstanding. See "Capitalisation". Each preference share entitles the holder to a fixed annual dividend of $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. None of the preference shares are convertible into common shares. As at 30 June 2005, none of the preference shares were held by any of the Bank's directors or senior managers.

Shareholders' Agreement with EBRD

In connection with the EBRD's purchase of the Bank's common shares in August 2003, the EBRD entered into a Shareholders' Agreement dated 6 June 2003 which was further replaced by Shareholders' Agreement dated 24 June 2005 (the "Shareholders' Agreement"), with the Bank and three of the Bank's principal shareholders, Nurzhan Subkhanberdin, Nina Zhussupova and CAIC (collectively, the "Majority Shareholders") in order to set out the rights and obligations of these shareholders. The Shareholders' Agreement provides, amongst other things, that its terms and conditions shall remain in effect for so long as the EBRD holds common shares of the Bank. The Shareholders' Agreement also provides that:

- the EBRD will have the right to nominate one member of the Bank's Board of Directors;
- the Majority Shareholders shall not vote in favour of resolutions to, amongst other things, amend the Bank's charter, vary, increase or decrease its share capital or the rights attaching to shares, grant options, warrants or similar rights convertible into shares of the Bank, 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 Majority Shareholders shall have the right to purchase any common shares of the Bank held by the EBRD in the event the EBRD disposes of such shares;
- the Majority Shareholders shall not sell or transfer their shares to any third party without the EBRD's prior consent; and
- 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.

The Shareholders' Agreement also contains a number of restrictive covenants binding on the Bank which are similar to the restrictive covenants in the Bank's existing credit agreements and/or NBK requirements. The Bank is required under the agreement to provide the EBRD with quarterly reports to enable the EBRD to determine the Bank's compliance with the restrictive covenants contained in the agreement.

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 two of the Bank's principal shareholders, Nurzhan Subkhanberdin and Nina Zhussupova. In accordance with the Put Option Agreement, at any time after 31 August 2009, the EBRD shall have the right to require that part or all of its shares in the Bank 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 the event that EBRD does exercise its put option and Mr. Subkhanberdin purchases all of EBRD's shares, he would then beneficially own, directly or indirectly, a majority of the Bank's common shares.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994 Kazakhstan has adhered to a strict macro-economic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which has sharply reduced inflation and lowered interest rates. In addition, the Government of Kazakhstan and the NBK have undertaken structural reforms in the banking sector aimed at promoting consolidation and improving the overall viability of the system.

Legislation adopted in 1995 established the current legal framework of Kazakhstan's banking system. Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the NBK.

The National Bank of Kazakhstan

The NBK is the central bank of Kazakhstan. The NBK is an independent institution, but is subordinate to the President of Kazakhstan. The President has the power, amongst other things, to appoint, with the approval of Parliament, and remove the NBK's Governor and deputy Governors, to confirm the annual report of the NBK on the recommendation of the Governor, to confirm the concept and design of the national currency, and to request information from the NBK. Anvar Saidenov was appointed Governor of the NBK in January 2004, replacing Grigori Marchenko.

The principal task of the NBK is to ensure the stability of prices in Kazakhstan. The NBK is also empowered to develop and conduct monetary policy, organise banking settlement and foreign exchange systems with a view to the integration of Kazakhstan into the international economy and to ensure the stability of the financial system.

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.

The NBK's reform of the banking sector started in 1996 with the introduction of international prudential standards such as 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, bringing accounting practices closer to MRS, and personnel training programmes.

To strengthen the banking industry, promote stability and move toward internationally accepted practices, in December 1996 the NBK adopted a regulation requiring commercial banks to draft and adopt recapitalisation and corporate enhancement plans with the aim of ensuring that banks have reasonable plans and policies, enhancing their ability to attract long-term, private investors.

The NBK's Banking Supervision Department previously focused on ensuring financial solvency, protection of depositors and maintaining a stable monetary system. The objectives of reforms introduced in 1996 were to bring supervisory practices closer to international standards and allow for a more transparent view of the banks' capitalisation levels and exposure to financial risks. The department has adopted guidelines for bank inspections and analysis of periodic reports submitted by commercial banks to the NBK.

However, effective 1 January 2004, a new state agency, the FMSA, was created. The FMSA has, amongst other supervisory functions previously performed by the NBK's Banking Supervision Department, the following responsibilities with respect to banks operating in Kazakhstan: issuance of permits for their formation, issuance of licences for their operation, approval of prudential rules for their activities (e.g., credit limits and limits on certain types of transactions) and inspection of their operations. All of these functions were previously exercised by the NBK. The purpose of this shift of responsibilities was to prevent the problems and conflicts inherent in having the NBK regulate itself, since it is a key player in the financial market of Kazakhstan. In its role as the country's central bank, the NBK will continue to regulate activities of banks to the extent they involve currency matters or affect fiscal policy. However, the FMSA is entirely separate from the NBK and reports directly to the President.

The NBK also works closely with domestic banks to enhance the overall viability and solvency of the banking system. In July 1997, a number of amendments to Kazakhstan banking legislation were adopted to enable banks to diversify their activities in the financial services sector, including the ability to manage pension and investment funds and establish leasing and insurance companies.

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at the end of June 2004, 33 banks were covered by this scheme.

In March 2001, new legislation was introduced in relation to the holding of shares in a Kazakhstan bank. As a result, any shareholding of 10 per cent. or more (whether held independently or jointly with another legal entity) now requires the approval of the FMSA. Furthermore, a foreign entity holding 10 per cent. or more of a Kazakhstan bank must have a credit rating equal to or better than that of the Republic of Kazakhstan.

Commercial Banks

The NBK has taken measures to strengthen the banking industry and regularly monitors compliance with capital adequacy (in compliance with international standards set by the Basle Accord), current liquidity ratios, maximum credit exposure to single borrowers, maximum creditor exposure to single borrowers for bank insiders, maximum investments in fixed and other non-financial assets and contingent obligations. It also limits foreign exchange positions. Additionally, the NBK has adopted regulations on problem asset classifications and contingent obligations (similar to the World Bank's Guidelines for Asset Classifications) and loan loss reserves.

As at 30 June 2005, there were 34 banks operating in Kazakhstan, excluding the DBK and the NBK. Commercial banks operating in Kazakhstan can be divided into four groups: large banks including the Bank, HSBK and Bank TuranAlem; state-owned banks, including Zhylstroysberbank and the Development Bank of Kazakhstan; subsidiaries of foreign banks, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan; and smaller banks. The banking industry has been consolidating in recent years and the current number of banks operating in Kazakhstan represents a significant reduction from 210 banks in mid-1993. This decrease was largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. This general reduction in the number of banks has largely been at the expense of small- and medium-sized banks. However, in October 1996, Kramds Bank, the fifth-largest bank in Kazakhstan in terms of assets, was liquidated by the NBK because it had violated prudential regulations and was insolvent.

For a foreign bank to establish a subsidiary or joint venture where it has more than a 50 per cent. interest, the foreign bank must initially maintain a representative office in Kazakhstan for at least one year. A number of foreign banks have opened representative offices in Kazakhstan, including Deutsche Bank AG, Dresdner Bank AG, Commerzbank AG, ING Bank, Société Générale, American Express Bank Ltd. and Bankgesellschaft Berlin. Whilst subsidiaries of foreign banks do not currently provide significant competition in the retail banking sector, the Bank believes that such banks have already become its main competitors in the corporate banking sector. Foreign banks also bring international experience in servicing customers and target the best corporate customers of Kazakhstan banks, as well as foreign companies.

Foreign Capital in the Banking Sector

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

Under relevant legislation, "a bank with foreign participation" is defined as a bank with more than one-third foreign ownership. Banks with less than one-third foreign ownership are considered domestic banks. As at 30 June 2005 there were 14 banks with foreign participation operating in Kazakhstan, including ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan.

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

Industry Trends

According to the NBK, the total capital of domestic, commercial banks increased 44.9 per cent. in 2003, 62.4 per cent. in 2004 and, as at 1 January 2005, amounted to approximately U.S.$2.1 billion. During such period, the total assets of such banks increased by 77.7 per cent. and, as at

1 January 2005, amounted to approximately U.S.$20.7 billion. In 2004, the aggregate liabilities of such banks increased by 79.6 per cent. and amounted to approximately U.S.$18.6 billion as at 1 January 2005 and their aggregate net income increased 38.6 per cent. The share of the total assets of the second-tier banks in Kazakhstan's GDP as at 31 December 2004 amounted to 50.7 per cent. as compared to 37.7 per cent. at the end of 2003.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which contains summaries of certain provisions of the Trust Deed and which (subject to completion and amendment) will be attached to the Notes in definitive form, if any, and will be attached and (subject to the provisions thereof) apply to the Global Notes:

The U.S.$100,000,000 Perpetual Loan Participation Notes (the "Notes" which expression includes any further Notes issued pursuant to Condition 17 (*Further Notes*) and forming a single series therewith) of Kazkommerts Finance 2 B.V. (the "Issuer") are constituted by, are subject to, and have the benefit of, a trust deed (the "Trust Deed," which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 9 November 2005 and made between the Issuer, the Borrower and J.P. Morgan Corporate Trustee Services Limited (the "Trustee,' which expression shall include any trustee or trustee for the time being of the Trust Deed) as trustee for the Noteholders (as defined below).

The Issuer has authorised the creation, issue and sale of the Notes for the purpose of funding a U.S.$100,000,000 subordinated loan (the "Subordinated Loan") to JSC Kazkommertsbank (the "Borrower"). The terms of the Subordinated Loan are set forth in a subordinated loan agreement (the "Subordinated Loan Agreement") dated 9 November 2005 between the Issuer and the Borrower.

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower) pursuant to an agency agreement (such agreement as modified and/or restated and/or novated and/or supplemented from time to time, the "Agency Agreement") dated 9 November 2005 between the Issuer, the Borrower, the Trustee, JPMorgan Chase Bank, N.A., London Branch as principal paying agent (the "Principal Paying Agent," which expression shall include any successors) and transfer agent (the "Transfer Agent" which expression shall include any successors) and JPMorgan Chase Bank, N.A., New York Branch as registrar (the "Registrar," which expression shall include any successors), transfer agent and paying agent (the "Paying Agent," which expression shall include any successors).

The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions and definitions in the Trust Deed. Copies of the Trust Deed, the Subordinated Loan Agreement and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee being, at the date hereof, at Trinity Tower, 9 Thomas More Street, London E1W 1YT and at the specified office of each Paying Agent, the initial Specified Offices of which are set out below. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them, and the Noteholders are deemed to have notice of the provisions of the Subordinated Loan Agreement.

1. Form and Denomination

The Notes are issued in registered form, without interest coupons attached, in minimum denominations of US$150,000 and integral multiples of US$1,000 in excess thereof**.**

2. Register, Title and Transfers

(a) Register

The Registrar will maintain outside the United Kingdom a register (the "Register") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Noteholder" shall be construed accordingly. A certificate (each a "Certificate") will be issued to each Noteholder in respect of its registered holding. Each Certificate will be serially numbered with an identifying number which will be recorded in the Register.

The Restricted Global Note Certificate will be deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company. The Unrestricted Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary.

(b) Title

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(c) Transfers

Subject to paragraphs (f) and (g) below, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) Registration and Delivery of Certificates

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

(e) No Charge

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

(f) Closed Periods

The Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) Regulations concerning Transfers and Registration

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

3. Status and Limited Recourse

(a) Status

The Notes constitute senior, secured, limited recourse obligations of the Issuer. Recourse in respect of the Notes is limited in the manner described in Condition 3(b) (*Limited Recourse*). The Notes are secured in the manner described in Condition 4 (*Security*). Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

(b) Limited Recourse

The sole purpose of the issue of the Notes is to provide the funds to enable the Issuer to advance the Subordinated Loan. In each case where amounts of principal, interest and additional amounts (if any) are stated in these Conditions or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute only an obligation to account to the Noteholders on each date upon which amounts of principal, interest or additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement, less any amount in respect of Reserved Rights (as defined in Condition 4 (*Security*)). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Subordinated Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

Any payment in respect of the Notes equivalent to the sums actually received by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Subordinated Loan Agreement, less any amount in respect of the Reserved Rights, will be made *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Subordinated Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided in these Conditions and in the Trust Deed. The Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

Noteholders are deemed to have notice of, and be bound by, these Conditions and the contents of the Trust Deed, the Agency Agreement and the Subordinated Loan Agreement. It is hereby expressly provided, and Noteholders are deemed to have accepted that:

(a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, nor shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed, liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Subordinated Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts) due or to become due from the Borrower under the Subordinated Loan Agreement;

(b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower;

(c) neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Subordinated Loan Agreement;

(d) the Trustee shall not at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, any of the Paying Agents, the Registrar or the Transfer Agents of their respective obligations under the Agency Agreement;

(e) the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Subordinated Loan Agreement and its credit and financial standing;

(f) the Trustee shall be entitled to rely on self-certification of the Borrower (and, where applicable, certification by third parties) as a means of monitoring whether the Borrower is complying with its obligations under the Subordinated Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is subject to the Security Interests (as defined in Condition 4 (*Security)*) whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security or for the value of such security; and

(g) neither the Issuer nor the Trustee shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until it has received from the Borrower the funds that are necessary to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds.

In the event that the payments under the Subordinated Loan Agreement are made by the Borrower to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes, except to the extent that there is a subsequent failure to make payment to the Noteholders and subject as provided in the Subordinated Loan Agreement.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Subordinated Loan Agreement or the Subordinated Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Subordinated Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the Charge (as defined in Condition 4 (*Security*) and the assignment of the Assigned Rights (as defined in Condition 4 (*Security*)) granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take proceedings to enforce payment under the Subordinated Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction.

After realisation of the Security Interests (as defined below) by the Trustee, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished. In particular, neither the Trustee nor any Noteholder shall petition or take any other step for the winding-up of the Issuer.

4. Security

The Issuer has charged by way of first fixed charge in favour of the Trustee certain of its rights and interests as lender under the Subordinated Loan Agreement as security for its payment obligations in respect of the Notes and under the Trust Deed (the "Charge") and has assigned absolutely certain other rights under the Subordinated Loan Agreement to the Trustee (the "Assigned Rights" and, together with the Charge, the "Security Interests") in each case excluding the Reserved Rights. "Reserved Rights" are the rights excluded from the Charge and the Assigned Rights, being all and any rights, interests and benefits in respect of the obligations of the Borrower under Clauses 2.2, 7.2 (last sentence only), 10, 11.2 and 11.7 (to the extent that the Issuer's claim is in respect of the aforementioned Clauses of the Subordinated Loan Agreement) of the Subordinated Loan Agreement.

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

5. Restrictive Covenant

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee, agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Subordinated Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Subordinated Loan Agreement, except as otherwise expressly provided in the Trust Deed. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*).

6. Further Covenants

Save with the prior written consent of the Trustee, the Issuer shall not engage in any business (other than acting as Lender pursuant to the Subordinated Loan Agreement, issuing the Notes and enforcing the security interests) or create or incur other obligations or enter into related agreements, acquire and hold other assets which impose obligations on the Issuer or issue further series of notes unless such further series of notes are secured on assets other than the Subordinated Loan and issued on limited recourse terms similar to those set out in Condition 3(b) (*Limited Recourse).*

7. Interest and Mandatory Interest Suspension

(a) Accrual of Interest

Subject to Condition 7(c) (*Mandatory Interest Suspension*), on each Interest Payment Date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement.

(b) Overdue Interest

In the event that, and to the extent that, the Issuer actually receives any amounts in respect of interest on overdue interest from the Borrower under the Subordinated Loan Agreement (other than amounts so received forming part of the Reserved Rights), the Issuer shall account to the Noteholders for an amount equivalent to the amounts in respect of interest on overdue interest actually so received.

(c) Mandatory Interest Suspension

The Issuer shall suspend the payment of interest otherwise due and payable to the Noteholders on an Interest Payment Date (the ''Mandatory Suspension Date'') in the event that, and to the extent that the Borrower has suspended any payment of interest in respect of such Interest Payment Date and served a Suspension Notice (as defined in the Subordinated Loan Agreement) to that effect pursuant to Clause 4.3 (*Mandatory Interest Suspension*) of the Subordinated Loan Agreement.

The Issuer shall notify the Noteholders in accordance with Condition 16 (*Notices*) as soon as it becomes aware that an Interest Payment Date will be a Mandatory Suspension Date in respect of which payment is suspended under the Subordinated Loan Agreement, of the amount of such payment otherwise due on that date and the grounds upon which such suspension has been made.

Any interest in respect of the Notes not paid on a Mandatory Suspension Date by reason of a valid Suspension Notice served on the Issuer by the Borrower shall cease to be payable and the Issuer's obligation to pay such interest shall be extinguished.

Interest shall cease to be suspended and shall accrue from and including the date that the Issuer receives again interest payments from the Borrower under the Subordinated Loan Agreement and shall be paid on the next succeeding Interest Payment Date.

8. Early Redemption and Redemption for Tax Reasons

If the Subordinated Loan should become repayable (and be repaid) pursuant to Clauses 5.1 (*Optional Repayment by the Borrower*) or 5.2 (*Repayment for Tax Reasons*) of the Subordinated Loan Agreement, upon giving not less than 15 nor more than 60 days' written notice, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at par together with accrued interest and any Additional Amounts (as defined in the Subordinated Loan Agreement) and (subject to the Subordinated Loan being repaid together with accrued interest and any Additional Amounts) shall be redeemed or repaid.

Under the Subordinated Loan Agreement, the Issuer may require the Borrower to repay the Subordinated Loan in whole (but not in part) in the circumstances set out in Clause 9.1 (*Events of Default*) of the Subordinated Loan Agreement.

9. Payments

(a) Principal

Payments of principal shall be made by U.S. Dollar cheque drawn on, or, upon application by a holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent or at the Specified Office of the Transfer Agent.

(b) Interest

Payments of interest shall be made by U.S. Dollar cheque drawn on, or upon application by a holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent or at the Specified Office of the Transfer Agent.

(c) Payments subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Record Date

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

(e) Accrued Interest

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the date of issuance of the Notes, shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement.

(f) Payments By Borrower

Save as directed by the Trustee at any time after the security created in the Trust Deed becomes enforceable, the Issuer will require the Borrower to make all payments of principal, interest and any additional amounts to be made pursuant to the Subordinated Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer. Pursuant to the Charge, the Issuer will charge by way of first fixed charge all its rights, title and interest in and to all sums of money then or in the future deposited in such account in favour of the Trustee for the benefit of the Noteholders.

(g) Currency other than U.S. Dollars

In respect of the Issuer's obligations under Conditions 7 (*Interest and Mandatory Interest Suspension*), 8 (*Early Redemption and Redemption for Tax Reasons*), 9 (*Payments*) and 10 (*Taxation*), and subject to the following sentence, if the Issuer receives any amount under the Subordinated Loan Agreement in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any premium and costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer. If the Issuer receives any payment from the Borrower pursuant to Clause 11.7 of the Subordinated Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 9.

(h) ***Payment obligations limited***

The obligations of the Issuer to make payments under Conditions 7 (*Interest and Mandatory Interest Suspension*), 8 (*Early Redemption and Redemption for Tax Reasons*) and 9 (*Payments*) shall constitute an obligation only to account to the Noteholders on each Interest Payment Date or such other date upon which a payment is due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement, less any amount in respect of the Reserved Rights.

10. Taxation

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or any political subdivision or any authority thereof or therein having the power to tax (a ''Relevant Jurisdiction''), unless the deduction or withholding of such taxes or duties is required by law.

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only make such additional payments to the extent and at such time as it shall receive equivalent sums from the Borrower under the Subordinated Loan Agreement. To the extent that the Issuer does not receive any such equivalent sum in full, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to *a pro rata* proportion of such additional amount (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Subordinated Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer provided that no such additional amount will be payable:

(a) to a Noteholder who (i) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (ii) is liable for such taxes or duties by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Notes or the receipt of payments in respect thereof;

(b) in respect of a Note presented for payment of principal more than 30 days after the Relevant Date (as defined below), except to the extent that the applicable payments would have been subject to such withholding or deduction and such additional payment would have been payable if such Note had been presented for payment on such thirtieth day;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive on the Taxation of Savings Income in the form of Interest Payments (Directive 2003/48/EC) on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) in respect of a Note held by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

As used herein, ''Relevant Date'' (i) means the date on which the equivalent payment under the Subordinated Loan Agreement first becomes due but (ii) if the full amount payable by the Borrower has not been received by, or for the account of, the Issuer pursuant to the Subordinated Loan Agreement on or prior to such date, means the date on which such full amount shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 10 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11. Enforcement

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

The Trust Deed also provides that, in the case of an Event of Default (as defined in the Subordinated Loan Agreement) or of a Relevant Event (as defined in the Trust Deed), the Trustee may, and shall, if requested to do so by Noteholders holding one-quarter in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, declare all amounts payable under the Subordinated Loan Agreement by the Borrower to be immediately due and payable (in the case of an Event of Default) or, enforce the security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Subordinated Loan following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid and thereupon shall cease to be outstanding. The Issuer and the Trustee have no right to accelerate payments under the Subordinated Loan Agreement without the prior written approval of the Authorised Agency as defined in the Subordinated Loan Agreement (unless such prior approval is no longer required).

12. Meetings of Noteholders; Modification; Waiver; Substitution of the Issuer

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions, the Trust Deed or, following the creation of the Security Interests, any provision of the Subordinated Loan Agreement. Such a meeting may be convened by the Issuer or the Trustee or on the request in writing of one or more Noteholders holding in aggregate not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing in aggregate more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the Subordinated Loan or the dates on which interest is payable in respect of the Notes or the Subordinated Loan, (ii) to reduce or cancel the principal amount of, or the rate of interest on, the Notes or the Subordinated Loan, (iii) to change the currency of payment of the Notes or the Subordinated Loan or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing in aggregate not less than three-quarters, or at any adjourned such meeting not less than one-quarter, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting. A resolution in writing signed by or on behalf of the holders of not less that 90 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of a meeting shall for all purposes be as valid as an Extraordinary Resolution passed at a meeting of Noteholders convened and held in accordance with the provisions of the Trust Deed. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Noteholders.

(b) Modification and Waiver

The Trustee may, without the consent of the Noteholders, agree to any modification of the Notes, the Trust Deed or, following the creation of the Security Interests, the Subordinated Loan Agreement which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Noteholders. In addition, the Trustee may, without the consent of the Noteholders, also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or, following the creation of the Security Interests, by the Borrower of the terms of the Subordinated Loan Agreement or determine that (i) any event which would or might otherwise give rise to a right of acceleration under the Subordinated Loan Agreement or (ii) any Relevant Event, shall not be treated as such if, in the sole opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 16 (*Notices*).

(c) Substitution

The Trust Deed contains provisions to the effect that the Issuer may, having obtained the consent of the Borrower and the Trustee (which latter consent may be given without the consent of the Noteholders) and subject to having complied with certain requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as creditor under the Subordinated Loan Agreement, as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to the relevant provisions of the Trust Deed and the substitute obligor's rights under the Subordinated Loan Agreement being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 16 *(Notices)*.

(d) Exercise of Powers

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13. Prescription

Notes will become void unless presented for payment within ten years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

14. Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and the Borrower and any entity relating to the Issuer and the Borrower without accounting for any profit.

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

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain (i) a principal paying agent and a registrar, (ii) a paying agent and transfer agent having a specified office in a major European city approved by the Trustee and (iii), a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive on the Taxation of Savings Income in the form of Interest Payments (Directive 2003/48/EC) on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

15. Replacement of Certificates

If a Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of the London Stock Exchange, be replaced at the Specified Office of the Registrar and at the Specified Office of the Transfer Agent on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the exchange so require, notices shall be published in a daily newspaper of general circulation in the United Kingdom, currently expected to be the *Financial Times*.

If for any reason it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee in accordance with the rules of the Stock Exchange shall constitute sufficient notice to such holders for every purpose hereunder.

17. Further Notes

Subject as provided in Condition 6 (*Further Covenants*), the Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or first payment of interest on such further notes) and so that such further issue is consolidated and forms a single series with the Notes. Such further Notes will be constituted by a deed supplemental to the Trust Deed. In relation to such further issue, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on the same terms as the original Loan Agreement (or on the same terms except for the date thereof or the first payment of interest) subject to any modifications which, in the sole opinion of the Trustee, would not materially prejudice the interests of the Noteholders. The Issuer will provide a further fixed charge and absolute assignment in favour of the Trustee of its rights under such supplemental loan agreement equivalent to the rights charged and assigned as security in relation to the Issuer's rights under the original Loan Agreement which will, together with the security referred to in the Conditions, secure both the Notes and such further Notes.

18. Contracts (Rights of Third Parties) Act 1999

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

19. Governing Law

The Notes, the Trust Deed and the Subordinated Loan Agreement are governed by and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the jurisdiction of the courts of England and has appointed an agent for the service of process in England.

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

FORM OF SUBORDINATED LOAN AGREEMENT

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

SUBORDINATED LOAN AGREEMENT dated 9 November 2005

BETWEEN

(1) **JSC KAZKOMMERTSBANK** (the "**Borrower**"); and

(2) **KAZKOMMERTS FINANCE 2 B.V.** (the "**Lender**").

WHEREAS, the Lender has at the request of the Borrower agreed to make available to the Borrower a subordinated loan in the amount of U.S.$100,000,000 on the terms and subject to the conditions of this Agreement;

WHEREAS, it is intended that the Lender will issue certain loan participation notes for the purpose of funding the Loan; and

WHEREAS, it is intended that the Loan shall qualify as Tier 1 Capital of the Borrower under the Capital Regulations.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated.

"**Account**" means the account of the Lender with the following details:
Kazkommerts Finance 2 B.V., A/c no: 32623501.

"**Additional Amounts**" has the meaning assigned to such term in Clause 7.2.

