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IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base 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 BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS BASE 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, AS AMENDED (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 Base 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 Base 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 Base Prospectus by electronic transmission.

You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base 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 Base 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 anyplace 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 the Guarantor in such jurisdiction.

Under no circumstances shall this Base 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 Base 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 Base Prospectus. This Base 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 Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of ABN AMRO Bank N.V., Credit Suisse Securities (Europe) Limited, ING Bank N.V., London Branch, J.P. Morgan Securities Ltd. and UBS Limited nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from ING Bank N.V., London Branch, ABN AMRO Bank N.V., J.P. Morgan Securities Ltd., Credit Suisse Securities (Europe) Limited or UBS Limited.

KAZKOMMERTSBANK

KAZKOMMERTS INTERNATIONAL B.V. A.9.4.1.1

(incorporated with limited liability in The Netherlands)

U.S.$5,000,000,000 A.9.5.1.1

Guaranteed Debt Issuance Programme

Unconditionally and irrevocably guaranteed by A.9.4.1.1

JSC KAZKOMMERTSBANK

(an open joint stock company incorporated in the Republic of Kazakhstan)

This Base Prospectus has been approved by the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom (the "UK Listing Authority"), as a base prospectus issued in compliance with Article 5(4) of the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("Notes") under the Guaranteed Debt Issuance Programme (the "Programme") during a twelve month period after the date hereof.

This Base Prospectus supersedes the previous Base Prospectus relating to the Programme dated 9 November 2006, as supplemented by a supplement dated 19 January 2007. Any Notes issued after the date hereof are issued subject to the provisions hereof. This does not affect any Notes issued on or prior to the date hereof. Effective 9 November 2006, the Issuer increased the size of the Programme from U.S.$1,500,000,000 to U.S.$3,000,000,000. Effective 4 April 2007, the Issuer further increased the size of the Programme from U.S.$3,000,000,000 to U.S.$5,000,000,000.

Application has been made to admit Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof to listing on the official list of the UK Listing Authority (the "Official List") and to trading on the Gilt Edged and Fixed Interest Market (the "Regulated Market") of the London Stock Exchange plc (the "London Stock Exchange"). The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges, regulated markets and/or quotation systems as may be agreed with the Issuer and the Guarantor. In addition, after issue, application may be made by the Guarantor to list Notes on the Kazakhstan Stock Exchange ("KASE").

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" BEGINNING ON PAGE 9. A.9.3.1

The Notes and the Guarantee (together the "Securities") have not been, and will not be, registered under the United States 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 (such Notes so offered and sold, the "Rule 144A Notes") and (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the "Regulation S Notes"). 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 "S*ubscription and Sale*" and "*Transfer Restrictions*". A12.2 A13.2

Arranger

ING Wholesale Banking

Permanent Dealers

ABN AMRO **Credit Suisse**

ING Wholesale Banking **JPMorgan**

UBS Investment Bank

Base Prospectus dated 4 April 2007

IMPORTANT NOTICE

This Base Prospectus contains information provided by Kazkommerts International B.V. (the "Issuer") and JSC Kazkommertsbank ("KKB", the "Bank" or the "Guarantor") in connection with a guaranteed debt issuance programme (the "Programme") under which the Issuer may issue and have outstanding at any time global medium term notes (the "Notes") on the terms set out herein (the "Terms and Conditions of the Notes" and as supplemented by the final terms applicable to each issue, the "applicable Final Terms") up to a maximum aggregate amount of U.S.$5,000,000,000 or its equivalent in alternative currencies. The Notes will be constituted by and have the benefit of an amended and restated trust deed dated 4 April 2007 as from time to time supplemented, amended or restated (the "Trust Deed") between the Issuer, the Guarantor and BNY Corporate Trustee Services Limited (the "Trustee" which term shall include any successor trustee or trustees under the Trust Deed). The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all amounts due and payable in respect of Notes issued by the Issuer pursuant to Clause 5 of the Trust Deed (the "Guarantee"). The Issuer and the Guarantor have pursuant to an amended and restated dealer agreement (the "Dealer Agreement") dated 4 April 2007 as from time to time supplemented, amended or restated appointed ABN AMRO Bank N.V., Credit Suisse Securities (Europe) Limited, ING Bank N.V. London Branch, J.P. Morgan Securities Ltd. and UBS Limited (the "Dealers") as dealers for the Notes under the Programme and have authorised and requested the Dealers to circulate this Base Prospectus in connection with the Programme subject as provided in the Dealer Agreement. A6.1

No Notes may be issued under the Programme which have a minimum denomination of less than €50,000 (or its equivalent in another currency). Subject thereto and to compliance with all applicable legal regulatory and/or central bank requirements, Notes will be issued in such denominations as may be specified in the relevant Final Terms.

References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and admitted to the Official List.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied relating to the Programme or any Notes 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 Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

None of the Arranger, the Dealers or the Trustee have 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 Arranger, the Dealers or the Trustee as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto. No person has been authorised by the Issuer, the Guarantor, the Arranger, the Dealers or the Trustee to give any information or to make any representation not contained in this Base Prospectus or any supplement hereto, and, if given or made, such information or representation must not be relied upon as having been authorised.

The distribution of this Base Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Notes come are required by the Issuer, the Guarantor, the Dealers 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 Base 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 Guarantor, the Arranger, the Dealers 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 under the Programme must seek such tax or other professional advice as it considers necessary for the purpose.

Certain figures included in this Base 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.

Neither the Issuer nor the Bank intends to provide any post-issuance or transaction reporting regarding the Notes or the performance of the Loan. No person is authorised to give any information or make any representation not contained in or not consistent with this Base Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, the Bank, the Trustee or any Dealer. A12.7.5

Application has been made to list Notes issued under the Programme on the Regulated Market of the London Stock Exchange. The Programme provides that Notes may in the future be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) in relation to each issue, provided that the relevant requirements have been met. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and traded on the Regulated Market of the London Exchange (or any other stock exchange). The Issuer may also issue unlisted Notes pursuant to the Programme. Application may also be made to have Rule 144A Notes designated as eligible for trading on the Private Offering, Resale and Trading through Automated Linkages ("PORTAL") system of the National Association of Securities Dealers, Inc., as specified in the applicable Final Terms.

Regulation S Notes of each Series 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 (each, 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 of, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on its Issue Date (as defined below). 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. Rule 144A Notes of each Series sold to QIBs, as referred to in, and subject to, the transfer restrictions described in "*Subscription and Sale*" and "*Transfer Restrictions*", will initially be represented by interests in a global restricted Note in registered form (each, a "Rule 144A Global Note" and, together with any Regulation S Global Notes, the "Global Notes"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") on its Issue Date. Beneficial interests in a 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.

NEITHER THE NOTES NOR ANY BENEFICIAL INTERESTS THEREIN HAVE 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 BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes provided that, in the case of any Tranche of Notes to be listed on the London Stock Exchange or other recognised stock exchange or regulated market, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) 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 relevant Tranche of 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 relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action shall be conducted in accordance with applicable laws and rules.

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.

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 Base 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 and the Trust Deed are governed by the laws of England and the Guarantor 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.

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES 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 UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON EACH TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

SUPPLEMENTAL BASE PROSPECTUS

The Issuer (failing which the Guarantor) will, in connection with the listing of the Notes on the Official List and admission to trading on the Regulated Market, so long as any Note remains outstanding and listed on such exchange, in the event of any material change in the condition of the Issuer or the Guarantor which is not reflected in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Official List and admitted to trading on the Regulated Market.

The Issuer and the Guarantor may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Base Prospectus, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Series of Notes.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION A9.11.4.1

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.

Unless otherwise indicated, financial information set forth herein relating to the Bank has been derived from its audited consolidated balance sheets and statements of income cash flows and changes in equity as at and for the years ended 31 December 2006, 2005 and 2004 (the "Annual Financial Statements") prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board. The Annual Financial Statements and the audit opinion of Deloitte LLP thereon are set forth elsewhere in this Base Prospectus. The financial information set forth herein related to the Issuer has been derived from its audited financials statements for the year ended 31 December 2006 which are included elsewhere in this base prospectus. A9.2.1 A9.11.1 A9.11.3.3

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

The Bank has obtained certain statistical and market information that is presented in this Base Prospectus on such topics as the Kazakhstan banking sector and the Kazakhstan economy in general and related subjects from certain third-party sources described herein. This third-party information is presented in the "*Summary*", "*Risk Factors*", "*Banking Sector in Kazakhstan*" and "*Management's Discussion and Analysis of Result of Operations and Financial Condition*". The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the Bank's estimates are based on such third-party information. Neither the Bank nor the Dealers have independently verified the figures, market data or other information on which third parties have based their studies. A9.13.2

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

In this Base Prospectus:

- "Bank" refers to JSC Kazkommertsbank and, where the context permits, the Bank and its consolidated subsidiaries, namely Kazkommerts International B.V., Kazkommerts Finance 2 B.V., Kazkommerts Capital II B.V., JSC OCOPAIM Grantum Asset Management, JSC Grantum APF, JSC Kazkommerts Securities, JSC SK Kazkommerts-Policy, JSC Kazkommerts Life Insurance Company, OJSC Kazkommertsbank Kyrgyzstan and LLP Processing Company, as well as LLP Moskommertsbank which is not a subsidiary but is controlled by the Bank;
- "Basel Accord" refers to the 1988 Capital Accord adopted by the Basel Committee on Banking Supervision, then known as the Basel Committee on Banking Regulations and Supervisory Practice;
- "Basel II" refers to the report titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of the Basel Committee on Banking Supervision;
- "CAIC" refers to JSC Central Asian Investment Company;
- "CIS" refers to the Commonwealth of Independent States;

- “Clearstream” means Clearstream Banking, société anonyme;
- “DBK” refers to the Development Bank of Kazakhstan;
- “EBRD” refers to the European Bank for Reconstruction and Development;
- “EU” refers to the European Union;
- “euro” and “€” refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- “Euroclear” means Euroclear Bank S.A./N.V.;
- “Fitch Ratings” refers to Fitch Ratings Ltd.;
- “FMSA” refers to the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations;
- “FMSA Regulations” refers to the regulations published by the FMSA;
- “GDP” refers to the gross domestic product of Kazakhstan;
- “Government” refers to the government of Kazakhstan;
- “Group” refers to the Bank and its consolidated subsidiaries as well as LLP Moskommertsbank;
- “Guarantor” refers to JSC Kazkommertsbank;
- “Issuer” refers to Kazkommerts International B.V.;
- “JSC Law” refers to the Joint Stock Companies Law of Kazakhstan;
- “KASE” refers to the Kazakhstan Stock Exchange;
- “Kazakhstan” refers to the Republic of Kazakhstan;
- “Moody’s” refers to Moody’s Investors Service, Inc.;
- “Netherlands” refers to the Kingdom of the Netherlands excluding the Netherlands Antilles and Aruba;
- “NBK” refers to the National Bank of Kazakhstan;
- “NBK Regulations” refers to the regulations published by the NBK;
- “NSA” refers to the National Statistical Agency of Kazakhstan;
- “OECD” refers to the Organisation for Economic Co-operation and Development;
- “pounds sterling” and “£” refer to the lawful currency of the United Kingdom;
- “RUR” refers to Russian roubles, the lawful currency of the Russian Federation;
- “Shares” means the common shares of JSC Kazkommertsbank;
- “SME” refers to small- and medium-sized enterprises;
- “Standard & Poor’s” refers to Standard and Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc.;
- “S$” refers to the lawful currency of the Republic of Singapore;
- “Tenge” and “KZT” refer to Kazakhstan Tenge, the lawful currency of Kazakhstan;
- “United States” or the “U.S.” refers to the United States of America; and
- “U.S.$” and “U.S. dollars” refer to the lawful currency of the United States.

Solely for the convenience of the reader, this Base Prospectus presents unaudited translations of certain Tenge amounts into U.S. dollars at specified rates. The Bank has translated the summary income statement information for the year ended 31 December 2006 into U.S. dollars at the rate of U.S.$1.00 = KZT 126.12 and the summary balance sheet information as at 31 December 2006 into U.S. dollars at the rate of U.S.$1.00 = KZT127.00. See “*Exchange Rates and Exchange Controls*.”

No representation is made that the Tenge or U.S. dollar amounts in this Base 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 Base 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 Base 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 Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

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

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

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

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

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

ADDITIONAL INFORMATION

Neither the Issuer nor the Guarantor 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 Guarantor 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 Guarantor 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 Guarantor accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information. A9.1.1 A9.1.2 A12.1.1 A13.1.1 A13.1.2

The information in this Base Prospectus contained under the headings "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Kazakhstan's Economy*" and "*The Banking Sector in Kazakhstan*" has been extracted from documents and other publications released by, and is presented on the authority of, various official and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of view among such sources as to such information provided herein. The Issuer and the Guarantor 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. A9.1.3.2 A12.7.4 A13.1.2

OVERVIEW OF THE BANK

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

The Bank

Established in 1990, the Bank is one of the leading banks in Kazakhstan. As at 31 December 2006 it was the market leader as measured by total assets, loans and deposits and fourth largest in terms of number of branches (according to the NBK). A9.5.1.2

The Bank provides a full range of corporate, SME and retail banking services and insurance, pension, asset management and other financial services through a network of 22 full-service branches and 89 outlets in Kazakhstan. The Bank has a well-developed alternative channel distribution network including internet banking, 556 ATMs (of which 83 are multi-function ATMs), over 4,272 point-of-sale terminals, a call centre and an internet banking service. Through its international subsidiaries and affiliates the Bank also provides corporate, SME and retail banking services in Russia and Kyrgyzstan.

The Bank is the largest lender to medium- and large-sized Kazakhstan companies and international companies operating in Kazakhstan with a 31.9 per cent. market share in corporate lending as at 31 December 2006 (according to the NBK). The Bank provides a comprehensive range of products to its corporate clients including trade and structured finance products, project finance services, transactional services, e-banking and asset management services, as well as short-term credit facilities and other general banking services. As at 31 December 2006, the Bank's net corporate loan portfolio was KZT1,417,132 million and its corporate deposits were KZT491,734 million, up 119.4 per cent. and 154.3 per cent., respectively, from 31 December 2005. A9.5.1.1

The Bank also has a strong retail business which it intends to grow further and believes that it is the leading bank in Kazakhstan servicing high net worth individuals. The Bank offers its retail customers a comprehensive range of retail products including residential mortgages, consumer loans, e-banking, debit and credit cards and deposit and current accounts. It holds one of the top three positions in terms of market share in residential mortgages, credit cards and ATM services (according to the NBK). The Bank had approximately 475,494 retail customers as at 31 December 2006. As at 31 December 2006, the Bank's net retail loan portfolio amounted to KZT261,708 million and its retail deposits amounted to KZT196,072 million, up 168.6 per cent. and 78.2 per cent., respectively, from 31 December 2005.

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

The Bank also engages in treasury operations, investment banking and brokerage services. The main objective of the Bank's Treasury Department is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets, thereby managing foreign currency exposure and funding costs. The Bank's treasury operations consist largely of spot transactions in Tenge and foreign currencies, transactions in government securities and currency and interest rate swap and forward transactions for hedging purposes. The size of the Bank's trading portfolio increased by 129.8 per cent. to KZT322.6 billion as at 31 December 2006 from KZT140.4 billion as at 31 December 2005 and KZT74.8 billion as at 31 December 2004. Investment banking and brokerage services are undertaken by the Bank through its subsidiary JSC Kazkommerts Securities, which is one of the leading underwriters of corporate domestic bonds in Kazakhstan. JSC Kazkommerts Securities is well placed to take advantage of growth in the domestic equity market; as at 31 December 2006, it had KZT2,478 million in assets.

The Issuer

The Issuer, a wholly-owned subsidiary of the Bank, was incorporated on 1 October 1997 under the laws of The Netherlands for the primary purpose of raising funds for the Bank.

Credit Ratings

The Bank is rated by three rating agencies: Fitch Ratings, Moody's and Standard & Poor's.

The Bank expects its credit ratings to be as follows:

Fitch Ratings	Moody's	Standard & Poor's
Long-term — BB+	Long-term Foreign Currency Debt rating — Baa1	Long-term — BB+
Short-term — B	Financial Strength — D	Short-term — B
Outlook — Stable	Outlook — Stable	Outlook — Stable

A13.7.5

Notes to be issued under the Programme may be rated or unrated, and where an issue of Notes under the Programme is rated, its rating will not necessarily be the same as the Bank's credit ratings as set out in this Base Prospectus.

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 PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	Kazkommerts International B.V.	A9.4.1.1
Guarantor:	JSC Kazkommertsbank	A9.4.1.1
Description:	Guaranteed Debt Issuance Programme	
Size:	Up to U.S.$5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.	
Arranger:	ING Bank N.V., London Branch	
Dealers:	ABN AMRO Bank N.V., Credit Suisse Securities (Europe) Limited, ING Bank N.V., London Branch, J.P. Morgan Securities Ltd., and UBS Limited. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches (as defined below) or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.	
Trustee:	BNY Corporate Trustee Services Limited	A13.4.11
Principal Paying Agent, Calculation Agent and Transfer Agent:	The Bank of New York	A13.5.2
Registrar:	The Bank of New York	
Paying Agent and Transfer Agent:	The Bank of New York	
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms.	
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in two or more instalments	
Form of Notes:	Each Series of Notes will be issued in registered form only. The Regulation S Notes and the Rule 144A Notes will be represented by the Regulation S Global Note and the Rule 144A Global Note, respectively. The Global Notes will be exchangeable for Definitive Notes (as defined herein) in the limited circumstances specified in the Global Notes.	A12.4.1.4 A13.4.4

Clearing Systems:	DTC (in the case of Rule 144A Notes) and Clearstream, Luxembourg and Euroclear (in relation to any Regulation S Notes), and such other clearing system as may be agreed between the Issuer, the Guarantor, the Principal Paying Agent, the Trustee and the relevant Dealer. Application may be made for trading of the Rule 144A Notes in PORTAL, as specified in the relevant Final Terms.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Rule 144A Global Note will be deposited with a custodian for DTC and the Regulation S Global Note shall be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Global Notes will be registered in the name of a nominee of DTC, and the Regulation S Global Notes will be registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Regulated Market may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Principal Paying Agent, the Trustee and the relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers. A12.4.1.5 A13.4.5
Maturities:	Subject to compliance with all relevant laws, regulations and directives, Notes may have any maturity between one month and 30 years.
Denomination:	Notes will be in such denominations as may be specified in the relevant Final Terms (the "Specified Denomination"), provided that (i) the Specified Denomination(s) shall not be less than €50,000 or its equivalent in other currencies, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in the relevant Final Terms and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$100,000 or its equivalent in other currencies.
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount and will not bear interest.

Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA (Financial Services and Markets Act 2000) must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments:	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
Optional Redemption:	The relevant Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	The Notes and the Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively, all as described in "*Terms and Conditions of the Notes — Status*". A12.4.1.6 A13.4.6
Negative Pledge:	See "*Terms and Conditions of the Notes — Condition 4*".
Certain Covenants:	The Notes and the Trust Deed contain certain covenants, including, without limitation, covenants with respect to the following matters: (i) limitation on transactions at less than the fair market value; and (ii) limitation on payment of dividends. See "*Terms and Conditions of the Notes — Condition 4*".
Cross Default:	See "*Terms and Conditions of the Notes — Events of Default*".
Rating:	Notes to be issued under the Programme may be rated or unrated, and where an issue of Notes under the Programme is rated, its rating will not necessarily be the same as the rating applicable to the Programme. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

	Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Guarantor could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Early Redemption:	Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*".
Withholding Tax:	All payments by the Issuer under the Notes will be made without the imposition of any Dutch withholding taxes. See "*Taxation — Dutch Taxation*". 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 under the Kazakhstan—Netherlands Tax Treaty at a rate of 10 per cent. Payments under the Guarantee will be subject to Kazakhstan withholding tax at a rate of 15 to 20 per cent. unless reduced by an applicable double taxation treaty. See "*Taxation — Kazakhstan Taxation*". In the event that any taxes, duties, assessments or governmental charges are imposed, levied, collected, withheld or assessed by the Netherlands or Kazakhstan or any political subdivision or any authority thereof or therein having the power to tax on payments of principal and interest in respect of the Notes (including payments by the Guarantor under the Guarantee), the Issuer or (as the case may be) the Guarantor will, subject to certain exceptions and limitations, pay such additional amounts to the holder of any Note as will result in receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction on account of any such taxes had been required. See "*Terms and Conditions of the Notes — Condition 8*".
Governing Law:	The Notes and the Trust Deed will be governed by, and shall be construed in accordance with, English law. A12.4.1.3 A13.4.3
Listing:	Application has been made to list Notes issued under the Programme on the Official List and traded on the Regulated Market or as otherwise specified in the relevant Final Terms. Application may also be made to list Notes after their issue on KASE. As specified in the relevant Final Terms, a Series of Notes may be unlisted. A13.5.1
Selling Restrictions:	The offering and sale of Notes is subject to all applicable selling restrictions, including, without limitation, those of the United States, United Kingdom, the Netherlands and Japan. See "*Subscription and Sale*". A12.4.1.10 A12.5.2.1 A13.4.14
Further Issues:	The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as a Series of Notes that was previously issued in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series (including such Notes) or upon such terms as the Issuer may determine at the time of their issue.