"**Agency Agreement**" means the paying agency agreement dated on the Closing Date, as amended, varied, novated or supplemented from time to time, between the Lender, the Borrower, JPMorgan Chase Bank, N.A., London Branch as principal paying agent and transfer agent, JPMorgan Chase Bank, N.A., New York Branch as transfer agent and registrar and the Trustee relating to the Notes.

"**Agreement**" means this Agreement as originally executed or as it may be amended from time to time.

"**Assigned Rights**" has the meaning assigned to such term in the Trust Deed.

"**Authorised Agency**" means the Agency of the Republic of Kazakhstan for the Regulation and Supervision of Financial Markets and Financial Organisations or any successor thereto.

"**Business Day**" means a day on which commercial banks and foreign exchange markets in London settle payments and are open for business generally (including dealings in foreign exchange and foreign currency deposits) (a "London Business Day") and, if on that day a payment is to be made hereunder, a day on which commercial banks generally are open for business in New York City.

"**Calculation Agent**" means JPMorgan Chase Bank, N.A. or such other entity as may be appointed by the Lender.

"**Capital Regulations**" means any instruction (or similar regulation) regarding standard values and calculation of prudential standards for second tier banks in Kazakhstan approved by the Board of the Authorised Agency, as amended, varied or supplemented from time to time or any equivalent or analogous normative legal act.

"**Closing Date**" means 9 November 2005 which shall be the issue date of the Notes.

"**Conditions**" means the terms and conditions of the Notes as set out in the Trust Deed.

"**Dollars**" **and "U.S.$**" mean the lawful currency of the United States of America.

"**Event of Default**" has the meaning assigned to such term in Clause 9 (*Events of Default*).

"**Floating Interest Rate**" has the meaning assigned to such term in Clause 4.1.

"**Initial Interest Rate**" has the meaning assigned to such term in Clause 4.1.

"**Interest Determination Date**" has the meaning assigned to such term in Clause 4.1.

"**Interest Payment Date**" means 9 November and 9 May of each year from and including 9 May 2006 to and including the Reset Date and thereafter 9 February, 9 May, 9 August and 9 November of each year from and including 9 February 2016. If any Interest Payment Date occurring after the Reset Date would otherwise fall on a day that is not a Business Day such date shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day.

"**Interest Period**" means each period beginning on (and including) the Closing Date or any Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Liquidity Ratios**" means the liquidity ratios required to be maintained by the Borrower pursuant to the Capital Regulations from time to time.

"**Loan**" at any time, means an amount equal to the principal amount of the loan advanced by the Lender under Clause 2 (*Facility*) or, as the context may require, the aggregate principal amount thereof outstanding from time to time.

"**Managers**" means ING Bank N.V., London Branch, J.P. Morgan Securities Ltd., UBS Limited and the other Managers specified in the Subscription Agreement.

"**Mandatory Suspension Date**" has the meaning assigned to such term in Clause 4.3.

"**Minimum Capital Adequacy Ratios**" means any and all of the capital adequacy ratios required to be maintained by the Borrower pursuant to the Capital Regulations from time to time.

"**Notes**" means the U.S.$100,000,000 Perpetual Loan Participation Notes proposed to be issued by the Lender pursuant to the Trust Deed for the purpose of funding the Loan.

"**Noteholder**" means the person in whose name a Note is registered in the register of the noteholders (or in the case of joint holders, the first named holder thereof).

"**Officers' Certificate**" means a certificate signed by two directors of the Borrower.

"**Optional Repayment Date**" has the meaning assigned to such term in Clause 5.1.

"**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity.

"**Principal Paying Agent**" means JPMorgan Chase Bank, N.A., London Branch or such other entity as may be appointed by the Lender.

"**Reference Banks**" means four leading banks in the London Interbank Market selected by the Calculation Agent.

"**Reset Date**" has the meaning assigned to such term in Clause 4.1.

"**Reset Margin**" means 6.1905 per cent., calculated in accordance with the Capital Regulations.

"**Reserved Rights**" has the meaning assigned to such term in the Trust Deed.

"**Same-Day Funds**" means Dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in Dollars as the Lender may at any time determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby.

"**Subscription Agreement**" means the agreement dated 7 November 2005 between the Lender, the Borrower and the Managers providing for the purchase of the Notes by the Managers.

"**Suspension Notice**" has the meaning assigned to such term in Clause 4.3.

"**Tax Event**" has the meaning assigned to such term in Clause 5.2.

"**Tax Repayment Date**" means, following the occurrence of a Tax Event, (i) any Interest Payment Date falling on or after 9 November 2010 and prior to the Reset Date provided that the prior written approval of the Authorised Agency has been obtained (unless such approval is no longer required) and that the Borrower would not, upon repayment of the Loan, breach either its Minimum Capital Adequacy Ratios or its Liquidity Ratios, or (ii) any Interest Payment Date thereafter.

"**Tier 1 Capital**" means tier 1 capital as described under the Capital Regulations.

"**Trust Deed**" means the trust deed constituting the Notes to be dated the Closing Date, between the Lender and the Trustee as amended, varied or supplemented from time to time.

"**Trustee**" means J.P. Morgan Corporate Trustee Services Limited, as trustee under the Trust Deed and any successor thereto.

"**US$ LIBOR**" means, in respect of any Interest Period on or after the Reset Date:

(a) the rate per annum equal to the offered quotation for deposits in Dollars for a period of three months which appears on the display designated as Telerate Page 3750 on Bridge's Telerate Service (or such other page as may replace such page on such service or such other service as may be nominated by the information vendor for the purpose of displaying London Interbank Offered rates for Dollars) as of 11.00 am (London time) on the relevant Interest Determination Date; or

(b) if such rate in (a) does not appear, or if such page in (a) is unavailable, the Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate at which deposits in U.S. Dollars for a period of three months commencing on the first day of the relevant Interest Period are offered by the Reference Banks to prime banks in the London interbank market on the relevant Interest Determination Date. If at least two such quotations are provided, US$ LIBOR for the relevant Interest Determination Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, US$ LIBOR for the relevant Interest Determination Date will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Agent, at approximately 11.00 a.m. (New York City time), on the relevant Interest Determination Date for loans in Dollars to leading European banks for a period of three months commencing on the relevant Interest Determination Date (in each case, rounding, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards).

"**Winding-Up Event**" means any of the events set out in Clause 9.1. (ii)(a) to (c).

"**Winding-Up Proceedings**" means any proceedings in a court of competent jurisdiction for the liquidation, dissolution, administration or other winding-up of the Borrower by way of public administration.

1.2 Other Definitions

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein.

1.3 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement.

(i) All references to "**Clause**" are references to a Clause of this Agreement; and

(ii) The terms "**hereof**," "**herein**" and "**hereunder**" and other words of similar import shall mean this Agreement as a whole and not any particular part hereof; and

(iii) Words importing the singular number include the plural and vice versa; and

(iv) All references to "**taxes**" include all present or future taxes, levies, imposts and duties of any nature and the terms "**tax**" and "**taxation**" shall be construed accordingly; and

(v) The table of contents and the headings are for convenience only and shall not affect the construction hereof.

2. FACILITY

2.1 Facility

On the terms and subject to the conditions set forth herein, the Lender hereby agrees to lend the Borrower, and the Borrower hereby agrees to borrow from the Lender, a loan in the principal amount of U.S.$100,000,000.

2.2 **Facility Fee**

In connection with this Agreement, the Borrower shall pay a fee in Dollars to the Lender equal to U.S.$53,100 on the Closing Date and thereafter make such payment annually on each Interest Payment Date falling in November.

3. DRAWDOWN

Subject to the conditions set forth herein, on the Closing Date the Lender shall advance the Loan to the Borrower by transferring the amount of the Loan to the Borrower's account as notified in writing by the Borrower to the Lender. The Borrower agrees that it will account to the tax authorities in Kazakhstan for applicable withholding taxes payable in respect of such fee and that the provisions of Clause 7.2 shall apply in the event of any tax being levied in respect of such fee.

4. INTEREST

4.1 **Rate of Interest**

Subject to Clause 4.3 (*Mandatory Interest Suspension*), the Borrower will, on each Interest Payment Date, pay interest in Dollars to the Lender in arrear. Interest will be calculated on the principal amount of the Loan at the rate of 9.20 per cent. per annum (the "**Initial Interest Rate**") from and including the Closing Date to, but excluding the Interest Payment Date falling on 9 November 2015 (the "**Reset Date**") and, thereafter, at a rate (the "**Floating Interest Rate**") which is for any Interest Period the sum of (i) US$ LIBOR for that Interest Period and (ii) the Reset Margin. Up to but excluding the Reset Date, interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed and thereafter, interest will be calculated on the basis of the actual number of days in the relevant Interest Period divided by 360. Interest will continue to accrue on overdue interest or principal at the same rate per annum up to the maximum extent permitted by applicable law. The Floating Interest Rate applicable to any Interest Period shall be determined by the Calculation Agent on the second London Business Day (the "**Interest Determination Date**") immediately preceding the relevant Interest Period (such determination by the Calculation Agent being final and binding on the Lender and the Borrower, in the absence of manifest error).

4.2 **Payment**

Interest on the Loan shall accrue from day to day, starting from (and including) the Closing Date and shall be paid in arrear not later than 10.00 a.m. (New York City time) on each Interest Payment Date. If applicable, interest on the Loan will cease to accrue from the Optional Repayment Date, the Tax Repayment Date or the Mandatory Suspension Date, as the case may be, unless (in the case of a repayment date) payment of principal of the Loan is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) to, but excluding the date on which payment in full of the principal is made.

4.3 **Mandatory Interest Suspension**

If and to the extent that, in the written opinion of the Authorised Agency, either (i) the Borrower is, on any Interest Payment Date, or (ii) paying any interest on an Interest Payment Date would result in the Borrower being, not in compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios, the Borrower shall suspend that payment of interest by issuing a Suspension Notice and no interest or as the case may be, less than the full interest amount (being an amount that could be paid without resulting in non-compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios, as the case may be) shall be due and payable on such Interest Payment Date (a "**Mandatory Suspension Date**").

The Borrower shall give notice (a "**Suspension Notice**") to the Lender as soon as it becomes aware that an Interest Payment Date will be a Mandatory Suspension Date which notice shall include the amount (if any) of interest payable on that date and the grounds upon which such suspension has been made.

Any interest in respect of the Loan not paid on a Mandatory Suspension Date pursuant to a valid Suspension Notice shall cease to be payable and the Borrower's obligation to pay such interest shall be extinguished. The suspension of any obligation to pay interest pursuant to this Clause on any Mandatory Suspension Date will not constitute an Event of Default.

Interest shall cease to be suspended and shall accrue from and including the date that the Borrower is again in compliance with its Minimum Capital Adequacy Ratios and Liquidity Ratios, as certified in writing by the Authorised Agency, and shall be paid on the next succeeding Interest Payment Date.

4.4 Capital Payment Stopper

The Borrower agrees that, beginning on the day on which it gives a Suspension Notice and continuing until the next succeeding date for payment of interest in respect of the Loan, it shall not:

(i) declare or pay any dividend or other payment in respect of its share capital (other than with respect to statutory or mandatory rights to receive such dividends or payments in respect of preference shares);

(ii) redeem, repurchase or otherwise acquire any of its share capital; or

(iii) make a proposal to its shareholders, vote, and shall procure that no vote is cast by any of its Subsidiaries, in favour of any of the declarations, payments, redemptions, repurchases or acquisitions described in Clauses 4.4(i) and (ii).

5. REPAYMENT

5.1 **Optional Repayment by the Borrower**

The Borrower shall be entitled, at its option, to repay the Loan in whole, but not in part, on any Interest Payment Date from and including the Interest Payment Date falling in November 2015 (the "**Optional Repayment Date**") at an amount equal to the principal amount of the Loan together with interest which has accrued up to, but excluding, the date on which the Borrower exercises any repayment right hereunder together with any Additional Amounts then payable (the "**Par Repayment Amount**") on giving not less than 30 nor more than 60 days' prior notice to the Lender and, following the assignment of the Assigned Rights, to the Trustee (which notice shall be irrevocable) provided that the payment by the Borrower of such Par Repayment Amount on the Optional Repayment Date will not result in the Borrower's non-compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios and will be subject to the written approval of the Authorised Agency unless such prior approval is no longer required.

5.2 **Repayment for Tax Reasons**

If, as a result of the application of or any amendment or clarification to, or change (including a change in interpretation or application) in, or determination under, the double tax treaty between Kazakhstan and The Netherlands or the laws or regulations (including a holding by a court of competent jurisdiction) of Kazakhstan or The Netherlands or of any political sub-division thereof or any authority therein having power to tax or the enforcement of the security provided for in the Trust Deed, which change or amendment becomes effective on or after the date of the Subscription Agreement, the Borrower would thereby be required to increase the payment of principal or interest or any other payment due hereunder as provided in Clause 7.2 or 7.3 in excess of the Additional Amounts which the Borrower is liable to pay as of the date of the Subscription Agreement (a "**Tax Event**"), and in any such case such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower will have the right (without premium or penalty), on any Tax Repayment Date upon not less than 30 nor more than 60 days' prior notice to the Lender and, following the assignment of the Assigned Rights, to the Trustee (which notice shall be irrevocable), to repay the Loan in whole (but not in part) on the next Tax Repayment Date at the Par Repayment Amount.

No such notice of repayment shall be given earlier than 90 days prior to the earliest date on which the Borrower would be obliged to pay such additional amounts or increase such payment if a payment in respect of the Loan were then due.

Prior to giving any such notice under this Clause 5.2, the Borrower shall deliver to the Lender and, following the assignment of the Assigned Rights, to the Trustee:

(i) an Officers' Certificate stating that the Borrower is entitled to effect such repayment and setting forth a statement of facts showing that the conditions precedent to the right of the Borrower so to repay have occurred; and

(ii) an opinion of independent legal advisers in form and substance satisfactory to the Lender and, following the assignment of the Assigned Rights, the Trustee, to the effect that the Borrower has or will become obliged to pay such additional amounts and the Lender shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the aforesaid condition precedent.

5.3 **Repayment and Re-Borrowing**

The Borrower may not voluntarily repay the whole or any part of the Loan except in accordance with the express terms of this Agreement and shall not be entitled to re-borrow from the Lender any amount repaid under this Agreement. If the Borrower elects to repay the Loan as provided herein, it shall become bound so to repay the Loan on the date and in the manner specified herein.

6. SUBORDINATION

6.1 **Status and Subordination**

The obligations of the Borrower under this Agreement, except in relation to the Reserved Rights, constitute its direct, unconditional, perpetual and unsecured subordinated obligations and rank and will rank at least equally and rateably with all other present and future, direct, unsecured, perpetual and subordinated obligations of the Borrower (whether actual or contingent) and with any Tier 1 Capital of the Borrower (save for equity, including preference shares, as to which the Borrower's obligations under this Agreement shall be senior) from time to time outstanding. Claims in respect of the Loan will rank behind the claims of all creditors ("Senior Creditors") of the Borrower (including in respect of dated, unsecured, subordinated obligations) other than creditors whose claims are in respect of obligations effectively ranking or expressed to rank *pari passu* with the Loan and claims in respect of the Loan will rank in priority to the rights and claims of holders of all classes of the Borrower's equity (including preference shares). The obligations of the Borrower in respect of the Reserved Rights constitute the direct, unconditional, unsecured and unsubordinated obligations of the Borrower and rank and will rank at least equally and rateably with all other unsecured and unsubordinated obligations of the Borrower.

6.2 **No Exercise of Rights of Set-off**

The Lender shall not be entitled to and shall be deemed to have waived all rights to offset any liabilities of the Borrower under this Agreement, excluding the Reserved Rights, against any liabilities owing by the Lender to the Borrower.

6.3 **Priority of Payments**

The Lender agrees that upon a Winding-Up Event, any amounts that would otherwise be due to the Lender under this Agreement, other than amounts in respect of the Reserved Rights, will only be paid after the payment in full of all claims of the Senior Creditors (including interest and other amounts in respect of such claims accruing after the date of commencement of such Winding-UP Event). Thereafter, such amounts will be paid equally and rateably, together with all obligations of the Borrower ranking equally in right of payment with the liabilities of the Borrower under this Agreement.

7. PAYMENTS

7.1 **Making of Payments**

All payments of principal, interest and Additional Amounts (other than those in respect of the Reserved Rights) to be made by the Borrower under this Agreement shall be made unconditionally by transfer to the Lender not later than 10.00 a.m. (New York City time) on each Interest Payment Date or the date of repayment (as the case may be) in Same-Day Funds to the Account or such other account as may from time to time be notified to the Borrower in accordance with the Trust Deed. The Lender agrees with the Borrower that it will not deposit any other monies into the Account or such other account, as the case may be, and that no withdrawals shall be made from the Account or such other account, as the case may be, other than as provided for and in accordance with the Trust Deed and the Agency Agreement. The Borrower shall, before 10.00 a.m. (New York City time) on the second Business Day prior to each Interest Payment Date or the date of repayment (as the case may be), procure that the bank effecting such payments on its behalf confirms to the Principal Paying Agent by tested telex or authenticated SWIFT message the payment instructions relating to such payment.

7.2 **No Set-Off, Counterclaim or Withholding; Gross-Up**

All payments to be made by the Borrower under this Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without withholding of or deduction for or on account of any present or future taxes. If the Borrower shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any such present or future taxes, it shall, on the due date for such payment, increase any payment due hereunder by such amount (the "**Additional Amounts**") as may be necessary to ensure that the Lender receives a net amount in Dollars equal to the full amount which it would have received had payment not been made subject to such taxes, and shall account to the relevant authorities for the relevant amount of such taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of such taxes, the Borrower shall reimburse the Lender in Dollars for such payment on demand. Any payment by the Borrower to the Account shall *pro tanto* constitute a discharge of the Borrower's obligation hereunder except to the extent that there is a subsequent failure to make payment to the Noteholders.

7.3 **Withholding on Notes**

If the Lender notifies the Borrower that it has become obliged to make any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or any political subdivision or any authority thereof or therein having the power to tax from any payment which it is obliged to make under or in respect of the Notes, the Borrower agrees to pay to the Lender, no later than the date on which payment is due to the Noteholders, such additional amounts as are equal to the additional amounts which the Lender would be required to pay pursuant to Condition 10 (*Taxation*).

Any notification by the Lender to the Borrower in connection with this Clause 7.3 shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction. The Lender shall, as soon as reasonably practicable following request by the Borrower, provide the Borrower with reasonable detail in writing as to the reasons for such withholding or deduction, the validity of which shall not discharge the Borrower's obligation to pay in accordance herewith.

7.4 **Relief from withholding**

Upon the specific request of the Borrower, the Lender shall make commercially reasonable efforts to assist the Borrower to obtain relief (to the extent possible) from withholding of Kazakhstan income tax pursuant to the double taxation treaty between Kazakhstan and the jurisdiction in which the Lender is incorporated.

7.5 **Tax Refunds**

In the event that Kazakhstan's withholding tax on interest is higher than the withholding tax on interest pursuant to the double taxation treaty between Kazakhstan and The Netherlands, the Lender shall use commercially reasonable efforts to assist the Borrower in obtaining a refund, at the Borrower's cost, of such excess tax amounts. To the extent any documents required for such refund are not in the English language, the Borrower shall at its cost furnish the Lender with certified translations thereof in the English or Dutch language.

7.6 **Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower or the Lender (as applicable) to make any deduction, withholding or payment as described in Clauses 7.2 or 7.3 (*No Set-Off, Counterclaim or Withholding; Gross-Up* and *Withholding on Notes*), then, without in any way limiting, reducing or otherwise qualifying the Lender's rights or the Borrower's obligations under such Clauses, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstances. The Borrower agrees to reimburse the Lender for all reasonable costs and expenses incurred by the Lender in connection with this Clause, and the Lender shall not be obliged to take any action unless it has been sufficiently assured (in its sole discretion) that it will receive such funds.

8. CONDITIONS PRECEDENT

The obligation of the Lender to make the Loan shall be subject to the following:

8.1 Conditions Precedent under the Subscription Agreement

J.P. Morgan Securities Ltd., on behalf of the Managers, shall have confirmed in writing to the Lender that all of the conditions precedent to the obligations of the Managers under the Subscription Agreement have been satisfied;

8.2 Proceeds

the Subscription Agreement, the Agency Agreement and the Trust Deed shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the Notes pursuant to the Subscription Agreement, and the full amount of the fee pursuant to Clause 2.2 (*Facility Fee*);

8.3 No Event of Default

no event shall have occurred and be continuing that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, an Event of Default;

8.4 No Breach of this Agreement

the Borrower shall not be in breach of any of the terms, conditions or provisions of this Agreement; and

8.5 Registration with the National Bank of the Republic of Kazakhstan

the Borrower shall have procured the registration of this Agreement with the National Bank of the Republic of Kazakhstan and shall have provided the Lender with a copy of the registration certificate issued by the National Bank of the Republic of Kazakhstan in relation thereto.

9. EVENTS OF DEFAULT

9.1 The Lender may give notice to the Borrower that the Loan is, and it shall accordingly become, immediately due and repayable (subject to the prior written approval of the Authorised Agency, unless such prior approval is no longer required on the relevant date) at the Par Repayment Amount, if any of the following events (each an "**Event of Default**") shall have occurred and, in the case of (i) and (ii) only, be continuing:

(i) Failure to Pay

The Borrower fails to pay within ten days any principal amount in the event of repayment pursuant to Clause 5 (*Repayment*) as and when such amount becomes payable in the currency and in the manner specified herein or any interest amount (except where interest is not paid by reason of the Mandatory Interest Suspension pursuant to Clause 4.3 (*Mandatory Interest Suspension*));

(ii) Winding-up

(a) the Borrower seeks or consents to the introduction of proceedings for its liquidation or the appointment of a liquidation committee or a similar officer of the Borrower;

(b) the shareholders of the Borrower approve any plan of dissolution, administration or winding-up of the Borrower; or

(c) a court of competent jurisdiction passes a resolution or an order for the winding-up of the Borrower otherwise than pursuant to a consolidation, amalgamation, merger or reconstruction, the terms of which have been approved in advance in writing by the Lender

(each event set out in (a) to (c) above, a "**Winding-Up Event**" and together, the "**Winding-Up Events**"); or

(iii) Breach of the Capital Payment Stopper

The Borrower breaches any of the provisions described in Clause 4.4(i), (ii) or (iii).

For the avoidance of doubt, no payment in respect of the Loan may be made by the Borrower pursuant to Clause 9.1 (*Events of Default*), nor will the Lender accept the same, save with the prior written approval of the Authorised Agency (unless such prior approval is no longer required on the relevant date). This shall not affect any obligation of the Borrower to make payments in respect of interest as it falls due, subject to the provisions of Clause 4.3 (*Mandatory Interest Suspension*).

9.2 **Notice of Event of Default, etc.**

The Borrower shall promptly deliver to the Lender and the Trustee, upon it becoming aware thereof, written notice of any Event of Default**.**

9.3 **Winding-Up Proceedings**

If the Loan becomes due and repayable as described above in Events of Default and is for any reason not repaid when so due and repayable (including by reason of the approval of the Authorised Agency being withheld), the Lender may, at its discretion and without further notice, institute Winding-Up Proceedings against the Borrower in the manner and to the extent contemplated by the applicable law for the winding-up of the Borrower but shall have no other right to enforce payment due.

9.4 **Rights Not Exclusive**

The Lender may not accelerate the Loan other than pursuant to Clause 9.1 (*Events of Default*) but, aside from such limited acceleration rights, the rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

10. EXPENSES

Preservation and Enforcement of Rights

The Borrower shall, from time to time within three Business Days of the respective demand of the Lender, reimburse the Lender for all costs and expenses (including legal fees and expenses), together with any value added tax thereon, properly incurred in or in connection with the preservation and/or enforcement of any of its rights under this Agreement.

11. GENERAL

11.1 **Evidence of Debt**

The Lender shall maintain accounts evidencing the amounts from time to time lent by and owing to it hereunder; in any legal action or proceeding arising out of or in connection with the Agreement, the entries made in such accounts shall (in the absence of manifest error) be conclusive evidence of the existence and amounts of the obligations of the Borrower therein recorded.

11.2 **Stamp Duties**

The Borrower shall pay all stamp, registration and documentary taxes or similar charges (if any) which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of this Agreement (including, without limitation, all costs arising from or in connection with the registration of this Agreement with the National Bank of the Republic of Kazakhstan) and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to pay such taxes or similar charges.

11.3 **Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

11.4 **Notices**

Any notice, request, demand or notification in any form to be given to the Borrower may be delivered in person, by letter or sent by facsimile addressed to:

JSC Kazkommertsbank
135 "zh," Gagarin Avenue
Almaty 480060
Kazakhstan

Facsimile Number: +7 3272 585161

Attention: Financial Institutions Department

Any notice, request or notification in any form to be given to the Lender may be delivered in person, by letter or sent by facsimile addressed to:

Kazkommerts Finance 2 B.V.

Schouwburgplein 30-34
3012 CL Rotterdam
The Netherlands

Facsimile Number: +31 10 4117894

Attention: Board of Managing Directors

Any notice, request or notification in any form to be given to the Trustee (following the assignment of the Assigned Rights) may be delivered in person, by letter or sent by facsimile addressed to:

J.P. Morgan Corporate Trustee Services Limited
Trinity Tower
9 Thomas More Street
London E1W 1YT

Facsimile Number: +44 (0)207 777 5410

Attention: Manager – Trust Administration

Any such notice shall take effect at the time of delivery.

11.5 **English Language**

The language that governs the interpretation of this Agreement is the English language. Each communication and document delivered by one party to another pursuant to this Agreement shall be in the English language or accompanied by a translation into English certified (by an officer of the person delivering the same) as being a true and accurate translation. In the event of any discrepancies between the English and the non-English language versions of such communication or document, or any dispute regarding the interpretation of any provision in the English or the non-English language versions of such communication or document, the English version of such communication or document shall prevail, unless the document is a statutory or other official document.

11.6 **Assignment**

(i) This Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following notification to the Borrower of the assignment referred to in Clause 11.6(iii) below, shall be references to the exercise of such rights or discretions by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by the Lender, or in any discussions between the Lender and the Borrower or any agreements of the Lender and the Borrower pursuant to Clauses 7.5 and 7.6 (*Tax Refunds* and *Mitigation*).

(ii) The Borrower shall not assign or transfer all or any part of its rights or obligations hereunder to any other party.

(iii) Subject to the provisions of Clause 10.4 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under this Agreement other than the Reserved Rights except (a) the charge by way of first fixed charge granted by the Lender in favour of the Trustee (as Trustee) of certain of the Lender's rights and benefits under this Agreement and (b) the absolute assignment by the Lender to the Trustee of certain rights, interests and benefits under this Agreement, in each case, pursuant to Clause 4 of the Trust Deed.

11.7 **Currency Indemnity**

To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in Dollars that may be purchased exceeds the Due Amount the Lender shall promptly pay the amount of the excess to the Borrower.

11.8 **Prescription**

Subject to the Lender having received the principal amount thereof or interest thereon from the Borrower, the Lender shall forthwith repay to the Borrower the principal amount or the interest amount thereon, respectively, of any Notes upon such Notes becoming void pursuant to Condition 12 of the Notes.

11.9 **Rights of Third Parties**

Pursuant to Section 1(2) of the Contracts (Rights of Third Parties) Act 1999, the parties intend that, other than the Trustee (following the assignment of the Assigned Rights), a person who is not a party to this Agreement has no right to enforce any term of this Agreement. Nothing in this Clause 11.9 is intended to affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

11.10 **Choice of Law**

This Agreement shall be governed by, and construed in accordance with, English law.

11.11 **Jurisdiction**

(i) Subject to Clause 11.11(v) the Borrower agrees, for the benefit of the Lender, that the courts of England shall have, subject as follows, exclusive jurisdiction to hear and determine any suit, action or proceedings which arise out of or in connection with the Agreement ("**Proceedings**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. The submission by the Borrower to the exclusive jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Lender to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings by the Lender in any one or more jurisdictions preclude the taking of Proceedings by the Lender in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(ii) The Borrower irrevocably waives any objection which it might have now or hereafter to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

(iii) The Borrower agrees that the process by which any Proceedings in England involving them are begun may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or at any other address for the time being at which process may be served on such person in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). The Borrower agrees that if, for any reason, the appointment of any process agent appointed by it in or in accordance with this Clause 11.11(iii) ceases to be effective, it will immediately appoint a substitute process agent with an address for service in England, notify the Lender of such appointment and of such substitute process agent's address for service and deliver to the Lender evidence, in form and substance satisfactory to the Lender, that such substitute process agent has accepted its appointment. Nothing in this Clause shall affect the right of the Borrower to serve process in any other manner permitted by law.

(iv) The Borrower consents generally in respect of any Proceedings (or arbitration in accordance with Clause 11.11(v)) to the giving of any relief or the issue of any process in connection with such Proceedings or arbitration including the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award which is made or given in such Proceedings or arbitration.

(v) The Borrower agrees that, at the option of the Lender, any controversy, claim or cause of action between the parties to this Agreement or arising out of or relating to this Agreement may be settled by arbitration in accordance with the Rules of the London Court of Arbitration, which rules are deemed to be incorporated by reference into this Clause 11.11(v). The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall be disinterested in the dispute or controversy, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate the Chairman of the Tribunal. If a dispute, controversy or cause of action shall involve more than two parties, the parties thereto shall attempt to align themselves in two sides (i.e. claimant and respondent) each of which shall appoint an arbitrator as if there were only two sides to such dispute, controversy or cause of action. If such alignment and appointment shall not have occurred within 20 calendar days after the initiating party serves the arbitration demand or if a Chairman has not been selected within 30 calendar days of the selection of the second arbitrator, the Arbitration Court of the London Court of International Arbitration shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the Arbitration Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement. In no circumstances shall the Lender be liable for any consequential, special or punitive damages in connection with its obligations hereunder.

11.12 **Amendments**

Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

11.13 **Counterparts**

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

FORM OF NOTES

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

1. Form of Notes

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

Notes offered and sold in reliance on Rule 144A will be represented by interests in the Restricted Global Note, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Closing Date with JPMorgan Chase Bank, N.A., as custodian (the "Custodian") for DTC. The Restricted Global Note (and any Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth below.

The Unrestricted Global Note will have a Common Code and an ISIN and the Restricted Global Note will have a CUSIP number and an ISIN.

2. Transfer Restrictions

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

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

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

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

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

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

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

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

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

(iv) The Issuer, the Bank, the Registrar, the Managers and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements and if the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser of Notes outside the United States pursuant to Regulation S, and each subsequent purchaser of such Notes in re-sales during the period which expires on and includes the 40th day after the later of the commencement of the offering of the Notes and the Closing Date (the "distribution compliance period"), will be deemed to have represented, agreed and acknowledged as follows:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such notes and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S).

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

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

3. Exchange of Interests in Global Notes for Note Certificates

Registration of title to Notes initially represented by the Restricted Global Note in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary and the Registrar has received a notice from the registered holder of the Restricted Global Note requested an exchange of a specified amount of the Restricted Global Note for individual note certificates (the "Restricted Note Certificates").

Registration of title to Notes initially represented by the Unrestricted Global Note in a name other than the nominee of the common depositary for the Euroclear Operator and Clearstream, Luxembourg will only be permitted (i) if the Euroclear Operator or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder of the Unrestricted Global Note requesting an exchange of the Unrestricted Global Note for individual note certificates (the "Unrestricted Note Certificates" and, together with the Restricted Note Certificates, the "Note Certificates").

In such circumstances, the relevant Global Note shall be exchanged in full for Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions".

In addition to the requirements described under "Transfer Restrictions", the holder of a Note may transfer such Note only in accordance with the provisions of Condition 2 of the Terms and Conditions of the Notes.

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

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

4. The Euroclear Operator, Clearstream, Luxembourg and DTC Arrangements

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

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

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

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

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

The holdings of book-entry interests in the Notes in the Euroclear Operator, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) Chase Nominees Limited and (ii) Cede & Co. to reflect the amounts of Notes held through the Euroclear Operator and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in the Euroclear Operator, Clearstream, Luxembourg and DTC.

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

Trading between The Euroclear Operator and/or Clearstream, Luxembourg Accountholders

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

Trading between DTC Participants

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

Trading between DTC Seller and the Euroclear Operator / Clearstream, Luxembourg Purchaser

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

Trading between the Euroclear Operator / Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Note (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to the Euroclear Operator or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m. Brussels or Luxembourg time, one Business Day prior to the settlement date. The Euroclear Operator of Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for the Euroclear Operator and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for the Euroclear Operator and Clearstream, Luxembourg will (i) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interest in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of the nominee of the common depositary for the Euroclear Operator and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note and (b) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note. See above concerning the Record Date for payment of interest.

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

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale or other transfer of any Note.

Rule 144A Notes

Each purchaser of a beneficial interest in the Rule 144A Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

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

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

(iii) The Rule 144A Global Note and any Definitive Notes issued in exchange for an interest in the Rule 144A Global Note will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

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

(iv) The Issuer, the Bank, the Registrar, the Managers and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements and if the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

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

Regulation S Notes

Each purchaser of a beneficial interest in the Regulation S Notes outside the United States, by accepting delivery of this Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

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

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

(iii) It understands that Regulation S Notes of a Series will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(iv) It acknowledges that the Issuer, the Bank, the Trustee, the Registrar, the Manager(s) and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, the Bank or the Dealer(s). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

TAXATION

United States Federal Income Taxation

The following summary describes the principal U.S. federal income tax consequences of ownership of the Notes to an original holder of a Note that purchased the Note at its initial issue price. This summary does not discuss all the tax consequences that may be relevant to a U.S. holder in light of its particular circumstances or to U.S. holders subject to special rules, such as financial institutions, insurance companies, certain former citizens or long-term residents of the United States, tax-exempt organizations, real estate investment trusts, regulated investment companies, grantor trusts, dealers or traders in securities or currencies, holders of 10% or more (by vote,value or capital or profits interest) of the equity (including any Notes treated as equity for U.S. federal income tax purposes) of the Issuer or KKB, and persons that will hold the Notes as a position in a "straddle" or as a part a "hedging", "conversion" or "integrated" transaction for U.S. federal income tax purposes, or that have a functional currency other than the U.S. dollar.

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

For purposes of this summary, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States, (ii) a partnership or corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if such trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of such trust (a "U.S. Holder"). A "Non-U.S. Holder" is a beneficial owner of Notes that is not a U.S. Holder.

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

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the marketing of the Notes. This description is limited to the U.S. federal tax issues described herein. It is possible that additional issues may exist that could affect the U.S. federal tax treatment of the Notes, or the matter that is the subject of the description noted herein, and this description does not consider or provide any conclusions with respect to any such additional issues. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Persons considering the purchase of the Notes should consult their own tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdictions.

The following discussion assumes that the Notes will be treated as equity for U.S. federal income tax purposes. However, it should be noted that the U.S. Internal Revenue Service (the "IRS") could assert that the Notes should be treated as indebtedness of the Issuer for U.S. federal income tax purposes. If the Notes were treated as indebtedness of the Issuer for U.S. federal income tax purposes, the timing and character of income, gain and loss recognized by a U.S. Holder would include the gross amount of any payment under the Notes that is referred to thereunder as "interest" ("Periodic Payments") in income as ordinary income as they accrue or are received in accordance with the holder's method of tax accounting.

Notes May Be Treated as Ownership Interests in the Issuer for U.S. Federal Income Tax Purposes

In General. This discussion assumes that the Notes will be treated as partnership interests in the Issuer for U.S. federal income tax purposes. In that case, the Issuer should be treated as a "foreign eligible entity" under the U.S. Treasury Regulations relating to entity classification for business entities, which regulations would treat the Issuer as an association taxable as a corporation in the absence of an election by the Issuer to be classified as a partnership for U.S. federal tax purposes. A protective entity classification election to classify the Issuer for U.S. federal tax purposes as a partnership will be made to prevent any potential adverse U.S. federal income tax consequences that could result to holders of Notes in the event that the Notes were classified as an equity interest in a corporation for U.S. federal income tax purposes. Each holder of a Note and beneficial owner of a Note by acquiring a beneficial interest in a Note will be deemed to have consented to such protective election. Notwithstanding treatment as a partnership, under Section 7704 of the Code, partnerships that are "publicly traded partnerships" are treated in the same manner as corporations for U.S. federal income tax purposes, except in the case of publicly traded partnerships that recognize "qualifying income" (e.g., interest, dividends and certain capital gains) equal to at least 90% of their gross income. It is anticipated that the Issuer will have sufficient qualifying income to satisfy this exception and avoid treatment as a publicly traded partnership taxable as a corporation.

In the event that the Notes are treated as ownership interests in the Issuer and the Issuer is classified as a partnership for U.S. federal tax purposes, each U.S. Holder would be required to report on its U.S. federal income tax return its allocable share of the Issuer's income, gains, losses, deductions and credits for the taxable year of the Issuer ending within or with such U.S. Holder's taxable year, whether or not cash or other property associated with such income or gain is distributed to such U.S. Holder. Certain limitations may apply with respect to a U.S. Holder's ability to deduct expenses incurred (or deemed to be incurred) by the Issuer (or the timing of such deductions). The character and source of items of income and gain derived by a U.S. Holder from the Issuer would be determined as if such U.S. Holder had directly recognized such income and gain, but a cash basis U.S. Holder would be treated as recognizing Periodic Payments when the corresponding payments under the Subordinated Loan Agreement are received by the Issuer and not when the Periodic Payments are received by the U.S. Holder. In addition, under Section 6038B of the Code and the U.S. Treasury Regulations issued thereunder, a U.S. Holder would be subject to certain information reporting requirements applicable to transfers of money to a foreign partnership in excess of U.S. $100,000 within a 12-month period with respect to an acquisition of Notes if such U.S. Holder paid more than U.S. $100,000 for the Notes. Substantial penalties may apply to the failure to comply with these requirements.

Tax-Exempt U.S. Holders. Organizations exempt from U.S. federal income tax under Section 501(a) of the Code, including employee benefit plans subject to ERISA, are nevertheless subject to the tax on unrelated business taxable income ("UBTI"). UBTI is net income from a trade or business regularly carried on by the exempt entity and not substantially related to such entity's exempt purpose and includes any such income derived by a tax-exempt entity that is a partner in a partnership. In addition, income arising from an investment in a "flow-through" entity for U.S. federal income tax purposes that holds operating assets or that has itself incurred "acquisition indebtedness" (as described below) generally will be UBTI. UBTI is taxed at the rates applicable to corporations or trusts, depending upon the particular type of entity involved.

Income from passive investments, such as dividends, interest and capital gains, is generally excluded from the computation of UBTI, except to the extent that such income constitutes "unrelated debt-financed income" on "debt-financed property." "Unrelated debt-financed income" generally includes dividends, interest or gains, as well as all other income derived by a tax-exempt entity directly or indirectly (e.g., through a partnership) on each "debt-financed property" with respect to which there is "acquisition indebtedness." "Acquisition indebtedness" includes the principal amount of indebtedness incurred in acquiring or improving property or incurred before or after the acquisition or improvement, if the indebtedness would not have been otherwise incurred and includes any such indebtedness incurred by a partnership in which a tax-exempt entity is a partner. "Acquisition indebtedness" may also include the principal amount of borrowings to purchase an interest in a partnership, such as interests in the Issuer. A portion of the income or gains attributable to the property that constitutes "debt-financed property" is included in UBTI, based upon the amount of "acquisition indebtedness" remaining outstanding during the taxable year relating to each such property and its adjusted basis.

No assurance can be given as to whether a Tax-Exempt U.S. Holder will recognize UBTI with respect to its holding of Notes. Each Tax-Exempt U.S. Holder is advised to consult its tax advisor regarding the tax effects of holding the Notes.

Passive Foreign Investment Company Considerations

A Non-U.S. corporation will be classified as a "passive foreign investment company", or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is "passive income" or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce "passive income" or is 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. Special rules apply to income derived in the active conduct of a banking business. If the Notes are treated as partnership interests in the Issuer and the Subordinated Loan is treated as equity of KKB, a U.S. Holder would be treated as owning its proportionate interest of the equity of KKB. Therefore, if KKB were a PFIC, in such case, a U.S. Holder would be treated as owning an interest in a PFIC.

Based on certain estimates of its gross income and gross assets and the nature of its business, KKB believes that it will not be classified as a PFIC for its taxable year ending December 31, 2004, and does not expect to be classified as a PFIC for 2005. KKB's status in future years will depend on its assets and activities in those years. KKB 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 KKB will not be considered a PFIC for any taxable year. If KKB were a PFIC, a U.S. Holder of Notes generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to its deemed indirect interest in KKB.

If KKB were a PFIC, a U.S. Holder of Notes could make a variety of elections that may alleviate certain of the tax consequences referred to above, and one of these elections made be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the Notes. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if KKB were treated as a PFIC.

Potential Characterization of the Notes as Indebtedness

As noted above, it is possible that the IRS could assert that the Notes should be treated as indebtedness of the Issuer for U.S. federal income tax purposes. If the Notes were treated as indebtedness, a U.S. Holder would include Periodic Payments in income as they accrue or are received in accordance with such U.S. Holder's method of tax accounting. In addition, if the Notes were treated as indebtedness, the Notes may be treated as issued with "original issue discount" ("OID") for U.S. federal income tax purposes as a result of the possibility that the Issuer will not make interest payments falling due because of deficient available distributable funds. See "Terms and Conditions of the Notes". In general, a debt instrument is considered to be issued with OID to the extent the "stated redemption price at maturity" of such debt instrument is greater than its "issue price." The stated redemption price at maturity of a Note generally would be equal to all payments due under such Note at any time, other than payments of "qualified stated interest," that is, interest payments calculated on the basis of a single fixed rate (or certain variable rates) of interest that are unconditionally payable at least annually over the entire term of the Note. The issue price of a Note generally would be equal to the initial offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the Notes will be sold. Under the OID regulations, for purposes of the OID rules, it is assumed that the issuer of a debt instrument will exercise an option to redeem such instrument if such exercise would lower the yield to maturity of such debt instrument. It is assumed that an exercise by the Issuer of its option to redeem the Notes on any Interest Payment Date on or after the Closing Date at their principal amount plus accrued interest would lower the yield to maturity of the Notes.

In addition, if the Notes were treated as indebtedness, the Notes could be treated as "contingent payment debt instruments" for U.S. federal income tax purposes as a result of the possibility that, to the extent that may be required to avoid the Issuer being obligated to enter into liquidation, the Issuer may decide that the principal amount of the Notes (together with Accrued Interest) will be utilized in meeting losses of the Issuer by writing down the principal amount (together with Accrued Interest) by the amount required to avoid liquidation and converting such amount into a conditional capital contribution. In such case, a U.S. Holder would be required to report income in respect of Notes in accordance with certain Treasury Regulations governing such instruments (the "contingent payment regulations"). Under the contingent payment regulations, each U.S. Holder would be required to include OID in income as it accrued for each accrual period in an amount equal to the product of the adjusted issue price of the Notes at the beginning of such accrual period and the projected yield to maturity of such Notes, calculated based upon the ‘‘comparable yield’’ for the Notes (the yield at which we could issued a fixed rate debt instrument with terms and conditions similar to those of such Notes). Under the contingent payment regulations, a U.S. Holder generally would include in income (as additional interest income) the amount of any actual interest payments received in excess of the project amount of contingent interest payments with respect to Notes, or, subject to certain limitations, deduct as ordinary losses the amount by which such projected contingent interest payments exceed actual interest payments received. In addition, under the contingent payment regulations, a U.S. Holder may be required to treat all or a portion of any gain from the sale, exchange, redemption or other taxable disposition of Notes as ordinary interest income, and may be permitted to treat loss from the sale, exchange, redemption or other taxable disposition of Notes as ordinary loss, to the extent not in excess of previously accrued interest income from such Notes.

However, under the OID regulations, a ‘‘remote’’ contingency that stated interest based on the foregoing will not be timely paid will be ignored in determining whether a debt instrument is issued with OID or would be considered a contingent payment debt instrument. The Issuer believes that, if the Notes are treated as debt, the likelihood that it would not make interest payments falling due because of deficient available distributable funds is remote. Additionally, the Issuer believes that, if the Notes are treated as debt, the likelihood of it writing down the principal amount of the Notes (together with Accrued Interest) into a conditional capital contribution in order to avoid liquidation is remote. Based on the foregoing, the Issuer believes that, if the Notes are treated as debt, they will not be considered to be issued with OID at the time of their original issuance and will not be considered contingent payment debt instruments.

To the extent the Notes are treated as debt, under the OID regulations, if the Issuer does not make interest payments falling due because of deficient available distributable funds, the Notes would at that time be treated as issued with OID and all stated interest on the Notes would thereafter be treated as OID as long as the Notes remained outstanding. In such event, all of a U.S. Holder’s taxable interest income with respect to the Notes would be accounted for as OID on a constant yield basis regardless of such U.S. Holder’s method of tax accounting, and actual payments of stated interest would not be reported as taxable income. Consequently, a U.S. Holder would be required to include OID in gross income even though the Issuer would not make any actual cash payments. There is no guidance on how the constant yield method would be applied to perpetual debt. Prospective purchasers should consult with their own tax advisors concerning the proper tax treatment of interest on the Notes.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders. Information reporting generally will apply to the Periodic Payments on, and to proceeds from the sale or redemption of, Notes made within the United States or by a U.S. payor or United States middleman to a holder of Notes, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. A payor will be required to withhold backup withholding tax from any Period Payments on, or the proceeds from the sale or redemption of, Notes within the United States or by a U.S. payor or U.S. 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% for years 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 U.S. 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 U.S. 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 summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own advisors concerning the tax consequences of their particular situations.

Kazakhstan Taxation

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

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

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

Payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20 per cent., unless reduced by an applicable double taxation treaty. The Bank will agree in the Subordinated Loan Agreement to pay Additional Amounts (as defined in the Subordinated Loan Agreement) in respect of any such withholding, subject to certain exceptions set out in full in Condition 10. See "Terms and Conditions of the Notes." Payments to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

Dutch Taxation

General

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

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

Withholding tax

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

Corporate income tax and individual income tax

Residents of The Netherlands

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

If the holder of a Note is an individual, resident or deemed to be resident of The Netherlands for Netherlands income tax purposes including the non resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands, the income derived from the Notes and the gains realised upon the disposal of the Notes are taxable at the progressive income tax rates (with a maximum of 52 per cent.), if:

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

(ii) the holder of a Note is considered to perform activities with respect to the Notes that exceed regular asset management ("normaal vermogensbeheer").

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

Non-residents of The Netherlands

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

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

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

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

(iv) such holder does not have an interest in an enterprise in The Netherlands, other than by way of securities, to which the Notes are attributable.

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

Gift, estate or inheritance taxes

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the acquisition of a Note by way of gift by, or on the death of, a holder of a Note, unless: (i) the holder is, or is deemed to be, resident in The Netherlands; or (ii) such holder at the time of the gift has or at the time of his/ her death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or (iii) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Dutch gift and inheritance tax, an individual who holds Dutch nationality will be deemed to be resident in The Netherlands, if he/she has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his/her death.

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

Other taxes and duties

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

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

European Union Directive on the Taxation of Savings Income

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a directive on the taxation of savings income in the form of interest payments (the "EU Savings Tax Directive"). Member States are required from 1 July 2005 to provide to the tax authorities of another EU Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other EU Member State; however, Austria, Belgium and Luxembourg will instead apply a withholding tax system for a transitional period in relation to such payments.

SUBSCRIPTION AND SALE

J.P. Morgan Limited, ING Bank N.V., London Branch and UBS Limited (the "Managers") have, in a subscription agreement dated 7 November 2005 (the "Subscription Agreement"), agreed with the Issuer and the Bank, subject to the satisfaction of certain conditions, to subscribe for the Notes at an issue price of 100 per cent. of their principal amount The Issuer and the Bank have agreed to pay certain costs and expenses in connection with the issue of the Notes. See "General Information".

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

United States

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

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

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

The Subscription Agreement provides that each Manager may directly or through its U.S. broker dealer affiliate arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

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"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time :

(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 (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes 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 the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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.

United Kingdom

Each Manager has represented and agreed that:

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

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

Kazakhstan

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

General

No action has been, or will be, taken by the Issuer, the Bank or the Managers that would permit a public offering of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither the Prospectus nor any circular, prospectus, form of application, advertisement or other material, may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws or regulations.

GENERAL INFORMATION

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

2. The Unrestricted Global Note issued in respect of the Notes has been accepted for clearance through the Euroclear, Clearstream, Luxembourg and DTC systems with a Common Code of 023439824 and an ISIN of XS0234398245. The Restricted Global Note issued in respect of the Notes has been accepted for clearance through DTC with a CUSIP number of 486668AA4 a US ISIN of US486668AA44 and a Common Code of 023442213.

3. The Bank and the Issuer have obtained all necessary consents, approvals and authorisations in Kazakhstan and The Netherlands in connection with the Subordinated Loan and the issue and performance of the Notes. The issue of the Notes and the entering into of the Subordinated Loan Agreement were authorised by a duly adopted resolution of the management board of the Issuer dated 16 October 2005 and were approved by a resolution of the General Meeting of Shareholders of the Issuer held on 16 October 2005. The entering into of the Subordinated Loan Agreement by the Bank was authorised by a resolution of the board of directors dated 3 November 2005.

4. There has been (i) no significant change in the financial or trading position of the Bank and its subsidiaries taken as a whole since 30 June 2005 or the Issuer since 31 December 2004 and (ii) no material adverse change in the prospects of the Issuer or the Group since 31 December 2004.

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

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

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

   (a) the Agency Agreement;

   (b) the Subordinated Loan Agreement;

   (c) the Trust Deed;

   (d) the Subscription Agreement;

   (e) the statutory documents of the Bank; and

   (f) the statutory documents of the Issuer.

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

   (a) the audited consolidated financial statements of the Bank prepared in accordance with IFRS for the years ended and as at 31 December 2004, 2003 and 2002;

   (b) the latest published audited year-end consolidated financial statements of the Bank and the latest published unaudited interim consolidated financial statements of the Bank;

   (c) the audited financial statements of the Issuer prepared in accordance with Dutch GAAP for the years ended and as at 31 December 2004, 2003 and 2002; and

   (d) the latest published audited year end financial statements of the Issuer.

9. The total fees and expenses in connection with the issue of the Notes, including the estimate of the total expenses related to the admission of the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, is US$1,450,000.

10. TOO Deloitte & Touche of 240V Furmanov str., 050059 Almaty, Kazakhstan is a firm of chartered accountants and certified public accountants and has audited, and rendered unqualified audited reports on, the consolidated financial statements of the Bank for the years ended 31 December 2004 and 2003. Neither it nor its employees have any material interest in the Bank.
11. Mazars Paardekooper Hoffman of Rivium Promenade 200, P.O. Box 23123 – 3001 KC Rotterdam, The Netherlands is a firm of chartered accountants and has audited, and rendered unqualified audited reports on, the financial statements of the Issuer for the years ended 31 December 2004 and 2003. Neither it nor its employees have any material interest in the Issuer.