Additional Notes that are treated for non-tax purposes as a single series with previously issued Notes may be treated as a separate series for U.S. federal income tax purposes. In such case, the additional Notes may be considered to have been issued with "original issue discount" (as defined under the U.S. Internal Revenue Code and the Treasury Regulations issued thereunder), which creates certain adverse tax consequences for certain holders subject to U.S. federal income taxation. Since additional Notes may not be distinguishable from the previously issued Notes, the market value of the previously issued Notes could be impacted by any original issue discount imposed with respect to the additional Notes.

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. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Potential investors should carefully review this entire Base 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 Guarantor's, or the Group's respective business, operations and financial condition and/or the rights under the Notes of the holders of the Notes. The list of risks below is not exclusive. A9.3.1 A12.2 A13.2

Risks Relating to the Issuer

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

Risks Relating to the Bank

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

The Bank's net loan portfolio as at 31 December 2006 was KZT1,678,840 million, an increase of 125.8 per cent. compared to KZT743,411 million as at 31 December 2005, which in turn represented a 47.7 per cent. increase from KZT503,333 million in 2004. The significant and rapid increase in the loan portfolio size has increased the Bank's credit exposure and will require continued and improved monitoring by the Bank's management of credit quality and the adequacy of its provisioning levels through the Bank's credit risk management programme. The anticipated increase in the overall level of lending and, in particular, in the level of lending to SMEs as well as to retail customers, may further increase the credit risk of the Bank. SMEs and retail customers typically have less financial strength than large companies, the Bank's core customer base, and negative developments in the Kazakhstan economy could affect these borrowers more significantly than large companies. This could result in higher levels of classified and non-performing loans and, as a result, higher levels of provisioning.

In addition, the Bank's loan portfolio has grown much more rapidly than its deposit base, its aggregate loan to deposit ratio decreasing to 244.1 per cent. as at 31 December 2006 compared to 245.0 per cent. as at 31 December 2005. The Bank has funded itself, and expects to continue funding itself, through long-term interbank funding and the issuance of securities in the international capital markets. If interest rates rise, the Bank's cost of funding could increase, which could adversely affect its business, financial condition and results of operations. Moreover, the Bank has been reliant on foreign investment in Kazakhstan to support its loan growth, and a decline in the rate of growth of such foreign investment could adversely affect the Bank.

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

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

The Bank intends to seek to continue to diversify its portfolio and reduce concentrations in its lending, both in terms of customers and sectors. As at 31 December 2006, the Bank's top 20 borrowers comprised 27.8 per cent. of its total loans to customers and contingent liabilities. A substantial portion of the Bank's borrowers are engaged in the construction and oil and gas industries and the Bank intends to concentrate on credit quality and the development of financial and management controls to monitor this credit exposure. However, if these efforts fail, any resulting default and any sustained adverse market developments in the industries to which the Bank is exposed across Kazakhstan could have a material adverse effect on the Bank's business, financial condition and results of operations.

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

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

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

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

In common with other Kazakhstan banks, the Bank is subject to significant competition from both domestic and foreign banks. As at 31 December 2006, there were 33 commercial banks in Kazakhstan (excluding the NBK and the DBK), of which 14 were banks with foreign participation, including subsidiaries of foreign banks. In addition, regulatory changes may make it easier for foreign banks to increase their penetration in Kazakhstan. This large number of corporate lenders in Kazakhstan has led banks to find other sources of revenue, primarily in SME and retail banking, where the barriers to entry are lower and a number of the smaller banks are seeking to grow their market share. Moreover, there are relatively few large corporate customers that have not established banking relationships, which means that competition in this sector is intense. The Bank has faced strong competition in the retail loan market, where its market share has declined from approximately 24 per cent. as at 31 December 2004, to approximately 17.8 as at 31 December 2005 and approximately 14.1 per cent. as at 31 December 2006. The Bank believes that foreign banks, some of which may have significantly greater resources, existing global relationships with foreign companies operating in Kazakhstan, and a cheaper funding base than the Bank, have become the Bank's main competitors in the corporate banking sector. Whilst subsidiaries of foreign banks do not currently provide significant domestic competition, as they are not active in the retail banking sector, competition may be affected by regulatory changes which may make it easier for foreign banks to increase their penetration in retail banking.

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

The Bank faces the risk of changes in certain legislative and regulatory acts that may have an adverse effect on its business, results of its operations or the liquidity and market value of the Notes. The Government of Kazakhstan may implement additional regulations or policies, including with respect to taxation, interest rates, inflation and exchange controls or may otherwise take action that could have a material adverse effect on the Bank's business, financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

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

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

Following legislative changes in July 2003, the FMSA was formed and as from 1 January 2004, assumed responsibility for most of the supervisory and regulatory functions in the financial sector that had previously been performed by the NBK. The FMSA's main task is to regulate and supervise the financial markets and financial institutions. See "*The Banking Sector in Kazakhstan*". In addition, the Government may implement additional regulations or policies, including with respect to further limitations on borrowings by Kazakhstan banks from foreign institutions or on extensions of credit to Kazakhstan borrowers, or may otherwise take action that could have a material adverse effect on the Bank's business, results of operations and financial condition or that could adversely affect the market price and liquidity of the Notes.

In particular, recent changes to the NBK's minimum reserve requirements and potential restrictions imposed by the FMSA on attracting short-term indebtedness may affect the Bank's ability to attract foreign and short-term funding. For example, in July 2006, the NBK implemented new measures to increase reserve requirements for Kazakhstan banks in an effort to limit borrowings, including foreign borrowings, as a result of concerns about excessive money supply in the economy, predominantly from abroad. These new measures increased reserve requirements in respect of borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (irrespective of residence) to eight per cent. from six per cent. In common with the other major banks in the country, a significant portion of the Bank's funding is in U.S. dollars raised in the syndicated loan and international capital markets and the increase in reserves with the NBK resulting from these foreign funding operations may have an adverse impact on the Bank's profitability.

In addition, the FMSA introduced new measures in June 2006 restricting Kazakhstan banks from having outstanding external short-term financings (with a maturity of less than one year) which exceed their regulatory capital (regulatory capital being essentially the sum of equity and subordinated debt). These measures may limit the Bank's ability to extend the maturity of certain short-term facilities and the Bank may have to look to longer term financings or customer deposits to replace such short-term facilities. A failure to replace these facilities could lead to an increase in the Bank's funding costs, an increase in its liquidity and interest rate risk or both and may limit its ability to execute its business strategy.

Further, in January 2007, in order to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA proposed amendments to its capital adequacy regulations which, if implemented, will limit a bank's foreign borrowings or external liabilities to certain multiples of their regulatory capital. Specifically, the amendments impose limits on foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital" as calculated both including and excluding debt securities issued. The amendments set out time limits for compliance and came into effect on 1 April 2007. Under the new regulations Kazakhstan banks have until 1 October 2007 to bring the ratio of their external liabilities to own capital within interim ratios and into full compliance with the final ratios by 1 March 2008. The final ratios that are applicable to the Bank are (i) four times own capital for external liabilities excluding debt securities issued and (ii) six times own capital for external liabilities including debt securities issued. The aim of the amendments is to moderate the banks' continuing high loan portfolio growth rates, as international borrowings represent a substantial funding source for these loans. These amendments mean that banks will not be permitted to increase borrowings from non-domestic lenders (subject to certain exceptions) to a level in excess of prescribed multiples of their regulatory capital and may result in banks having to either repay foreign-sourced debt or increase regulatory capital. Consequently, this could adversely affect the Bank's ability to obtain foreign loans and access the international capital markets. A slowdown in capital inflows may in turn put downward pressure on the Tenge thus making any foreign-denominated liabilities more difficult to service with income derived in Tenge.

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

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

In 2001, the Basel Committee issued a proposal for a new capital adequacy framework to replace the Basel Accord. With regard to the risk weightings to be applied to banks' credit exposures, the Basel Committee proposes replacing the existing approach with a system that would use both external and internal credit assessments for determining risk weightings. It is intended that such an approach will also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to banks, securities firms and corporations. If adopted, the new framework could require financial institutions lending to Kazakhstan banks to be subject to higher capital requirements as a result of the credit risk rating of Kazakhstan. As a result, the Bank may be subject, along with other Kazakhstan banks, to higher borrowing costs, which may adversely affect the Bank's business, financial condition and results of operations.

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

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

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

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

Administration of anti-monopoly legislation in Kazakhstan with respect to certain industry sectors, including banking, is in the process of being transferred from the Kazakhstan Anti-monopoly Committee to industry regulators, including the FMSA for the banking sector.

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

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

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

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

The Bank's share ownership is highly concentrated.

As at 10 January 2007, the Bank's directors and senior management beneficially owned 34.4 per cent. of the Bank's outstanding Shares of which 18.5 per cent. are held through CAIC. 44.8 per cent. of the share capital of CAIC is beneficially owned by Mr. Subkhanberdin. In addition, as at 10 January 2007, the EBRD beneficially owned 8.5 per cent. of the Bank's outstanding Shares. As a result, CAIC (and its controlling persons) and/or the EBRD may be able to control or effect the composition of the Board of Directors, the outcome of any corporate transaction or other matter submitted to the Bank's shareholders for approval, including acquisitions, divestitures, financings or other transactions of the Bank, and also could prevent or cause a change in control. The interests of CAIC (and its controlling persons) and/or the EBRD may conflict with the interests of the Bank's other shareholders. In addition, third parties may be discouraged from making a tender offer or bid to acquire the Bank because of this concentration of ownership. For a description of the ownership of the Bank, see "*Principal Shareholders*".

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

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

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

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

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

Risk Factors Relating to Kazakhstan

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

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

There are risks associated with the rating of Kazakhstan.

Outstanding Eurobonds of the Republic of Kazakhstan are rated "Baa1" by Moody's and "BBB-" by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. The Bank's current long-term rating is "Ba1" by Moody's, and "BB+" by Fitch. Any adverse change in the credit rating of either the Bank or the Republic of Kazakhstan could negatively affect the trading price of the Notes.

Political and regional considerations in Kazakhstan impose risks.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has experienced significant change as it emerged from a single-party political system and a centrally controlled command economy to a market-oriented, democratic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free-market economy through privatisation of state enterprises. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Base Prospectus will continue or that such reforms will achieve all or any of their intended aims. Kazakhstan depends on neighbouring countries to access world markets for a number of its major exports, including oil, gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export and has taken various steps to promote regional economic integration among neighbouring countries. However, should access to export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in the regional markets may adversely impact Kazakhstan's economy.

Like other countries in Central Asia, Kazakhstan could be affected by continuing political unrest in the region and the effect any resulting military action may have on the world economy and political stability of other countries. Also, in common with other countries in Central Asia, Kazakhstan could be affected by terrorism or by military or other action taken against sponsors of terrorism in the region.

Countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and gas and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil and gas and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects, such as Turkey, which is a major infrastructure project contributor in the Central Asian region.

Macroeconomic considerations concerning Kazakhstan impose risks.

Since Kazakhstan is heavily dependent upon export trade and commodity prices, it was particularly affected by the Asian financial crisis in 1997 and by the Russian crisis the following year, both of which exacerbated the problems associated with falling commodity prices. As a result of these risks Kazakhstan's economy is negatively affected by low commodity prices (including oil and gas prices) and economic instability elsewhere in the world. Although the Government has promoted economic reform, inward foreign investment and the diversification of the economy, low commodity and oil and gas prices and weak demand in its export markets may adversely affect Kazakhstan's economy in the future and which might in turn adversely affect the financial performance of the Bank. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities might have a material adverse effect on the business, financial condition and results of operations of the Bank.

The Government began implementing market-based economic reforms in 1992, including the implementation of a significant privatisation programme, the promotion of foreign direct investment, particularly in the oil and gas sectors, and the introduction of a more extensive legal framework. Despite uneven progress in this regard, Kazakhstan has experienced significant economic transformation over the last 13 years. Since mid-1994, the Government has adhered to a macroeconomic stabilisation programme aimed at curtailing inflation, reducing the fiscal deficit and boosting international currency reserves. According to figures compiled by the NSA, GDP has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5 per cent. in 2001, 9.8 per cent. in 2002, 9.3 per cent. in 2003, 9.4 per cent. in 2004, 9.5 per cent. in 2005 and 9.3 per cent. in 2006. However, there can be no assurance that GDP will continue to grow and any decrease in GDP or in the rate of GDP growth in subsequent years could adversely affect Kazakhstan's development.

Exchange rate policies in Kazakhstan impose risks.

The Tenge is convertible for current account transactions, although it is not a fully convertible currency outside Kazakhstan. Between 1991, when Kazakhstan began its transition to a market-based economy, and April 1999, the NBK maintained a managed exchange rate policy which, although permitting the general trend in the exchange rate to reflect market conditions, involved official intervention aimed at limiting fluctuations. Depressed export markets in 1998 and early 1999, however, caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the authorities instituted a number of expenditure cuts and took revenue-increasing measures and, in April 1999, the NBK floated the Tenge. The Tenge fell by 64.6 per cent. against the U.S. dollar in the year ended 31 December 1999, compared to a depreciation of 10.7 per cent. in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge continued to depreciate in value against the U.S. dollar, although at a much slower rate. See "*Exchange Rates and Exchange Controls.*"

While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK's policy will not change and any subsequent decision to support the exchange rate could have an adverse impact on Kazakhstan's public finances and economy.

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

The need for substantial investment in many enterprises has driven the Government's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain large oil and gas producers, mining companies and the national 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 considerable amount of non-cash transactions in the economy and the significant size of the shadow economy (including underreporting of income) adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to address these problems by improving bankruptcy procedures, the business infrastructure and tax administration and by continuing the privatisation process. However, the implementation of these measures in the short term has produced few positive results, and improved results may not materialise until the medium term, if at all. In July 2006, Kazakhstan's tax laws were amended to establish a one-time six-month tax amnesty for the purpose of reducing the size of the informal economy and increasing the country's tax base. It is not clear whether these actions will benefit Kazakhstan's economy.

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

Although a large volume of legislation has come into force since early 1995 (including a new tax code in January 2002, laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation) the legal framework in Kazakhstan is still at a relatively early stage of development compared to countries with established market economies. The judicial system, judicial officials and other government officials in Kazakhstan may not be fully independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, administrative decisions have been inconsistent, and court decisions have been difficult to predict.

Further, due to the presence of numerous ambiguities in Kazakhstan's commercial legislation, in particular its tax legislation, the tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as the lack of any established system of precedent or consistency in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system.

The Government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, the Government may not continue with such a policy in the future or such policy, if continued, may not ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Bank's business and prospects.

The Bank expects that the tax legislation in Kazakhstan will become more sophisticated and that there will be additional revenue-raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Bank's business and financial condition and on the results of operations of companies operating in Kazakhstan.

Foreign judgments may not be enforceable in Kazakhstan.

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 is a party 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*".

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 Base Prospectus or any applicable supplement;

(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.

Some 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.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors.

Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of the other investments that may be available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier grater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified;

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield;

(viii) a direct investment in the shares, commodities or other assets underlying an index or in a fund that invests in those assets, or in the currencies comprised in a Dual Currency Note, might give rise to different, and potentially higher returns, than an investment in the Index Linked Notes or Dual Currency Notes; and

(ix) no statutory, judicial or administrative authority directly addresses the characterisation of Index Linked Notes or securities similar to Index Linked Notes for United States federal income tax purposes. As a result, significant United States federal income tax consequences of an investment in such Notes are not certain. The Issuer has not requested a ruling from the United States Internal Revenue Service for any such Notes and gives no assurance that the Internal Revenue Service will agree with the statements made in this document or the applicable Final Terms relating to those Notes.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related feature, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate, such as a LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreased the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rate on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

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.

The Issuer may offer further issues of notes with original issue discount.

The Issuer may offer further Notes with original issue discount for United States federal income tax purposes ("OID") as part of a further issue of Notes to be consolidated with and form a single Series therewith. Purchasers of Notes after the date of consolidation of any further issue of Notes will not be able to differentiate between the Notes sold as part of the further issue and previously issued Notes. If the Issuer were to issue further Notes with OID, purchasers of Notes after such a further issue of Notes may be required to accrue OID (or greater amounts of OID than they would otherwise have accrued) with respect to their Notes. These OID consequences may affect the price of outstanding Notes following a further issue. Prospective purchasers of Notes should consult their own tax advisers with respect to the implications of any future decision by the Issuer to undertake a further issue of Notes with OID.

Pursuant to Internal Revenue Service Circular 230, 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. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Trading in the clearing systems is subject to minimum denomination requirements.

The terms and conditions of the Notes provide that Notes will be issued with a minimum denomination of €50,000 (or its equivalent in other currencies) and integral multiples of an amount in excess thereof in the relevant Specified Currency. Where Notes are traded in a clearing system, it is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denominations specified in the relevant Final Terms related to an issue of Notes. If definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

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.

The Notes are subject to exchange rate risks and exchange control risks.

The Issuer will pay principal and interest on the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency 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.

The Notes are subject to interest rate risks.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings of the Notes 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.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system. However, in April 1999, the NBK and the government of Kazakhstan publicly announced that they would cease to intervene in the foreign exchange markets, allowing the Tenge to float freely. As a result, the Tenge depreciated from a pre-announcement rate of KZT88 per U.S. dollar to a rate of approximately KZT130 per U.S. dollar. For the next three years, the Tenge generally continued to depreciate in nominal terms against the U.S. dollar, although since 2002 it has, overall, strengthened against the U.S. dollar.

The following table sets forth the period-end, average and high and low rates for the Tenge, each expressed in Tenge and based on the KZT/U.S. dollar exchange rates on the Kazakhstan Stock Exchange ("KASE"), as reported by the NBK:

Year ended 31 December	Period end	Average(1)	High	Low
2000	144.50	142.13	144.50	138.20
2001	150.20	146.72	150.20	145.00
2002	155.60	153.28	155.60	150.60
2003	144.22	149.50	155.89	143.66
2004	130.00	136.07	143.33	130.00
2005	133.98	132.88	136.12	129.83
2006	127.00	126.12	133.13	118.13
2007				
January	126.24	125.74	127.00	124.86
February	123.71	124.79	126.36	123.54

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

The daily average KZT/U.S. dollar exchange rate on the KASE, as reported by the NBK, on 21 March 2007 was KZT123.92 per U.S.$1.00.

Exchange Controls

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

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

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

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

USE OF PROCEEDS

The Issuer will deposit the net proceeds it receives from each issue of Notes with the Guarantor. The Guarantor will use such proceeds to fund loans to its customers and for other general banking purposes. A12.3.2

CAPITALISATION

This table should be read in conjunction with "*Selected Consolidated Financial Information*", "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Annual Financial Statements and the related notes thereto. A20.1

	As at 31 December 2006	
	(U.S.$ thousands)	(KZT millions)
Long-term debt:		
Senior long-term debt[1]	7336,157	931,692
Subordinated long-term debt[2]	607,906	72,204
Total long-term debt	7,944,063	1,008,896
Shareholders' equity:		
Share capital, comprised of	55,079	6,995
Ordinary Shares	45,252	5,747
Preference Shares	9,827	1,248
Share premium	1,201,055	152,534
Property and equipment revaluation reserve	19,181	2,436
Reserves	682,591	86,689
Total equity attributable to equity holders of the parent	1,957,906	248,654
Total capitalisation	9,901,969	1,257,550

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

(2) In December 2002, the Bank registered an issue of KZT7.5 billion 8 per cent. subordinated notes due 2009. As at 31 December 2006 the Bank had sold KZT3.5 billion of these notes primarily to pension funds on the domestic market.

In November 2006, the Bank's three major shareholders, JSC "Central Asian Investment Company", Mr. Nurzhan Subkhanberdin and the European Bank for Reconstruction and Development (the "EBRD") (collectively, the "Selling Shareholders") sold 91,429,412 shares of the Bank's common stock ("Common Stock") in the form of Global Depositary Receipts ("GDRs") on the London Stock Exchange (the "IPO"). The GDRs were sold at a price of U.S.$18.50 per GDR, and each GDR represented two shares of Common Stock. The proceeds of the IPO to the Selling Shareholders exceeded U.S.$845 million. The Selling Shareholders committed to use the proceeds from the IPO to subscribe for new shares of Common Stock offered domestically to the Bank's pre-IPO shareholders in the Rights Offering (defined below). In the second stage of the IPO, the Bank offered 103.5 million shares of Common Stock to its pre-IPO shareholders (the "Rights Offering"). The Bank completed the Rights Offering in January 2007, raising more than U.S.$957 million (before fees, commissions and other expenses paid in connection with the IPO and Rights offering) in new capital.

In February 2007, the Bank, through a subsidiary, issued €750 million 6.875 per cent. notes due February 2017 and £350 million 7.625 per cent. notes due February 2012 under the guaranteed debt issuance programme, the proceeds of which were used to repay a bridge loan. The notes were guaranteed by the Bank.

Except as disclosed above, there has been no material change in the Bank's capitalisation since 31 December 2006.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth certain historical consolidated financial information derived from the Annual Financial Statements. The Annual Financial Statements have been prepared in accordance with IFRS and are presented in Tenge. A9.2.1 A9.11.1 A9.11.2 A9.11.3.1 A9.11.3.2 A9.11.3.3 A9.11.4.1

Solely for the convenience of the reader, the Bank has translated the selected income statement information for the year ended 31 December 2006 into U.S. dollars at the rate of U.S.$1.00 = KZT126.12 and balance sheet information as at 31 December 2006 into U.S. dollars at the rate of U.S.$1.00 = KZT127.0.

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

	Year ended 31 December			
	2006		2005	2004
	(U.S.$ thousands)	(KZT millions)	(KZT millions)	(KZT millions)
Income Statement:				
Interest income	1,167,539	147,250	86,407	56,163
Interest expense	(659,015)	(83,115)	(45,855)	(27,433)
Net interest income before provision for impairment losses on interest bearing assets	508,524	64,135	40,552	28,730
Provisions for impairment losses on interest bearing assets	(260,760)	(32,887)	(17,833)	(11,222)
Net interest income	247,764	31,248	22,719	17,508
Net gain on financial assets at fair value through profit or loss	36,037	4,545	849	22
Net gain on foreign exchange operations	42,840	5,403	1,591	1,972
Fee and commission income	139,050	17,537	10,684	9,102
Fee and commission expense	(13,257)	(1,672)	(1,269)	(988)
Net realized gain on investments available-for-sale	230	29	12	49
Dividends received	658	83	10	15
Other income	24,120	3,042	2,690	1,895
Net non-interest income	229,678	28,967	14,567	12,067
Operating income	477,442	60,215	37,286	29,575
Operating expenses	(143,030)	(18,039)	(13,368)	(9,511)
Operating profit	334,412	42,176	23,918	20,064
Provision for impairment losses on other transactions	(3,037)	(383)	(880)	(615)
Provision for guarantees and other off-balance sheet contingencies	(12,274)	(1,548)	(1,059)	(106)
Share of results of associates	8,960	1,130	174	12
Profit before income tax	328,061	41,375	22,153	19,355
Income tax expense	(93,475)	(11,789)	(2,338)	(9,573)
Net profit	234,586	29,586	19,815	9,782
Attributable to:				
Equity holders of the parent	220,504	27,810	18,392	8,716
Minority interest	14,082	1,776	1,423	1,066

	As at 31 December			
	2006		2005	2004
	(U.S.$ thousands)	(KZT millions)	(KZT millions)	(KZT millions)
Balance Sheet:				
Assets:				
Cash and balances with the national (central) banks	1,645,709	209,005	37,229	66,293
Precious metals	6,354	807	—	—
Financial assets at fair value through profit or loss	2,540,299	322,618	140,375	74,800
Loans and advances to banks	1,552,685	197,191	254,287	41,834
Loans to customers,	13,219,213	1,678,840	743,411	503,333
Investments available-for-sale	20,693	2,628	427	489
Investments held-to-maturity	2,811	357	562	64
Investments in associates	13,819	1,755	425	218
Goodwill	18,937	2,405	2,405	—
Property, equipment and intangible assets	123,472	15,681	8,662	7,386
Other assets	102,480	13,015	7,086	9,584
Total assets	19,246,472	2,444,302	1,194,869	704,057
Liabilities:				
Loans and advances from banks	6,963,000	884,301	379,206	198,776
Customer accounts	5,415,795	687,806	303,437	197,827
Derivative financial instruments	27,984	3,554	189	31
Debt securities issued	3,339,858	424,162	303,133	207,841
Other borrowed funds	541,842	68,814	50,604	4,464
Provisions	53,213	6,758	4,934	3,087
Deferred income tax liabilities	137,567	17,471	8,290	6,976
Dividends payable	8	1	1	1
Other liabilities	67,614	8,587	4,591	2,832
Subtotal	16,546,882	2,101,454	1,054,385	621,835
Subordinated debt	621,433	78,922	52,213	24,926
Total liabilities	17,168,314	2,180,376	1,106,598	644,761
Equity:				
Equity attributable to equity holders of the parent	1,957,906	248,654	81,295	53,828
Minority interest	120,252	15,272	6,976	5,468
Total liabilities and equity	19,246,472	2,444,302	1,194,869	704,057

	As at or for the year ended 31 December		
	2006	2005	2004
		(%)	
Combined Key Ratios:			
Return on average shareholders' equity(1)	22.1	26.1	17.9
Return on average assets(1)	2.1	2.5	1.9
Operating expenses/operating income before provisions for impairment losses	19.4	24.3	23.3
Operating expenses/operating income after provisions for impairment losses	30.0	35.9	32.2
Profitability Ratios:			
Net interest margin(1&2)	5.1	5.5	6.0
Net interest income after provisions for impairment losses/ average interest-earning assets(1)	2.5	3.1	3.7
Operating expenses/net interest income before provisions for impairment losses	28.1	33.0	33.1
Operating expenses/average total assets(1)	1.3	1.7	1.8
Balance Sheet Ratios:			
Total net loans to customers/total assets	68.7	62.2	71.5
Deposits/total assets	28.1	25.4	28.1
Total equity/total assets	10.8	7.4	8.4
Liquid assets/customer accounts(3)	99.5	133.6	85.0
Liquid assets/liabilities of up to one month(3)	95.6	151.9	98.6
Capital Adequacy Ratios:(4)			
Total capital	15.1	14.4	15.0
Tier I Capital	12.5	11.0	10.4
Credit Quality Ratios:(5)			
Non-performing loans/total gross loans	1.1	2.6	1.6
Non-performing loans/total gross loans and guarantees	1.0	2.5	1.5
Allowances for impairment losses/non-performing loans	398.9	212.1	362.1
Allowances for impairment losses/total gross loans	4.3	5.5	5.7
Macroeconomic Data:			
Consumer Price Inflation (for the 12 months then ended)	8.4	7.5	6.7
Real GDP (change during the 12 months then ended)	9.3	9.5	9.4

(1) Averages are based upon average daily balances.
(2) Net interest margin means net interest income before provision for impairment losses/average interest-earning assets.
(3) Liquid assets include cash and balances with the national (central) banks, loans and advances to banks (with maturities of less than one month), financial assets at fair value through profit or loss and securities purchased under reverse repurchase agreements.
(4) Calculated in accordance with the Basel Accord, as currently in effect.
(5) For the definition of non-performing loans used by the Bank, see "Selected Statistical and Other Information – Non-performing Loans."

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

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

Introduction

Established in 1990, the Bank is the largest bank in Kazakhstan, measured by total assets, deposits and total loans as at 31 December 2006 (calculated by the Bank on the basis of FMSA data), providing corporate, SME and retail banking as well as other financial services. As at and for the year ended 31 December 2006, the Bank had a net profit attributable to equity holders of the parent of KZT27,810 million, total assets of KZT2,444,302 million and equity attributable to equity holders of the parent of KZT248,654 million.

The Bank's financial statements have been prepared in accordance with IFRS and are included elsewhere in this Base Prospectus. The financial statements are consolidated and reflect the results of operations of the Bank and its subsidiaries.

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 Base Prospectus are, to a large degree, dependent upon the Bank's accounting policies.

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

Allowance for impairment losses

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

Financial instruments

The Bank accounts for its financial instruments at fair value. 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 judgements to determine the fair value of such instruments. If the financial instruments are traded the fair value is determined by reference to an active market for those securities quoted publicly or in an over-the-counter market. The estimates of fair value are based on current economic conditions and specific risks attributable to the instruments. These estimates are subject to judgement and a different estimate may result in a materially different amounts being reflected on the Bank's balance sheet, and result in either additional income or expense.

Macroeconomic background

Kazakhstan's economy has in recent years been primarily driven by increasing exports of oil and gas, and other sectors have been growing at an accelerating pace as well. The non oil economy in Kazakhstan has grown in real terms at a rate from between 7 and 11 per cent. per annum between 2002 and 2005 and grew by 7 per cent. in 2006 (according to the International Monetary Fund). Those sectors most closely associated with oil have grown fastest, namely, construction and services related to oil extraction, transportation and investment projects, including real estate and related services and, on a lesser scale, financial services and trade.

The table below shows Kazakhstan's GDP, GDP growth and inflation for the years from 2002 to 2006.

	2006	**2005**	**2004**	**2003**	**2002**
Nominal GDP (KZT billions).........	7,739	7,457	5,543	4,612	3,776
Nominal GDP (U.S.$ billions)........	77.0	56.1	40.7	30.8	24.6
Real GDP growth (%).....................	9.3	9.5	9.4	9.3	9.8
CPI (%, year-end)............................	8.4	7.5	6.7	6.8	6.6
CPI (%, year-average)	8.6	7.6	6.9	6.4	5.9

Source: NBK

Rapid economic growth has helped stimulate employment and raise living standards and, unemployment fell from 13.5 per cent. in 1999 to 0.9 per cent. in 2006 (according to the NSA).

Results of Operations for the Years ended 31 December 2006, 2005 and 2004

Net profit attributable to equity holders of the parent

The following table presents the main components of the Bank's net profit attributable to equity holders of the parent for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December			Variation	
	2006	**2005**	**2004**	**2006/2005**	**2005/2004**
		(KZT millions)		**(%)**	
Interest income	147,250	86,407	56,163	70.4	53.9
Interest expense	(83,115)	(45,855)	(27,433)	81.3	67.2
Net interest income before provision for impairment losses on interest bearing assets	64,135	40,552	28,730	58.2	41.1
Provisions for impairment losses on interest bearing assets	(32,887)	(17,833)	(11,222)	84.4	58.9
Net interest income	31,248	22,719	17,508	37.5	29.8
Net non-interest income	28,967	14,567	12,067	98.9	20.7
Operating income	60,215	37,286	29,575	61.5	26.1
Operating expenses	(18,039)	(13,368)	(9,511)	34.9	40.6
Operating profit	42,176	23,918	20,064	76.3	19.2
Provision for impairment losses on other transactions	(383)	(880)	(615)	(56.5)	43.1
Provisions for guarantees and other off-balance sheet contingencies	(1,548)	(1,059)	(106)	46.2	899.1
Share of results of associates	1,130	174	13	549.4	1350.0
Profit before income tax	41,375	22,153	19,355	86.8	14.5
Income tax expense	(11,789)	(2,338)	(9,573)	404.2	(75.6)
Net profit	29,586	19,815	9,782	49.3	102.6
Attributable to:					
Equity holders of the parent	27,810	18,392	8,716	51.2	111.0
Minority interest	1,776	1,423	1,066	24.8	33.5
Combined key ratios					
Return on average shareholders' equity	22.1	26.1%	17.9%		
Return on average assets	2.1	2.5%	1.9%		
Net interest margin(1)	5.1	5.5%	6.1%		

(1) Net interest margin means net interest income before provision for impairment losses/average interest earning assets. Average interestearning assets are calculated based on average daily balances.

Profit before income tax for the year ended 31 December 2006 increased by 86.8 per cent. compared to the year ended 31 December 2005, which in turn represented a 14.5 per cent. increase over the year ended 31 December 2004. The increase is as a result of the factors described below.

Interest income

The following table sets out details of the Bank's interest income for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December						Variation	
	2006	% of total	2005	% of total	2004	% of total	2006/2005	2005/2004
	(KZT millions except for percentages)						(%)	
Interest income on loans to customers and on reverse repurchase agreements....	130,468	88.6	76,256	88.3	50,249	89.5	71.1	51.8
— loans to customers	129,117	87.7	75,648	87.6	49,790	88.7	70.7	51.9
— reverse repurchase agreements......................	1,351	0.9	608	0.7	459	0.8	122.2	32.5
Interest on debt securities ...	7,183	4.9	4,087	4.7	4,885	8.7	75.8	(16.3)
Interest on loans and advances to banks and on reverse repurchase agreements......................	6,994	4.7	3,961	4.6	1,029	1.8	76.6	284.9
— loans and advances to banks	6,532	4.4	3,923	4.5	1,029	1.8	66.5	281.2
— reverse repurchase agreements......................	462	0.3	38	0.1	—	—	1115.8	N/A
Amortisation of discount on loans	2,605	1.8	2,103	2.4	—	—	23.9	N/A
Total interest income	147,250	100.0	86,407	100.0	56,163	100.0	70.4	53.9

During the year ended 31 December 2006, total interest income increased by 70.4 per cent. to KZT147,250 million from KZT86,407 million for the year ended 31 December 2005. This growth is primarily a result of the 70.4 per cent. growth in the Bank's average interest earning assets to KZT1,246 billion for the year ended 31 December 2006 from KZT731 billion for the year ended 31 December 2005, compared with an increase of 53.8 per cent. in 2005 from KZT475 billion for the year ended 31 December 2004. The primary component of interest income growth in 2006 and 2005 was from loans to customers and interest on debt securities. Interest on debt securities contributed to interest income growth slightly more than loans to banks both due to a larger value of debt securities and their higher proportion in the interest income structure.

The following table sets out the average annual yield on the Bank's interest earning assets in 2006, 2005 and 2004:

	Year ended 31 December		
	2006	2005	2004
	(%) (Unaudited)		
KZT loans to customers	13.16	13.37	13.99
to corporates	12.79	12.97	13.62
to individuals..	16.86	17.67	18.46
Foreign currency loans to customers...	12.90	13.26	12.40
to corporates	12.77	13.04	12.07
to individuals..	13.55	14.31	14.85
Total gross loans to customers	12.97	13.29	12.64
KZT loans to banks	3.72	3.98	2.83
Foreign currency loans to banks	6.25	4.12	4.25
Total gross loans to banks..	5.75	4.11	3.83
KZT denominated trading securities	6.05	4.11	4.68
Foreign currency denominated securities	5.70	7.43	8.82
Total securities	5.80	5.92	6.23
Total average yield on interestearning assets...	11.82	11.82	11.85

Interest income from loans to customers continued to comprise the largest share of interest income. Its share as a percentage of total interest income for the year ended 31 December 2006 remained almost unchanged at the level of 87.7 per cent. compared to 87.5 per cent for the year ended 31 December 2005 and increased slightly from 86.9 per cent. for the year ended 31 December 2004. Interest on loans to customers grew by 70.7 per cent. and amounted to KZT129,117 million for 2006 compared to KZT75,648 million for 2005. This growth was caused by a 75 per cent. (KZT435 billion) increase in the average gross volume of loans to customers, to KZT1,015 billion for the year ended 31 December 2006 compared to KZT580 billion for the year ended 31 December 2005. Average interest rates on loans to customers marginally decreased from 13.29 per cent. to 12.97 per cent. during the same period.

The 54.9 per cent. increase in interest income on loans to customers in the year ended 31 December 2005, was mainly due to the 50.9 per cent. growth in the Bank's average loan portfolio, from KZT384.6 billion for the year ended 31 December 2004 to KZT580.2 billion for the year ended 31 December 2005 and an overall increase in average interest rates on loans to customers from 12.64 per cent. in 2004 to 13.29 per cent. in 2005, notwithstanding a fall in Tenge interest rates which was in line with market trends.

Interest income from loans and advances to banks including reverse repurchase agreements increased 76.6 per cent. to KZT6,994 million for the year ended 31 December 2006, compared to KZT3,961 million for the year ended 31 December 2005, and compared with an increase of 284.9 per cent. for the year ended 31 December 2005 from KZT1,029 million for the year ended 31 December 2004. Interest income on loans and advances to banks constituted 4.7 per cent., 4.6 per cent. and 1.8 per cent. of the Bank's total interest income in 2006, 2005 and 2004, respectively. The increase in interest income on loans and advances to banks in 2006 was primarily due to an increase in average interest rates from 4.11 per cent. in 2005 to 5.75 per cent. in 2006 as a result of an increase in LIBOR as well as a 19 per cent. increase in average gross volume of loans and advances to banks. The increase in interest income on loans and advances to banks in 2005 was primarily attributable to a KZT68.3 billion increase in average loans and advances to banks to KZT93.5 billion for the year ended 31 December 2005 from KZT25.2 billion for the year ended 31 December 2004 as well as an increase in average interest rates to 4.1 per cent. in 2005 from 3.8 per cent. in 2004.

Interest income on debt securities increased 75.8 per cent. to KZT7,183 million for the year ended 31 December 2006 from KZT4,087 million for the year ended 31 December 2005 and decreased by 16.3 per cent. in the year ended 31 December 2005 from KZT4,885 million in the year ended 31 December 2004. The 75.8 per cent. increase in 2006 reflected the KZT75.1 billion increase in the average volume of marketable securities held during 2006 compared with 2005. This increase occurred notwithstanding a fall in the average rate of interest earned on these securities to 5.8 per cent. in 2006 from 5.92 per cent. in 2005, reflecting an increase in the Bank's holdings of lower yielding foreign currency securities. The decrease in interest income on debt securities in 2005 was due to a decrease in the Bank's average marketable securities portfolio to KZT80 billion for the year ended 31 December 2005 from KZT85.8 billion for the year ended 31 December 2004 and a decline in the average yield on marketable securities to 5.9 per cent. in 2005 from 6.2 per cent. in 2004.

Interest expense

The following table sets out details of the Bank's interest expense for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December						Variation	
	2006	**% of total**	**2005**	**% of total**	**2004**	**% of total**	**2006/2005**	**2005/2004**
	(KZT millions except percentages)						(%)	
Interest on debt securities issued	36,610	44.0	22,136	48.3	15,890	57.9	65.4	39.3
Interest expense on customer accounts and repurchase agreements	20,132	24.2	11,689	25.5	6,970	25.4	72.2	67.7
— customer accounts	20,034	24.1	11,649	25.4	6,970	25.4	72.0	67.1
— repurchase agreements	98	0.1	40	0.1	—	—	145.0	N/A
Interest expense on loans and advances from banks and repurchase agreements	21,287	25.6	10,572	23.0	3,801	13.9	101.4	170.1
— loans and advances from banks	19,514	23.5	10,475	22.8	3,801	13.9	86.3	175.6
— repurchase agreements	1,773	2.1	97	0.2	—	—	1727.8	N/A
Dividends	636	0.8	669	1.5	290	1.0	(4.9)	130.7
Interest expense on securitzation program	3,744	4.5	—	—	—	—	N/A	N/A
Other interest expense	706	0.8	789	1.7	207	0.8	(10.5)	281.2
Total interest expense	83,115	100.0	45,855	100.0	27,433	100.0	81.3	67.2

Interest expense increased by 81.3 per cent., or KZT37,260 million, to KZT83,115 million for the year ended 31 December 2006 from KZT45,855 million for the year ended 31 December 2005, after having increased by 67.2 per cent. for the year ended 31 December 2005 from KZT27,433 million for the year ended 31 December 2004. The increase over the 2006 and 2005 fiscal years is largely as a result of a 78.4 per cent. growth in average interest bearing liabilities for the year ended 31 December 2006 to KZT1,201 billion from KZT673 billion for the year ended 31 December 2005 and a 52.2 per cent. growth in 2005 from KZT442 billion for the year ended 31 December 2004.