INDEX TO FINANCIAL STATEMENTS

JSC KAZKOMMERTSBANK

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005
(in Kazakhstani tenge and in thousands, except per share amounts)

	Notes	30 June 2005 (unaudited)	30 June 2004 (unaudited)
Interest income	4, 17	37,828,746	23,815,031
Interest expense	4, 17	(19,285,926)	(11,659,737)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES		18,542,820	12,155,294
Provision for loan losses		(6,182,590)	(5,364,898)
NET INTEREST INCOME		12,360,230	6,790,396
Net gain/(loss) on operations with trading securities		170,674	(224,932)
Net gain on foreign exchange operations		822,237	964,305
Income from services and commission received		5,557,196	4,610,689
Expense on services and commission paid		(509,159)	(742,548)
Net gain on investments in securities		-	9,137
Dividends received		9,907	14,327
Other income	5	844,762	495,818
NET NON-INTEREST INCOME		6,895,617	5,126,796
OPERATING INCOME		19,255,847	11,917,192
OPERATING EXPENSE		(6,146,123)	(4,402,012)
OPERATING PROFIT		13,109,724	7,515,180
(Provision for)/recovery of losses on other transactions		(881,069)	124,475
Profit/(loss) from participation in associated companies		99,814	(15,534)
PROFIT BEFORE TAXATION		12,328,469	7,624,121
Income tax expense	6	(1,413,142)	(1,962,387)
NET PROFIT		10,915,327	5,661,734
Attributable to:			
Equity holders of the parent		10,139,384	5,264,404
Minority interest		775,943	397,330
NET PROFIT		10,915,327	5,661,734
Earnings per share			
Basic and diluted (in KZT)	7	25.57	13.18

Signed on behalf of the Bank:

N. A. Zhusupova
Chairperson

P. A. Cheusov
Chief Accountant

12 August 2005
Almaty, Republic of Kazakhstan

The notes on F-pages 8-24 form an integral part of these condensed consolidated interim financial statements.

JSC KAZKOMMERTSBANK

CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2005
(in Kazakhstani tenge and in thousands)

	Notes	30 June 2005 (unaudited)	31 December 2004
ASSETS:			
Cash and balances with national (central) banks		19,816,497	66,292,818
Loans and advances to banks, less allowance for loan losses		141,937,979	41,833,562
Trading securities	8	51,692,501	74,779,727
Securities purchased under repurchase agreements less allowance for losses		10,440,834	8,402,463
Derivative financial instruments		370,939	19,844
Loans to customers, less allowance for loan losses	9, 16	552,656,982	494,930,550
Investments in securities			
- securities available-for-sale	10	32,463	488,668
- securities held-to-maturity	10	43,225	64,294
Investments in associates	11	317,978	217,964
Fixed assets, less accumulated depreciation		7,761,875	7,001,056
Intangible assets, less accumulated amortization		483,487	385,474
Other assets, less allowance for losses	12	3,697,888	9,640,143
TOTAL ASSETS		789,252,648	704,056,563
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks		168,470,425	170,331,348
Securities sold under repurchase agreements		9,057,176	28,444,727
Derivative financial instruments		204,422	31,354
Customer accounts	16	235,394,542	197,827,313
Debt securities issued	13	234,119,576	207,840,717
Other borrowed funds		13,812,149	4,463,967
Dividends payable		549,609	403
Other liabilities	14	15,553,227	12,894,287
		677,161,126	621,834,116
Subordinated loan		27,295,557	19,447,698
Total liabilities		704,456,683	641,281,814
EQUITY:			
Share capital		4,999,555	4,197,179
Share premium		22,342,091	11,752,396
Fixed assets revaluation reserve		1,539,317	1,313,280
Retained earnings		49,636,993	40,043,825
Minority interest		6,278,009	5,468,069
Total equity		84,795,965	62,774,749
TOTAL LIABILITIES AND EQUITY		789,252,648	704,056,563

Signed on behalf of the Bank:

N. A. Zhusupova
Chairperson

P. A. Cheusov
Chief Accountant

12 August 2005
Almaty, Republic of Kazakhstan

The notes on F-pages 8-24 form an integral part of these condensed consolidated interim financial statements.

JSC KAZKOMMERTSBANK

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005
(in Kazakhstani tenge and in thousands)

	Share capital	Share premium	Fixed assets revaluation reserve	Investments revaluation reserve	Retained earnings	Minority interest	Total
Balance at 31 December 2003	**4,018,930**	**9,453,411**	**569,783**	**-**	**31,536,768**	**4,704,625**	**50,283,517**
Fixed assets revaluation (less deferred income tax of KZT 71,877 thousand)	-	-	180,064	-	-	-	180,064
Amortisation of fixed assets revaluation	-	-	(47,992)	-	47,992	-	-
Sale of Treasury Stock repurchased	92	699	-	-	-	-	791
Dividends payable	-	-	-	-	(323,673)	-	(323,673)
Foreign exchange difference resulting from translation of investments using average rate	-	-	-	-	-	(308,301)	(308,301)
Change in minority interest of OJSC Kazkommerts Kyrgyzstan	-	-	-	-	-	58,883	58,883
Minority interest in the net profit of the Bank	-	-	-	-	-	397,330	397,330
Net profit for the period	-	-	-	-	5,264,404	-	5,264,404
Balance at 30 June 2004 (unaudited)	**4,019,022**	**9,454,110**	**701,855**	**-**	**36,525,491**	**4,852,537**	**55,553,015**
Increase of share capital	178,160	2,298,302	-	-	-	-	2,476,462
Fixed assets revaluation (less deferred income tax of KZT 261,897 thousand)	-	-	684,993	-	-	-	684,993
Amortisation of fixed assets revaluation	-	-	(73,568)	-	73,568	-	-
Sale of Treasury Stock repurchased	(3)	(16)	-	-	-	-	(19)
Reversal of excessively accrued dividends payable	-	-	-	-	33,303	-	33,303
Foreign exchange difference resulting from translation of investments using average rate	-	-	-	(13,432)	-	(52,883)	(66,315)
Minority interest in the net profit of the Bank	-	-	-	-	-	668,415	668,415
Net profit for the period	-	-	-	-	3,424,895	-	3,424,895
Balance at 31 December 2004	**4,197,179**	**11,752,396**	**1,313,280**	**(13,432)**	**40,057,257**	**5,468,069**	**62,774,749**

JSC KAZKOMMERTSBANK

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005
(in Kazakhstani tenge and in thousands)

	Share capital	Share premium	Fixed assets revaluation reserve	Investments revaluation reserve	Retained earnings	Minority interest	Total
Increase of share capital	801,092	10,589,695	-	-	-	-	11,390,787
Fixed assets revaluation (less deferred income tax of KZT 97,019 thousand)	-	-	226,037	-	-	-	226,037
Amortisation of fixed assets revaluation	-	-	(12,362)	-	12,362	-	-
Sale of Treasury Stock repurchased	1,284	-	-	-	-	-	1,284
Dividends payable	-	-	-	-	(549,206)	-	(549,206)
Foreign exchange difference resulting from translation of investments using average rate	-	-	-	2,990	-	33,997	36,987
Minority interest in the net profit of the Bank	-	-	-	-	-	775,943	775,943
Net profit for the period	-	-	-	-	10,139,384	-	10,139,384
Balance at 30 June 2005 (unaudited)	**4,999,555**	**22,342,091**	**1,526,955**	**(10,442)**	**49,659,797**	**6,278,009**	**84,795,965**

Signed on behalf of the Bank:

N. A. Zhusupova
Chairperson

P. A. Cheusov
Chief Accountant

12 August 2005
Almaty, Republic of Kazakhstan

The notes on F-pages 8-24 form an integral part of these condensed consolidated interim financial statements.

JSC KAZKOMMERTSBANK

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005
(in Kazakhstani tenge and in thousands)

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and minority interest	12,328,469	7,624,121
Adjustments for:		
Provision for loan losses	6,182,590	5,364,898
Provision/(recovery of) for losses on other transactions	881,069	(124,475)
Unrealized gain and amortization of discount on securities	(777,949)	(196,555)
Amortization of discount/(premium) on issued securities	119,768	(44,939)
Depreciation and amortisation of fixed and intangible assets	259,092	627,652
Decrease in interest accruals	(115,228)	192,186
Foreign exchange difference on recalculation of investments at average rate	(7,643)	-
(Income)/expenses from associates	(100,014)	15,534
Net change in recovery value of derivative financial instruments (net)	(178,027)	(1,881)
Cash flows from operating activities before changes in operating assets and liabilities	18,592,127	13,456,541
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Minimum reserve deposit with the Central Bank of the Russian Federation	252,127	(56,011)
Loans and advances to banks	(1,079,271)	4,780,171
Precious metals	-	300,158
Trading securities	23,843,580	(10,164,583)
Securities available-for-sale	449,025	82,677
Securities held-to-maturity	21,069	(42,309)
Securities purchased under repurchase agreements	(2,040,075)	(6,375,848)
Loans and advances to clients	(61,103,789)	(98,850,343)
Dividends received	(9,907)	14,327
Other assets	5,602,969	292,772
Increase/(decrease) in operating liabilities:		
Loans and advances from banks	(2,053,021)	7,612,662
Customer accounts	36,287,296	26,896,488
Other borrowed funds	9,225,381	(793,718)
Securities sold under repurchase agreements	(19,378,521)	(29,802,022)
Other liabilities	1,759,594	(424,586)
Cash inflow/(outflow) from operating activities before taxation	10,368,584	(93,073,624)
Income tax paid	(1,011,675)	(413,239)
Net cash inflow/(outflow) from operating activities	9,356,909	(93,486,863)

JSC KAZKOMMERTSBANK

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005
(in Kazakhstani tenge and in thousands)

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (net)	(695,755)	(516,285)
Purchase of intangible assets (net)	(185,499)	(53,120)
Net cash outflow from investing activities	(881,254)	(569,405)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt securities issued	25,397,647	63,544,749
Subordinated loan	7,682,129	13,155,859
Issue of ordinary share capital	801,092	-
Share premium	10,589,695	-
Sale of shares repurchased	1,284	791
Net cash inflow from financing activities	44,471,847	76,701,399
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	52,947,502	(17,354,869)
CASH AND CASH EQUIVALENTS, at the beginning of the period	81,857,910	47,322,122
CASH AND CASH EQUIVALENTS, at the end of the period	134,805,412	29,967,253

Interest paid and received by the Bank in cash during the six-month period ended 30 June 2005 amounted to KZT 10,528,039 thousand and KZT 22,923,586 thousand, respectively.

Interest paid and received by the Bank in cash during the six-month period ended 30 June 2004 amounted to KZT 10,873,006 thousand and KZT 23,220,486 thousand, respectively.

Signed on behalf of the Bank:

N. A. Zhusupova
Chairperson

P. A. Cheusov
Chief Accountant

12 August 2005
Almaty, Republic of Kazakhstan

The notes on F-pages 8-24 form an integral part of these condensed consolidated interim financial statements.

(in Kazakhstani tenge and in thousands, except per share amounts)

1 ORGANISATION

JSC Kazkommertsbank ("Kazkommertsbank") was incorporated on 12 July 1990 as an open joint stock company in accordance with the laws of the Soviet Socialist Republic of Kazakhstan under the name of Medeu-Bank, to engage in various activities in the banking sector. Following the independence of Kazakhstan, Medeu-Bank was re-registered under the name of OJSC Kazkommertsbank and obtained a banking license from the National Bank of the Republic of Kazakhstan (the "NBRK") on 21 October 1991. In 1994, OJSC Kazkommertsbank merged with Astana Holding Bank and continued under the name of JSC Kazkommertsbank. Astana Holding Bank was incorporated in May 1993 as a joint stock company. Kazkommertsbank is registered in the Ministry of Justice under # 4466-1910-AO.

The registered address of 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 (England).

Kazkommertsbank is a parent company of the Banking Group (the "Bank") which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	Kazkommertsbank ownership interest	Type of operation
OJSC Kazkommerts Securities	Republic of Kazakhstan	100%	Securities market transactions
OJSC IC Kazkommerts Policy	Republic of Kazakhstan	65%	Insurance
LLP "Processing Company"	Republic of Kazakhstan	100%	Payment card transactions and related activities
Kazkommerts International B.V.	Netherlands	100%	Capital borrowings on large international monetary markets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	Commercial bank

The subsidiaries Kazkommerts Capital 2 B.V. (100%) and Kazkommerts Finance 2 B.V. (100 %) are not included in the condensed consolidated financial statements due to the immaterial impact of their financial statements.

Notwithstanding Kazkommertsbank has no ownership in the share capital of Moskommertsbank ("MKB"), a commercial bank operating in the Russian Federation, MKB is included in the condensed consolidated interim financial statements of the Bank since the Bank has the ability to, and has exercised, effective control over its operations. There is a trust management agreement between the shareholders and the Bank on the purchase of no less than 60.04% of MKB shares by the Bank. Preliminary consent from Moscow State Territorial Department of Bank of Russia on trust management has been received.

2. BASIS OF PRESENTATION

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

The condensed consolidated interim 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, and financial assets and liabilities held for trading, derivative financial instruments.

The preparation of the condensed consolidated interim 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 provisions for loan and investment losses and determination of the fair value of financial instruments.

Although the condensed consolidated interim 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

Principles of consolidation – The condensed consolidated interim financial statements of the Bank include the accounts of majority owned subsidiaries, and MKB, operations of which are controlled by the Bank.

All intercompany transactions and related balances have been eliminated from the consolidated financial statements.

***Investments in associates* –** Investments in companies in which the Bank has a stake of greater than 20%, and, in the opinion of management, has the ability to significantly influence the operating and financial activities of those companies, are accounted for using the equity method, unless the Bank acquired and holds those companies for resale in the near future, or that company operates under severe long term restrictions, that significantly impair its ability to transfer funds to the Bank.

***Investments in other subsidiaries and associated companies* –** Investments in companies where the Bank owns more than 20% of the 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 have a significant effect on the financial statements taken as a whole, or the Bank intends to re-sell such investments in the near future, as well as investments in corporate shares where the Bank owns less than 20% of share capital, are accounted for at fair value or approximated fair value, or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides valuation allowances, if required.

Recognition and measurement of financial instruments – The Bank 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 trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

***Cash and cash equivalents* –** Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Kazakhstan, Central Bank of the Russian Federation and National Bank of the Kyrgyz Republic and balances on correspondent accounts with banks in countries included in the Organization for Economic Co-operation and Development (OECD).

Precious metals – Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on operations with precious metals in other income.

Loans and advances to banks – In the normal course of business, the Bank 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 method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for losses.

Trading securities – Trading securities represent debt and equity securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Trading securities are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's trading securities. When reliable market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management'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 trading securities is recognized in profit and loss account for the period.

Repurchase and reverse repurchase agreements **–** The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its liquidity management and trading with securities.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. Transactions under repo agreements are accounted for as financing transactions. Financial assets sold under repo are retained in financial statements and consideration received under these agreements are recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that when assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on investments in securities. Any related income or expense arising from the pricing difference between purchase and sale of the underlying securities under repos is recognized as interest income or expense.

Derivative financial instruments – The Bank enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Bank include forwards, swaps, options on operations with foreign currency and securities.

Derivative financial instruments are initially recorded at cost which approximates the fair value of the consideration given, with their subsequent re-measurement to fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Bank 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), respectively. Both positive and negative valuation results are recognized in the profit and loss for the period in which they arise under net gain on foreign exchange operations for foreign currency derivatives.

Originated loans **–** Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Bank are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at other than market terms is recognized in the period the loan is issued as an initial recognition adjustment discounting using market rates at inception and included in the profit and loss account.

Loans to customers with fixed maturities are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans and advances to customers are carried net of any allowance for loan losses.

Write off of loans – Loans are written off against allowance for loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has received all available collateral.

Non-performing loans – Loans to legal entities are placed on non-performing status when interest or principal is delinquent for a period in excess of 30 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. Loans to physical persons are placed on non-performing status with the approval of the authorised bodies of the Bank. Interest income is not recognized if recovery is doubtful. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-performing loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowances for losses – The Bank establishes allowances for losses of financial assets when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of financial assets, which are carried at cost or amortized cost. The allowance for losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and other collateral.

The change in the allowance for loan losses is charged to profit and the total of the allowance for loan losses is deducted in arriving at loans to customers and banks. Management's evaluation of the allowance is based on the Bank's past experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be understood that estimates of loan losses involve the exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses is adequate to absorb losses inherent in the loan portfolio.

Securities held-to-maturity – Securities held-to-maturity are debt securities with determinable or fixed payments. The Bank has the positive intent and ability to hold them to maturity. Such securities are carried at purchase cost, less any allowance for impairment taking into account amortization of discount/premium plus accrued coupon income. Amortized discounts/premiums are recognized in the interest income over the period to maturity.

Fixed and intangible assets – Fixed and intangible assets, with the exception of buildings and constructions, are carried at historical cost less accumulated depreciation. Buildings and constructions are accounted for at market value. The appraisal of building and constructions is performed by an independent appraiser. The basis for the determination of the fair market value is the real estate market. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	1-5%
Furniture and equipment	8-33%
Intangible assets	15-33%

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

Taxation – Taxes on income are computed in accordance with the laws of the countries where Kazkommertsbank and its subsidiaries operate. Deferred taxes, if any, are provided on items recognized in different periods for financial reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences, are provided for in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred income tax assets and liabilities are offset when:

- the Bank has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Bank has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Countries where the Bank operates also have various other taxes. These taxes are included as a component of operating expenses in the profit and loss account.

Deposits from banks and customers – Customer and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued – Debt securities issued represent bonds and promissory notes issued by the Bank to customers. They are accounted for according to the same principles used for customer and bank deposits.

Provisions – Provisions are recognized 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 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 – Share capital is recognized at historic cost. Gains and losses on sales of treasury stock are credited to share premium.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction thereof in the period in which they are declared.

Retirement obligations – The Bank does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan and other countries where its subsidiaries domicile, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

Recognition of income and expense – Interest income and expense are recognized on an accrual basis. The recognition of interest income is suspended when loans to legal entities become overdue by more than 30 days. Interest income also includes interest income earned on investment in securities. Other income is credited to income when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loans effective yield. Commission income/expenses are recognized on an accrual basis.

***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 transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

***Rates of exchange* –** The exchange rates at period-end used by the Bank in the preparation of the financial statements are as follows:

	30 June 2005	**31 December 2004**	**30 June 2004**
KZT/US Dollar	135.26	130.00	136.45
KZT/Euro	163.00	177.10	165.66
KZT/Gold (1 ounce)	58,946.31	56,628.00	53,852.55
KZT /Russian Rouble	4.72	4.67	4.70
KZT /Kyrgyz som	3.30	3.12	3.20

***Offset of financial assets and liabilities* –** Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

***Fiduciary activities* –** The Bank provides trustee services to its customers. Also the Bank provides depositary services to its customers that include transactions with securities on their deposit accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

4. NET INTEREST INCOME

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
Interest income		
Interest on loans to customers	34,527,905	20,520,901
Interest on debt securities	2,025,829	2,453,757
Interest on loans and advances to banks	995,452	646,413
Interest on reverse REPO operations	279,560	193,960
Total interest income	**37,828,746**	**23,815,031**
Interest expense		
Interest on debt securities	10,760,630	5,719,362
Interest on customer accounts	4,666,153	3,579,627
Interest on loans and advances from banks	3,514,032	1,409,860
Other interest expenses	284,464	777,686
Interest on REPO operations	60,647	173,202
Total interest expense	**19,285,926**	**11,659,737**
Net interest income before provision for loan losses	**18,542,820**	**12,155,294**

5. OTHER INCOME

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
Insurance premiums of Kazkommerts Policy	736,422	364,161
Other income	108,340	131,657
Total other income	**844,762**	**495,818**

6. INCOME TAXES

Tax effect of temporary differences as of 30 June 2005 and 31 December 2004 comprise:

	30 June 2005 (unaudited)	31 December 2004
Deferred assets:		
Investments in associates	9,032	-
Provisions under guarantees and letters of credit	-	28,255
Other assets	186,046	151,486
Total deferred assets :	**195,078**	**179,741**
Deferred liabilities:		
Loans to banks and customers	5,977,396	6,213,631
Provisions under guarantees and letters of credit	283,342	-
Investments in associates	-	21,293
Fixed and intangible assets	646,012	692,053
Other assets	2,865	228,357
Total deferred liabilities:	**6,909,615**	**7,155,334**
Net deferred tax liabilities (see Note 14)	**6,714,537**	**6,975,593**

Relationships between tax expenses and accounting profit for the six months ended 30 June 2005 and 30 June 2004 are presented below:

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
Profit before taxation	12,328,469	7,624,121
Tax at the statutory tax rates	3,698,541	2,287,236
Tax effect of permanent differences	(2,285,399)	(324,849)
Income tax expense	**1,413,142**	**1,962,387**

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
Current income tax expense	1,770,947	572,306
Deferred tax (benefit)/expense	(357,805)	1,390,081
Income tax expense	**1,413,142**	**1,962,387**

7. EARNINGS PER SHARE

	30 June 2005 (unaudited)	30 June 2004 (unaudited)
Income:		
Net income for the period	10,139,384	5,264,404
Less:		
Dividends on preference stock	(549,206)	(323,673)
Income less dividends on preference shares	9,590,178	4,940,731
Weighted average number of common stock for basic and diluted earnings per share (pieces)	375,000,000	374,926,091
Earnings per share – basic and diluted (KZT)	25.57	13.18

8. TRADING SECURITIES

		30 June 2005 (unaudited)		31 December 2004
Debt securities:				
Short-term NBRK notes	2.2-3.95%	16,414,637	1.5-7.12%	41,146,420
State treasury bills of the Republic of Kazakhstan	2.7-8%	13,947,508	3.22-8.35%	12,905,516
Bonds of Freddie MAC	5.25-12.36%	2,568,890	5.25-12.36%	1,558,647
Kaztransoil bonds	8.5%	2,453,966	8.5%	2,401,938
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	11.125%	2,271,570	11.125%	2,255,373
Bonds of Almaty Merchant Bank	8.5-9%	1,843,366	8.5-9%	1,666,851
Karazhanbasmunai bonds	8-9.1%	1,288,383	8-9.7%	1,319,854
Bonds of Development Bank of Kazakhstan	7.125-8.5%	1,149,351	7.125-8.5%	924,941
Avtovaz bonds	9.7-10.78%	975,098	11.28%	776,914
Bonds of PIK Group companies	13%	946,878	-	-
Fannie MAE bonds	5%	652,984	5%	259,921
Kazakhaltyn bonds	9.10%	591,640	-	-
Bonds of Kazakh mortgage company	7.29-12.25%	588,304	8.09-12.25%	1,365,487
CenterTelecom Bonds	12.35-13.8%	509,694	-	-
UTK Bonds	12.3%	481,360	12.3%	452,718
Line Handling Bonds	11.59%	467,699	-	-
Bonds of Halyk Bank	8.125%	435,084	8.125%	410,332
Bonds of Rosselhozbank	9%	286,349	-	-
Atyrau region's administration bonds	8.5-8.6%	281,880	8.5-8.6%	276,122
Bonds of Nurbank	9%	274,199	-	-
Bonds of Federal Farm Credit Bank	3.375%	271,112	3.375%	259,066
Bonds of Bank TuranAlem	8-9.1%	270,098	8%	157,940
Astana municipality bonds	8.5%	266,623	8.5%	296,304
Bonds of Novosibirsk region	13.3%	264,413	13.3-13.5%	283,381
Debt securities of Yaroslavl region	12.5%	218,465	12.5%	289,662
Bonds of federal loan of the Ministry of Finance of Russian Federation	10-11%	206,946	-	-
KAZTRANSCOM Bonds	8%	185,217	8%	185,357
Kazakhstan kagazy bonds	9.2%	131,360	-	-
Astana finance bonds	9.4%	120,793	-	-
Himfarm bonds	10.0%	120,584	-	-
KAZATOMPROM bonds	8.5%	89,004	8.5%	85,052
Bashkirenergo bonds	10.69%	84,134	-	-
Volga bonds	12%	76,218	-	-
Adaman finance bonds	14.1%	71,246	-	-
Bonds of Mangistau REK	13.0%	66,002	13%	66,525
SMARTS Bonds	10%	63,914	-	-
MIA	10%	50,693	-	-
Eurobonds of TuranAlem Finance B.V.	7.875%	50,637	7.875%	50,423
Kaztransoil Eurobonds	8,5%	30,334	8.5%	22,498
TMK Bonds	10.3%	4,882	-	-
Corporate bonds of the Russian Federation emitters		-	7.4-16%	2,454,288
Eurobonds of the Ministry of Finance of the Russian Federation		-	12.75%	481,177
Bonds of Rusalfin		-	9.6%	475,471
Bonds of Izhauto		-	12.5%	430,442
Bonds of Mig-Finance		-	16%	394,249
Bonds of SUEK		-	11.5%	392,345
Bonds of Nidan-Foods		-	17%	256,182
Almaty Kus bonds		-	10%	2,558
		51,071,515		**74,303,954**

	Ownership share	30 June 2005 (unaudited)	Ownership share	31 December 2004
Shares:				
Kazakhtelecom GDN	0.54%	620,986	0.54%	419,641
Moscow Shipbuilding and Shipyard	-	-	2.7%	56,132
		620,986		475,773
Total trading securities		**51,692,501**		**74,779,727**

9. LOANS TO CUSTOMERS

	30 June 2005 (unaudited)	31 December 2004
Originated loans	573,984,318	513,294,251
Accrued interest income on loans to customers	14,151,308	11,515,151
	588,135,626	524,809,402
Less allowance for loan losses	(35,478,644)	(29,878,852)
Total loans and advances to customers, net	**552,656,982**	**494,930,550**

	30 June 2005 (unaudited)	31 December 2004
Loans collateralized by accounts receivable	77,756,811	119,097,427
Loans collateralized by real estate	157,745,677	112,347,494
Loans collateralized by combined collateral	79,795,533	75,461,244
Loans collateralized by equipment	54,084,922	42,344,709
Loans collateralized by guarantees of enterprises	98,124,652	32,205,260
Loans collateralized by shares of companies	40,646,646	26,091,707
Loans collateralized by cash or Kazakhstani Government guarantees	7,817,497	25,942,668
Loans collateralized by guarantees of financial institutions	8,438,128	22,305,528
Loans collateralized by trade reserves	13,767,562	21,084,412
Unsecured loans	49,958,198	47,928,953
	588,135,626	524,809,402
Less allowance for loan losses	(35,478,644)	(29,878,852)
Total loans and advances to customers, net	**552,656,982**	**494,930,550**