The following table sets out the average cost of the Bank's interest bearing liabilities for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December		
	2006	2005	2004
		(%)	
Securities issued	9.34	9.66	9.86
KZT	7.39	7.31	7.00
Foreign currency	9.42	9.77	9.93
Customer deposits	4.75	4.46	4.11
KZT deposits	5.45	4.82	4.31
Time deposits (corporate)	7.30	7.08	6.89
Time deposits (retail)	9.20	8.89	9.63
Demand deposits (corporate)	0.17	0.42	0.56
Demand deposits (retail)	—	—	—
Foreign currency deposits	3.56	4.16	4.01
Time deposits (corporate)	3.31	5.06	3.31
Time deposits (retail)	6.29	5.72	6.24
Demand deposits (corporate)	0.10	0.30	0.67
Demand deposits (retail)	0.01	—	—
Correspondent accounts	0.13	0.31	0.78
KZT	0.19	0.37	0.44
Foreign currency	0.06	0.07	1.14
Shortterm interbank loans	6.00	4.19	2.63
KZT	4.42	2.53	2.61
Foreign currency	6.03	4.53	2.64
Longterm loans from banks	6.51	6.03	3.67
KZT	5.88	5.97	—
Foreign currency	6.52	6.03	3.67
Other borrowed funds	6.90	6.22	6.73
KZT	2.17	3.01	1.41
Foreign currency	6.91	6.29	7.15
Average cost of interestbearing liabilities	6.87	6.71	5.93

Interest expense on securities issued increased 65.4 per cent. to KZT36,610 million for the year ended 31 December 2006 from KZT22,136 million for the year ended 31 December 2005 and increased by 39.3 per cent. for the year ended 31 December 2005 from KZT15,890 million for the year ended 31 December 2004. The increases in each year were partly as a result of the funds raised internationally by the Bank in 2005 and in 2006, namely U.S.$500 million 8 per cent. notes issued in November 2005, U.S.$100 million 4.25 per cent. notes issued in February 2006, €300 million 5.125 per cent. notes issued in March 2006, U.S.$200 million 8.625 per cent. subordinated notes issued in July 2006 and U.S.$500 million 7.5 per cent. notes issued in November 2006. As a result, the average volume of securities issued grew 70.3 per cent. to KZT412.9 billion for 2006 from KZT242.4 billion in 2005 and increased 59.5 per cent. in 2005 from KZT152 billion in 2004. The average cost of securities issued has decreased over the period from 9.86 per cent. in 2004, to 9.66 per cent. in 2005 and to 9.66 per cent. in 2006, primarily as a result of the issuance of several tranches of Eurobonds in 2005 and 2006 with interest rates lower than the average cost of the securities previously issued.

Interest expense on customer accounts increased by 72.2 per cent. to KZT20,132 million for the year ended 31 December 2006 compared to KZT11,689 million for the year ended 31 December 2005 and increased by 67.7 per cent. for the year ended 31 December 2005 from KZT6,970 million for the year ended 31 December 2004. These increases were due to a 126.7 and 53.4 per cent. growth in customer accounts during 2006 and 2005. Demand deposits were KZT257.6 billion, KZT114.2 billion and KZT84.9 billion as at 31 December 2006, 2005 and 2004, respectively and term deposits were KZT425.8 billion, KZT189.2 billion and KZT112.8 billion as at 31 December 2006, 2005 and 2004. The average cost of customer deposits increased overall.

Interest expense on loans and advances from banks including repos increased by 101.4 per cent. to KZT21,287 million for the year ended 31 December 2006, from KZT10,572 million for the year ended 31 December 2005 and increased 159.4 per cent. for the year ended 31 December 2005 from

KZT4,076 million for the year ended 31 December 2004. These increases were attributable to an increase in the borrowing from banks and financial institutions to KZT884.3 billion as at 31 December 2006 from KZT379.2 billion as at 31 December 2005 and from KZT198.7 billion as at 31 December 2004 and were also attributable to increases in average interest rates on inter bank borrowings due to the LIBOR rate growth. The increase in borrowings reflected the U.S.$1.3 billion syndicated loan borrowed in December 2005 and the U.S.$850 million syndicated loan borrowed in August 2006.

Other interest expense grew to KZT4,450 million in 2006 from KZT789 million in 2005 and KZT207 million in 2004. The 464 per cent. increase in 2006 and 281.2 per cent. increase in 2005 were mainly attributable to the Bank's future flow securitisation in late 2005.

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

Net interest income

The following table sets out details of the Bank's net interest income in the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December			Variation	
	2006	**2005**	**2004**	**2006/2005**	**2005/2004**
	(KZT millions)			(%)	
Interest income	147,250	86,407	56,163	70.4	53.9
Interest expense	(83,115)	(45,855)	(27,433)	81.3	67.2
Net interest income before provision for impairment losses on interest bearing assets	64,135	40,552	28,730	58.2	41.1
Net interest margin(1)	5.1%	5.5%	6.0%		
Net interest income before provision for impairment losses/operating income before provisions for impairment losses	68.9%	73.6%	70.4%		

(1) Based upon average daily balances. Net interest margin is calculated as net interest income before provision for impairment losses/ average interestearning assets.

Net interest income before provision for impairment losses increased by 58.2 per cent. to KZT64,135 million in the year ended 31 December 2006 from KZT40,552 million in the year ended 31 December 2005 and increased by 41.1 per cent. in the year ended 31 December 2005 from KZT28,730 in the year ended 31 December 2004. The increases from 2005 to 2006 and 2004 to 2005 resulted primarily from 70.4 per cent. growth in average interest earning assets to KZT1,246 billion for the year ended 31 December 2006 from KZT731 billion for the year ended 31 December 2005 and 53.8 per cent. growth in 2005 from KZT475 billion for the year ended 31 December 2004. Interest expense grew at a faster rate than interest income over the years ended 31 December 2006, 2005 and 2004, resulting in a decrease in the Bank's net interest margin to 5.1 per cent. in 2006 from 5.5 per cent. in 2005 and from 6.0 per cent. in 2004. Net interest income as a percentage of total operating income decreased in 2006 as a result of growth in average costs of interest bearing liabilities and a 98.5 per cent. increase in non interest income to KZT28.9 billion from KZT14.6 billion.

Provisions for impairment losses

The following table presents data on the Bank's provisions for impairment losses in the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December			Variation	
	2006	**2005**	**2004**	**2006/2005**	**2005/2004**
	(KZT millions)			(%)	
Provisions for impairment loss on loans to customers	33,277	17,121	11,103	88.5	54.2
Provisions for/(recoveries on) impairment losses on loans and advances to banks	(390)	712	119	(154.8)	498.3
Total provisions for impairment losses	32,887	17,833	11,222	84.4	58.9
Provisions for impairment losses on loans to customers/average gross customer loans(1)	3.3%	3.0%	2.9%		
Provisions for impairment losses/operating income before provisions for impairment losses	35.3%	32.4%	27.5%		

(1) Averages are based upon average daily balances.

Provisions for impairment losses increased by 84.4 per cent. to KZT32,887 million in the year ended 31 December 2006 from KZT17,833 million in the year ended 31 December 2005 and increased by 58.9 per cent. in the year ended 31 December 2005 from KZT11,222 million for the year ended 31 December 2004. The growth in provisions for impairment losses on loans to customers of 94.4 per cent. and 54.2 per cent. from 2005 to 2006 and from 2004 to 2005, respectively, was mainly attributable to a 75 per cent. increase in the average gross loan portfolio from KZT580 billion for the year ended 31 December 2005 to KZT1,015 billion for the year ended 31 December 2006 and a 50.9 per cent. increase in the average gross loan portfolio from KZT385 billion for the year ended 31 December 2004 compared to 31 December 2005. Despite the growth of gross loans and the amount of provisions on loans to customers, the effective rate of provisions on loans to customers fell to 4.2 per cent. for 2006 from 5.4 per cent. for 2005 and 5.7 per cent. for 2004.

Recoveries on impairment losses on loans to banks, however were KZT390 million, compared to provisions for impairment losses on loans to banks of KZT712 million in 2005, after increasing from KZT119 million in 2004. The decrease in 2006 was a result in the implementation of nil provisioning requirements for loans to OECD banks. The increase in 2005 was due to a substantial increase in average loans and advances to banks. Late in 2003, a change in write off policy was implemented whereby loans which had previously been written off because they were past due by 180 days or more were restored to the balance sheet with their provisions until such point when recovery was decided to be unlikely. The Bank has a 2 per cent. minimum provisioning policy for all of its loans (save for loans to OECD banks, under which no provisions are made for such loans reflecting the higher credit quality of such borrowers) even when they are fully performing.

__Net non interest income__

The following table sets out the principal components of the Bank's net non interest income for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December			Variation	
	2006	2005	2004	2006/2005	2005/2004
	(KZT millions)			(%)	(%)
Net gain on financial assets at fair value through profit or loss	4,545	849	22	435.3	3,759.1
Net gain on foreign exchange operations	5,403	1,591	1,972	239.60	(13.9)
Fee and commission income	17,537	10,684	9,102	64.1	17.4
Fee and commission expense	(1,672)	(1,269)	(988)	31.8	28.4
Net fee and commission income	15,865	9,415	10,108	68.5	(6.9)
Net realized gain from investments available-for-sale	29	12	49	141.7	(75.5)
Dividends received	83	10	15	730.0	(33.3)
Other income	3,042	2,690	1,895	13.1	42.0
Total net non-interest income	28,967	14,567	12,067	98.9	20.7
Net fee and commission income/total operating income before provision for impairment losses	17%	17.1%	19.9%		
Net fee and commission income/average total assets[(1)]	1.1%	1.2%	1.6%		
Total net non-interest income/total operating income before provision for impairment losses	31.1%	26.4%	29.6%		

(1) Averages are based on average daily balances.

Net non interest income increased by 98.9 per cent. to KZT28,967 million for the year ended 31 December 2006 from KZT14,567 million for the year ended 31 December 2005 and increased by 20.7 per cent. for the year ended 31 December 2005 from KZT12,067 million for the year ended 31 December 2004. These increases were primarily due to increases in net fees and commissions, which constituted 54.8 per cent., 64.6 per cent. and 67.2 per cent. of net non interest income in 2006, 2005, and 2004, respectively, as well as net gains from foreign exchange operations and net gains on financial assets at fair value though profit or loss. Net fees and commission income as a percentage of net non interest income has declined.

The following tables show the composition of fee and commission income and expense for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December			Variation	
	2006	**2005**	**2004**	**2006/2005**	**2005/2004**
		(KZT millions)		**(%)**	
Fee and commission income:					
Cash operations	4,896	3,446	2,786	42.1	23.7
Documentary operations	3,393	2,144	1600	58.3	34.0
Foreign exchange and securities operations	2,492	1,334	1,237	86.8	7.8
Settlements	2,018	1,801	1,990	12.0	(9.5)
Plastic cards operations	1,890	1,227	893	54.0	37.4
Encashment operations	170	140	136	21.4	2.9
Other	2,678	592	460	352.4	28.7
Total fee and commission income	17,537	10,684	9,102	64.1	17.4
Fee and commission expense:					
Plastic cards services	692	468	357	47.9	31.1
Insurance activity	474	368	270	28.8	36.3
Foreign exchange and securities operations	131	105	82	24.8	28.0
Correspondent bank services	107	77	80	39.0	(3.8)
NBRK clearing fees	81	82	63	(1.2)	30.2
Documentary operations	48	28	93	71.4	(69.9)
Other	139	141	43	(1.4)	227.9
Total fee and commission expense	1,672	1,269	988	31.8	28.4

Fee and commission income increased by 64.1 per cent. to KZT17,537 million for the year ended 31 December 2006 from KZT10,684 million for the year ended 31 December 2005 and increased by 17.4 per cent. for the year ended 31 December 2005 from KZT9,102 million for the year ended 31 December 2004. The increases were primarily as a result of a growing range of banking products sold to an expanding retail and corporate customer base. In addition, growth in fee and commission income was a result of growing activities of the Bank's pension fund and asset management company. JSC Grantum APF and JSC OCOPAIM Grantum Asset Management. In 2006 compared to 2005, documentary operations commission increased by 58.3 per cent., plastic card fees increased by 54.0 per cent., cash operations fees and commissions increased by 42.1 per cent, foreign exchange and securities operations commissions increased by 86.8 per cent. and other bank commissions and fees for cash collection, information services, insurance operations and other services, increased 352.4 per cent. for the compared periods. In 2005 compared to 2004, documentary operations commission increased by 34.0 per cent., plastic card fees increased by 7.8 per cent., cash operations services fees and commissions increased by 23.7 per cent, foreign exchange and securities operations commissions increased by 7.8 per cent. and other bank commissions and fees for cash collection, information services, insurance operations and other services, increased 28.7 per cent. for the compared periods. Other fees and commissions increased 352.4 per cent. in 2006 to KZT2,678 million from KZT592 million in 2005 was mainly a result of growing activities of JSC Grantum Accumulation Pension Fund. It contributed KZT879 million of fees and KZT292 million of investment income. In addition, KZT907 million were represented by fee which LLP Moskommertsbank received for arranging a syndicated loan facility.

Fee and commission expense increased by 31.8 per cent. to KZT1,672 million for the year ended 31 December 2006 from KZT1,269 million for the year ended 31 December 2005 and increased by 28.4 per cent. for the year ended 31 December 2005 from KZT988 million for the year ended 31 December 2004. The increases in fee and commission expense were mainly attributable to growth in the Bank's plastic cards services and fees and commissions relating to the insurance business of the Group. In 2006, 47.9 per cent. of fee and commission expenses were related to payment cards as a result of increases in the volume of transactions and the number of cards issued. In addition, 28.3 per cent. of fee and commission expense is represented by insurance claims. In 2006, they increased by 28.8 per cent. as compared to 2005. In 2005 and periods prior to that the Bank reported insurance claims (being claims paid out by its insurance subsidiary, JSC SK Kazkommerts-Policy) within other operating expenses. However, it now reports insurance claims as insurance activity within fee and commission expense. For 2006, insurance claims were KZT474 million.

Other commission expense mainly represented by fees paid for rating services decreased 1.4 per cent. to KZT139 million for the year ended 31 December 2006 from KZT141 million for the year ended 31 December 2005 and increased 227.9 per cent. for the year ended 31 December 2005 from KZT43 million for the year ended 31 December 2004. The increase in 2005 was mainly due to fees paid for rating services in connection with the Bank's future flow securitisation in December 2005.

The net gain on financial assets at fair value through profit or loss increased significantly to KZT4,545 million in 2006 from KZT849 million in 2005 primarily due to increase in gains from derivative financial instruments on foreign currency to KZT6,553 million in 2006 from a loss of KZT11 million in 2005. The gains on derivative financial instruments were mostly due to the positive revaluation of cross currency swaps concluded in 2006 to hedge currency risks associated with its Eurobonds denominated in Singapore dollars and Euro which were issued in 2006. Net gain on financial assets at fair value though profit or loss increased significantly to KZT742 million in 2005 from KZT22 million in 2004, primarily due to an increase in unrealised gains from the revaluation of Kazakhtelecom shares held by the Bank.

Net gain on foreign exchange operations, which includes translation differences as well as profits made on foreign currency transactions in the year ended 31 December 2006 was KZT5,403 million compared to KZT1,591 million in the same period in 2005. The 239.6 per cent. increase was due to increases in volumes of the Bank's foreign exchange operations and gains from the higher volatility of the Tenge over 2006 and 2005.

Other non interest income increased 13.1 per cent. to KZT3,042 million for the year ended 31 December 2006 compared with the KZT2,690 million for the year ended 31 December 2005 and increased by 42.0 per cent. for the year ended 31 December 2005 from KZT1,895 million for the year ended 31 December 2004. Insurance premiums received by JSC SK Kazkommerts Policy comprised 80.6 per cent., 89 per cent. and 78 per cent. of other income for 2006, 2005 and 2004, respectively. Insurance premiums increased by 2.4 per cent. to KZT2,451 million in 2006 from KZT2,394 million in 2005 and increased by 61.9 per cent. in 2005 from KZT1,479 million in 2004. The Bank believes that growth in insurance premiums over the period under review was a general reflection of the continuing development of the insurance market in Kazakhstan.

Operating expenses

The following table sets out the principal components of the Bank's operating expenses for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December						Variation	
	2006	**% of total**	**2005**	**% of total**	**2004**	**% of total**	**2006/2005**	**2005/2004**
	(KZT millions, except percentages)						(%)	
Staff costs	9,154	50.6	6,517	48.8	3,782	39.8	40.5	72.3
Depreciation and amortisation	1,833	10.2	1,564	11.7	1,302	13.7	17.2	20.1
Lease	1,134	6.3	514	3.8	375	3.9	120.6	37.1
Advertising expenses	1,038	5.8	587	4.4	417	4.4	76.8	40.8
Value added tax	640	3.6	456	3.4	332	3.5	40.4	37.3
Fixed assets maintenance	635	3.5	666	5	543	5.7	(4.7)	22.7
Communication	476	2.6	367	2.7	334	3.5	29.7	9.9
Insurance of individual deposits	402	2.2	311	2.3	285	3.0	29.3	9.1
Business trip expenses	323	1.8	256	1.9	253	2.7	26.2	1.2
Other expenses	2,404	13.3	2,130	15.9	1,888	19.9	12.9	12.8
Total operating expenses	18,039	100.0	13,368	100.0	9,511	100.0	34.9	40.6
Operating expenses/net operating income before provisions for impairment losses	19.4%	24.3%	23.3%					
Operating expenses/average total assets[(1)]	1.3%	1.7%	1.8%					

(1) Averages are based on average daily balances.

Operating expenses increased by 34.9 per cent. to KZT18,039 million in the year ended 31 December 2006 from KZT13,368 million in the year ended 31 December 2005 and increased by 40.6 per cent. in 2005 from KZT9,511 million in 2004. However, notwithstanding this growth in operating expenses, operating expenses as a percentage of operating income before provisions for impairment losses decreased to 19.4 per cent. in 2006 from 24.3 per cent. in 2005 and 23.3 per cent. in 2004. As a percentage of average total assets, operating expenses were 1.3 per cent. in 2006, 1.7 per cent. in 2005 and 1.8 per cent. in 2004.

Staff costs increased by 40.5 per cent. to KZT9,154 million in the year ended 31 December 2006 from KZT6,517 million in the year ended 31 December 2005 and increased by 72.3 per cent. for the year ended 31 December 2005 from KZT3,782 million in the year ended 31 December 2004. Staff costs accounted for 50.7 per cent. of operating expenses for 2006 compared to 48.8 per cent. for 2005 and 39.8 per cent. for 2004. This increase reflected an increase in employees' salaries and an increase in the number of employees as the Bank grew its retail business. The number of the Group's employees increased by 44.2 per cent. over the period to 6,070 as at 31 December 2006 from 4,209 as at 31 December 2005 and 5,186 as at 31 December 2004.

Depreciation and amortisation costs increased by 17.2 per cent., or KZT269 million, to KZT1,833 million in the year ended 31 December 2006 from KZT1,564 million in the year ended 31 December 2005 and increased by 20.1 per cent., or KZT262 million, in the year ended 31 December 2005 from KZT1,302 million for the year ended 31 December 2004. The increases were due to the Bank's investment in its customer service network as well as the upgrading of existing and opening of new branches. As a result, average tangible and intangible assets in 2006 were 81.0 per cent. higher than the average in the same period in 2005 and in 2005 were 17.3 per cent. higher than the average in the same period in 2004. As a percentage of total operating expenses, depreciation and amortisation costs decreased to 10.2 per cent. in 2006, compared to 11.7 per cent. in 2005 and compared to 13.7 per cent. in 2004.

Lease expenses increased 120.6 per cent. to KZT1,134 million in the year ended 31 December 2006 from KZT514 million in the year ended 31 December 2005 and increased by 37.1 per cent. in the year ended 31 December 2005 from KZT375 million in 2004. The increases were primarily as a result of the Bank opening 31 new branches in 2006 and two new branches in 2005 and entering into lease agreements on additional branch premises which have not been fully refurbished and opened yet. The Bank had 111, 80 and 78 branches as at 31 December 2006, 2005 and 2004.

Advertising expenses increased by 76.8 per cent. to KZT1,038 million in the year ended 31 December 2006 from KZT587 million in the year ended 31 December 2005 and increased by 40.8 per cent. in the year ended 31 December 2005 from KZT417 million in 2004. The increases were due to an active advertising campaign promoting the Bank and its products and services.

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

VAT payments increased by 40.4 per cent. to KZT640 million in the year ended 31 December 2006 from KZT456 million in year ended 31 December 2005 and increased by 37.3 per cent. in the year ended 31 December 2005 from KZT332 million for the year ended 31 December 2004. The increases from were in line with the increase in overall operating expenses and expenditures on fixed assets.

Other expenses in 2005 include fines and penalties in the amount of KZT212 million compared with negligible amounts in prior periods. Of the KZT212 million, KZT143 million were penalties paid in 2005 in respect of the audit in 2004 by the Kazakh tax authorities of the Bank's accounts relating to the years 1999 to 2002. In 2006 the Bank paid fines and penalties in the amount of KZT14 million.