	30 June 2005 (unaudited)	31 December 2004
Analysis of loans by industry:		
Trade	109,641,215	97,325,798
Construction	98,471,074	90,493,676
Individuals	81,006,752	72,820,907
Energy	37,583,084	37,006,654
Agriculture	32,400,859	34,278,548
Finance sector	32,942,522	32,975,228
Transport and communication	36,354,555	31,125,368
Food	28,692,913	29,801,626
Real estate	35,987,886	27,596,947
Hotel business	16,989,039	14,517,252
Mining and metallurgy	20,920,966	14,042,224
Machinery construction	12,437,987	9,206,278
Culture and art	870,881	1,632,453
Other	43,835,893	31,986,443
	588,135,626	524,809,402
Less allowance for loan losses	(35,478,644)	(29,878,852)
Total loans to customers, net	**552,656,982**	**494,930,550**

10. INVESTMENT SECURITIES

Securities available-for-sale

	Interest to nominal	30 June 2005 (unaudited)	Interest to nominal	31 December 2004
Debt securities				
Astana Finance		-	9%	126,343
Kazakhaltyn		-	9.7%	123,214
Himfarm		-	10%	119,301
		-		368,858
	Share, %		**Share, %**	
Shares available for sale:				
Kazakhtelecom, including:				
- ordinary shares	0.14%	6,258	0.14%	90,232
- preference shares	0.19%	6,387	0.19%	5,909
Aktubinsk chrome plant	3.07%	15,355	3.07%	21,497
AktobeMunaiGaz	0.004%	4,463	0.004%	2,172
		32,463		119,810
Total securities available-for-sale		**32,463**		**488,668**

Securities held-to-maturity

Securities held-to-maturity are represented as follows:

	Interest to nominal	30 June 2005 (unaudited)	Interest to nominal	31 December 2004
Bonds of the Ministry of Finance of the Kyrgyz Republic	7.93-8.152%	43,225	5.91-8.1%	64,294
Total securities held-to-maturity		**43,225**		**64,294**

11. INVESTMENTS IN ASSOCIATES

The following enterprise was recorded in the financial statements using the equity method:

	30 June 2005 (unaudited)		31 December 2004	
	% held	**Amount**	**% held**	**Amount**
UlarUmit Pension fund	41.18%	313,728	41.18%	213,914
First Credit Bureau LLP	14.29%	4,250	14.29%	4,050
		317,978		**217,964**

12. OTHER ASSETS

	30 June 2005 (unaudited)	31 December 2004
Prepayments and other debtors	1,782,096	7,295,992
Prepaid expenses	266,525	1,598,780
Insurance debtors	1,186,694	456,442
Tax settlements	542,267	399,644
	3,777,582	9,750,858
Less allowance for losses on other assets	(79,694)	(110,715)
Total other assets, net	**3,697,888**	**9,640,143**

13. DEBT SECURITIES ISSUED

	30 June 2005 (unaudited)	31 December 2004
Eurobonds of Kazkommerts International B.V. due in April 2013 (interest rate 8.625%):		
Tranche A, issued in April 2003 at price 97.548%	47,341,000	45,500,000
Tranche B, issued in April 2003 and placed in May 2003 at price 99.00%	20,289,000	19,500,000
In May 2007 (interest rate 10.125%):		
Tranche A, issued in May 2002 at price 99.043%	20,289,000	19,500,000
Tranche B, issued in November 2002 and placed in December 2002 at price 107.00%	6,763,000	6,500,000
In April 2014 (interest rate 7.875%)	54,104,000	52,000,000
In November 2009 (interest rate 7%)	47,341,000	45,500,000
In August 2005 (interest rate 5.06%)	20,289,000	-
	216,416,000	188,500,000
Including/(less):		
Discount on debt securities issued	(349,714)	(1,796,329)
Accrued interest on debt securities issued	3,333,570	2,984,523
Eurobonds repurchased by the Bank	(2,270,010)	(1,437,914)
Total issued Eurobonds of Kazkommerts International B.V.	217,129,846	188,250,280
Issued bonds of Kazkommertsbank	3,966,135	3,949,454
Accrued interest expenses on issued bonds of JSC Kazkommertsbank	570,300	129,060
Issued promissory notes	12,453,295	15,511,923
Total debt securities issued	**234,119,576**	**207,840,717**

Eurobonds were issued by the Kazkommerts International B.V., a subsidiary of Kazkommertsbank, and guaranteed by Kazkommertsbank. Coupons on Eurobonds are paid semi-annually:

- on Eurobonds with maturity in May 2007 - 8 May and 8 November,
- on Eurobonds with maturity in April 2013 – 16 April and 16 October,
- on Eurobonds with maturity in April 2014 – 7 April and 7 October;
- on Eurobonds with maturity in November 2009 – 3 May and 3 November,
- on Eurobonds with maturity in August 2005 – 25 August.

14. OTHER LIABILITIES

	30 June 2005 (unaudited)	31 December 2004
Deferred tax liabilities (see Note 6)	6,714,537	6,975,593
Other creditors	2,441,191	1,739,729
Insurance reserves	1,872,378	1,556,524
Allowance for losses on guarantees and letters of credit	2,062,301	1,530,192
Other tax liabilities	1,773,363	974,877
Accounts payable on re-insurers	689,457	117,372
	15,553,227	**12,894,287**

15. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk required to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

Accrued allowance for losses on letters of credit and guarantees amounted to KZT 2,062,301 thousand and KZT 1,530,192 thousand as of 30 June 2005 and 31 December 2004, respectively.

As of 30 June 2005 and 31 December 2004, the nominal or contract amounts and risk-weighted amounts comprised:

	30 June 2005 (unaudited)		31 December 2004	
	Nominal Amount	**Risk Weighted Amount**	**Nominal Amount**	**Risk Weighted Amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	25,631,312	25,631,312	22,971,691	22,971,691
Letters of credit and other transaction-related contingent obligations	48,938,067	9,787,612	41,490,308	6,941,465
Commitments on credits and unused credit lines	17,620,675	-	14,322,098	-
Total contingent liabilities and credit commitments	**92,190,054**	**35,418,924**	**78,784,097**	**29,913,156**
	Amount Payable	**Risk Weighted Amount**	**Amount Payable**	**Risk Weighted Amount**
Derivative financial instruments				
Foreign currency forwards	24,432,415	287,973	7,244,892	134,858
Foreign currency swaps	-	-	5,135,200	-
Forwards with securities	1,387,074	1,387,074	1,372,963	1,372,963
Total derivative financial instruments	**25,819,489**	**1,675,047**	**13,753,055**	**1,507,821**

Capital commitments – The Bank had no material commitments for capital expenditures outstanding as of 30 June 2005 and 31 December 2004.

Rental commitments – No material rental commitments were outstanding as of 30 June 2005 and 31 December 2004.

Fiduciary activities – The Bank renders depositary services. As of 30 June 2005 the Bank had securities of clients at nominal account of the securities holder on dealing operations of 25,086,032 securities.

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.

Taxation – The Management of the Bank believes that all required tax accruals are made, and accordingly accrual of any additional provisions in the financial statements in addition to previously accrued liabilities and deferred tax expenses in the respective periods is not required.

The Bank's management believes that it has paid all taxes due in full and so has made no further provision in these interim financial statements in respect of this matter.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the respective countries. As of 30 June 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 Kazakhstan. Laws and regulations affecting 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.

16. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by International Accounting Standards 24 "Related Parties Disclosures", are those counter parties that represent:

a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries of one parent company);

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

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 and close members of the families of such individuals; and

e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

	30 June 2005 (unaudited)		31 December 2004	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Loans to customers	1,910,179	573,984,318	2,459,806	513,294,251
Accrued interest on loans to customers	198,833	14,151,308	157,488	11,515,151
Allowances for loan losses	(86,200)	(35,478,644)	(84,065)	(29,878,852)
Customer accounts	3,249,608	232,060,972	3,350,365	195,837,454
Accrued deposit interest	162,747	3,333,570	51,090	1,989,859
Allowances for guarantees and letters of credit	298	2,062,301	2,514	1,530,192
Guarantees given	14,879	25,631,312	33,854	22,971,691

Included in the profit and loss account for the years ended 30 June 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	30 June 2005 (unaudited)		30 June 2004 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	98,983	37,828,746	95,469	23,815,031
Interest expense	123,954	(19,285,926)	(90,364)	(11,659,737)

17. SUBSEQUENT EVENTS

On 19 July, 2005 the Board of Directors of Kazkommertsbank resolved to acquire 80.01% of all issued shares of JSC Accumulating Pension Fund ABN AMRO CaspiyMunaiGas and 100% of all issued shares of JSC «Organization that performs investment management on pension assets «ABN AMRO Asset Management».

On 5 August, 2005 the shareholders of Kazkommertsbank JSC approved the acquisition.

Deloitte.

Deloitte & Touche, LLP
Furmanov str., 240-v
Almaty, 480099
Kazakhstan

Tel: +7 (3272) 58 13 40
Fax: +7 (3272) 58 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Company Kazkommertsbank:

We have audited the accompanying consolidated balance sheets of JSC Kazkommertsbank and its consolidated subsidiaries (the "Bank") as of 31 December 2004 and 2003, and the related consolidated profit and loss accounts, statements of cash flows and changes in equity ("the financial statements") for each of the three years ended 31 December 2004, 2003 and 2002. The financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Bank as of 31 December 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.

Deloitte & Touche

11 February 2005

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED 31 DECEMBER 2004, 2003 AND 2002
(in Kazakhstani tenge and in thousands, except per share earning amounts)

	Notes	2004	2003	2002
Interest income	4, 34	55,002,564	35,106,301	24,500,940
Interest expenses	4, 34	(26,247,764)	(18,623,916)	(11,257,899)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	4	28,754,800	16,482,385	13,243,041
Provision for loan losses	5	(11,221,588)	(5,887,610)	(7,341,589)
NET INTEREST INCOME		17,533,212	10,594,775	5,901,452
Net gain/(loss) on trading securities	6	22,153	(316,992)	935,993
Net gain on foreign exchange operations	7	1,556,859	1,600,977	1,207,409
Fee and commission income	8	10,389,992	8,399,779	5,791,790
Fee and commission expense	8	(1,951,386)	(1,334,332)	(1,126,385)
Net gain/(loss) on investment securities	9	19,448	(47,397)	3,916,126
Dividends received		15,052	382,449	446,719
Other income	10	1,962,836	1,239,355	433,141
NET NON-INTEREST INCOME		12,014,954	9,923,839	11,604,793
OPERATING INCOME		29,548,166	20,518,614	17,506,245
OPERATING EXPENSES	11	(9,511,039)	(8,969,071)	(7,955,983)
OPERATING PROFIT		20,037,127	11,549,543	9,550,262
Provision for losses on other transactions	5	(721,566)	(270,312)	(1,327,071)
(Expenses)/income from associates	22	12,545	(20,249)	33,869
PROFIT BEFORE TAXATION AND MINORITY INTEREST		19,328,106	11,258,982	8,257,060
Income tax expense	12	(9,573,062)	(2,091,667)	(276,067)
NET PROFIT BEFORE MINORITY INTEREST		9,755,044	9,167,315	7,980,993
Minority interest	13	(1,065,745)	(406,554)	(2,230)
NET PROFIT		8,689,299	8,760,761	7,978,763
Earnings per share				
Basic and diluted (in tenge)	14	24.26	25.89	25.94

On behalf of the Board:

Zhusupova N.A.
Chairperson

11 February 2005
Almaty

Cheusov P.A.
Chief Accountant

11 February 2005
Almaty

The notes on F-pages 31-71 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on F-page 25.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2004 AND 2003
(in Kazakhstani tenge and in thousands)

	Notes	2004	2003
ASSETS:			
Cash and balances with national (central) banks	15	66,292,818	28,484,613
Precious metals		-	300,158
Loans and advances to banks, less allowance for loan losses	16	41,833,562	38,582,824
Trading securities	17	74,779,727	71,200,859
Securities purchased under agreement to resell, less allowance for losses	18	8,402,463	2,608,318
Derivative financial instruments	19	19,844	15,399
Loans to customers, net	20	494,930,550	283,062,443
Investment securities:			
- securities available for sale	21	488,668	137,554
- securities held-to-maturity	21	64,294	32,372
Investments in associates and other entities	22	217,964	146,206
Fixed assets, less accumulated depreciation	23	7,001,056	5,867,947
Intangible assets, less accumulated amortization	24	385,474	436,051
Other assets, less allowance for losses	25	9,640,143	3,366,413
TOTAL ASSETS		704,056,563	434,241,157
LIABILITIES AND SHAREHOLDER EQUITY			
LIABILITIES:			
Loans and advances from banks	26	170,331,348	76,221,919
Securities sold under agreements to repurchase		28,444,727	37,250,675
Derivative financial instruments	19	31,354	801
Customer accounts	27	197,827,313	151,589,416
Debt securities issued	28	207,840,717	98,233,366
Other borrowed funds	29	4,463,967	3,525,473
Dividends payable		403	404
Other liabilities	30	12,894,287	8,402,672
		621,834,116	375,224,726
Subordinated debt	31	19,447,698	8,732,914
Total liabilities		641,281,814	383,957,640
Minority interest	13	5,468,069	4,704,625
FINANCIAL COMMITMENTS AND CONTINGENCIES	33		
SHAREHOLDERS' EQUITY:			
Share capital	32	4,197,179	4,018,930
Share premium		11,752,396	9,453,411
Fixed assets revaluation reserve		1,313,280	569,783
Retained earnings		40,043,825	31,536,768
Total shareholders' equity		57,306,680	45,578,892
TOTAL LIABILITIES AND SHAREHOLDER EQUITY		704,056,563	434,241,157

On behalf of the Board:

Zhusupova N.A.
Chairperson

11 February 2005
Almaty

Cheusov P.A.
Chief Accountant

11 February 2005
Almaty

The notes on F-pages 31-71 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on F-page 25.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2004, 2003 AND 2002

(in Kazakhstani tenge and in thousands)

	Share capital	Share premium	Fixed assets revaluation reserve	Investments revaluation reserve	Retained earnings	Total
31 December 2001	**3,497,691**	**5,464,687**	**8,125**	**-**	**15,452,525**	**24,423,028**
Share capital increase of:						
- preference shares	1,731	8,273	-	-	-	10,004
Sale of repurchased shares	266	353	-	-	-	619
Amortization of fixed assets revaluation reserve	-	-	(1,253)	-	1,253	-
Dividends declared on preference shares	-	-	-	-	(346,626)	(346,626)
Net profit for the year	-	-	-	-	7,978,763	7,978,763
31 December 2002	**3,499,688**	**5,473,313**	**6,872**	**-**	**23,085,915**	**32,065,788**
Amortization of fixed assets revaluation reserve	-	-	(14,233)	-	14,233	-
Fixed assets revaluation (less deferred income tax of KZT 228,917 thousand)	-	-	577,144	-	-	577,144
Share capital increase of:						
- ordinary shares	519,212	3,979,934	-	-	-	4,499,146
Sale of repurchased shares	30	164	-	-	-	194
Dividends declared on preference shares	-	-	-	-	(324,141)	(324,141)
Net profit for the year	-	-	-	-	8,760,761	8,760,761
31 December 2003	**4,018,930**	**9,453,411**	**569,783**	**-**	**31,536,768**	**45,578,892**
Amortization of fixed assets revaluation reserve	-	-	(121,560)	-	121,560	-
Fixed assets revaluation (less deferred income tax of KZT 333,774 thousand)	-	-	865,057	-	-	865,057
Share capital increase of:						
- preference shares	178,160	2,298,302	-	-	-	2,476,462
Sale of repurchased shares	89	683	-	-	-	772
Dividends declared on preference shares	-	-	-	-	(290,370)	(290,370)
Foreign exchange difference arising from average rate of investments	-	-	-	(13,432)	-	(13,432)
Net profit for the year	-	-	-	-	8,689,299	8,689,299
31 December 2004	**4,197,179**	**11,752,396**	**1,313,280**	**(13,432)**	**40,057,257**	**57,306,680**

On behalf of the Board:

Zhusupova N.A.
Chairperson

11 February 2005
Almaty

Cheusov P.A.
Chief Accountant

11 February 2005
Almaty

The notes on F-pages 31-71 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on F-page 25.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2004, 2003 AND 2002
(in Kazakhstani tenge)

	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax and minority interest	19,328,106	11,258,982	8,257,060
Adjustments for:			
Provision for loan losses	11,221,588	5,887,610	7,341,589
Provision for losses on other transactions	721,566	270,312	1,327,071
Unrealised gain and amortisation of discounts on trading securities and securities available-for-sale	(2,344,287)	(171,831)	(4,317,810)
Amortization of discount/premium on issued securities	1,147,180	(1,467,824)	185,746
Depreciation and amortisation	1,302,066	978,832	625,058
Decrease in net interest accruals	326,255	377,057	1,465,157
Foreign exchange difference on recalculation of investments at average rate	(19,904)	-	-
Expenses/(income) from associates	(12,545)	20,249	(33,869)
Net change in recovery value of derivative financial instruments (net)	26,108	(9,801)	249,036
Cash flows from operating activities before changes in operating assets and liabilities	31,696,133	17,143,586	15,099,038
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the Central Bank of the Russian Federation	(661,224)	(121,865)	-
Loans and advances to banks	(6,012,734)	(12,151,488)	5,409,000
Precious metals	300,158	(300,158)	-
Trading securities	(1,372,000)	(49,174,659)	(6,764,553)
Securities available-for-sale	(351,286)	9,857,668	(744,352)
Securities held-to-maturity	(31,922)	(15,305)	125,726
Securities purchased under repurchase agreements	(5,794,145)	(228,935)	(2,313,035)
Loans to clients	(222,075,053)	(112,945,369)	(35,627,095)
Dividends received	15,052	382,449	380,121
Other assets	(6,404,405)	(487,380)	(2,879,510)
Increase/(decrease) in operating liabilities			
Loans and advances from banks and repurchase agreements	84,723,107	58,144,477	10,065,523
Customer accounts	47,446,196	9,438,227	29,436,987
Other borrowed funds	965,464	(1,025,302)	(674,626)
Other liabilities	(113,501)	958,337	(714,835)
Cash (outflow)/inflow from operating activities before taxation	(77,670,160)	(80,525,717)	10,798,389
Income tax paid	(5,876,190)	(471,059)	(722,962)
Net cash (outflow)/inflow from operating activities	(83,546,350)	(80,996,776)	10,075,427

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2004, 2003 AND 2002

(in Kazakhstani tenge)

	Notes	2004	2003	2002
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets (net)		(1,410,740)	(2,612,818)	(1,587,635)
Sale/(purchase) of intangible assets (net)		(102,329)	81,839	(196,711)
Sale/(purchase) of investments in associates		(59,213)	119,462	(55,800)
Acquisition of investments in subsidiaries		-	-	(249,840)
Consolidation effect of Moskommertsbank		-	434,042	-
Net cash outflow from investing activities		(1,572,282)	(1,977,475)	(2,089,986)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary share capital		-	519,212	-
Issue of preferred share capital		178,160	-	1,731
Proceeds from debt securities issued		106,978,538	68,226,334	29,614,150
Subordinated debt		10,488,618	2,667,928	1,773,864
Sale of repurchased shares		89	30	266
Share premium		2,298,985	3,980,098	8,626
Dividends paid		(290,371)	(324,141)	(347,473)
Net cash inflow from financing activities		119,654,019	75,069,461	31,051,164
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		34,535,387	(7,904,790)	39,036,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15	47,322,122	55,226,912	16,190,307
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15	81,857,509	47,322,122	55,226,912

Interest paid and received by the Bank in cash during the year ended 31 December 2004 amounted to KZT 25,219,979 thousand and KZT 54,226,899 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2003 amounted to KZT 17,185,965 thousand and KZT 34,110,598 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2002 amounted to KZT 9,822,159 thousand and KZT 21,985,172 thousand, respectively.

On behalf of the Board:

Zhusupova N.A.
Chairperson

11 February 2005
Almaty

Cheusov P.A.
Chief Accountant

11 February 2005
Almaty

The notes on F-pages 31-71 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on F-page 25.

1. ORGANIZATION

JSC Kazkommertsbank ("Kazkommertsbank") was incorporated on 12 July 1990 as an open joint stock company, in accordance with the laws of the Soviet Socialist Republic of Kazakhstan under the name of Medeu-Bank, to engage in various activities in the banking sector. Following the independence of Kazakhstan, Medeu-Bank was re-registered under the name of JSC Kazkommertsbank and obtained a banking license from the National Bank of the Republic of Kazakhstan (the "NBRK") on 21 October 1991. In 1994, JSC Kazkommertsbank merged with Astana Holding Bank and continued under the name of JSC Kazkommertsbank. Astana Holding Bank, a joint stock company, was incorporated in May 1993. Kazkommertsbank is registered in the Ministry of Justice under # 4466-1910-AO.

The registered address of the Kazkommertsbank is 135 "Zh", Gagarin Ave., Almaty.

Kazkommertsbank has 22 branches in the Republic of Kazakhstan and a representative office in London (Great Britain).

The number of employees of the Bank at 31 December 2004 and 2003 was 3,186 and 3,044, respectively.

Kazkommertsbank is a parent company of the Banking Group (the "Bank") which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	Kazkommerstbank ownership interest 2004	Kazkommerstbank ownership interest 2003	Type of operation
OJSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
JSC Kazkommerts Invest	Republic of Kazakhstan	-	100%	Finance services to large corporate and private clients
OJSC IC Kazkommerts Policy	Republic of Kazakhstan	65%	100%	Insurance
Processing Company LLP	Republic of Kazakhstan	100%	-	Payment and other cards operations
Kazkommerts International B.V.	Netherlands	100%	100%	Capital borrowings on large international monetary markets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	73.97%	Commercial bank

Kazkommert Capital 2 B.V. (100%) and Kazkommerts Finance 2 B.V. (100%), subsidiaries, are not consolidated into the consolidated financial statements due to the immateriality of their financial statements.

In December 2004 100% of ordinary shares of OJSC Kazkommerts Invest were classified as securities available-for-sale and were sold in December 2004.

In December 2004 the Bank acquired 39,217 shares of OJSC Kazkommertsbank Kyrgyzstan for the amount of KZT 67,943 thousand that increased its share to 93.58%.

Notwithstanding Kazkommertsbank has no ownership in the share capital of Moskommertsbank ("MKB"), a commercial bank in the Russian Federation, MKB was included in the consolidated financial statements of the Bank since the Bank has ability and has exercised effective control over its operations. There is an agreement between the shareholders of the MKB and the Bank on purchase of no less than 51% of MKB shares by the Bank. Transaction completion is subject to approval of the NBRK and the Central Bank of the Russian Federation.

2. BASIS OF PRESENTATION

Accounting basis – These consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in thousands of Kazakhstani tenge ("KZT"), except for per share earning amounts and unless otherwise indicated. These financial statements are prepared on an accrual basis under the historical cost convention, except for the buildings and constructions revaluation which was performed in 2004 to record their fair value and amounted to KZT 1,095,696 thousand and cost of financial assets and liabilities modified for the measurement at fair value of available-for-sale investment securities, financial assets and financial liabilities held for trading, and derivative financial instruments.

The Bank maintains its accounting records in accordance with IFRS, 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 foreign subsidiaries, and have been adjusted to conform to IFRS.

Measurement currency – The measurement currency of these consolidated financial statements is Kazakhstani tenge (KZT).

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated financial statements include the accounts of majority-owned subsidiaries, and MKB, operations of which are controlled by Kazkommertsbank.

All significant inter-company transactions and balances have been eliminated from the consolidated financial statements. The ownership interest of Kazkommertsbank and the proportion of voting power of the Bank in the significant subsidiaries as of 31 December 2004 and 2003 is presented in Note 1.

Enterprises acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. The equity and net income attributable to minority interests are shown separately in the balance sheets and profit and loss accounts, respectively.

In translating the financial statements of a foreign subsidiary into the measurement currency for incorporation in the financial statements, the Bank follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Interest Rates" ("IAS 21").

Equity accounting – The share of Kazkommertsbank in net assets and net income of entities, where Kazkommertsbank holds 20 to 50% of share capital and/or has the ability to exercise significant influence over their operating and financial policies ("associates") is included in the consolidated net assets and operating results using the equity method of accounting from the date of acquisition (Note 22). Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero. Where necessary, the accounting policies used by the associates have been changed to ensure consistency with the policies adopted by the Bank.

Recognition and measurement of financial instruments – The Bank 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 trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents – Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Kazakhstan, Central Bank of the Russian Federation and National Bank of the Kyrgyz Republic and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD").

Precious metals – Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on operations with precious metals in other income.

Loans and advances to banks – In the normal course of business, the Bank 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 method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for losses.

Trading securities – Trading securities represent debt and equity securities held for trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Trading securities are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for the Bank's trading securities. When reliable market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management'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 trading securities is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements – The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in financial statements and consideration received under these agreements are recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collaterized by securities and other assets.

In case when assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on securities. Any related income or expense arising from the pricing difference between purchase and sale of the underlying securities is recognized as interest income or expense.

Derivative financial instruments – The Bank enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Bank include forwards, swaps, foreign currency options.

Derivative financial instruments are initially recorded at cost which approximates the fair value of the consideration given, with their subsequent re-measurement to fair value. Fair values are obtained from the interest rates model. Most of derivatives the Bank enters into are of 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), respectively. 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 Bank are financial assets that are created by the Bank by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Bank are initially recognized in accordance with the policy stated below. The difference between nominal amount of consideration given and the amortized cost of loans issued at other 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.

Loans to customers with fixed maturities are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for loan losses.

Write off of loans **–** Loans are written off against allowance for loan losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has received all available collateral.

Non-accrual loans **–** Loans are placed on non-accrual status when interest or principal of the loan given to the legal entities is delinquent for a period in excess of 30 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. The accrual process is continued for loans given to physical persons for the full overdue period until the appropriate board of the Bank decides about to postpone the interest accrual. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowance for losses **–** The Bank establishes an allowance for losses of financial assets when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of financial assets, which are carried at cost or amortized cost. The allowance for losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral.

The determination of the allowance for loan losses is based on an analysis of the loan portfolio and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the loan portfolio. Specific provisions are made as a result of a detailed appraisal of risk assets.

The change in the allowance for loan losses is charged to profit and the total of the allowance for loan losses is deducted in arriving at loans to customers and banks. Management's evaluation of the allowance is based on the Bank's past experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions.

It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses, which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses is adequate to absorb losses inherent in the loan portfolio.

Securities held-to-maturity – Securities held-to-maturity are debt securities with determinable or fixed payments. The Bank has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment plus accrued coupon income. Amortized discounts/premiums are recognized in the interest income/expense over the period to maturity.

Securities available-for-sale – Securities available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such re-measurement included in the profit and loss account, plus accrued coupon income. The Bank uses quoted market prices to determine the fair value for the Bank's securities available-for-sale. If such quotes do not exist, management estimation is used.

Fixed and intangible assets – Fixed and intangible assets are carried at historical cost less accumulated depreciation. Buildings and constructions are accounted for at market value. The appraisal of building and constructions is performed by an independent valuer. The basis for the determination of the fair market value is the real estate market. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	1 – 5%
Furniture and equipment	8 – 33%
Intangible assets	15 – 33%

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

Taxation – Taxes on income are computed in accordance with the laws of the countries where the Bank and its subsidiaries operate. Deferred taxes, if any, are provided on items recognized in different periods for financial reporting purposes and income tax purposes, using the balance sheet liability method at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities, if any, which result from temporary differences, are provided for in full. Deferred tax assets are recorded to the extent that there is a reasonable expectation that these assets will be realized.

Deferred income tax assets and liabilities are offset when:

- the Bank has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Bank has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

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

Deposits from banks and customers – Customer and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued **–** Debt securities issued represent promissory notes issued by the Bank to customers. They are accounted for according to the same principles used for customer and bank deposits.

Provisions **–** Provisions are recognized 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 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 **–** Share capital is recognized at historic cost. Gains and losses on sales of treasury stock are credited to share premium.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction thereof in the period in which they are declared.

Retirement and other benefit obligations **–** The Bank does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan and other countries where its subsidiaries domicile, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

Recognition of income and expense **–** Interest income and expense are recognized on an accrual basis. The recognition of interest income is suspended when loans or interest become overdue by more then 30 days. Interest income also includes interest income earned on investment and trading securities. Other income is credited to income when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loans effective yield. Commission income/expenses are recognized on an accrual basis.

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 transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Rates of exchange **–** The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2004	31 December 2003	31 December 2002
KZT/US Dollar	130.00	144.22	155.85
KZT/Euro	177.10	180.23	162.46
KZT/Gold (1ounce)	56,628.00	60,031.58	53,417.88
KZT/Kyrgyz Som	3.12	3.26	3.37
KZT/RUR	4.67	4.93	4.89

Offset of financial assets and liabilities **–** Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary activities **–** The Bank provides trustee services to its customers. Also the Bank provides depositary services to its customers that include transactions with securities on their deposit accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

4. NET INTEREST INCOME

	2004	2003	2002
Interest income			
Interest on loans to customers	48,630,057	29,749,318	23,044,439
Interest on debt securities	4,884,924	3,774,899	1,110,697
Interest on loans and advances to banks	1,028,572	1,526,766	345,804
Interest on reverse repurchase transactions	459,011	55,318	-
Total interest income	55,002,564	35,106,301	24,500,940
Interest expense			
Interest on debt securities issued	14,994,640	8,577,577	2,083,414
Interest on customer accounts	6,970,456	7,773,268	6,880,159
Interest on loans and advances from banks	4,075,752	1,911,084	1,939,714
Other interest expenses	206,916	361,987	354,612
Total interest expense	26,247,764	18,623,916	11,257,899
Net interest income before provision for loan losses	**28,754,800**	**16,482,385**	**13,243,041**

5. ALLOWANCE FOR LOSSES, IMPAIRMENT, AND OTHER PROVISIONS

The movements in allowance for losses on interest earning assets, were as follows:

	Loans and advances to banks	Loans to customers	Securities under repurchase agreements	Total
31 December 2001	295,160	11,672,103	-	11,967,263
Acquisition of subsidiary bank	-	29,047	-	29,047
(Recovery)/Provision	(125,002)	7,420,331	46,260	7,341,589
Write-off of assets	-	(6,319,964)	-	(6,319,964)
Recoveries of assets previously written off	-	1,214,865	-	1,214,865
31 December 2002	170,158	14,016,382	46,260	14,232,800
Consolidation effect of MKB	5,043	4,644	-	9,687
Provision/(Recovery)	239,385	5,694,485	(46,260)	5,887,610
Write-off of assets	-	(2,233,398)	-	(2,233,398)
Recoveries of assets previously written off	-	1,586,965	-	1,586,965
31 December 2003	414,586	19,069,078	-	19,483,664
Provision/(Recovery)	119,010	11,102,578	-	11,221,588
Write-off of assets	-	(733,040)	-	(733,040)
Recoveries of assets previously written off	-	468,562	-	468,562
Foreign exchange difference	(569)	(28,326)	-	(28,895)
31 December 2004	533,027	29,878,852	-	30,411,879

The movements in allowances for losses on other transactions were as follows:

	Insurance reserves	Accounts receivable	Guarantees and other commitments	Total
31 December 2001	269,704	13,309	666,776	949,789
Provision	150,800	52,840	1,123,431	1,327,071
Write-offs	-	(16,364)	-	(16,364)
Recoveries	-	3,300	-	3,300
31 December 2002	420,504	53,085	1,790,207	2,263,796
Consolidation effect of MKB	-	227	-	227
Provision/(Recovery)	636,240	(2,011)	(363,917)	270,312
Write-offs	-	(89,595)	-	(89,595)
Recoveries	-	68,814	-	68,814
31 December 2003	1,056,744	30,520	1,426,290	2,513,554
Provision	499,780	115,623	106,163	721,566
Write-offs	-	(38,910)	-	(38,910)
Recoveries	-	5,687	-	5,687
Foreign exchange difference	-	(2,205)	(2,261)	(4,466)
31 December 2003	1,556,524	110,715	1,530,192	3,197,431

6. NET GAIN/(LOSS) ON TRADING SECURITIES

Net gain/(loss) on trading securities comprise:

	2004	2003	2002
Debt securities	(44,925)	(26,814)	885,357
Equity securities	67,078	(290,178)	50,636
Total net gain/(loss) on trading securities	**22,153**	**(316,992)**	**935,993**

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	2004	2003	2002
Dealing, net	2,600,766	1,419,322	640,405
Unrealised translation differences, net	(1,043,907)	181,655	567,004
Total net gain on foreign exchange operations	**1,556,859**	**1,600,977**	**1,207,409**

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	2004	2003	2002
Fee and commission income:			
Cash operations	2,786,351	2,094,290	1,634,263
Settlements	1,990,530	1,614,231	1,269,487
Documentary operations	1,599,603	1,614,916	1,215,418
Foreign exchange and securities operations	1,236,596	1,149,461	732,067
Credit cards operations	892,583	627,323	407,121
Commission for the loan issuance	795,856	605,881	110,428
Encashment operations	136,200	112,115	79,431
Insurance operations	64,286	123,532	127,382
Commission for consulting	3,939	10,930	2,923
Other	884,048	447,100	213,270
Total fee and commission income	**10,389,992**	**8,399,779**	**5,791,790**
Fee and commission expense:			
Commission from loans	895,464	395,761	489,254
Bank cards services	356,498	303,630	228,832
Insurance operations	269,407	132,652	55,626
Letters of credit and guarantees	161,095	290,217	167,130
Foreign currency and securities operations	82,406	62,214	46,375
Correspondent bank services	80,065	65,565	56,870
Services of processing centre of the NBRK	63,397	39,830	49,801
Other	43,054	44,463	32,497
Total fee and commission expense	**1,951,386**	**1,334,332**	**1,126,385**

9. NET GAIN/(LOSS) ON INVESTMENT SECURITIES

Net gain/(loss) on investment securities include results from operations with available-for-sale securities and comprise:

	2004	2003	2002
Unrealized gain from revaluation of securities available-for-sale	11,454	40,784	3,916,126
Net gain/(loss) on derecognition of securities available-for-sale	7,994	(88,181)	-
Total net gain/(loss) on investment securities	**19,448**	**(47,397)**	**3,916,126**

10. OTHER INCOME

	2004	2003	2002
Insurance premiums of Kazkommerts Policy	1,479,307	1,048,665	335,214
Profit on sale of fixed assets and fixed assets received free of charge	98,866	22,281	12,192
Income from recovery of expenses paid	67,891	74,358	609
Fines and penalties received	40,279	4,565	649
Sale of low-value inventory and blanks	62	1,234	7,180
Other income	276,431	88,252	77,297
Total other income	**1,962,836**	**1,239,355**	**433,141**

11. OPERATING EXPENSES

	2004	2003	2002
Staff costs	3,782,316	4,201,486	4,209,693
Depreciation and amortization	1,302,066	978,832	625,058
Fixed assets maintenance (buildings, intangibles, etc.)	542,605	442,558	242,499
Advertising costs	417,038	379,117	311,911
Lease	375,367	206,609	159,584
Communications	333,759	261,981	220,203
Taxes, other than income tax	333,038	253,133	139,282
Value added tax	332,100	230,709	233,676
Security	320,830	145,681	102,290
Insurance of individual deposits	285,143	310,419	352,755
Business trip expenses	252,618	269,753	252,806
Vehicles maintenance	161,837	140,502	109,885
Training	136,381	85,055	68,093
Legal services	90,478	27,821	25,888
Charity and sponsorship expenses	88,827	136,755	157,740
Cash collection expenses	82,070	70,589	65,921
Stationery	78,725	60,116	52,411
Professional services	51,010	97,431	96,221
Entertainment expenses	50,517	47,475	35,054
Mail and courier expenses	41,746	32,764	30,157
Membership fee	25	203,357	12,904
Custom duties for import of foreign currency	-	20,433	89,420
Other expenses	452,543	366,495	362,532
	9,511,039	**8,969,071**	**7,955,983**

12. INCOME TAXES

The Bank 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 Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and 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 of 31 December 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 31 December 2004 and 2003 comprise:

	2004	2003
Deferred assets:		
Provisions under guarantees and letters of credit	28,255	-
Other assets	151,486	398,466
Total deferred assets	**179,741**	**398,466**

Deferred liabilities:		
Loans to banks and customers	6,213,631	3,005,134
Provisions under guarantees and letters of credit	-	92,916
Investments in associates	21,293	71
Fixed and intangible assets	692,053	245,292
Total deferred liabilities	228,357	-
	7,155,334	**3,343,413**
Net deferred liabilities	**6,975,593**	**2,944,947**

Relationships between tax expenses and accounting profit for the years ended 31 December 2004, 2003 and 2002 are explained as follows:

	2004	**2003**	**2002**
Profit before income tax and minority interest	19,328,106	11,258,982	8,257,060
Tax at the statutory tax rate	5,655,186	3,357,404	2,477,118
Tax effect of permanent differences	(90,644)	(1,265,737)	(2,201,051)
Tax impositions resulted from tax inspection	4,008,520		
Income tax expense	**9,573,062**	**2,091,667**	**276,067**
Current income tax expense	5,876,190	590,045	477,990
Deferred income tax expense	3,696,872	1,501,622	(201,923)
Income tax expense	**9,573,062**	**2,091,667**	**276,067**

Included in current income tax expense is an amount of 4,008,520 thousand tenge, which represents the additional tax assessment imposed by the tax authorities of Kazakhstan following a tax audit completed during 2004.

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.

Deferred income tax	**2004**	**2003**	**2002**
At the beginning of the period	2,944,947	1,214,408	1,416,331
Decrease in fixed assets revaluation reserve	333,774	228,917	-
Increase /(decrease) in deferred income tax for the period	3,696,872	1,501,622	(201,923)
At the end of the period	6,975,593	2,944,947	1,214,408

13. MINORITY INTEREST

The movement in minority interest during 2004 and 2003 comprises:

31 December 2002	**81,240**
Consolidation effect of MKB	4,220,116
Foreign exchange effect	(3,285)
Minority interest in the net profit of the Bank for the year	406,554
31 December 2003	**4,704,625**
Change on the minority interest of OJSC Kazkommertsbank Kyrgyzstan	(58,883)
Minority interest in the net profit of the Bank for the year	1,065,745
Foreign exchange effect	(243,418)
31 December 2004	**5,468,069**

14. EARNINGS PER SHARE

	2004	**2003**	**2002**
Income:			
Net income for the year	8,689,299	8,760,761	7,978,763
Less:			
Dividends on preference stock	(290,370)	(324,141)	(346,626)
Income less dividends on preference shares	8,398,929	8,436,620	7,632,137
Weighted average number of common stock for basic and diluted earnings per share (pieces)	346,141,258	325,817,299	294,182,278
Earnings per share – basic and diluted (KZT)	24.26	25.89	25.94

15. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

The balance with the Central Bank of the Russian Federation as of 31 December 2004 included amounts of KZT 783,089 thousand represented by reserve balances with the Central Bank of the Russian Federation. The Bank is required to maintain the reserve balances at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	2004	**2003**	**2002**
Cash on hand	11,218,153	10,352,004	10,135,899
Balances with national (central) banks	55,074,665	18,132,609	9,258,872
Loans and advances to banks in OECD countries (included in Note 16)	16,357,415	18,975,185	35,877,083
	82,650,233	47,459,798	55,271,854
Less minimum reserve deposit with the Central Bank of the Russian Federation	(783,089)	(121,865)	-
Less accrued interest income on balances with NBRK and OECD countries	(9,635)	(15,811)	(44,942)
Total cash and cash equivalents	**81,857,509**	**47,322,122**	**55,226,912**

16. LOANS AND ADVANCES TO BANKS

	2004	2003
Loans and advances to banks	29,248,305	35,385,911
Correspondent accounts with other banks	13,020,544	3,477,327
Accrued interest income on loans and advances to banks	97,740	134,172
	42,366,589	38,997,410
Less allowance for loan losses	(533,027)	(414,586)
Total loans and advances to banks, net	41,833,562	38,582,824

Movements in allowances for loan losses and advances to banks for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

17. TRADING SECURITIES

Debt securities:	**2004**		**2003**	
Short-term NBRK notes	1.5-7.12%	41,146,420	1.96-5.11%	22,700,525
Government treasury bills	3.22-8.35%	12,905,516	5.8-9.99%	6,061,421
Corporate bonds of the issuers of the Russian Federation	7.4-16%	2,454,288	-	-
Kaztransoil bonds	8.5%	2,401,938	8.5-9%	2,649,512
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	11.125%	2,255,373	11.125-13.625%	6,399,117
AMB Bank bonds	8.5-9%	1,666,851	-	-
Freddie MAC bonds	5.25-12.36%	1,558,647	9.28-15.29%	3,909,001
Bonds of Kazakhstani Mortgage Company	8.09-12.25%	1,365,487	8-8.6%	767,742
Karazhanbasmunai bonds	8-9.7%	1,319,854	-	-
Bonds of Development Bank of Kazakhstan	7.125-8.5%	924,941	7.125-7.375%	1,017,559
Avtovaz bonds	11.28%	776,914	15.25%	151,400
Eurobonds of the Ministry of Finance of the Russian Federation	12.75%	481,177	12.75%	360,521
Rusalfin bonds	9.6%	475,471	-	-
UTK bonds	12.3%	452,718	-	-
IzhAvto bonds	12.5%	430,442	-	-
Halyk Bank bonds	8.125%	410,332	-	-
Mig-Finance bonds	16%	394,249	-	-
SUEK bonds	11.5%	392,345	-	-
Astana municipality bonds	8.5%	296,304	8-8.5%	352,098
Debt securities of Yaroslav Region	12.5%	289,662	13.76%	168,345
Novosibirsk region bonds	13.3-13.5%	283,381	-	-
Atyrau region's administration bonds	8.5-8.6%	276,122	8.5-8.6%	468,790
Fannie MAE bonds	5%	259,921	2.0%	3,605,301
Federal Farm Credit Bank bonds	3.375%	259,066	-	-
Nidan Foods bonds, 1st issue.	17%	256,182	17.0%	248,911
KAZTRANSCOM bonds	8%	185,357	8.0%	157,996
Bank TuranAlem bonds	8%	157,940	-	-
KAZATOMPROM bonds	8.5%	85,052	8.5%	95,544
Mangistau REK bonds	13%	66,525	-	-
Eurobonds of TuranAlem Finance B.V.	7.875%	50,423	7.875-11.5%	1,951,242
Kaztransoil bonds	8.5%	22,498	8.5%	20,094
Almaty Kus bonds	10%	2,558	10.0%	9,886
VITA bonds	-	-	8.6-14%	66,863
Federal Home Loan Bank bonds	-	-	2.18%	3,579,163
Bonds of PetroKazakhstan Oil Products	-	-	10.0%	1,744,830
US Treasury bills	-	-	3.63%	1,392,056
Kazakhtelecom bonds	-	-	10.0%	428,638
Dalsvyaz bonds	-	-	14.5%	317,536
East Kazakhstan regional administration bonds	-	-	5.97-6.3%	149,307
The Netherlands state bonds	-	-	3.75%	3,676,560
State bonds of the Federal Republic of Germany	-	-	4.5%-5.25%	7,731,347
Nevinnomisski Azot bonds	-	-	18.0%	69,351
Caspian Bank bonds	-	-	9.5%	3,008
		74,303,954		**70,253,664**

	Ownership share	2004	Ownership share	2003
Shares:				
Kazakhtelecom GDR	0.54%	419,641	0.54%	219,209
Moscow Shipyard	2.7%	56,132	-	-
Kazakhmys	-	-	0.11%	83,649
Ust-Kamenogorsk Titanium and Magnesium Plant	-	-	1.07%	56,474
Gazprom	-	-	0.82%	543,508
Mosenergo	-	-	0.03%	44,355
		475,773		947,195
Total trading securities		**74,779,727**		**71,200,859**

As of 31 December 2004 and 2003 included in trading securities is accrued interest income on debt securities amounting to KZT 636,043 thousand and KZT 773,634 thousand, respectively.

As of 31 December 2004 trading securities included Bonds of the Ministry of Finance of the Republic of Kazakhstan, NBRK Notes, securities of the Government of the USA and corporate bonds pledged under repurchase agreements with other banks amounting to KZT 28,444,727 thousand. All the agreements have maturity within 3 months.

As of 31 December 2003 trading securities included Bonds of the Ministry of Finance of the Republic of Kazakhstan, NBRK Notes, securities of the Government of the USA, Germany, Netherlands and corporate bonds pledged under repurchase agreements with other banks amounting to KZT 37,250,675 thousand. All the agreements have maturity within 3 months.

18. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

As of 31 December 2004 and 2003 the Bank purchased securities amounting to KZT 8,402,463 thousand and KZT 2,608,318 thousand under agreements to resell them within 3 months. The securities under agreements to resell have an interest rate of 6-10% per annum.

	2004	2003
Bonds of the Russian Federation institutions	3,627,819	1,043,008
Corporate bonds of the Republic of Kazakhstan	2,972,160	-
Shares of the Russian Federation institutions	1,328,387	945,128
Corporate shares of the Republic of Kazakhstan	276,899	-
Notes of the National Bank of the Republic of Kazakhstan	178,832	100,000
State mid-term obligations of the Ministry of Finance of the Republic of Kazakhstan	18,366	487,548
Government treasury bills of the Ministry of Finance of the Kyrgyz Republic	-	32,634
	8,402,463	2,608,318
Less allowance for losses of repurchase agreements	-	-
Total securities purchased under agreement to resell, net	**8,402,463**	**2,608,318**

Movements in allowances for loan losses under repurchase agreements for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Amount payable	2004 Net fair value		Amount payable	2003 Net fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts						
Forwards	7,244,892	17,220	(192)	4,407,171	15,399	-
Swaps	5,135,200	233	(3,283)	216,330	-	(801)
Securities contracts						
Forwards	1,372,963	2,391	(27,879)	12,569,911	-	-
		19,844	(31,354)		15,399	(801)

20. LOANS TO CUSTOMERS

	2004	2003
Originated loans	513,294,251	291,512,002
Accrued interest income on loans to customers	11,515,151	10,619,519
	524,809,402	302,131,521
Less allowance for loan losses	(29,878,852)	(19,069,078)
Total loans to customers, net	**494,930,550**	**283,062,443**

	2004	2003
Loans collateralized by accounts receivable	119,097,427	32,617,124
Loans collateralized by real estate	112,347,494	59,298,681
Loans collateralized by combined collateral	75,461,244	92,859,951
Loans collateralized by equipment	42,344,709	10,959,952
Loans collateralized by guarantees of enterprises	32,205,260	40,758,423
Loans collateralized by shares of other companies	26,091,707	13,444,865
Loans collateralized by cash or Kazakhstani Government guarantees	25,942,668	8,536,912
Loans collateralized by guarantees of financial institutions	22,305,528	4,341,365
Loans collateralized by inventories	21,084,412	27,035,014
Unsecured loans	47,928,953	12,279,234
	524,809,402	302,131,521
Less allowance for loan losses	(29,878,852)	(19,069,078)
Total loans to customers, net	**494,930,550**	**283,062,443**

Movements in allowances for loan losses for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

	2004	2003
Analysis by industry:		
Trade	97,325,798	55,661,465
Construction	90,493,676	34,566,516
Individuals	72,820,907	31,790,749
Energy	37,006,654	47,506,445
Agriculture	34,278,548	34,468,555
Finance sector	32,975,228	2,640,527
Transport and communication	31,125,368	14,764,673
Food	29,801,626	24,187,221
Real estate	27,596,947	5,981,736
Hotel business	14,517,252	14,128,249
Mining and metallurgy	14,042,224	10,261,097
Machinery construction	9,206,278	4,940,297
Culture and art	1,632,453	2,335,968
Other	31,986,443	18,898,023
	524,809,402	302,131,521
Less allowance for loan losses	(29,878,852)	(19,069,078)
Total loans to customers, net	**494,930,550**	**283,062,443**

As of 31 December 2004 and 2003 included in loans to customers are non-accrual loans which amounted to KZT 7,849,748 thousand and KZT 2,452,768 thousand, respectively. As of 31 December 2004 and 2003 the total amount of interest on these loans non-recognized as income amounted to KZT 349,276 thousand and KZT 145,822 thousand, respectively.

As of 31 December 2004 and 2003 the Bank's loans to the clients, which individually exceeded ten per cent of the Bank's equity, are represented by the following enterprises and institutions:

	2004	2003
Djeilan Holding	12,849,544	10,330,813
Kuat Corporation OJSC Holding	12,349,864	-
Holding OJSC Unimilk	11,476,911	-
Mayberry Financial Services S.A.	9,888,402	-
Holding TKF Agroinvest Trading LLP	8,977,128	-
Food Contract Corporation	-	9,127,803
CNPC Aktobemunaigaz Holding	-	8,292,792
Alibi Holding	-	7,852,305
BIPEK Auto Holding	-	6,771,643
Tolkynneftegas Holding	-	6,206,352
	55,541,849	**48,581,708**

21. INVESTMENT SECURITIES

Securities available-for-sale

	Interest to nominal	2004	Interest to nominal	2003
Debt securities				
Astana Finance	9%	126,343	-	-
Kazakhaltyn	9.7%	123,214	-	-
Khimpharm	10%	119,301	-	-
Almaty Merchant Bank	-	-	8.6%	2,860
		368,858		**2,860**
	Share, %		**Share, %**	
Equity securities				
Kazakhtelecom, including:				
- ordinary shares	0.14%	90,232	0.04%	15,164
- preference shares	0.19%	5,909	0.01%	2,149
Aktubinsk chrome plant	3.07%	21,497	3.07%	22,805
Aktobemunaigaz	0.004%	2,172	0.004%	2,172
Bank CenterCredit		-	1.9%	86,000
Aluminium of Kazakhstan	-	-	16.7%	6,404
		119,810		134,694
Total securities available-for-sale		**488,668**		**137,554**

Securities held-to-maturity

Securities held-to-maturity are represented as follows:

	Interest to nominal (margin)	2004	Interest to nominal (margin)	2003
Bonds of the Ministry of Finance of the Kyrgyz Republic	5.91-8.1%	64,294	11%	32,372
	-	-	-	-
Total securities held-to-maturity		**64,294**		**32,372**

22. INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

The following enterprises were recorded in the financial statements using the equity method:

	2004		2003	
	% Held	**Amount**	**% Held**	**Amount**
UlarUmit Pension fund	41.18%	213,914	33.18%	146,206
First Credit Bureau LLP	-	4,050	-	-
			-	-
		217,964		**146,206**

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 and other companies represents both direct and indirect ownership of the Bank.