Taxation

The statutory corporate income tax rate in Kazakhstan is 30 per cent. For the years ended 31 December 2006, 2005 and 2004 the effective tax rates incurred by the Bank were 28.5 per cent., 10.6 per cent. and 49.5 per cent., respectively. Tax expense increased by 404.2 per cent. to KZT11,789 million in 2006 from KZT2,338 million in 2005 and decreased by 75.6 per cent. in 2005 from KZT9,573 million in 2004.

The increase in the Bank's effective tax rate in 2006 was primarily due to changes in the composition of the Bank's income and a proportionate decrease in tax exempt income and due to the removal of tax exemptions on investment loans and government securities, which offset the benefits of tax exemptions on income from residential mortgages. Moreover, in 2006 there was a trend towards mortgages being repaid early, which resulted in a decrease in tax exempt interest earned on such loans to KZT6.1 billion in 2006 from KZT9.6 billion in 2005. In addition, there was a 606 per cent. increase in deferred income tax expense from KZT1,242 million in 2005 to KZT8,774 in 2006, which represented the difference between actual tax expense and the tax rate in accordance with IFRS. The higher amount and effective rate in 2004 resulted mainly from an additional tax charge of KZT4,009 million claimed in 2004 following an audit of the years 1999 to 2002 made by the Kazakh tax authorities. The one-time charge resulted mainly from a disallowance of deductions for tax purposes of provisions for loan losses. However, even disregarding the additional charge in 2004, the Bank's effective tax rate was in any event higher that year because of changes in tax computation rules relating to provisioning in relation to 2004 leading to increased charges. Profit before taxes increased to KZT41 billion in 2006 from KZT22 billion in 2005 and KZT19 billion in 2004.

The following table shows the relationship between the Bank's tax expense and accounting profit for the years ended 31 December 2006, 2005 and 2004:

	Year ended 31 December		
	2006	**2005**	**2004**
		(KZT million)	
Profit before income tax	41,375	22,153	19,355
Tax at the statutory tax rate (30 per cent.)	12,413	6,646	5,807
Tax effect of permanent differences	(624)	(2,713)	(243)
Adjustment of prior periods	—	(1,595)	—
Tax accruals as a result of tax audit	—	—	4,009
Income tax expense	11,789	2,338	9,573
Current income tax expense	3,015	1,096	5,876
Deferred income tax expense	8,774	1,242	3,697
Income tax expense	11,789	2,338	9,573

Financial Condition as at 31 December 2006, 2005 and 2004

Total Assets

The following table presents data regarding the Bank's assets as at 31 December 2006, 2005 and 2004:

	As at 31 December					
	2006	**% of total**	**2005**	**% of total**	**2004**	**% of total**
			(KZT millions, except percentages)			
Assets:						
Cash and balances with national (central) banks	209,005	8.6	37,229	3.1	66,293	9.4
Precious metals	807	0.0	—	—	—	—
Financial assets at fair value through profit or loss	322,618	13.2	140,375	11.8	74,800	10.6
Loans and advances to banks	197,191	8.1	254,287	21.3	41,834	6.0
Loans to customers	1,678,840	68.7	743,411	62.2	503,333	71.5
Investments availableforsale	2,628	0.1	427	0.0	489	0.1
Investments held to maturity	357	0.0	562	0.1	64	0.0
Investments in associates	1,755	0.1	425	0.0	218	0.0
Property, equipment and intangible assets	15,681	0.6	8,662	0.7	7,386	1.0
Other assets	15,420	0.6	9,491	0.8	9,640	1.4
Total assets	2,444,302	100.0	1,194,869	100.0	704,057	100.0

As at 31 December 2006, the Bank had total assets of KZT2,444,302 million, an increase of 104.6 per cent. from 31 December 2005. As at 31 December 2005, the Bank had total assets of KZT1,194,869 million, an increase of 69.7 per cent. compared to 31 December 2004. The increases in total assets were mainly attributable to strong growth in retail and corporate lending. The Bank's net loans to customers increased 125.8 per cent. to KZT1,678,840 million as at 31 December 2006 from KZT743,411 million as at 31 December 2005 from KZT503,333 million as at 31 December 2004. See "Selected Statistical and Other Information – Loan Portfolio". The ratio of net loans to total assets increased to 68.7 per cent. as at 31 December 2006 from 62.2 per cent. as at 31 December 2005. Retail loans as a percentage of total loans increased from 15.1 per cent. as at 31 December 2005 to 15.6 per cent. as at 31 December 2006.

Loans to corporate clients increased by 119.4 per cent. to KZT1,417 billion as at 31 December 2006 from KZT646 billion as at 31 December 2005 and increased by 50.1 per cent. from KZT215.5 billion as at 31 December 2004. Corporate loans as a percentage of the Bank's total loans were 50.1 per cent. as at 31 December 2006, compared to 84.4 per cent. as at 31 December 2005. As at 31 December 2004 loans to corporate clients amounted to 61 per cent. of the Bank's total assets.

The increase in total assets in 2005 was due to a significant increase in Eurobond and syndicated loan funding in the second half of 2005 as the Bank invested funds raised through inter bank loans pending their re deployment in financing customer loans.

The Bank's securities portfolio increased by 130.9 per cent. to KZT327,358 million as at 31 December 2006 from KZT141,789 million as at 31 December 2005 and increased by 87.6 per cent. from KZT75,571 million as at 31 December 2004. Financial assets at fair value though profit or loss were the main component of the Bank's securities portfolio over the periods under review and constituted 98.6 per cent. of the portfolio as at 31 December 2006.

The Bank's cash and balances with the NBK, the National Bank of Kyrgyzstan and with the Central Bank of Russia increased by 461.4 per cent. to KZT209,005 million as at 31 December 2006 from KZT37,229 million as at 31 December 2005 and KZT66,293 million as at 31 December 2004.

The increases in cash and balances in 2006 was mainly due to an increase in the NBK's reserve requirements, which now are 8 per cent. of average customer account balances and 6 per cent. of qualified external and internal borrowings.

Fixed and intangible assets of the Bank increased by 81.0 per cent. to KZT15,7 billion as at 31 December 2006 from KZT8.7 billion as at 31 December 2005 primarily a result of the expansion of the Bank's branch network. From 2004 to 2006 the Bank's fixed assets grew at a slower rate than total assets and as a result the ratio of fixed assets to total assets decreased from 1.05 per cent. as at 31 December 2004, to 0.72 per cent. as at 31 December 2005 and to 0.64 per cent. as at 31 December 2006.

The Bank's average daily assets increased by 76.1 per cent. to KZT1,383.6 billion in the year ended 31 December 2006 from KZT785.6 billion for the year ended 31 December 2005 and increased by 52.6 per cent. for the year ended 31 December 2005 from KZT514.8 billion for the year ended 31 December 2004. The increase in 2006 was mainly due to a 76.3 per cent. increase in the Bank's net average daily loan portfolio to KZT417.8 billion. In addition, the Bank's average daily loans and advances to banks increased 19.0 per cent. in 2006 and its average daily portfolio of marketable securities increased 93.9 per cent. in 2006. The Bank's average interest earning assets increased by 70.4 per cent. in 2006 compared to 2005.

Total liabilities

The following table presents data regarding the Bank's liabilities as at 31 December 2006, 2005 and 2004:

	As at 31 December					
	2006	**% of total**	**2005**	**% of total**	**2004**	**% of total**
	(KZT millions, except percentages)					
Liabilities:						
Loans and advances from banks	884,301	40.6	379,206	34.3	198,776	30.8
Customer accounts	687,806	31.6	303,437	27.4	197,827	30.7
Deriviative financial instruments	3,554	0.0	189	0.0	31	0.0
Debt securities issued	424,162	19.4	303,133	27.4	207,841	32.2
Other borrowed funds	68,814	3.1	50,604	4.6	4,464	0.7
Provisions	6,758	0.0	4,934	0.0	3,087	0.0
Deferred income tax liabilities	17,471	0.8	8,290	0.7	6,976	1.1
Dividends payable	1	0.0	1	0.0	1	0.0
Other liabilities	18,900	0.9	9,715	0.9	5,951	0.9
Subtotal	2,101,454	96.4	1,054,385	95.3	621,835	96.4
Subordinated debt	78,922	3.6	52,213	4.7	229,926	3.6
Total liabilities	2,180,376	100.0	1,106,598	100.0	644,761	100.0

As at 31 December 2006, the Bank's total liabilities increased by 97.0 per cent. to KZT2,180,376 million from KZT1,106,598 million as at 31 December 2005, which in turn represented an increase of 71.6 per cent. compared to KZT644,761 million as at 31 December 2004.

Customer accounts increased 126.7 per cent. to KZT687,806 million as at 31 December 2006 from KZT303,437 million as at 31 December 2005 and KZT197,027 million as at 31 December 2004. Corporate deposits constituted 71.5 per cent. of total customer deposits as at 31 December 2006 compared to 63.7 per cent. as at 31 December 2005 and 58.0 per cent. as at 31 December 2004.

Debt securities issued increased by 39.9 per cent. to KZT424,162 million as at 31 December 2006 from KZT303,133 million as at 31 December 2005, which in turn represented a 45.8 per cent. increase from KZT207,841 million as at 31 December 2004. For details, see "Funding and liquidity". As at 31 December 2006, debt securities issued include bonds in the amount of KZT386,718 million issued by LLP Moskommertsbank and promissory notes in the amount of KZT37,444 million.

Loans and advances received from banks increased by 133.2 per cent. to KZT884,301 million as at 31 December 2006 from KZT379,206 million as at 31 December 2005 and KZT198,776 million as at 31 December 2004. For details, see "Funding and liquidity".

The volume of securities sold under repurchase agreements increased to KZT250,852 million as at 31 December 2006 from KZT59,111 million as at 31 December 2005 and KZT28.4 billion as at 31 December 2004.

Other borrowed funds increased to KZT68,814 million as at 31 December 2006 compared to KZT50,604 million as at 31 December 2005 and KZT4,464 billion as at 31 December 2004. The increase from 2004 to 2005 was primarily as a result of an issue in December 2005 of three tranches of floating rate notes totalling U.S.$300 million as part of the Bank's future flow securitisation of its diversified payment rights.

The Bank's outstanding subordinated debt amounted to KZT78,922 million as at 31 December 2006, an increase of 51.2 per cent. from KZT52,213 million as at 31 December 2005, which in turn represented a 127.7 per cent. increase as compared to KZT122,926 million as at 31 December 2004. The increase in 2006 was due to the Bank's issuance of U.S.$200 million 8.625 per cent. subordinated loan participation notes as well as issuance of U.S.$20 million 10 per cent. subordinated loan participation notes by LLP Moskommertsbank. The increase between 2004 and 2005 was due to the Bank's issuance in March 2005 of the fifth tranche of KZT5.5 billion subordinated coupon notes (with a 7.5 per cent. interest rate until the end of March 2007) and an issue of U.S.$100 million 9.2 per cent. perpetual loan participation notes in November 2005.

Equity and capital ratios

The Bank's shareholders' equity increased by 205.9 per cent. to KZT248,654 million as at 31 December 2006 compared to KZT81,295 million as at 31 December 2005, which in turn represented a 51.0 per cent. increase from KZT53.8 billion as at 31 December 2004. The increase as at 31 December 2006 was due to a public placement of the Bank's Shares on the London Stock Exchange by existing shareholders in November 2006 followed by domestic offer of the Bank's Shares among existing shareholders as well as KZT27.8 billion net profit earned during 2006.

As at 31 December 2006, the Bank's equity capital, calculated in accordance with the Basel Accord, was KZT327,063 million and Tier I capital was KZT270,384 million, representing a total capital increase of 144.6 per cent. from KZT133,721 million as at 31 December 2005 and a Tier I capital increase of 169.9 per cent. from KZT102,459 million as at 31 December 2005. As at 31 December 2004, the equity capital increased by 53.3 per cent. to KZT87.2 billion.

As at 31 December 2006, the Bank's Tier I capital adequacy ratio and total capital adequacy ratio, each calculated in accordance with the Basel Accord, were 12.5 per cent. and 15.1 per cent., respectively, compared with 11.0 per cent. and 14.4 per cent., respectively, as at 31 December 2005 and 10.5 per cent. and 15.0 per cent., respectively, as at 31 December 2004.

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

	31 December		
	2006	2005	2004
	(KZT millions)		
Share capital	5,748	3,750	3,461
Share premium	152,534	21,976	11,342
Retained earnings	86,689	58,877	10,454
Minorities	15,272	6,976	5,468
Goodwill	(2,405)	(2,405)	0
Hybrid Tier I capital	12,546	13,285	0
Total Tier I capital (Basel)	270,384	102,459	60,725
Total Tier II capital (Basel)	56,680	31,262	26,486
Total capital (Basel)	327,064	133,721	87,211
Risk weighted assets	2,192,569	929,898	581,222
Ratios			
Tier I	12.5%	11.0%	10.5%
Total Capital	15.1%	14.4%	15.0%

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

	FMSA's minimum requirements	As at 31 December 2006	2005	2004
		(% unless otherwise noted)		
Share capital	Not less than KZT1.5 billion(1)	KZT7 billion	KZT5 billion	KZT4.2 billion
K1-Tier I capital to total assets	Not less than 5%	9.6	5.8	6.1
K2-own capital to total risk weighted assets	Not less than 10%	12.9	11.7	12.2
K4-current liquidity ratio	Greater than 30%	—	144.0	96.3
K5-current liquidity ratio	Greater than 30%	—	134.0	102.7
K6-investments to fixed assets and non-financial assets to equity as a percentage of own capital(3)	Not greater than 50%	6.1	8.8	10.6
Reserve requirements as a percentage of average customer account balances plus qualified international borrowings	Not less than 6%	9.1	7.5	78.9
Maximum aggregate net open foreign currency position(2) as a percentage of own capital(3)	25%	10.2 (short)	3.9 (short)	18.7 (short)
Maximum currency position in U.S. dollars(3) as a percentage of own capital	12.5%	11.8 (short)	4.6 (short)	19.5 (short)
Maximum currency position in Russian roubles(4) as a percentage of own capital	5%	0.8 (long)	0.37 (long)	0.2 (long)
Maximum aggregate credit exposure to related parties (including on-balance and off-balance sheet exposures) as a percentage of own capital	100%	12.3	10.9	5.9
Funds placement into internal assets ratio	Not less than 100%	172.0	204.0	240.0
Maximum exposure as a percentage of own capital to any single borrower				
— related parties	10%	7.5	5.4	3.1
— other borrowers	25%	19.9	22.9	18.7
— on unsecured loans	10%	6.7	9.3	7.2

(1) For recently established banks.

(2) Net currency position.

(3) Open currency position (long and short term) for countries with a sovereign rating no lower than "A" assigned by Standards & Poor's.

(4) Currency position for countries with a sovereign rating lower than "A" by Standard & Poor's.

For purposes of the above ratios:

- Under Kazakh law, "share capital" means capital which must be provided in order to establish a company or a bank. A bank's share capital may only be formed with cash contributions. The sources of contributions to share capital are subject to certain limitations and specific disclosure requirements.
- The FMSA's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and, starting from 1 January 2006, Tier III capital (not exceeding 250 per cent. of the portion of Tier I capital aimed to cover market risk) less equity investments. Tier I capital is the sum of share capital plus share premium plus retained earnings less intangible assets and, starting from 22 November 2005, qualified term less debt obligations or Tier I subordinated debt in an amount not exceeding 15 per cent. of Tier I capital. Tier II capital is the sum of current profit for the period plus

revaluation reserves plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk weighted assets) plus Tier II subordinated debt (but no more than 50 per cent. of Tier I capital) and, starting from 22 November 2005, Tier I subordinated debt not included into the calculation of Tier I capital. Starting from 1 January 2006, Tier III capital is the sum of Tier III subordinated debt plus Tier II subordinated debt not included into the calculation of Tier II capital. Since November 2005, for a bank with a banking holding company (that is, an entity holding more than 25.0 per cent. of its voting share capital, alone or together with affiliated companies) among its shareholders, K1 must be not less than 5.0 per cent. and for other banks it must not be less than 6.0 per cent., as before, and K2 must be not less than 10.0 per cent. and for other banks it must be not less than 12.0 per cent., as before. In addition, starting from 1 January 2006, assets weighted by credit, market and operational risk (as opposed to only credit risk) have to be taken into account when calculating the K2 ratio. The current liquidity ratio is the ratio of monthly average highly liquid assets to monthly average demand liabilities. For this purpose, "highly liquid assets" include cash, refined precious metals, certain securities issued by the government of Kazakhstan, the NBK or certain other Kazakh entities, call deposits with the NBK and with banks with an appropriate credit rating, overnight loans to such banks and securities issued by foreign governments with an appropriate credit rating. Demand liabilities include call deposits, interbank overnight deposits and other specified short term or undated liabilities.

- The short term liquidity ratio is calculated as the ratio of average monthly assets with a maturity of not more than three months, including highly liquid assets, to average monthly liabilities with a term of not more than three months, including demand liabilities. A bank may include within its assets for this purpose certain securities issued by the government of Kazakhstan or the NBK that are not included in the calculation of highly liquid assets if liabilities secured by those securities are included in the calculation of liabilities for this purpose.

- For purposes of calculating the current or short term liquidity ratio, capital regulations provide that certain assets should not be included in the computation, including claims on non residents established in jurisdictions that have not assumed information exchange obligations, and if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios shall be deemed to be not satisfied, irrespective of the actual position.

- With effect from July 2006, the requirement for deposit with the NBK of a minimum monthly average of six per cent. of average customer account balances plus qualified international borrowings has been changed to six per cent. of all domestic liabilities and eight per cent. of all non domestic liabilities and notes and subordinated debt instruments (regardless of residence of the creditor).

- As from June 2006, the FMSA has introduced three new limits in relation to currency liquidity. The current currency liquidity limit (to be greater than 0.9) is calculated as foreign currency denominated high liquidity assets averaged monthly divided by paid on demand liabilities in the same currency averaged monthly. The short term currency liquidity limit is calculated similarly to the current currency liquidity limit by taking assets/liabilities with maturities less than three months; this ratio should be greater than 0.8. Similarly, the medium term currency liquidity limit is calculated by taking assets/liabilities with maturities less than one year; this ratio should be greater than 0.6. Limits are calculated for each foreign currency where liabilities denominated in such currency exceed 1 per cent. of the monthly averaged liabilities of a bank.

- As from June 2006, the FMSA's limit on maximum aggregate credit exposure to related parties (including on balance and off balance sheet exposures) of 100 per cent. of own capital has been replaced with the requirement that the sum of exposures to one borrower where each exposure exceeds 10 per cent. of own capital should not exceed eight times the bank's own capital.

- In January 2007, the FMSA proposed amendments to its capital adequacy regulations which, if implemented, will impose limits on foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital" as calculated both including and excluding debt securities issued. The amendments set out time limits for compliance and came into effect on 1 April 2007. Under the new regulations Kazakh banks have until 1 October 2007 to bring the ratio of their external liabilities to own capital within interim ratios and into full compliance with the final ratios by 1 April 2008. The final ratios that are applicable to the Bank are (i) four times own capital for external liabilities excluding debt securities issued and (ii) six times own capital for external liabilities including debt securities issued.

- At no time during the five years preceding the date of this Base Prospectus has the Bank been in breach of applicable capital adequacy or liquidity ratios

Funding and liquidity

As at 31 December 2006, 55.5 per cent. of the Bank's liabilities had a maturity of less than one year, while 44.5 per cent. of its assets had a maturity of more than one year. The Bank believes that loans with shorter or the same maturity as corresponding funding sources provide stability and flexibility to its funding. The Bank believes that its management of assets and liabilities have allowed the Bank to maintain prudent levels of liquidity from 2004 until now.

As at 31 December 2006, the Bank's funding base consisted of demand and time deposits 31.5 per cent., debt securities issued 19.5 per cent., loans and advances from banks including REPO transactions 40.6 per cent. and other liabilities 8.4 per cent.

The Bank increased its deposit base as total customer accounts increased by 126.7 per cent. to KZT687,806 million as at 31 December 2006 from KZT303,437 million as at 31 December 2005 and KZT197,827 million as at 31 December 2004, which represented a 53.4 per cent. increase in 2005. The Bank intends to further increase its domestic funding through increased time deposits, which the Bank regards as a stable source of short and medium term funding.

As at 31 December 2006, retail deposits (less interest accrued) comprised 28.5 per cent. of total customer deposits (less interest accrued). The Bank believes that expanding its geographical coverage and the range of services it offers, as well as increasing their quality, will enable it to attract more retail deposits. In accordance with its retail strategy, the Bank believes that by offering a wider range of services, as well as more sophisticated services (such as electronic banking, credit and debit cards, payroll services, utility payments, asset management and insurance products to individuals), it will be able to attract new customers and improve its ability to cross sell products. See "Description of Business — Retail banking".

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

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

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

In 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 at 31 December 2006, the EBRD had an aggregate of U.S.$68.5 million in different loans outstanding to the Bank.

The Bank raised its first syndicated loan in 1997. Since then, the Bank has been active in the syndicated loan market and has raised and repaid a total of 14 international syndicated loan facilities. The Bank is currently looking to raise more funds on the syndicated loan market. In August 2005 the Bank raised, through a subsidiary, a syndicated loan from a number of Asian banks for the amount of U.S.$400 million and in December 2005 the Bank raised, through a subsidiary, a two tranche

U.S.$1.3 billion syndicated loan organised by Bank of Tokyo Mitsubishi. In August 2006 the Bank raised a U.S.$850 million syndicated loan organised by ING Bank and in December 2006 raised a U.S.$1 billion syndicated loan organised by Bank of Tokyo Mitsubishi, ING Unit Credit and Standard Chartered Bank.

The Bank has also been active in the Eurobond market and as at 31 December 2006 had KZT383.6 billion of Eurobonds outstanding. In February 2005 the Bank issued U.S.$150 million 7 per cent. Eurobonds due 2010.

The Bank raised U.S.$300 million under its Future Flow Securitisation Programme through the issue of three series of bonds in December 2005 and two more series in June 2006.

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

	As at 31 December		
	2006	2005	2004
		(%)	
Liquid assets/total assets	28.0	33.9	23.9
Liquid assets/total deposits	99.4	133.5	85.0
Liquid assets/liabilities up to one month	95.4	151.7	98.6
Loans to customers, net/total assets	68.7	62.2	71.5
Loans to customers, net/customer accounts	244.1	245.0	254.4
Loans to customers, net/total equity	636.1	842.2	848.8

The size of the Bank's trading portfolio increased by 130.9 per cent. to KZT327.4 billion as at 31 December 2006 from KZT141.8 billion as at 31 December 2005 and 87.6 per cent. to 31 December 2005 from KZT75.6 billion as at 31 December 2004.

Foreign Currency Position

The following table sets out the net open foreign currency position of the Bank as at 31 December 2006, 2005 and 2004:

	As at 31 December		
	2006	2005	2004
Net long/(short) position (millions of U.S. dollars)	(334.6)	31.3	(179.7)
As a percentage of shareholders' equity (%)	13.0%	3.1%	(26.8)%
As a percentage of total liabilities (%)	1.9%	0.4%	3.6%

The FMSA regulates and closely monitors the net open foreign currency position of banks. According to the FMSA's requirements, from 1 September 2006, a bank's aggregate net open foreign currency position may not exceed 25 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 12.5 per cent. of its capital. The open short and long positions for any currency of a country with a sovereign rating lower than "A" by Standard & Poor's are limited to 5 per cent. of the Bank's capital.

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

Off Balance Sheet Arrangements

In the normal course of its activity, the Bank enters into certain financial instruments with off balance sheet risk in order to meet the needs of its customers. These instruments, which include guarantees, letters of credit, forward contracts and option contracts, involve varying degrees of credit risk and are not reflected in the balance sheet of the Bank. As at 31 December 2006, the Bank had issued outstanding guarantees totalling KZT91,683 million compared to KZT39,928 million as at 31 December 2005; had outstanding open letters of credit totalling KZT92,413 million compared to KZT59,951 million as at 31 December 2005; and had open forward contracts (i.e. foreign exchange, repurchase and swap transactions) totalling KZT173,509 million compared to KZT19,687 million as at 31 December 2005 and KZT13,753 million as at 31 December 2004. As at 31 December 2004, the Bank had issued outstanding guarantees totalling KZT22,972 million; had outstanding open letters of credit totalling KZT41,490 million, respectively. The Bank's maximum exposure to credit losses for guarantees and letters of credit is reflected in the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total contractual amount does not necessarily represent future cash requirements. Provisions for losses on contingent liabilities are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

As at 31 December 2006, provisions for losses off balance sheet contingent liabilities were KZT4,055 million, as compared to KZT2,589 million as at 31 December 2005 and KZT1,530 million as at 31 December 2004.

The following table sets forth the off balance sheet contingent liabilities of the Bank in Tenge, by contractual maturity, as at 31 December 2006:

	Up to one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
			(KZT millions)			
Guarantees	2,617	5,075	31,393	51,274	1,324	91,683
Letters of credit	24,760	12,632	44,398	10,623	—	92,413
Forward contracts	75,845	7,725	4,974	84,965	—	173,509
Total	103,222	25,432	80,765	146,862	1,324	357,605

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

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

The Bank uses the same credit control and management policies in undertaking offbalance sheet contingent liabilities as it does for its onbalance sheet operations.

THE ISSUER

General

The Issuer was incorporated as a private company with limited liability (a besloten vennootschap met beperkte aansprakelijkheid, or B.V.) under and subject to, the laws of The Netherlands on 1 October 1997 for an unlimited duration. The Issuer has its statutory seat in Rotterdam and is registered in the commercial register under number 24278506 A9.4.1.2 A9.4.1.3. A9.4.1.4

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 31 December 2006: A9.10.1

	As at 31 December 2006 (U.S.$*) (Unaudited)
Long-term debt:	5,393,908,624
Shareholders' equity:	
Share capital comprising 40 ordinary shares, par value €450 per share	23,735
Currency translation reserve	-1,100
Legal reserve	199
Share premium	497,000
Retained earnings	5,848,147
Results for the year	3,888,134
Total shareholders' equity	10,256,115
Total capitalisation (sum of long-term debt and shareholders' equity)	5,404,164,739

* At the exchange rate of €1 = US$1.3186.

As at 31 December 2006 current liabilities were U.S.$55,229,781.

On 13 February 2007, the Issuer issued €750 million 6.875% notes due 13 February 2017 and £350 million 7.625% notes due 13 February 2012, the fifth and sixth issue under the Programme, and deposited the proceeds with the Bank.

Except as disclosed above, there has been no material change in the capitalisation of the Issuer since 31 December 2006. The total capitalisation of the Issuer has not been adjusted to reflect the issue and sale of any notes. None of the longterm debt liabilities of the Issuer are convertible into or exchangeable for equity of the Issuer.

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 above purpose. The Issuer had a wholly owned subsidiary, Kazkommerts International Limited established in the Cayman Islands, although as of 30 June 2005 this was removed from the companies register prior to commencing any trading operations. A9.5.1.1 A9.6.1

Other than funds raised for the Bank, the Issuer had no other outstanding indebtedness, including borrowings, guarantees and contingent liabilities as at the date of this Base Prospectus.

There are no and have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months prior to the date of this Base Prospectus, or in the recent past which may have or have had significant effects on the Issuer's position or profitability.

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 N.V., Rivium Promenade 200, 2909 LM Capelle a/d A9.2.1
IJssel, P.O. Box 23123, 3001 KC Rotterdam, a company with certified accountants, who are A9.11.3.1 A9.11.4.1
registered in the Netherlands with Royal NIVRA (*Koninklijk Nederlands Instituut van* A9.11.3.3
Registeraccountants) or NOvAA (*Nederlandse Orde van Accountants-Administratieconsulenten*), to conduct an audit of its statutory financial statements. The audit of the Issuer's 2004, 2005 and 2006 financial statements has been completed. The Issuer's statutory financial statements as at and for the years ended 31 December 2006 and 2005 are included elsewhere in this Base Prospectus. Copies of the Issuer's other 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 Agent and of the Paying Agent in Luxembourg from time to time. The Issuer does not publish interim financial statements. The Issuer is a consolidated subsidiary of the Bank in the Bank's financial statements.

Management

The Issuer has two managing directors: Mr. Andrey I. Timchenko, aged 31, who is a managing A9.9.1(a)
director of the Bank, and Equity Trust Co. N.V. ("Equity Trust"), a company with limited liability incorporated in the Netherlands. The managing and deputy directors of Equity Trust are F. van der Rhee, R.G.A. de Schutter and J.C.W. van Burg (each a managing director), and W.P. Ruoff, J.P. Everwijn and W.H. Kamphuijs (each a deputy director), each jointly authorised to represent Equity Trust as a managing director of the Issuer. Equity Trust may also be represented by each of its (managing or deputy) directors and each of its registered proxyholders jointly.

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

Except as disclosed in the paragraph directly preceding this paragraph, there are no potential A9.9.2
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 A9.4.1.4
Netherlands and its telephone number is +31 10 2245 333. The business address of Mr. Timchenko is A9.9.1(a)
135 "Zh" Gagarin Ave., Almaty 050060, Kazakhstan. Administrative services are provided to the Issuer by Equity Trust through its Rotterdam office, of which the business address is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands. The business address of the directors of Equity Trust is Schouwburgplein 30-34, 3012 CL Rotterdam, the Netherlands, for Mr. W.P. Ruoff, and Strawinskylaan 3105 Atrium, 1008 DE Amsterdam, the Netherlands, for the other directors.

The Issuer has obtained all necessary consents approvals and authorisations in The Netherlands A12.4.1.8
in connection with the issuance of the Notes and the performance of its obligations in relation A13.4.12
thereto.

THE BANK

History

A9.4.1.1 A9.4.1.2 A9.4.1.3 A9.4.1.4 A9.5.1.1 A9.6.1

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

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

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

Overview of the Bank's Business

A9.5.1.1 A9.5.1.2

The Bank is the largest bank in Kazakhstan measured by total assets, loans and deposits as at 31 December 2006 (calculated by the Bank on the basis of FMSA data). The Bank provides a full range of corporate, SME and retail banking services through a network of 22 full-service branches and 89 outlets located in 22 cities in Kazakhstan as at 31 December 2006. In addition, the Bank has well-developed alternative distribution channels including 556 ATMs (of which 83 are multi-function ATMs), over 4,272 point-of-sale terminals, a call centre and an internet banking service. Through its subsidiaries the Bank also provides insurance, investment banking, asset management and pension fund services in Kazakhstan and corporate, SME and retail banking services in Russia and Kyrgyzstan. The Bank also has representative offices in London and Tajikistan. The Bank is rated "Ba1" by Moody's, "BB+" by S&P and "BB+" by Fitch.

As at 31 December 2006, the Bank was the largest lender to the corporate sector in Kazakhstan with a 31.9 per cent. market share (calculated by the Bank on the basis of FMSA data). Principal services provided to the Bank's corporate and SME clients include trade and structured finance, project finance and credit facilities denominated in Tenge and foreign currencies, predominantly U.S. dollars and Euro, as well as other general banking services. The Bank also arranges loans from syndicates of international banks to large corporate clients. In addition, the Bank also provides financing to large corporate clients in Russia and Kyrgyzstan. As at 31 December 2006, the Bank's net corporate loan portfolio amounted to KZT1,417,132 million and its corporate deposits amounted to KZT491,734 million, up 119.4 per cent. and 154.3 per cent., respectively, from 31 December 2005.

The Bank offers its retail customers a comprehensive range of products including residential mortgages, consumer loans, debit and credit cards, overdrafts and deposit and current accounts. The Bank holds one of the top three positions, in terms of market share, in residential mortgages, credit cards and ATM services (calculated by the Bank on the basis of FMSA data) and is particularly strong in servicing high net worth individuals where the Bank believes it is a market leader. As at 31 December 2006, the Bank had KZT261,708 million in retail loans outstanding, KZT196,072 million in retail deposits and had issued over 614,000 debit and credit cards, making it one of the largest payment card issuers in Kazakhstan (calculated by the Bank on the basis of FMSA data).

In addition to corporate and retail banking services, the Bank engages in treasury operations, investment banking, brokerage services and asset management and is a major participant in the securities markets and the foreign currency markets in Kazakhstan. The main objective of the Bank's Treasury Department is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets, thereby managing foreign currency exposure and funding costs. The Bank's treasury operations consist largely of spot transactions in Tenge and foreign currencies, transactions in government securities and currency swap and forward transactions for hedging purposes.

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

Key Strengths

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

- Largest bank by total assets and total loans in the growing Kazakhstan market. The Bank has been one of the leading banks in Kazakhstan for approximately 10 years and, as at 31 December 2006, its market share by total assets was 25.6 per cent. and market share by gross loans was 27.5 per cent. (calculated by the Bank on the basis of FMSA data). In addition, the banking sector in Kazakhstan offers opportunities for continued growth in financial intermediation. As at 31 December 2006, loans and deposits as a percentage of GDP were less than half the levels seen in Western European countries, and given real GDP growth of approximately 10 per cent. over the past five years in Kazakhstan the Bank sees opportunities for further growth.
- A broad customer base with leading positions in serving large corporates and high net worth individuals. The Bank has been servicing corporate clients for over 15 years and believes that its continuous focus on quality of service has made it the bank of choice for large corporates in Kazakhstan, where it has relationships with a majority of large corporates. The Bank believes that it also has particularly strong market positions with respect to high net worth individuals.
- An established presence in the growing middle-class market segment. In the retail segment, the Bank actively targets the middle class and plans to launch new marketing campaigns. One of the key objectives of the Bank is to increase its retail customer base and in this regard it has set a goal of increasing its number of branches to 240 by 2010. The Bank believes it can strengthen its retail lending and deposit market position as a result of improved credit check processes, a less risky customer base and by cross-selling among segments as well as product types.
- A clearly defined strategy to grow in the SME segment. The Bank has a clearly defined strategy to further develop the small enterprise component of its SME franchise and has already established a dedicated SME department. The restructuring of the Bank's SME business is centred around increased standardisation and automation of processes and products and will be supported by the planned branch expansion.
- An experienced management team with a proven track record. The Bank's management has substantial experience in the Kazakh banking industry. Management is focused on introducing and maintaining a Western-style culture with an emphasis on setting and meeting strategic objectives. The Bank's management believes it has consistently demonstrated its ability to deliver on its strategic objectives.
- A strong balance sheet with conservative risk management. Despite its growth, the Bank has maintained its focus on conservative risk management. As a percentage of the Bank's total loan portfolio as at 31 December 2006, non-performing loans, that is the portion of loans where principal or interest is more than 30 days overdue, constituted 0.9 per cent.

In 2005, the Bank undertook a detailed review of its risk management processes. The Bank believes its operational improvements in credit risk management have not only strengthened the quality of the Bank's loan portfolio, but have also expedited the loan approval process, which management expects to have a significant impact on volume growth.

- Strong profitability and cost efficiency. The Bank believes that it is one of the most profitable financial institutions in Kazakhstan. For the year ended 31 December 2006, its return on average equity was 22.1 per cent., a decrease from 26.1 per cent. for the year ended 31 December 2005. This decrease was due to the increase in equity resulting from the Bank's IPO in November 2006. The cost-to-income ratio of the Bank for the year ended 31 December 2006 was 19.4 per cent., which the Bank believes was due in substantial part to the automated processes of the Bank and product standardisation.
- An advanced and integrated information technology platform. The Bank believes it is the only financial institution in Kazakhstan with integrated real-time information technology systems, giving it a competitive advantage by allowing the Bank to achieve faster customer service, greater centralisation of back-office functions and increased process automation. Over the last three years, the Bank has automated over 200 processes and has substantially enhanced its procurement of information technology equipment.
- A presence in non-banking financial services and other markets. The Bank's insurance subsidiary, JSC SK Kazkommerts-Policy, is one of the leading non-life insurers in Kazakhstan with a market share by gross written premiums of approximately 25.5 per cent. as at 31 December 2006 (calculated by the Bank on the basis of FMSA data). The Bank's broker-dealer subsidiary JSC Kazkommerts Securities is one of the major underwriters of corporate domestic bonds in Kazakhstan. In addition, the Bank owns stakes in leading companies in the country focusing on asset management and pension fund services. Furthermore, through LLP Moskommertsbank and OJSC Kazkommertsbank Kyrgyzstan, the Bank is present in Russia and Kyrgyzstan, where it believes that there are developing markets with growth potential.

Strategy

As the Kazakh economy continues to grow and the private sector continues to expand, the Bank expects continued strong demand for financial service products from both private and public sector companies and SME and retail clients. The Bank intends to consolidate its position across each key market segment, whilst maintaining strong discipline in risk and expense management, with the primary goal of achieving high profitability. In 2005, the Bank developed a business strategy for 2006 through to 2010, the key elements of which it believes are highlighted below. A9.5.1.1

Corporate banking

As at 31 December 2006, the Bank held the leading position in lending to corporates with a market share of 31.9 per cent. (calculated by the Bank on the basis of FMSA data). The Bank intends to maintain its leadership position in this segment by implementing the following strategy:

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

SME banking

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

- Leveraging its leadership position obtained through participation in the former EBRD SME programme. The Bank was one of the first banks in Kazakhstan to co-operate with the EBRD in its programme for the development of the SME sector and therefore benefited from the funding and training which the EBRD provided. Although the programme ended in 2006, participants continue to report statistics in accordance with the programme. As at 31 December 2006, based on the various programme participants' reports to the EBRD, the Bank accounted for approximately 34.5 per cent. of loans under this programme. The Bank intends to capitalise on this position and evolve as one of the leading SME banks in Kazakhstan.
- Benefiting from branch network expansion. As part of its strategy the Bank intends to grow its branch network to 240 branches by 2010 primarily to facilitate its increasing focus on retail and SME banking. The Bank expects a rapid increase in the number of its SME clients, especially smaller businesses, which the Bank believes display similar characteristics to retail clients.
- Introducing a differentiated service model. The Bank intends to attain a competitive advantage through the introduction of a differentiated service model which responds to the particular requirements of SME clients. Larger, more sophisticated SME clients will be targeted by programmes offering specialised products, in particular, loans for capital expenditure, trade finance and project finance. The Bank intends to continue the standardisation of its product range for smaller SME businesses in order to serve a broad SME customer base and effectively manage risks. The approval process for smaller loans is generally on a standardised, risk-based scoring basis. As part of its cross-selling strategy, the Bank intends to sell leasing and factoring products to SME clients, as well as provide these clients and their employees with pension and insurance services. In addition, the Bank intends to introduce CRM systems for larger SME customers.

Retail banking

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

- Expanding its high net worth and middle-income individual customer base. The Bank intends to continue to increase its retail banking business by targeting high net worth and middle-income individuals, a market segment that the Bank believes has high growth potential and continues to be underserved by its retail competitors. The Bank believes that it is well positioned to offer higher-margin products, such as mortgages, consumer loans and credit cards, to this customer segment and intends to develop cross-selling initiatives that will enable it to bundle its product offerings, including new insurance products.
- Developing its distribution network. The Bank intends to expand its branch network to 240 branches covering the country's major urban areas by 2010. The Bank plans to organise its branch network into three core categories: (i) branches offering the full range of retail products and services; (ii) branches focusing exclusively on certain types of retail services and deposits; and (iii) self-service branches. In 2006, the Bank hired an international design and architecture agency to develop a unique brand design for the branch network. In addition, the Bank plans to leverage its existing relationships with automobile dealers and real estate agencies to facilitate the marketing of automobile loans and residential mortgages. The Bank will continue to modernise and expand its retail network on an ongoing basis, with a particular focus over the next two years on enhancing its reputation and making such facilities more attractive to its customers.

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

Operational and strategic goals

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

Operational:

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

Strategic:

- Expanding into other financial services markets in Kazakhstan. To capitalise on expected opportunities in the financial services markets in Kazakhstan, the Bank is taking steps to better position itself through, among other things, the operations of its subsidiaries such as JSC Kazkommerts-Securities, which provides investment banking and brokerage services, and JSC SK Kazkommerts-Policy, which provides insurance services. The Bank aims to maintain a leading position in the non-life insurance sector. The Bank believes that private pension funds in Kazakhstan will provide strong revenue growth as the sector continues to expand and anticipates high future growth in pension assets. The Bank intends to further increase the cross-selling of non-banking services provided by its subsidiaries to generate additional non-interest income.
- Developing the Bank's presence in Russia and Kyrgyzstan. The Bank is planning to develop its foreign presence, principally by expanding its operations in Russia and Kyrgyzstan in order to better service its clients and increase its growth potential. In September 2002, the Bank acquired a controlling interest in OJSC Kazkommertsbank Kyrgyzstan. In conjunction with the EBRD, the Bank also provides financing to SMEs in Kyrgyzstan. The Bank has operating control over LLP Moskommertsbank through agreements of trust management, although it does not presently have any ownership interest. LLP Moskommertsbank is a small Russian bank based in Moscow, which the Bank consolidates for financial reporting purposes. In February 2007, the Bank announced its intention to acquire 52.11 per cent. of the shares of Moskommertsbank, which it had previously controlled through contractual agreements. The completion of the transaction is subject to regulatory approvals. Following the completion of the transaction, the Bank would still have the benefit of an agreement of trust management with respect to shares of Moskommertsbank it did not own.
- Diversifying its funding base. Concurrent with the expansion of its retail branch network, the Bank expects to increase the funding it receives from retail customers, in particular by increasing its market share in term deposits. Furthermore the Bank intends to increase its capital markets funding through the issuance of subordinated and senior debt and by taking advantage of asset securitisation programmes. In doing so, the Bank expects to diversify its funding sources, increase terms and lower its overall funding costs.