The movement of investments to associates and other companies are accounted for in the financial statements using the equity method:

31 December 2001	**1,773,954**
Purchase cost	72,841
Reclassification of securities	(1,150,756)
Share of net income	33,869
Dividends from associates	(443,991)
31 December 2002	**285,917**
Purchase cost	19,080
Investments sale	(138,542)
Share of net loss	(20,249)
31 December 2003	**146,206**
Purchase cost	59,213
Investments sale	-
Share of net income	12,545
31 December 2004	**217,964**

23. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and equipment	Other	Total
At cost				
31 December 2003	2,402,620	5,665,025	324,368	8,392,013
Additions	70,253	1,102,417	209,013	1,381,683
Revaluation	1,220,038	408	-	1,220,446
Disposals	(133,627)	(232,086)	(2.824)	(368.537)
Foreign exchange difference	-	4,158	(17,879)	(13,721)
31 December 2004	3,559,284	6,539,922	512,678	10,611,884
Accumulated depreciation				
31 December 2003	196,249	2,261,383	66,434	2,524,066
Depreciation expense	48,054	1,012,410	78,835	1,139,299
Revaluation	124,750	-	-	124,750
Disposals	(14,243)	(152,839)	(1,273)	(168,355)
Foreign exchange difference	(2)	(5,888)	(3,042)	(8,932)
31 December 2004	354,808	3,115,066	140,954	3,610,828
Net book value				
31 December 2004	3,204,476	3,424,856	371,724	7,001,056
31 December 2003	2,206,371	3,403,642	257,934	5,867,947

The Bank's office building in Almaty was revalued based on the appraisal of an independent valuer.

24. INTANGIBLE ASSETS

	2004	2003
At cost		
1 January	797,734	879,734
Additions	102,329	118,710
Consolidation effect of MKB	-	842
Disposals	(16,768)	(201,552)
Foreign exchange difference	14,326	-
31 December	897,621	797,734
Accumulated amortization		
1 January	361,683	271,157
Amortization	162,767	90,687
Consolidation effect of MKB	-	250
Disposals	(15,368)	(411)
Foreign exchange difference	3,065	-
31 December	512,147	361,683
Net book value		
31 December	**385,474**	**436,051**

Intangible assets include software, patents and licenses.

25. OTHER ASSETS

	2004	2003
Prepayments and other debtors	7,295,992	1,856,938
Prepaid expenses	1,598,780	686,972
Insurance debtors	456,442	792,492
Tax settlements	399,644	60,531
	9,750,858	3,396,933
Less allowance for losses on other assets	(110,715)	(30,520)
Total other assets, net	**9,640,143**	**3,366,413**

26. LOANS AND ADVANCES FROM BANKS

	2004	2003
Correspondent accounts of other banks	6,582,160	6,087,644
Loans from banks and financial institutions, including:		
Syndicated loan from a group of banks (Deutsche Bank AG London)		
Tranche A due on 19.12.2005 ($500 mln), coupon rate 4.54%	65,000,000	27,401,800
Tranche B due on 19.12.2005 (110 mln.), coupon rate 4.32%	14,300,000	15,864,200
Syndicated loans from banks (ING Amsterdam) 4.02%	-	6,489,900
Syndicated loans from banks (Citi Bank Int. PLC London, due in 20.08.2005, $150 mln. Coupon rate - 3.64%)	19,500,000	-
EBRD loan (due in 2005, coupon rate 2.84%-4.33% per annum, $40 mln and $2.5 mln)	8,130,802	-
EBRD loan (due in 2006, coupon rate 4.27%-6.24% per annum, $6 mln and $35 mln)	5,330,046	7,757,044
Loans from NBRK	85,516	358,098
Loans from other banks and financial institutions	39,757,577	12,047,117
Deposits of banks	10,850,632	1,875
Accrued interest expense	794,615	214,241
Total loans and advances from banks	**170,331,348**	**76,221,919**

Loans from NBRK include advances received under the program of gold mining enterprises support and development in the amount of KZT 85,516 thousand and KZT 300,410 thousand, respectively, as of 31 December 2004 and 2003, also include advances received under the EBRD's program of industry and construction development in the amount of KZT 57,688 thousand.

27. CUSTOMER ACCOUNTS

Customer accounts comprise:

	2004	2003
Time deposits	110,847,104	99,227,367
Repayable on demand	84,990,350	49,163,891
Accrued interest expense on customer accounts	1,989,859	3,198,158
Total customer accounts	**197,827,313**	**151,589,416**

28. DEBT SECURITIES ISSUED

	2004	2003
Eurobonds of Kazkommerts International B.V. due		
In April 2013 (coupon rate 8.625%)		
Tranche A issued in April 2003 at price of 97.548%	45,500,000	50,477,000
Tranche B issued in April 2003 and placed in May 2003 at price 99.00%	19,500,000	21,633,000
In May 2007 (coupon rate 10.125%):		
Tranche A issued in May 2002 at price of 99.043%	19,500,000	21,633,000
Tranche B issued in November 2002 and allocated in December 2002 at price of 107.00%	6,500,000	7,211,000
In April 2014 (coupon rate 7.875%)	52,000,000	-
In November 2009 (coupon rate 7%)	45,500,000	-
	188,500,000	100,954,000
Including/(less):		
Discount on debt securities issued	(1,796,329)	(1,282,078)
Amounts of accrued interest on debt securities issued	2,984,523	1,631,951
Eurobonds repurchased by the Bank	(1,437,914)	(4,787,527)
Total issued Eurobonds of Kazkommerts International B.V.	188,250,280	96,516,346
Issued bonds of JSC Kazkommertsbank	3,949,454	-
Accrued interest expense of issued bonds of JSC Kazkommertsbank	129,060	-
Issued promissory notes	15,511,923	1,717,020
Total debt securities issued	**207,840,717**	**98,233,366**

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of Kazkommertsbank, and guaranteed by Kazkommertsbank. For Eurobonds with a maturity of May 2007 interest 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, with a maturity of April 2014 the interest is paid on 7 April and 7 October and for Eurobonds with a maturity in November 2009 the interest is paid on 3 May and 3 November.

29. OTHER BORROWED FUNDS

	Interest rate	2004	Interest rate	2003
DEG-Deutsche Investitions MBH	4.99%	1,687,010	-	-
Funding by the Small Business Support Fund	7.3-8.05%	1,179,286	8.34%	2,546,170
Funding of the purchase of the agricultural equipment	3.22-7.76%	977,452	-	-
Funding by the Ministry of Finance of the Republic of Kazakhstan	0.5-5.78%	577,281	4.92%	909,395
Accrued interest expenses		42,938		69,908
Total other borrowed funds		**4,463,967**		**3,525,473**

Funding from the Small Business Development Fund is provided by EBRD, ADB and is presented as follows:

	2004	2003
EBRD funds	1,118,000	2,321,942
ADB funds	61,286	224,228
	1,179,286	**2,546,170**

Funding from the Ministry of Finance of the Republic of Kazakhstan is provided under the Agriculture Industry Development Programme by funds of the International Bank for Reconstruction and Development (IBRD), and Kreditanstalt fur Wideraufbau ("KFW") and regional departments, and represented as follows:

	2004	2003
IBRD and KFW	523,821	764,330
Regional departments	53,460	145,065
	577,281	**909,395**

Funding from the international financial institutions Atlantik Forfaiting AG and Export Development, Canada is provided for the purchase of the agricultural equipment and represented as follows:

	2004	2003
Export Development, Canada	510,973	-
Atlantik Forfaiting AG	466,479	-
	977,452	**-**

30. OTHER LIABILITIES

	2004	2003
Deferred tax liabilities	6,975,593	2,944,947
Other creditors	1,739,729	2,182,226
Insurance reserves	1,556,524	1,056,744
Allowance for losses on guarantees and letters of credit	1,530,192	1,426,290
Taxes payable	974,877	313,833
Accounts payable on re-insurers	117,372	478,632
	12,894,287	**8,402,672**

31. SUBORDINATED DEBT

	Maturity date	Interest rate (%)	2004	2003
Subordinated debt of Citigroup GMD AG & CO	2014	8.19 %	13,000,000	-
Indexed subordinated bonds	2009	8 %	3,548,695	3,979,575
International subordinated bonds	2007	11 %	2,571,292	2,844,149
Subordinated bonds	2007	5.5 %	48,880	54,226
Subordinated debt of Deutsche Investitions und Entwicklungsgesellschaft	2008	9.31-9.94 %	-	1,802,300
Accrued interest expenses			278,831	52,664
			19,447,698	**8,732,914**

Indexed subordinated bonds were issued in January 2003 in accordance with the decision of the General Shareholders Meeting and the Board of Directors Meeting for the total amount of KZT 7.5 billion and allocated for the amount of KZT 3,548,695 thousand as of 31 December 2004.

Subordinated bonds were issued in 2002 in US dollars.

Subordinated debt of Deutsche Investitions und Entwicklungsgesellschaft received in 2004 in Euro was reclassified as a loan in USD.

Subordinated debt Citigroup GMD AG & CO was received in 2004 in USD and represents a USD 100,000 thousand equivalent as of 31 December 2004.

The subordinated bonds denominated in USD were issued in April 2002 in accordance with a Decision of the Shareholders' Meeting.

32. SHAREHOLDERS' EQUITY

As of 31 December 2004 Kazkommertsbank's share capital comprised the following:

	Authorized share capital	Non-issued and unpaid share capital	Elimination amount	Repurchased share capital	Total share capital
Ordinary shares	3,750,000	(288,587)	(26)	-	3,461,387
Preference shares	1,250,000	(512,505)	-	(1,703)	735,792
	5,000,000	**(801,092)**	**(26)**	**(1,703)**	**4,197,179**

As of 31 December 2003 Kazkommertsbank's share capital comprised the following:

	Authorized share capital	Non-issued and unpaid share capital	Elimination amount	Repurchase d share capital	Total share capital
Ordinary shares	3,750,000	(288,587)	(115)	-	3,461,298
Preference shares	1,250,000	(692,368)	-	-	557,632
	5,000,000	**(980,955)**	**(115)**	**-**	**4,018,930**

Ordinary shares: 375,000,000 shares were authorized, 346,138,644 and 346,129,915 shares were issued and partially paid, with par value of KZT 10 at 31 December 2004 and 2003, respectively.

Preference shares: 125,000,000 shares were authorized and registered, 73,579,231 and 55,763,155 shares were partially paid with par value of KZT 10 each with dividend of up to USD 0.04 per share at 31 December 2004 and 2003, respectively.

33. 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.

Accrued allowance for losses on letters of credit and guarantees amounted to KZT 1,530,192 thousand and KZT 1,426,290 thousand as of 31 December 2004 and 2003, respectively.

As of 31 December 2004 and 2003, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2004		31 December 2004	
	Nominal Amount	**Risk Weighted Amount**	**Nominal Amount**	**Risk Weighted Amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	22,971,691	22,971,691	22,769,317	22,769,317
Letters of credit and other transaction related contingent obligations	41,490,308	6,941,465	23,408,923	4,681,785
Commitments on credits and unused credit lines	14,322,098	-	15,866,353	-
Total contingent liabilities and credit commitments	**78,784,097**	**29,913,156**	**62,044,593**	**27,451,102**
	Amount payable	**Risk Weighted Amount**	**Amount payable**	**Risk Weighted Amount**
Derivative financial instruments				
Foreign currency forwards	7,244,892	134,858	4,407,171	14,204
Foreign currency swaps	5,135,200	-	216,330	-
Forwards with securities	1,372,963	1,372,963	12,569,911	-
Total derivative financial instruments	**13,753,055**	**1,507,821**	**17,193,412**	**14,204**

Capital commitments – The Bank had no material commitments for capital expenditures outstanding as of 31 December 2004 and 2003.

Rental commitments – No material rental commitments were outstanding as of 31 December 2004 and 2003.

Fiduciary activities – The Bank renders depositary services. As of 31 December 2004 the Bank had the following securities of clients at nominal account of the securities holder:

- dealing operations of 63,668,088 securities,
- custodian operations of 535,951,836 securities.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

***Taxes* -** Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Bank may be assessed additional taxes, penalties and interest. The tax audit carried out by the tax authorities of Kazakhstan, which concluded at the end of May 2004 and covered the tax periods 1999, 2000, 2001 and 2002, resulted in an additional tax assessment of KZT 4,009 million.

The additional assessment resulted mainly because the tax authorities disagreed with the Bank's treatment for tax purposes of expenses relating to loan loss provisions as deductions for taxable income purposes. The Bank's management had applied to the authorized regulatory bodies for clarification of the treatment of such expenses prior to computing its tax returns for 1999, 2000, 2001 and 2002, and had followed the written instructions received.

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.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the respective countries. As of 31 December 2004 and 2003, 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 Kazakhstan. Laws and regulations affecting 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.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24, are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);

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

(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

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

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

	2004		2003	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers	2,459,806	513,294,251	2,619,017	291,512,002
Accrued interest on loans to customers	157,488	11,515,151	150,067	10,619,519
Allowance for loans	(84,065)	(29,878,852)	(70,647)	(19,069,078)
Customer accounts	3,349,767	195,837,454	2,395,219	148,391,258
Accrued deposit interest	51,090	1,989,859	60,678	3,198,158
Allowance for guarantees and letters of credit	2,514	1,530,192	632	1,426,290
Letters of credit	-	41,490,309	-	23,408,923
Guarantees given	33,854	22,971,691	27,057	22,769,317

Transactions turnover on trading securities of the Bank with related parties in 2004 and 2003 amounted to KZT 1,187,213 thousand and KZT 391,909 thousand, respectively.

Included in the profit and loss account for the years ended 31 December 2004, 2003 and 2002 are the following amounts which arose due to transactions with related parties:

	2004		2003		2002	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	177,812	55,002,564	178,210	35,106,301	275,541	24,500,940
Interest expense	(209,884)	(26,247,764)	(145,829)	(18,623,916)	(99,341)	(11,257,899)

In 2004 and 2003, dividends on preference shares were accrued and paid in the amount of KZT 290,370 thousand and KZT 324,141 thousand, respectively.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank’s financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2004 and 2003 the following methods and assumptions were used by the Bank to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with national (central) banks – For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Loans and advances to banks – As of 31 December 2004 and 2003, the carrying amount of deposits and advances given is a reasonable estimate of their fair value.

Trading securities – As of 31 December 2004 and 2003 trading securities are stated at fair value amounting to KZT 74,143,684 thousand and KZT 70,427,225 thousand, respectively, plus accrued interest income totalling KZT 636,043 thousand and KZT 773,634 thousand, respectively. The fair value of trading securities was determined with reference to an active market.

Derivative financial instruments – As of 31 December 2004 and 2003 derivative financial instruments are stated at fair value. Fair values of derivative financial instruments are determined based on quoted market prices.

Securities purchased under repurchase agreements – As of 31 December 2004 and 2003, the carrying amount of securities purchased under repurchase agreements is a reasonable estimate of the fair value.

Loans and advances to customers – The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for loan losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Securities available-for-sale – As of 31 December 2004 and 2003 securities available-for-sale are stated at fair value amounting to KZT 481,488 thousand and KZT 137,431 thousand, respectively, plus accrued coupon income totalling KZT 7,180 thousand and KZT 123 thousand, respectively. The fair value of securities available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities the fair value was determined by reference to market prices of securities with a similar credit risk and/or maturity, in other cases – by reference to the share in estimated equity capital of the investee. If such quotes do not exist, management estimation is used.

Securities held-to-maturity – Securities held-to-maturity are stated at cost and adjusted for accretion and amortization of premiums and discounts, respectively. The fair value of securities held-to-maturity as of 31 December 2004 and 2003 was KZT 64,294 thousand and KZT 32,372 thousand, respectively. The fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities the fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Deposits from banks – As of 31 December 2004 and 2003 the carrying amount is a reasonable estimate of their fair value.

Customer accounts – As of 31 December 2004 and 2003 the carrying amount of deposits and current accounts of the Bank's customers is a reasonable estimate of their fair value.

Securities sold under repurchase agreements – As of 31 December 2004 the carrying value of securities sold under agreement to repurchase is a reasonable estimate of their fair value.

Debt securities issued – Debt securities issued are stated at cost, adjusted for amortization of premium and discounts, which approximates their fair value.

Other borrowed funds – As of 31 December 2004 and 2003 the carrying amount of other borrowed funds is a reasonable estimate of the fair value.

Subordinated loan – As of 31 December 2004 and 2003 the carrying amount of the long-term subordinated loan is a reasonable estimate of its fair value.

36. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Bank's provisions for the principal risks on condition that the general provision for losses does not exceed 1.25% of the risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the National Bank of the Republic of Kazakhstan
0%	State debt securities in Tenge
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Guarantees
100%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

The Bank's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual Amount in KZT thousand	For Capital Adequacy purposes in KZT thousand	Ratio For Capital Adequacy purposes	Minimum Required Ratio
As of 31 December 2004				
Total capital	57,306,680	87,186,112	15.02 %	8 %
Tier 1 capital	61,461,469	61,461,469	10.59 %	4 %
As of 31 December 2003				
Total capital	45,578,892	60,642,904	16.43 %	8 %
Tier 1 capital	49,713,734	49,713,734	13.47 %	4 %

37. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the 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 on the money markets for current liquidity support and cash flow optimisation.

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.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The ALMC also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with the positive interest margin. The Department of Financial Control conducts monitoring of the current Bank's 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.

Effective interest rates by types of financial assets and liabilities are presented in the following tables:

For 2004

	KZT	USD	EUR	Roubles	Other currency
ASSETS					
Time deposits with NBRK	2.28	0.50	-	-	-
Loans and advances to banks, net	0.70	2.79	3.74	1.65	2.23
Trading securities	3.62	5.79	-	12.10	-
Securities purchased under agreement to resell	4.11	6.01	-	9.63	-
Investment securities	7.18	-	-	-	7.22
Loans and advances to customers, net	13.16	12.28	8.19	15.74	23.25
LIABILITIES					
Loans and advances from banks	0.29	4.02	3.60	5.37	0.04
Securities sold under agreements to repurchase	4.92	-	-	9.91	-
Customer accounts	3.87	4.00	4.83	0.27	0.41
Debt securities issued	7.21	9.23	-	11.66	-
Subordinated debt	-	7.97	-	-	-
Other borrowed funds	1.78	5.75	5.00	-	-

For 2003

	KZT	USD	EUR	Roubles	Other currency
ASSETS					
Time deposits with NBRK	3.25	-	-	-	-
Loans and advances to banks, net	1.67	2.96	2.17	1.15	0.58
Trading securities	5.64	5.23	4.21	9.47	-
Securities purchased under agreement to resell	3.87	-	-	9.70	5.55
Investment securities	-	8.60	-	-	11.00
Loans and advances to customers, net	14.82	12.26	12.46	15.73	14.21
LIABILITIES					
Loans and advances from banks	1.05	2.90	3.57	6.35	1.99
Securities sold under agreements to repurchase	5.12	1.53	1.77	-	-
Customer accounts	4.36	5.53	3.39	0.21	2.66
Debt securities issued	-	9.28	-	11.76	-
Subordinated debt	-	9.22	9.94	-	-
Other borrowed funds	4.67	8.15	5.00	-	-

The analysis of interest rate and liquidity risk on balance sheet transaction 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	Allowance for losses	2004 Total
ASSETS							
Time deposits with NBRK	26,250,000	-	-	-	-	-	26,250,000
Loans and advances to banks, net	27,375,798	7,928,051	6,965,000	-	-	(533,027)	41,735,822
Trading securities	5,031,729	19,028,118	50,083,837	-	-	-	74,143,684
Securities purchased under agreement to resell	8,271,319	28,000	86,000	-	-	-	8,385,319
Investment securities	23,697	7,999	399,737	114,349	-	-	545,782
Loans to customers, net	35,323,580	34,429,717	123,290,134	190,567,982	129,682,838	(29,878,852)	483,415,399
Total interest bearing assets	**102,276,123**	**61,421,885**	**180,824,708**	**190,682,331**	**129,682,838**	**(30,411,879)**	**634,476,006**
Cash and balances with national (central) banks	40,033,584	-	-	-	-	-	40,033,584
Precious metals							
Derivative financial instruments	9,453	10,391	-	-	-	-	19,844
Investments in associates	-	-	-	-	217,964	-	217,964
Fixed assets, net	-	-	-	-	7,001,056	-	7,001,056
Intangible assets, net	-	-	-	-	385,474	-	385,474
Interest accrued on interest bearing assets	5,922,461	1,554,581	2,292,812	2,264,188	248,450	-	12,282,492
Other assets, net	561,666	6,818,924	1,328,392	986,368	55,508	(110,715)	9,640,143
TOTAL ASSETS	**148,803,287**	**69,805,781**	**184,445,912**	**193,932,887**	**137,591,290**	**(30,522,594)**	**704,056,563**
LIABILITIES							
Loans and advances from banks	30,911,708	5,665,624	117,951,732	15,007,669	-	-	169,536,733
Securities sold under agreements to repurchase	28,435,433	-	-	-	-	-	28,435,433
Customer accounts	106,694,795	18,442,733	39,888,071	29,788,268	1,023,587	-	195,837,454
Debt securities issued	2,540,560	856,844	4,165,262	82,133,024	115,031,444	-	204,727,134
Other borrowed funds	-	390,000	734,498	3,158,803	137,728	-	4,421,029
Subordinated loan	-	-	-	6,168,867	13,000,000	-	19,168,867
Total interest bearing liabilities	**168,582,496**	**25,355,201**	**162,739,563**	**136,256,631**	**129,192,759**	**-**	**622,126,650**
Derivative financial instruments	31,274	-	80	-	-	-	31,354
Other liabilities	1,347,700	247,103	1,076,063	7,136,705		3,086,716	12,894,287
Interest accrued on interest bearing liabilities	638,970	767,470	4,397,568	425,112	-	-	6,229,120
Dividends payable	-	374	29	-	-	-	403
TOTAL LIABILITIES	**170,600,440**	**26,370,148**	**168,213,303**	**143,818,448**	**129,192,759**	**3,086,716**	**641,281,814**
Interest sensitivity gap	(66,306,373)	36,066,684	18,085,145	54,425,700	490,079		
Cumulative interest sensitivity gap	(66,306,373)	(30,239,689)	(12,154,544)	42,271,156	42,761,235		
Cumulative interest sensitivity gap as a percentage of total assets	(9.42 %)	(4.30 %)	(1.73 %)	6.0 %	6.07 %		

Liquidity risk of derivative financial instruments

Net fair values of derivative financial instrument are included in the liquidity analysis above and further analysis by types of derivatives' contracts as of 31 December 2004 is presented in the table below.

OFF BALANCE SHEET LIABILITIES	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Allowance for losses	2004 Total
Accounts payable on forwards and securities operations	(5,637,192)	(7,855,863)	(260,000)	-	-	-	(13,753,055)
Accounts receivable on forwards and securities operations	5,634,150	7,847,475	259,920	-	-	-	13,741,545
Liquidity gap	(3,042)	8,388	(80)	-	-		
Cumulative liquidity gap	(3,042)	(11,430)	(11,510)	(11,510)	(11,510)		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Allowance for losses	2003 Total
ASSETS							
Loans and advances to banks, net	23,064,504	11,609,691	4,189,043	-	-	(414,586)	38,448,652
Trading securities	31,091,764	11,976,770	14,783,571	9,153,225	3,421,895	-	70,427,225
Securities purchased under agreement to resell	2,512,145	60,200	32,600	-	-	-	2,604,945
Investment securities	-	27,286	139,780	2,737	-	-	169,803
Loans to customers, net	23,672,832	18,849,182	86,946,870	122,369,177	39,673,941	(19,069,078)	272,442,924
Total interest bearing assets	**80,341,245**	**42,523,129**	**106,091,864**	**131,525,139**	**43,095,836**	**(19,483,664)**	**384,093,549**
Cash and balances with national (central) banks	28,480,419	-	-	-	-	-	28,480,419
Precious metals	300,158	-	-	-	-	-	300,158
Derivative financial instruments	15,399	-	-	-	-	-	15,399
Investments into associates	-	-	-	-	146,206	-	146,206
Fixed assets, net	-	-	-	-	5,867,947	-	5,867,947
Intangible assets, net	-	-	-	-	436,051	-	436,051
Interest accrued on interest bearing assets	4,680,285	1,571,893	3,088,830	1,911,285	282,722	-	11,535,015
Other assets, net	541,237	318,948	2,022,971	504,162	9,615	(30,520)	3,366,413
TOTAL ASSETS	**114,358,743**	**44,413,970**	**111,203,665**	**133,940,586**	**49,838,377**	**(19,514,184)**	**434,241,157**
LIABILITIES							
Loans and advances from banks	9,648,980	310,540	39,911,806	26,136,352	-	-	76,007,678
Securities sold under agreements to repurchase	37,216,263	-	-	-	-	-	37,216,263
Customer accounts	64,183,505	19,433,587	51,903,435	12,726,511	144,220	-	148,391,258
Debt securities issued	137,365	1,039,145	540,510	25,838,315	69,046,080	-	96,601,415
Other borrowed funds	-	216,330	982,450	1,623,628	633,157	-	3,455,565
Subordinated loan	-	-	-	4,702,161	3,978,089	-	8,680,250
Total interest bearing liabilities	**111,186,113**	**20,999,602**	**93,338,201**	**71,026,967**	**73,801,546**	**-**	**370,352,429**
Derivative financial instruments	801	-	-	-	-	-	801
Other liabilities	1,707,447	145,476	1,122,703	2,944,012	-	2,483,034	8,402,672
Interest accrued on interest bearing liabilities	250,893	821,695	3,385,874	742,872	-	-	5,201,334
Dividends payable	30	374	-	-	-	-	404
TOTAL LIABILITIES	**113,145,284**	**21,967,147**	**97,846,778**	**74,713,851**	**73,801,546**	**2,483,034**	**383,957,640**
Interest sensitivity gap	(30,844,868)	21,523,527	12,753,663	60,498,172	(30,705,710)		
Cumulative interest sensitivity gap	(30,844,868)	(9,321,341)	3,432,322	63,930,494	33,224,784		
Cumulative interest sensitivity gap as a percentage of total assets	(7.10%)	(2.15%)	0.79%	14.72%	7.65%		

Liquidity risk of derivative financial instruments

Net fair values of derivative financial instrument are included in the liquidity analysis above and further analysis by types of derivatives' contracts as of 31 December 2003 is presented in the table below.