Corporate Structure

Certain information as at or for the year ended 31 December 2006 regarding the Bank's principal subsidiaries, affiliates and entities over which it exercises management control is set forth in the following table: A9.6.1 A9.6.2

Name	Shareholders' equity	Net income
	(KZT millions)	(KZT millions)
Domestic		
JSC Ular Umit Pension Fund(1)	1,790	806
JSC OCOPAIM Grantum Asset Management	835	296
JSC Grantum APF	964	316
JSC SK Kazkommerts-Policy	3,094	1,078
JSC Kazkommerts Life Insurance Company	776	(24)
JSC Kazkommerts Securities	1,144	469
LLP Processing Company	5	—
Foreign		
LLP Moskommertsbank(2)	13,998	1,316
OJSC Kazkommerts Kyrgyzstan	862	296
Finance Subsidiaries		
Kazkommerts International B.V.(3)	1,322	539
Kazkommerts Finance 2 B.V.(3)	351	14

(1) Affiliate.

(2) As at 31 December 2006, LLP Moskommertsbank was not a subsidiary, but the Bank exercised managerial control and consolidated the entity in its Annual Financial Statements.

(3) Special purpose vehicle.

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

Domestic

The Bank's principal domestic subsidiaries and affiliates are:

- *JSC Ular Umit Pension Fund.* The Bank owns a 41.2 per cent. minority stake in the JSC Ular Umit Pension Fund which, held 17.6 per cent. of Kazakh pension funds' assets as at 31 December 2006 (calculated by the Bank on the basis of FMSA data). The JSC Ular Umit Pension Fund provides a full range of services from collection of contributions to payments. The Bank believes that its ownership interest in this fund presents cross-selling opportunities. A9.6.1

- *JSC OCOPAIM Grantum Asset Management*. JSC OCOPAIM Grantum Asset Management is a wholly owned subsidiary of the Bank. As at 30 June 2006 JSC OCOPAIM Grantum Asset Management had a 6.7 per cent. market share of pension fund assets (calculated by the Bank on the basis of FMSA data). JSC OCOPAIM Grantum Asset Management is licensed to carry out pension fund investment management, investment portfolio management and broker dealer activity on the securities market.

- *JSC Grantum APF.* The Bank purchased its 80 per cent. stake in JSC Grantum APF from ABN AMRO in 2005 for a total consideration of U.S.$13.3 million. JSC Grantum APF's primary business is pension assets operations and as at 31 December 2006, it had a 6.5 per cent. market share by assets (calculated by the Bank on the basis of FMSA data).

- *JSC SK Kazkommerts-Policy*. The Bank acquired its 65 per cent. stake in JSC SK Kazkommerts-Policy in 2000. As of 30 June 2006, JSC SK Kazkommerts-Policy was one of the leading non-life insurance companies in Kazakhstan with a market share by gross written premiums of approximately 18.0 per cent. (calculated by the Bank on the basis of FMSA data). JSC SK Kazkommerts-Policy primarily underwrites property and casualty insurance policies for retail and commercial clients while providing cross-selling opportunities for the Bank.

- *JSC Kazkommerts Life Insurance Company*. In September 2006, the Bank acquired 100 per cent. of the outstanding shares of its insurance subsidiary, JSC Kazkommerts Life Insurance Company for KZT800 million. JSC Kazkommerts Life Insurance Company has a total capital of KZT800 million. JSC Kazkommerts Life Insurance Company was established to enter into the life insurance business.
- *JSC Kazkommerts Securities*. JSC Kazkommerts Securities is a wholly owned subsidiary of the Bank. It was established to provide investment services to both foreign and domestic clients and to participate in privatisation projects. JSC Kazkommerts Securities is engaged in investment banking and brokerage operations and is one of the major underwriters of corporate domestic bonds in Kazakhstan. As at 31 December 2006, JSC Kazkommerts Securities had KZT2,478 million in assets.
- LLP Processing Company. In 2004, the Bank acquired 100 per cent. of LLP Processing Company which provides clearing and settlement of payment card transactions. A9.6.1

Foreign

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

- *LLP Moskommertsbank*. Pursuant to agreements of trust management with shareholders of 60 per cent. of LLP Moskommertsbank the Bank acquired managerial control of this entity in 2003. Although it does not presently own shares in LLP Moskommertsbank, this entity is fully consolidated in the Annual Financial Statements. In February 2007, the Bank announced its intention to acquire 52.11 per cent. of the shares of Moskommertsbank. The completion of the transaction is subject to regulatory approvals. Following the completion of the transaction, the Bank would still have the benefit of an agreement of trust management with respect to shares of Moskommertsbank it did not own. Though serving mostly corporate clients, LLP Moskommertsbank has a retail licence, and in addition to its current presence in Moscow and St. Petersburg it is planning to open branches in six other major Russian cities. LLP Moskommertsbank is a leading originator of residential mortgage loans in the Moscow market.
- *OJSC Kazkommertsbank Kyrgyzstan*. OJSC Kazkommertsbank Kyrgyzstan is a commercial bank headquartered in Bishkek with two other branches in Dzhalal-Abad and Osh. The Bank purchased 72.4 per cent. of OJSC Kazkommertsbank Kyrgyzstan in 2002 for KZT244 million and subsequently increased its shareholding to 93.6 per cent. OJSC Kazkommertsbank Kyrgyzstan offers both retail and corporate banking services. While initially focused on servicing the Bank's clients doing business in Kyrgyzstan, in 2006, OJSC Kazkommertsbank Kyrgyzstan refocused on the domestic retail and SME segments and in June 2006 introduced a new line of micro-lending products.

Finance subsidiaries

The Bank's principal finance subsidiaries are:

- *Kazkommerts International B.V.* Kazkommerts International B.V. is a wholly owned finance subsidiary of the Bank which has, since 1998, raised approximately U.S.$3.05 billion in the domestic and international capital markets.
- *Kazkommerts Finance II B.V.* Kazkommerts Finance 2 B.V is a wholly owned finance subsidiary of the Bank. In November 2005 Kazkommerts Finance II B.V. raised U.S.$100 million through the issue of perpetual notes in the international capital markets.

Banking Services

Corporate banking

As at 31 December 2006, the Bank was the largest lender to the corporate sector in Kazakhstan A9.5.1.1
with a 31.9 per cent. market share (calculated by the Bank on the basis of FMSA data). The Bank has been servicing corporate clients for over 15 years and believes that its continuous focus on quality service has made it the bank of choice for large corporates in Kazakhstan, where it has relationships with a majority of large corporates in Kazakhstan. As at 31 December 2006 corporate loans accounted for 84.4 per cent. of the Bank's loan portfolio.

The principal products and services offered to corporate clients include short-term, medium-term and project finance and credit facilities denominated in Tenge and foreign currencies, predominantly

U.S. dollars and Euro, as well as transactional services including trade finance, structured finance and cash management. Trade finance products include letters of credit, guarantees and advance payment facilities. Project finance loans are typically provided in the construction and infrastructure sectors. Loans to the corporate sector generally have a maturity of up to 18 months. The Bank also arranges loans from syndicates of international banks to large corporate clients in Kazakhstan.

As at 31 December 2006, the Bank's net corporate loan portfolio amounted to KZT1,417,132 million and its corporate deposits amounted to KZT491,734 million, up 119.4 per cent. and 154.3 per cent, respectively, from 31 December 2005.

The main sectors served by the Bank's corporate banking division are construction and commercial real estate development, as well as trade, constituting 29.6 per cent. and 17.8 per cent, respectively, of its loan portfolio as at 31 December 2006. The trade sector includes retail stores and automobile dealerships and much of the Bank's lending in this sector is to SMEs.

SME banking

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

The Bank was one of the first banks in Kazakhstan to co-operate with the EBRD in its programme for the development of the SME sector and thereby benefited from the funding and training which the EBRD provided. The programme commenced in 1998 and established a framework for lending to the SME sector. All of the five largest banks in Kazakhstan have participated in the EBRD development programme. Although the programme has ended, participants continue to report on the status of their loans to this sector which fall in the U.S.$50,000 to U.S.$200,000 range. As at 31 December 2006, the Bank accounted for approximately 25.5 per cent. of the loans within this range. In addition, the Bank is involved in a similar programme in Kyrgyzstan through its subsidiary OJSC Kazkommertsbank Kyrgyzstan.

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

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

Retail banking

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

The Bank has one of the leading retail banking franchises in Kazakhstan and, according to FMSA data, the Bank had a 18.1 per cent. share of the retail deposit market and held 14.1 per cent. of retail loans as at 31 December 2006. The retail loan portfolio accounted for 15.6 per cent. of the Bank's net loans to customers and retail deposits accounted for 28.5 per cent. of the Bank's total customer accounts as at 31 December 2006. The Bank offers its retail customers a comprehensive range of retail products including residential mortgages, consumer loans, debit and credit cards and deposit and current accounts. The Bank enjoys strong brand recognition and a good reputation for quality of service, reliability and professionalism. As at 31 December 2006, the Bank had approximately 475,494 retail customers.

Residential mortgages. In 2002, the Bank was the first bank in Kazakhstan to offer residential mortgages. Residential mortgages comprised 8.5 per cent. of the Bank's gross retail loan portfolio as at 31 December 2006. The residential mortgage market is most developed in Kazakhstan's largest cities where the more established property markets facilitate more accurate valuations. In addition, many developments financed by the Bank include an agreement with the developer to refer prospective purchasers to the Bank for financing. Residential mortgages generally have an initial term of up to 10 years and are always made at a fixed rate of interest. The average maturity of the Bank's residential mortgage portfolio is approximately seven years.

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

Debit and credit cards. The Bank issues debit cards, credit cards and virtual cards. Virtual cards are a special category of debit card which have particular security features and can only be used for internet transactions. The Bank issues both VISA and Europay/MasterCard cards which provide access to the Cirrus/ Maestro system. The Bank is also an authorised agent for distribution of American Express and Diners Club cards. In 2002, the Bank was the first bank in Kazakhstan to issue EMV-standard chip cards for use at certified POS-terminals. In 2003, the Bank was the first bank in Kazakhstan to obtain certification for card servicing under the 3D-Secure protocol developed by VISA International (with the support of MasterCard International) to protect against internet fraud. As at 31 December 2006, the Bank had over 614,000 cards in issue, most of which were payment cards.

The Bank was the first bank in Kazakhstan to offer a credit card providing bonus points for purchases. It is branded as the "GO!Card" and bonus points may be used for purchases at any of the approximately 800 trade partners in the GO!Card network. As at 31 December 2006 the Bank had issued more than 17,000 GO!Cards. Although credit cards are not as heavily used in Kazakhstan as in some other countries, the Bank believes that this market will continue to grow and that at present it is one of the market leaders in terms of volume of card transactions.

Retail deposits. As at 31 December 2006, the Bank had retail customer deposits of KZT196,072 million, which was the third largest retail deposit base in the country (calculated by the Bank on the basis of FMSA data), of which KZT430,206 million were term deposits and KZT257,600 million were demand deposits. The Bank expects the expansion of its branch network will enable it to grow its retail deposit base significantly. The Bank is also increasingly focusing on attracting payroll accounts from its corporate clients.

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

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

The Bank defines high net worth individuals as clients maintaining deposits of at least U.S.$50,000, borrowing secured loans of more than U.S.$200,000 or holding a gold-status credit card with turnover of more than U.S.$3,000 per month or who have a monthly salary of more than U.S.$5,000. High net worth individuals are included in the Bank's VIP programme which is also open to customers who wish to pay an annual fee for the service.

Other banking and financial services

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

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

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

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

Distribution Network

Branches

As at 31 December 2006, the Bank's branch network comprised, in addition to its head office in Almaty, 22 full-service branches in the other main cities of Kazakhstan, including Astana, Zhezkazgan, Ust-Kamenogorsk, Pavlodar and Karaganda, and 89 limited-service branches in towns and villages near to cities in which its full-service branches operate. The Bank plans to increase its network to 240 branches by 2010, primarily in regions which the Bank believes have the highest growth potential. The Bank's branch network includes a "VIP Centre" in Almaty targeting principally high net worth individuals. To support its international activities, the Bank has representative offices in London and Tajikistan.

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

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

Alternative distribution channels

As at 31 December 2006, the Bank operated 556 ATMs in cities throughout Kazakhstan. The Bank believes that its ATM network is the second largest in Kazakhstan and seeks to attract customers to its network by locating machines in densely populated areas and areas of economic activity. The Bank has a policy of placing ATMs only in locations accessible for 24-hour maintenance. It believes that, relative to its competitors, it maintains a high ratio of machines to issued payment cards so as to help ensure good service and the availability of funds. The Bank charges a fee for each ATM withdrawal, including withdrawals by its own account holders. The Bank seeks to recoup the initial cost of an ATM machine within three years of installation, which the Bank believes is a relatively aggressive pay-back period.

As at 31 December 2006, the Bank operated over 4,272 point-of-sale terminals, located at various retail stores, through which customers may make purchases using credit or debit cards.

The Bank was the first local bank to offer telephone banking and internet banking services. Current internet banking services include access to account information and payment of mobile telephone and utility bills. Telephone banking services are currently limited to obtaining account balance information and payment of mobile telephone bills. Up to 45,000 customers can utilise these services at any one time. As at 31 December 2006, over 72,600 customers had registered for internet banking services.

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

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

Technology

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

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

The Bank has purchased a credit scoring application from Experian which it is using in connection with the issuance of credit cards and the approval of certain consumer loans. The Bank is extending the use of scorecards for other products including residential mortgages, car loans and some SME loans and also considering a programme for behavioural scoring of certain corporate customers, which is expected to be launched in the first half of 2007.

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

In 2005 the Bank initiated an e-procurement system which now has more than 9 registered suppliers and more than 72,600 registered users, and has held more than 345 on-line auctions, generating substantial savings to the Bank. As far as the Bank is aware, no other bank in Kazakhstan has a similar e-procurement platform.

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

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

Security and Anti-Money Laundering

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

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

Properties

The Bank owns the majority and leases the remainder of its branch premises, foreign exchange bureau properties, ATMs, residential apartments, garages, warehouses and other facilities in Almaty and in 20 other cities and towns in Kazakhstan. For leased properties, the Bank typically enters into operational leases with terms of between six months and ten years. As at 31 December 2006, the gross book value of the Bank's fixed assets was KZT22.3 billion, including the Bank's head office building which had a gross book value of KZT1.1 billion.

On 25 May 2006, the Bank entered into a general construction agreement with Yuksel Turkuaz-Yda Insaat Ticaret Ltd to build a new head office building for the Bank in the Almaty Finance Centre. The value of the contract is approximately U.S.$66.5 million. The Bank has also entered into a number of other contracts relating to the construction of its new head office and the total cost of the project is estimated to be approximately U.S.$77 million. As at 31 December 2006, the Bank had spent approximately U.S.$16 million in connection with this project.

Insurance

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

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

Competition

Kazakhstan's banking industry was principally established following the independence of A9.5.1.2
Kazakhstan in 1991. As at 31 December 2006, there were 33 commercial banks in Kazakhstan (excluding the NBK and the DBK which do not directly compete with the Bank), of which 14 were banks with a level of foreign ownership, including subsidiaries of foreign banks. Banks in Kazakhstan can be divided into four groups: large banks (including the Bank, Halyk Savings Bank and Bank TuranAlem); state owned banks (including the Housing Construction Savings Bank and the DBK); subsidiaries of foreign banks (such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan); and smaller banks. The Bank believes that its main competitors are Bank TuranAlem and Halyk Savings Bank. The Bank believes that the banking industry is generally characterised by strong lending margins, adequate capitalisation and a sound regulatory framework relative to other CIS countries.

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

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

The Bank believes that competition in its target markets is primarily driven by brand identity and quality of customer service. The Bank believes that it is well positioned to compete on the basis of its size, broad customer base, clearly defined strategy, strong management team, strong balance sheet, profitability, cost efficiency, sophisticated information technology system and growth opportunities. The following table sets out the top 10 banks (by assets) in Kazakhstan (as provided by FMSA) as at 31 December 2006:

	As at 31 December 2006	
	(U.S.$ thousands)	(%)
Kazkommertsbank	17,867,669	25.6
Bank TuranAlem	14,370,033	20.6
ATF Bank	8,245,643	11.8
Halyk Bank	7,693,225	11.0
Alliance Bank	7,282,158	10.4
Bank CenterCredit	4,495,687	6.4
Nurbank	1,618,276	2.3
Temir Bank	1,570,114	2.2
Bank Caspian	1,546,071	2.2
Eurasian Bank	1,193,993	1.7
Top 10 Banks	65,882,870	94.3
Others	3,996,182	5.7
Total	69,879,052	100.0

Employees

As at 31 December 2006, the Bank had 5,168 full-time employees, of which 3,929 were employed in its branches, and 1,239 were employed at the Bank's head office in Almaty. The average age of the Bank's employees is 32 years and a large portion of them are university graduates. The Bank has not experienced strikes or other work stoppages resulting from labour disputes and has no unionised employees.

The following table shows the number of employees of the Bank (alone) as at the dates indicated:

	As at 31 December		
	2006	2005	2004
Head office	1,239	973	874
Branches	3,929	2,670	2,314
Total	5,168	3,643	3,188

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

Litigation

There are no and have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months prior to the date of this Base Prospectus, or in the recent past which may have or have had significant effects on the Bank's or the Group's financial position or profitability other than the tax assessment described in "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations for the Years ended 31 December 2006, 2005 and 2004 — Taxation*".