OFF BALANCE SHEET LIABILITIES	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Allowance for losses	Total
Accounts payable on forwards	(17,193,412)	-	-	-	-	-	(17,193,412)
Accounts receivable on forwards	17,208,010	-	-	-	-	-	17,208,010
Liquidity gap	14,598	-	-	-	-		
Cumulative liquidity gap	14,598	14,598	14,598	14,598	14,598		

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	Allowance for losses	2004 Total
		USD 1 = KZT 130.00	EUR 1 = KZT 177.10	RUR 1=KZT 4.67			
ASSETS							
Cash and balances with national (central) banks	30,288,553	6,328,217	1,252,516	2,040,715	123,583	-	40,033,584
Precious metals							
Loans and advances to banks, net	4,172,996	36,451,645	619,703	468,791	555,714	(533,027)	41,735,822
Time deposits in NBRK	23,000,000	3,250,000	-	-	-	-	26,250,000
Trading securities	55,243,667	12,320,881	-	6,579,136	6,579,136	-	74,143,684
Securities purchased under agreement to resell	3,432,905	149,814	-	4,802,600	4,802,600	-	8,385,319
Securities available for sale	481,488	-	-	-	-	-	481,488
Securities held to maturity	-	-	-	-	64,294	-	64,294
Loans and advances to customers, net	117,015,381	387,950,190	6,409,300	1,686,869	232,511	(29,878,852)	483,415,399
Derivative financial instruments	17,453	2,391	-	-	-	-	19,844
Investments into associates	217,964	-	-	-	-	-	217,964
Fixed assets, net	6,816,665	-	-	93,825	90,566	-	7,001,056
Intangible assets, net	364,361	-	-	17,302	3,811	-	385,474
Interest accrued on interest bearing assets	4,114,473	7,738,575	237,925	189,210	191,519	-	12,282,492
Other assets, net	1,708,022	7,974,974	32,743	29,715	5,404	(110,715)	9,640,143
TOTAL ASSETS	**246,873,928**	**462,166,687**	**8,552,187**	**15,908,163**	**1,078,192**	**(30,522,594)**	**704,056,563**
LIABILITIES							
Loans and advances from banks	4,298,593	159,265,413	4,092,136	1,676,833	203,758	-	169,536,733
Securities sold under agreements to repurchase	26,123,951	-	-	2,311,482	-	-	28,435,433
Customer accounts	112,369,981	74,345,242	6,089,198	2,647,060	385,973	-	195,837,454
Debt securities issued	3,949,454	199,115,329	-	1,662,351	-	-	204,727,134
Subordinated loan		19,168,867	-	-	-	-	19,168,867
Other borrowed funds	188,460	3,872,385	360,184	-	-	-	4,421,029
Derivative financial instruments	3,474	27,880	-	-	-	-	31,354
Dividends payable	374	-	-	-	29	-	403
Interest accrued on interest bearing liabilities	935,771	5,162,271	118,607	12,338	133	-	6,229,120
Other liabilities	8,696,039	731,847	102,921	249,200	27,564	3,086,716	12,894,287
TOTAL LIABILITIES	**156,566,097**	**461,689,234**	**10,763,046**	**8,559,264**	**617,457**	**3,086,716**	**641,281,814**
OPEN BALANCE SHEET POSITION	**90,307,831**	**477,453**	**(2,210,859)**	**7,348,899**	**460,735**		

Derivative financial instruments

The fair value of the derivatives are included in the currency analysis presented above and the following table presents further analysis of currency risk to types of derivative contracts as of 31 December 2004:

OFF-BALANCE LIABILITIES	KZT	USD	EUR	RUR	Other currency	Allowance for losses	Total
Accounts payable on forwards and securities operations	(6,937,547)	(6,759,376)	-	(56,132)	-	-	(13,753,055)
Accounts receivable on forwards and securities operations	2,339,820	8,302,475	3,099,250	-	-	-	13,741,545
OPEN OFF-BALANCE POSITION	**(4,597,727)**	**1,543,099**	**3,099,250**	**(56,132)**	**-**		
TOTAL OPEN POSITION	**85,710,104**	**2,020,552**	**888,391**	**7,292,767**	**460,735**		

	KZT	USD	EUR	RUR	Other currency	Allowance for losses	2003 Total
		USD1= KZT 144.22	EUR1 = KZT 180.23	RUR1=KZT 4.93			
ASSETS							
Cash and balances with national (central) banks	22,310,905	4,533,995	800,584	759,026	75,909	-	28,480,419
Precious metals	-	-	-	-	300,158	-	300,158
Loans and advances to banks, net	1,786,062	34,219,406	1,963,138	603,605	291,027	(414,586)	38,448,652
Trading securities	29,020,756	28,698,320	11,179,126	1,528,246	777	-	70,427,225
Securities purchased under agreement to resell	585,200	-	-	1,987,145	32,600	-	2,604,945
Investment securities	134,694	2,737	-		32,372	-	169,803
Loans and advances to customers, net	58,616,965	223,933,230	6,492,375	1,836,145	633,287	(19,069,078)	272,442,924
Derivative financial instruments	15,399	-	-	-	-	-	15,399
Investments in associates	146,206	-	-	-	-	-	146,206
Fixed assets, net	5,718,297	-	-	92,857	56,793	-	5,867,947
Intangible assets, net	419,320	-	-	296	16,435	-	436,051
Interest accrued on interest bearing assets	5,067,997	5,981,428	442,368	40,330	2,892	-	11,535,015
Other assets, net	1,506,612	1,846,310	18,959	10,014	15,038	(30,520)	3,366,413
TOTAL ASSETS	**125,328,413**	**299,215,426**	**20,896,550**	**6,857,664**	**1,457,288**	**(19,514,184)**	**434,241,157**
LIABILITIES							
Loans and advances from banks	1,711,996	72,331,640	1,913,930	42,510	7,602	-	76,007,678
Securities sold under agreements to repurchase	6,827,000	19,634,063	10,755,200	-	-	-	37,216,263
Customer accounts	49,212,509	93,237,189	4,647,984	1,135,379	158,197	-	148,391,258
Debt securities issued	-	95,831,580	-	769,835		-	96,601,415
Subordinated loan	-	6,877,950	1,802,300	-	-	-	8,680,250
Other borrowed funds	145,065	2,680,657	629,843	-	-	-	3,455,565
Derivative financial instruments	801	-	-	-	-	-	801
Dividends payable	374	-	-	-	30	-	404
Interest accrued on interest bearing liabilities	361,032	4,742,751	96,575	8	968	-	5,201,334
Other liabilities	4,745,183	1,143,509	19,720	7,919	3,307	2,483,034	8,402,672
TOTAL LIABILITIES	**63,003,960**	**296,479,339**	**19,865,552**	**1,955,651**	**170,104**	**2,483,034**	**383,957,640**
OPEN BALANCE SHEET POSITION	**62,324,453**	**2,736,087**	**1,030,998**	**4,902,013**	**1,287,184**		

Derivative financial instruments

The fair value of the derivatives are included in the currency analysis presented above and the following table presents further analysis of currency risk to types of derivative contracts as of 31 December 2003:

OFF-BALANCE LIABILITIES	KZT	USD	EUR	RUR	Other currency	Allowance for losses	Total
Accounts payable on forwards	(143,780)	(14,037,219)	-	(3,012,413)	-	-	(17,193,412)
Accounts receivable on forwards	388,595	10,886,734	2,072,645	3,860,036	-	-	17,208,010
OPEN OFF-BALANCE POSITION	**244,815**	**(3,150,485)**	**2,072,645**	**847,623**	**-**		
TOTAL OPEN POSITION	**62,569,268**	**(414,398)**	**3,103,643**	**5,749,636**	**1,287,184**		

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations.

The Bank manages market 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 Bank 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.

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Commercial Directorate. 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 Head of Credit Departments and Branch Credit Divisions.

The Bank structures the level of credit risk it undertakes by placing limits on the maximum amount of risk accepted in relation to one borrower, or groups 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 Bank 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.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments 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 Bank 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 Bank 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 Bank monitors the term to maturity of credit commitments 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 Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan. The Bank's Commercial Directorate sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	CIS	OECD countries	Other non-OECD countries	Allowance for losses	2004 Total
ASSETS						
Cash and balances with national (central) banks	59,790,480	2,380,453	4,121,885	-	-	66,292,818
Precious metals	-	-	-	-	-	-
Loans and advances to banks, net	1,836,355	18,825,677	16,459,503	5,245,054	(533,027)	41,833,562
Trading securities	65,908,709	6,742,961	2,128,057	-	-	74,779,727
Securities purchased under agreement to resell	3,446,257	4,806,047	-	150,159	-	8,402,463
Derivative financial instruments	353	16,491	-	3,000	-	19,844
Loans to customers, net	399,225,110	78,106,468	9,537,802	37,940,022	(29,878,852)	494,930,550
Securities held to maturity	-	64,294	-	-	-	64,294
Securities available for sale	488,668	-	-	-	-	488,668
Investments in associates	217,964	-	-	-	-	217,964
Fixed assets, net	6,816,666	184,390	-	-	-	7,001,056
Intangible assets, net	364,362	21,112		-	-	385,474
Other assets, net	1,992,260	5,897,349	1,860,195	1,054	(110,715)	9,640,143
TOTAL ASSETS	**540,087,184**	**117,045,242**	**34,107,442**	**43,339,289**	**(30,522,594)**	**704,056,563**
LIABILITIES						
Loans and advances from banks	20,521,383	12,976,177	132,438,012	4,395,776	-	170,331,348
Securities sold under agreements to repurchase	26,131,013	2,313,714	-	-	-	28,444,727
Derivative financial instruments	28,059	-	3,295	-	-	31,354
Customer accounts	179,274,861	6,242,074	4,496,155	7,814,223	-	197,827,313
Debt securities issued	4,078,514	15,233,806	188,250,280	278,117	-	207,840,717
Other borrowed funds	1,783,025	2,728	2,678,214	-		4,463,967
Other liabilities	7,788,442	297,620	1,673,798	47,711	3,086,716	12,894,287
Subordinated loan	3,251,772	-	15,837,988	357,938	-	19,447,698
Dividends payable	374	29	-	-	-	403
TOTAL LIABILITIES	**242,857,443**	**37,066,148**	**345,377,742**	**12,893,765**	**3,086,716**	**641,281,814**
OPEN BALANCE SHEET POSITION	**297,229,741**	**79,979,094**	**(311,270,300)**	**30,445,524**		

	Kazakhstan	CIS	OECD countries	Other non-OECD countries	Allowance for losses	2003 Total
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	27,372,888	1,111,725	-	-	-	28,484,613
Precious metals	-	-	300,158	-	-	300,158
Loans and advances to banks, less allowance for loan losses	564,138	15,895,068	18,975,185	3,563,019	(414,586)	38,582,824
Trading securities	43,548,181	1,903,927	25,748,751		-	71,200,859
Investment securities	137,554	32,372	-	-	-	169,926
Securities purchased under agreement to resell	587,010	2,020,770	538	-	-	2,608,318
Loans to customers, less allowance for loan losses	245,647,791	27,890,871	9,057,608	19,535,251	(19,069,078)	283,062,443
Derivative financial instruments	9,509	5,890	-	-	-	15,399
Investments in associates	146,206	-	-	-	-	146,206
Fixed assets, net	5,718,297	149,650	-	-	-	5,867,947
Intangible assets, net	419,320	16,731	-	-	-	436,051
Other assets, net	2,312,212	58,716	996,797	29,208	(30,520)	3,366,413
TOTAL ASSETS	**326,463,106**	**49,085,720**	**55,079,037**	**23,127,478**	**(19,514,184)**	**434,241,157**
LIABILITIES						
Loans and advances from banks	17,818,730	10,771,617	47,533,427	98,145	-	76,221,919
Loans from financial institutions	-	-	-	-	-	-
Repurchase operations with securities	6,833,086	-	30,417,589	-	-	37,250,675
Derivative financial instruments	801	-	-	-	-	801
Debt securities issued	-	1,717,020	96,516,346		-	98,233,366
Subordinated debt	3,654,999	-	4,683,221	394,694	-	8,732,914
Customer accounts	139,488,173	2,887,620	7,970,186	1,243,437	-	151,589,416
Other borrowed funds	3,522,159	3,314	-	-	-	3,525,473
Other liabilities	5,359,521	316,104	100,815	143,198	2,483,034	8,402,672
Dividends payable	374	30	-	-	-	404
TOTAL LIABILITIES	**176,677,843**	**15,695,705**	**187,221,584**	**1,879,474**	**2,483,034**	**383,957,640**
OPEN BALANCE SHEET POSITION	**149,785,263**	**33,390,015**	**(132,142,547)**	**21,248,004**		

THIS PAGE IS INTENTIONALLY LEFT BLANK

KAZKOMMERTS FINANCE 2 B.V.

Rotterdam, The Netherlands.

Annual Report
for the financial year ended 31 December 2004

ADDRESS:
Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce
File number 24.317.181

MAZARS

MAZARS PAARDEKOOPER HOFFMAN

Initialled for identification purposes only

Kazkommerts Finance 2 B.V.

Contents

Kazkommerts Finance 2 B.V.

Balance Sheet

(after appropriation of results and expressed in USD)

	Notes	31 December 2004	31 December 2003
CURRENT ASSETS			
Amount due from group company		(18,915)	(8,624)
Cash at banks	3	519	777
		(18,396)	(7,847)
CURRENT LIABILITIES			
Accrued expenses		3,500	4,402
		3,500	4,402
NET CURRENT ASSETS/(LIABILITIES)		**(21,896)**	**(12,249)**
Share capital	4	27,310	25,160
Currency translation reserve		(2,150)	0
Retained earnings/(Accumulated deficit)		(47,056)	(37,409)
		(21,896)	**(12,249)**

The Management,

A. Timchenko

Equity Trust Co. N.V.

MAZARS

MAZARS PAARDEKOOPER HOFFMAN

Initialled for identification purposes only

Kazkommerts Finance 2 B.V.

Profit and loss account
(expressed in USD)

	Year ended 31 December 2004	Year ended 31 December 2003
FINANCIAL INCOME/(CHARGES)		
Bank charges	(60)	(19)
Exchange result	42	448
Total financial income/(charges)	(18)	429
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative expenses	6,491	8,891
Tax advisor's fee	2,898	1,290
General expenses	240	235
	9,629	10,416
PROFIT/(LOSS) BEFORE TAXATION	(9,647)	(9,987)
CORPORATION TAX	0	0
NET PROFIT/(LOSS) FOR THE YEAR	**(9,647)**	**(9,987)**

The Management,

A. Timchenko

Equity Trust Co. N.V.

MAZARS
MAZARS PAARDEKOOPER HOFFMAN
Initialled for identification purposes only

Kazkommerts Finance 2 B.V.

Notes to the accounts as at 31 December 2004

1. General

The Company is a private limited liability company established in Rotterdam on 13 February 2001. The Company is dormant.

2. Summary of principal accounting policies

(a) General
The accompanying accounts have been prepared in accordance with EU Directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

(b) Foreign currencies
All assets and liabilities expressed in currencies other than USD have been translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies have been translated into USD at rates of exchange approximating to those ruling at the date of the transactions. Resulting exchange differences, if any, are recognised in the profit and loss account, except for translation results on issued share capital; the latter are booked directly to reserves.

(c) Other assets and liabilities
Unless otherwise indicated assets and liabilities are stated at face value.

(d) Revenue recognition
Expenses and income are accounted for under the accrual basis.

(e) Corporation tax
Taxation is incurred and provided for in accordance with generally accepted ruling practice.

3. Cash at bank

This compromises bank balances with ABN AMRO Bank in Rotterdam. The balances are available on demand.

4. Capital and reserves

The authorised share capital of the Company consists of 100 shares of EUR 1,000 each, amounting to EUR 100,000. As at balance sheet date 20 shares were issued and fully paid-up.
The movements in capital and reserves can be summarised as follows:

	31 December 2004	31 December 2003
Issued share capital	27,310	25,160
Currency translation reserve	(2,150)	0
	25,160	25,160
Retained earnings/(Accumulated deficit):		
-position as at the beginning of the year	(37,409)	(27,422)
-profit/(loss) for the year	(9,647)	(9,987)
-position as at the end of the year	(47,056)	(37,409)
Total capital and reserves	**(21,896)**	**(12,249)**

All shares are held by JSC Kazkommertsbank, Almaty, Kazakhstan.
The company has a negative equity at December 31, 2004. Management of the company is confident that this will cause no problem for the future continuity, because the debts are mainly to the shareholders group and the shareholder will continue to finance the company.

5. Staff numbers and employment costs

The Company has no employees, other than its directors, and hence incurred no wages, salaries, pension costs and other social security premiums during the year under review or the previous year.

6. Directors

The Company has two directors and no supervisory directors. No remuneration or any other benefit were paid to the present directors during the year under review or the previous year.

The Management,

A. Timchenko

Equity Trust Co. N.V.

Rotterdam, September 2005

MAZARS
MAZARS PAARDEKOOPER HOFFMAN
Initialled for identification purposes only

Supplementary information to the Accounts as at 31 December 2004

Retained earnings

Article 20 of the Articles of Association provides that the profit established shall be at the disposal of the General Meeting of Shareholders who may apply such profit in whole or in part towards the creation of or as an allocation to one or several general or special reserve funds, or for payment of bonuses and/or for payment of dividends. Insofar as there is a profit in the Company the Management Board may, subject to approval by the Annual General Meeting of Shareholders, decide to declare an interim dividend. Furthermore Dutch law prescribes that no dividends can be declared until all losses, if any, have been recovered.

Appropriation of result

The loss sustained during the past financial year will be carried forward, as reflected in the accounts.

Audit

Since the Company qualifies as a "small-sized" company it is, consequently, not legally required to have its accounts audited as provided for in Section 396, Paragraph 6, Part 9, Book 2 of the Dutch Civil Code.

MAZARS

HH/AH4399

AUDITORS' REPORT

INTRODUCTION

We have audited the annual accounts of Kazkommerts Finance 2 B.V., Rotterdam, The Netherlands for the year 2004, with capital and reserves as at 31 December 2004 of € -21,896 and net loss for the period 2004 of € 9,647. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at December 31, 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 14 October 2005

MAZARS PAARDEKOOPER HOFFMAN

G.A.P.M. Kannekens RA

MAZARS PAARDEKOOPER HOFFMAN
Rivium Promenade 200 - P.O. box 23123 - 3001 KC Rotterdam - mpha.rotterdam@mazars.nl
Tel: +31 (0)10-2771371/385 - Fax: +31 (0)10-4366045

KAZKOMMERTS FINANCE 2 B.V.

Rotterdam, The Netherlands.

Annual Report
for the financial year ended 31 December 2003

ADDRESS:
Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce
File number 24.317.181

Kazkommerts Finance 2 B.V.

Contents

Kazkommerts Finance 2 B.V.

Balance Sheet

(after appropriation of results and expressed in Euros)

	Notes	31 December 2003	31 December 2002
CURRENT ASSETS			
Amount due from group company		0	202
Cash at banks	3	618	1,997
		618	2,199
CURRENT LIABILITIES			
Amount due to group company		6,855	0
Accrued expenses		3,500	3,500
		10,355	3,500
NET CURRENT ASSETS/(LIABILITIES)		**(9,737)**	**(1,301)**
Share capital	4	20,000	20,000
Accumulated deficit		(29,737)	(21,301)
		(9,737)	**(1,301)**

The Management,

SCHOUWBURGPLEIN 30-34 ROTTERDAM
KAZKOMMERTS INTERNATIONAL B.V.

A. Tim[illegible]

Equity Trust Co. N.V.

Kazkommerts Finance 2 B.V.

Profit and loss account

(expressed in Euros)

	Year ended 31 December 2003	Year ended 31 December 2002
FINANCIAL INCOME/(CHARGES)		
Bank interest	0	1
Bank charges	(17)	(4)
Exchange result	796	(913)
Total financial income/(charges)	779	(916)
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative expenses	7,866	8,058
Tax advisor's fee	1,141	0
Legal fee	0	24
General expenses	208	146
	9,215	8,228
LOSS BEFORE TAXATION	(8,436)	(9,144)
CORPORATION TAX	0	0
NET LOSS FOR THE YEAR	**(8,436)**	**(9,144)**

The Management

SCHOUWBURGPLEIN 30-34 ROTTERDAM
KAZKOMMERTS INTERNATIONAL B.V.

A. Timchenko

Equity Trust Co. N.V.

Kazkommerts Finance 2 B.V.

Notes to the accounts as at 31 December 2003

1. General

The Company is a private limited liability company established in Rotterdam on 13 February 2001. The Company is dormant.

2. Summary of principal accounting policies

(a) General
The accompanying accounts have been prepared in accordance with EU Directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

(b) Foreign currencies
All assets and liabilities expressed in currencies other than Euros have been translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies have been translated into Euros at rates of exchange approximating to those ruling at the date of the transactions. Resulting exchange differences, if any, are recognised in the profit and loss account.

(c) Other assets and liabilities
Unless otherwise indicated assets and liabilities are stated at face value.

(d) Revenue recognition
Expenses and income are accounted for under the accrual basis.

(e) Corporation tax
Taxation is incurred and provided for in accordance with generally accepted ruling practice.

3. Cash at bank

This compromises bank balances with ABN AMRO Bank in Rotterdam. The balances are available on demand.

4. Capital and reserves

The authorised share capital of the Company consists of 100 shares of EUR 1,000 each, amounting to EUR 100,000.
As at balance sheet date 20 shares were issued and fully paid-up.

The movements in capital and reserves can be summarised as follows:

	31 December 2003	31 December 2002
Issued share capital	20,000	20,000
Accumulated deficit:		
-position as at the beginning of the year	(21,301)	(12,157)
-loss for the year	(8,436)	(9,144)
-position as at the end of the year	(29,737)	(21,301)
Total capital and reserves	**(9,737)**	**(1,301)**

All shares are held by JSC Kazkommertsbank, Almaty, Kazakhstan.
The company has a negative equity at December 31, 2003. Management of the company is confident that this will cause no problem for the future continuity, because the debts are mainly to the shareholders group and the shareholder will continue to finance the company.

5. Staff numbers and employment costs

The Company has no employees, other than its directors, and hence incurred no wages, salaries, pension costs and other social security premiums during the year under review or the previous year.

6. Directors

The Company has two directors and no supervisory directors. No remuneration nor any other benefit were paid to the present directors during the year under review or the previous year.

The Management

A. Timchenko

Equity Trust Co. N.V.

Rotterdam, 18 June 2004

KAZKOMMERTS INTERNATIONAL B.V.

Kazkommerts Finance 2 B.V.

Supplementary information to the Accounts as at 31 December 2003

Retained earnings

Article 20 of the Articles of Association provides that the profit established shall be at the disposal of the General Meeting of Shareholders who may apply such profit in whole or in part towards the creation of or as an allocation to one or several general or special reserve funds, or for payment of bonuses and/or for payment of dividends. Insofar as there is a profit in the Company the Management Board may, subject to approval by the Annual General Meeting of Shareholders, decide to declare an interim dividend. Furthermore Dutch law prescribes that no dividends can be declared until all losses, if any, have been recovered.

Appropriation of result

The loss sustained during the past financial year will be carried forward, as reflected in the accounts.

Audit

Since the Company qualifies as a "small-sized" company it is, consequently, not legally required to have its accounts audited as provided for in Section 396, Paragraph 6, Part 9, Book 2 of the Dutch Civil Code.

M MAZARS

HH/AH1514

AUDITOR'S REPORT

INTRODUCTION

We have audited the annual accounts of Kazkommerts Finance 2 B.V., Rotterdam, The Netherlands for the year 2003, with capital and reserves as at 31 December 2003 of € -9,737 and net loss for the period 2003 of € 8,436. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at December 31, 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 18 June 2004

MAZARS PAARDEKOOPER HOFFMAN

G.A.P.M. Kannekens RA

MAZARS PAARDEKOOPER HOFFMAN
RIVIUM PROMENADE 200 - P.O. BOX 23123 - 3001 KC ROTTERDAM - mpha.rotterdam@mazars.nl
TEL: +31 (0)10-2771371/385 - FAX: +31 (0)10-4204481

REGISTERED OFFICE OF THE ISSUER
Schouwburgplein 30-34
3012 CL Rotterdam
The Netherlands

REGISTERED OFFICE OF THE BANK
135 "Zh," Gagarin Avenue
Almaty 480060
Kazakhstan

AUDITORS TO THE ISSUER
Mazars Paardekooper Hoffman
Rivium Promenade 200
P.O. Box 23123 – 3001 KC Rotterdam
The Netherlands

AUDITORS TO THE BANK
TOO Deloitte & Touche
240 Furmanov str.,
050059 Almaty
Kazakhstan

TRUSTEE
J.P. Morgan Corporate Trustee Services Limited
Trinity Tower
9 Thomas More Street
London E1W 1YT
United Kingdom

PRINCIPAL PAYING AND TRANSFER AGENT
JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT
United Kingdom

REGISTRAR PAYING AND TRANSFER AGENT
JPMorgan Chase Bank N.A.
4 New York Plaza, 15th Floor
New York NY 10004
USA

LEGAL ADVISERS

To the Managers as to English and United States law
White & Case
5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Managers as to Kazakhstan law
White & Case LLP
64 Amangeldy Street
Almaty 180012
Kazakhstan

To the Trustee as to English law
Clifford Chance Limited Liability Partnership
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Issuer as to Dutch law
NautaDutilh N.V.
Weena 750
3014 DA Rotterdam
The Netherlands

To the Bank as to United States law
Mayer, Brown, Rowe & Maw LLP
11 Pilgrim Street
London EC4V 6RW
United Kingdom

To the Bank as to English law
Allen & Overy LLP
One New Change
London EC4M 9QQ
United Kingdom

imprima de bussy — C92872