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

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

	Year ended 31 December					
	2006		2005		2004	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Assets:						
Loans to and deposits with other banks, net	110,681	5.78	93,017	4.13	24,762	3.90
Loans to and deposits with other banks	111,285	5.75	93,488	4.11	25,215	3.83
Tenge	22,037	3.72	7,343	3.98	7,581	2.83
Foreign currency	89,248	6.25	86,145	4.12	17,634	4.25
Allowance for impairment losses	(604)	—	(471)	—	(452)	—
Tenge	(35)	—	(146)	—	(55)	—
Foreign currency	(569)	—	(325)	—	(397)	—
Correspondent account with NBK	62,933	—	8,073	—	2,860	—
Tenge	55,257	—	5,611	—	2,851	—
Foreign currency	7,676	—	2,462	—	9	—
Marketable securities	155,115	5.80	79,989	5.92	85,783	6.23
Tenge	44,680	6.05	36,514	4.11	53,708	4.68
Foreign currency	110,435	5.70	43,475	7.43	32,075	8.82
Loans to customers, net	965,170	13.65	547,371	14.09	359,476	13.53
Performing loans	996,623	13.22	559,749	13.78	376,197	12.93
Tenge	267,517	13.46	157,763	13.94	56,519	14.63
Foreign currency	729,106	13.13	401,986	13.72	319,678	12.63
Non-performing loans	18,738	—	20,462	—	8,399	—
Tenge	5,988	—	6,743	—	2,555	—
Foreign currency	12,750	—	13,719	—	5,844	—
Allowance for impairment losses	(50,192)	—	(32,840)	—	(25,120)	—
Tenge	(15,832)	—	(10,830)	—	(6,019)	—
Foreign currency	(34,360)	—	(22,010)	—	(19,101)	—
Cash	18,441	—	12,904	—	9,676	—
Tenge	9,452	—	6,634	—	4,670	—
Foreign currency	8,990	—	6,270	—	5,006	—
Correspondent accounts with other banks	14,917	0.88	10,710	0.76	5,223	1.22
Tenge	1,547	0.00	1,048	—	257	—
Foreign currency	13,370	0.98	9,662	0.84	4,966	1.29
Fixed and intangible assets, net	13,817	—	9,252	—	6,712	—
Tenge	12,380	—	8,442	—	6,163	—
Foreign currency	1,437	—	810	—	549	—
Goodwill	2,405	—	254	—	—	—
Tenge	2,405	—	254	—	—	—
Foreign currency	—	—	—	—	—	—
Investments	637	—	328	—	2,664	—
Tenge	637	—	328	—	2,241	—
Foreign currency	—	—	—	—	423	—
Other assets	39,479	—	20,682	—	17,627	—
Tenge	14,926	—	9,371	—	6,412	—
Foreign currency	24,553	—	11,311	—	11,215	—
Total Assets	1,383,595	10.64	782,580	10.96	514,784	10.68
Tenge	420,960	9.39	229,075	10.38	136,883	8.03
Foreign currency	962,636	11.19	553,505	11.20	377,901	11.64

	Year ended 31 December					
	2006		2005		2004	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Liabilities:						
Demand deposits	113,642	0.32	74,115	0.32	58,069	0.52
Tenge	76,963	0.36	44,897	0.36	32,447	0.49
Foreign currency	36,679	0.25	29,218	0.25	25,622	0.56
Time deposits	266,606	6.40	158,225	6.40	111,340	5.99
Tenge	163,124	8.03	62,161	8.03	28,502	8.66
Foreign currency	103,482	5.35	96,064	5.35	82,838	5.07
Correspondent accounts of other banks	7,969	0.31	3,200	0.31	1,486	0.78
Tenge	4,397	0.37	2,480	0.37	766	0.44
Foreign currency	3,571	0.07	720	0.07	720	1.14
Short-term interbank borrowings	85,382	4.19	22,289	4.19	19,948	2.63
Tenge	1,624	2.53	3,755	2.53	1,411	2.61
Foreign currency	83,757	4.53	18,534	4.53	18,537	2.64
Long-term interbank borrowings	256,272	6.03	160,664	6.03	96,511	3.67
Tenge	3,213	5.97	2,939	5.97	—	—
Foreign currency	253,059	6.03	157,725	6.03	96,511	3.67
Other borrowed funds	58,164	6.22	12,270	6.22	3,026	6.73
Tenge	187	3.01	243	3.01	223	1.41
Foreign currency	57,976	6.29	12,027	6.29	2,803	7.15
Debt securities issued	412,954	9.66	242,428	9.66	151,999	9.86
Tenge	15,931	7.31	10,409	7.31	3,505	7.0
Foreign currency	397,023	9.77	232,019	9.77	148,494	9.93
Other liabilities	47,688	—	32,759	—	19,226	—
Tenge	25,200	—	15,273	—	7,551	—
Foreign currency	22,487	—	17,486	—	11,675	—
Total liabilities	1,248,676	6.40	705,950	6.40	461,605	5.69
Tenge	290,641	4.36	142,157	4.36	74,405	3.92
Foreign currency	958,035	6.91	563,793	6.91	387,200	6.03
Minority interest	8,817	—	6,271	—	4,570	—
Tenge	1,134	—	—	—	—	—
Foreign currency	7,683	—	6,271	—	4,570	—
Shareholders' equity	126,102	—	70,359	—	48,609	—
Tenge	126,102	—	70,359	—	48,609	—
Foreign currency	—	—	—	—	—	—
Total liabilities and equity	1,383,595	5.77	782,580	5.77	514,784	5.10
Tenge	417,877	2.92	212,516	2.92	123,014	2.37
Foreign currency	965,718	6.84	570,064	6.84	391,770	5.96
Average Exchange Rate KZT/U.S.$	126,12	—	132.87	—	136.07	—

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

	Year ended 31 December		
	2006	**2005**	**2004**
	(KZT millions, except for percentages)		
Average interest-earning assets[1]	1,245,882	731,088	475,245
Average assets[1]	1,383,595	782,580	514,784
Interest income	147,250	86,407	56,163
Net interest income before provision for impairment loss	64,135	40,552	28,730
Net profit	29,586	19,815	9,782
Yield[2]	11.8%	11.8%	11.8%
Margin[3]	5.1%	5.5%	6.0%
Spread[4]	5.0%	5.0%	5.6%
Return on average assets[5]	2.1%	2.5%	1.9%

(1) Based on average daily balances.

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

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

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

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

Assets

As at 31 December 2006 total assets of the Bank were KZT2,444 billion as compared to KZT1,195 billion as at 31 December 2005. Growth comprised KZT1,249 billion or 104.6 per cent.

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Trading and investment portfolio						
Tenge	81,198	3.3	14,711	1.2	56,245	8.0
Foreign currency	246,160	10.1	127,078	10.6	19,326	2.7
Total	327,358	13.4	141,789	11.9	75,571	10.7
Precious metals						
Tenge	—	—	—	—	—	—
Foreign currency	807	—	—	—	—	—
Total	807	—	—	—	—	—
Cash and balances with national (central) banks						
Tenge	189,718	7.8	16,405	1.4	53,298	7.6
Foreign currency	19,287	0.7	20,824	1.7	12,995	1.8
Total	209,005	8.5	37,229	3.1	66,293	9.4
Loans and advances to banks						—
Tenge	76,647	3.1	4,114	0.3	4,175	0.6
Foreign currency	121,401	5.0	251,418	21.0	38,192	5.4
Allowance for impairment losses	(857)	—	(1,245)	(0.1)	(533)	(0.1)
Total	197,191	8.1	254,287	21.3	41,834	6.4
Loans and advances to customers						
Tenge	551,214	22.5	247,613	20.7	124,268	17.7
Foreign currency	1,201,562	49.2	537,960	45.0	408,944	58.1
Allowance for impairment losses	(73,936)	(3.0)	(42,162)	(3.5)	(29,879)	(4.2)
Total	1,678,840	68.7	743,411	62.2	503,333	71.0
Goodwill	2,405	0.1	2,405	0.2	—	—
Other assets	28,696	1.2	15,748	1.3	16,970	2.4
Assets						
Total tenge assets	898,690	36.8	271,121	22.7	240,569	34.2
Total foreign currency assets	1,545,612	63.2	923,748	77.3	463,488	65.8
Total assets	2,444,302	100.0	1,194,869	100.0	704,057	100.0

Liabilities

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions) (restated)	(%)
Loans and advances for banks						
Tenge	171,762	7.9	16,033	1.2	30,429	4.7
Foreign currency	712,539	32.7	365,915	33.1	168,347	26.1
Total	884,301	40.6	379,206	34.3	198,776	30.8
Customer accounts						
Tenge	387,384	17.8	135,747	12.2	113,169	17.6
Foreign currency	300,422	13.8	167,690	15.2	86,972	13.1
Total	687,806	31.6	303,437	27.4	200,141	30.7
Debt securities issued						
Tenge	3,133	0.1	4,084	0.4	4,079	0.6
Foreign currency	421,029	19.3	299,049	27.0	203,762	31.6
Total	424,162	19.4	303,133	27.4	207,841	32.2
Other borrowed funds						
Tenge	156	—	210	—	189	0.0
Foreign	68,658	3.1	50,394	4.6	4,275	0.7
Total	68,814	3.1	50,604	4.6	4,464	0.7
Subordinated debt						
Tenge	21,770	1.0	16,282	1.5	—	0.0
Foreign currency	57,152	2.6	35,931	3.2	22,925	3.6
Total	78,922	3.6	52,213	4.7	22,925	3.6
Other liabilities[1]	36,371	1.7	18,005	1.6	12,871	2.0
Total liabilities						
Tenge	613,254	28.1	190,361	17.2	160,793	24.9
Foreign currency	1,567,122	71.9	916,237	82.8	783,968	75.1
Total	2,180,376	100.0	1,106,598	100.0	644,761	100.0

[1] Other liabilities include derivative financial instruments, provisions, dividends payable and deferred income tax liabilities.

Currency Exchange Rate Risk

The following table shows the Bank's exposure to foreign currency exchange rate risk by principal currencies as at 31 December 2006:

	KZT	U.S.$	EUR	RUR	Other Currency	Total
			(KZT millions) (restated)			
Assets:						
Cash and balances with the national (central) banks	189,718	10,548	2,707	5,198	834	209,005
Precious metals	—	—	—	—	807	807
Financial assets at fair value though profit or loss	76,500	228,059	9,621	8,290	148	322,618
Loans and advances to banks, less allowance for impairment losses	76,647	90,338	15,061	14,154	991	197,191
Loans to customers, less allowance for impairment losses	525,052	1,117,469	13,683	22,014	622	1,678,840
Investments available-for-sale	2,625	3	—	—	—	2,628
Investments held-to-maturity	318	—	—	—	39	357
Goodwill	2,405	—	—	—	—	2,405
Investments in associates and other entities	1,755	—	—	—	—	1,755
Fixed and intangible assets, less accumulated depreciation	14,706	—	—	847	128	15,681
Other assets, less allowance for impairment losses	8,964	2,540	399	1,074	38	13,015
Total assets	898,690	1,448,957	41,471	51,577	3,607	2,444,302
Liabilities:						
Loans and advances from banks	171,762	669,690	24,801	17,574	474	884,301
Customer accounts	387,384	262,057	20,855	16,487	1,023	687,806
Derivative financial instruments	1,310	2,239	—	5	0	3,554
Debt securities issued	3,133	354,654	50,149	7,823	8,403	424,162
Other borrowed funds	156	68,554	104	—	—	68,814
Provisions	3,691	1,954	1,108	1	4	6,758
Dividends payable	1	—	—	—	—	1
Deferred income tax liabilities	17,370	—	—	85	16	17,471
Other liabilities	6,677	1,396	48	423	43	8,587
Subordinated debt	21,770	57,152	—	—	—	78,922
Total liabilities	613,254	1,417,696	97,065	42,398	9,963	2,180,376
Open balance sheet position	285,436	31,261	(55,594)	9,179	(6,356)	
Accounts payable on forward contracts	(66,282)	(102,482)	(3,482)	(1,263)	—	(173,509)
Accounts receivable on forward contracts	41,725	61,288	61,333	3,046	9,920	177,312
Net derivative financial instruments position	(24,557)	(41,194)	57,851	1,783	9,920	
Total open position	260,879	(9,933)	(2,257)	7,396	(3,564)	

Liquidity and Interest Rate Risk

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

The following table summarises the Bank's assets and liabilities by maturity as at 31 December 2006 and contains certain information regarding interest rate sensitivity. The table assumes that the Bank is able to trade Kazakh and foreign government securities on the open market and therefore treats them as assets with a maturity of up to one month rather than long-term assets according to their maturity. As at 31 December 2006, the Bank's cumulative positive maturity gap for all periods was KZT41,535 million.

	Up to one month	One to three months	Three months to one year	One to five years	Over five years	Maturity undefined (including allowance for impairment losses)	31 December 2006 Total
				(KZT millions) (restated)			
Assets:							
Loans and advances to banks	152,190	21,099	21,722	27	1,293	—	196,331
Financial assets at fair value though profit or loss	38,297	217,265	64,627	613	—	—	320,802
Loans to customers	108,530	136,764	317,916	619,350	463,174	—	1,645,734
Investments available-for-sale	475	—	557	1,207	350	—	2,589
Investments held-to-maturity	—	—	39	22	290	—	351
Total interestbearing assets	299,492	375,128	404,861	621,219	465,107	—	2,165,807
Cash and balances with national (central) banks	209,812	—	—	—	—	—	209,812
Investments in associates and other entities						1,755	1,755
Goodwill						2,405	2,405
Fixed and intangible assets						15,681	15,681
Accrued interest income on interest-bearing Assets	29,322	5,013	1,427	59	6	—	35,827
Other assets	4,142	2,319	6,439	115	—	—	13,015
Total assets	542,768	382,460	412,727	621,393	465,113	19,841	2,444,302
Liabilities:							
Loans and advances from bank	336,544	111,831	51,564	379,901	1,070	—	880,910
Customer accounts	355,322	116,990	105,051	78,489	24,488	—	680,340
Debt securities issued	4,288	661	33,589	142,960	235,720	—	417,218
Other borrowed funds	—	—	262	6,804	61,493	—	68,559
Subordinated debt	—	—	41	5,988	71,216	—	77,245
Total interest-bearing liabilities	696,154	229,482	190,507	614,142	393,987	—	2,124,272
Derivative financial instruments	73	2,554	927	—	—	—	3,554
Provisions	712	378	1,306	1,640	18	2,704	6,758
Dividends payable	1	—	—	—	—	—	1
Deferred tax liability	11,624	5,831	16	—	—	—	17,471
Accrued interest expense on interest-bearing liabilities	5,962	5,738	7,266	735	32	—	19,733
Other liabilities	2,518	3,395	2,654	20	—	—	8,587
Total liabilities	717,044	247,378	202,676	616,537	394,037	2,704	2,180,376
Liquidity gap	(174,276)	135,082	210,051	4,856	71,076		
Interest sensitivity gap	(396,662)	145,646	214,354	7,077	71,120		
Cumulative interest sensitivity gap	(396,662)	(251,016)	(36,662)	(29,585)	41,535		
Cumulative interest sensitivity gap as a Percentage of total assets	(16.23)%	(10.27)%	(1.50)%	(1.21)%	1.70%		

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

Securities Portfolio

The size of the Bank's securities portfolio increased by 130.3 per cent. as at 31 December 2006 to KZT325.6 billion compared to KZT141.4 billion as at the end of 2005. The increase was mainly in the Bank's trading portfolio (99.5 per cent. of the Bank's securities portfolio), which increased by 129.8 per cent., or KZT182.2 billion. This increase was primarily attributable to the purchase of foreign securities of KZT225.6 billion, net purchase of short-term NBK notes of KZT34.9 billion. The Bank continued to invest in securities of prime Kazakh companies and Kazakh municipal bonds, which portfolio as at 31 December 2006 was KZT44.7 billion. Securities of the Russian entities in the Bank's portfolio totalled KZT8.3 billion as at 31 December 2006.

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

	As at 31 December		
	2006	**2005**	**2004**
		(KZT millions)	
Financial assets at fair value through profit or loss	322,618	140,375	74,800
Investments available-for-sale	2,628	427	489
Investments held-to-maturity	357	562	64
Total	325,603	141,364	75,353
Investments in associates and other entities	1,755	425	218
Total securities and investments in associates and other entities	327,358	141,789	75,571

The average portfolio of marketable securities increased by 93.9 per cent. to KZT155.1 billion for 2006 from KZT80.0 billion for 2005, whilst average interest rates decreased from 5.9 per cent. in 2005 to 5.8 per cent. in 2006.

Maturity Profile of Securities Portfolio

The maturity structure of the Bank's securities portfolio (Financial at fair value through profit or loss, Investments available for sale and Investments held to maturity) in the first half of 2006 indicates that over 50 per cent. of the portfolio had maturities of between three months and one year.

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Up to one month	38,772	12.0	43,067	30.8	5,056	6.8
From one to three months	217,265	67.1	22,062	15.8	19,036	25.5
From three months to one year	65,223	20.1	73,707	52.8	50,483	67.6
From one to five years	1,842	0.6	489	0.4	115	0.1
Over five years	640	0.2	377	0.3	0	0
Total	323,742	100.0	139,702	100.0	74,690	100.0

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

	Year ended 31 December					
	2006		2005		2004	
	(KZT millions)	(Average interest rate, %)	(KZT millions)	(Average interest rate, %)	(KZT millions)	(Average interest rate, %)
NBK notes	10,459	3.0	18,384	3.9	39,972	4.5
Corporate bonds	53,841	8.2	22,845	9.3	17,530	10.9
Medium-term and long-term notes of the Ministry of Finance of the Republic of Kazakhstan	4,609	4.1	10,354	4.8	10,533	5.5
Eurobonds of foreign governments	76,817	4.5	23,623	4.7	4,157	6.8
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	1,839	5.1	2,215	4.4	5,263	3.5
Eurobonds of Kazkommerts International B.V	6,830	6.5	1,579	7.1	4,970	7.9
Domestic municipal bonds	395	8.5	514	8.9	896	12.6
Short-term notes of the Ministry of Finance of the Republic of Kazakhstan and Kyrgyz Republic	325	2.3	475	3.2	2,462	4.2
Total	155,114	5.8	79,989	5.9	85,783	6.2

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

Loan Portfolio

Loans, letters of credit and letters of guarantee

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

	As at 31 December		
	2006	2005	2004
	(KZT millions)		
Loans			
Loans to customers	1,717,756	772,006	524,810
Loans under reverse repurchase agreements	35,020	13,567	8,402
Allowance for impairment losses	(73,936)	(42,162)	(29,879)
Loans to customers, net	1,678,840	743,411	503,333
Contingent liabilities			
Letter of guarantee	91,683	39,928	22,972
Letter of credit	92,413	59,951	41,490
Provisions for contingent liabilities	(4,055)	(2,589)	(1,530)
Total contingent liabilities, net	180,041	97,290	62,932
Total loans to customers and contingent liabilities, net	1,858,881	840,701	566,265

During 2006, the net loan portfolio (excluding loans under reverse repurchase agreements) grew by 125.2 per cent. to KZT1,644 billion. In 2005, the net loan portfolio grew by 47.5 per cent. to KZT730 billion. As at 31 December 2006, the total net loan portfolio (including letters of credit and letters of guarantee) grew by 121.1 per cent. to KZT1,858.9 billion from KZT840.7 billion as at 31 December 2005 and KZT562.8 billion as at 31 December 2004.

Loan portfolio by type

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

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Working capital finance	463,684	27.0	206,698	26.8	147,474	28.1
Construction repair	442,101	25.7	194,580	25.2	96,729	18.4
Fixed asset purchase	169,150	9.9	94,816	12.3	90,112	17.2
Real estate purchase	151,590	8.8	76,499	9.9	55,304	10.5
Equity investment in other enterprises	57,125	3.3	20,738	2.7	22,578	4.3
Trade finance	20,976	1.2	13,779	1.8	16,521	3.2
Other	413,130	24.1	164,896	21.3	96,092	18.3
Total	1,717,756	100.0	772,006	100.0	524,810	100.0

During 2006, the Bank increased its lending to individuals and its lending to companies in the construction, transport and communications, mining and metallurgy and machinery construction sectors. Lending to construction, trade sectors and individuals comprise the largest shares in the Bank's loan portfolio, amounting to 63.1 per cent. of the total loan portfolio as at 31 December 2006. The Bank aims to focus on lending to sectors of the economy that have high growth and development prospects. Additionally, the Bank expects new opportunities for expansion in the provision of financing to medium-sized companies engaged as subcontractors or servicing companies for large international projects carried out in Kazakhstan.

The following table sets forth certain information as to the structure of the Bank's loan portfolio after allowances for impairment losses by economic sector as at 31 December 2006 and 2005:

	As at 31 December			
	2006		2005	
	(KZT millions)	(share %)	(KZT millions)	(share %)
Trade	296,022	17.6	142,294	19.2
Individuals	261,708	15.6	97,424	13.1
Housing construction	225,622	13.4	84,830	11.4
Commercial real estate construction	163,481	9.7	79,743	10.7
Real estate	138,179	8.2	15,129	2.0
Investment and finances	87,724	5.2	42,720	5.7
Industrial and other construction	64,131	3.8	26,304	3.5
Food industry	52,802	3.2	29,115	4.0
Energy	44,877	2.7	30,156	4.1
Hotel business	41,079	2.5	16,271	2.2
Agriculture	38,931	2.3	23,738	3.2
Transport and communication	38,675	2.3	39,222	5.3
Production of construction materials	33,790	2.0	10,639	1.4
Machinery construction	21,778	1.3	12,988	1.7
Mining and metallurgy	20,309	1.2	23,968	3.2
Medicine	2,467	0.2	3,559	0.5
Culture and art	568	0.0	702	0.1
Other	146,727	8.8	64,609	8.7
Total	1,678,840	100.0	743,411	100.0

The following table sets forth certain information as to the structure of the Bank's loan portfolio by economic sector as at 31 December 2004, which is presented separately from the information for 31 December 2006 and 2005 because it is based on gross, rather than net loan amounts and is presented in a different format:

	As at 31 December	
	2004	
	(KZT millions)	(share %)
Construction	90,495	18.3
Trade	97,326	19.6
Individuals	72,821	14.7
Transport and communication	31,125	6.3
Energy	37,007	7.5
Agriculture	34,279	6.9
Investment and finances	32,975	6.6
Food industry	29,802	6.0
Mining and metallurgy	14,042	2.8
Hotel business	14,517	2.9
Real estate	27,597	5.6
Machinery construction	9,206	1.9
Culture and art	1,632	0.4
Other	31,986	6.5
	524,810	106
Less allowance for impairment losses	(29,879)	(6)
Total loans to customers excluding under reverse repurchase agreements	494,931	100.0

Loan portfolio by currency

In line with the Bank's policy to limit its foreign currency risk and open foreign currency positions, foreign currency loans comprise the major part of the Bank's loan portfolio. As at 31 December 2006, U.S. dollar-denominated or indexed loans comprised 66.6 per cent. of the Bank's loan portfolio, compared to 67.5 per cent. as at 31 December 2005 and 73.9 per cent. as at 31 December 2004. Tenge loans grew by 138.5 per cent. in the same period, resulting in their comprising 31.3 per cent. of the Bank's portfolio. Such Tenge loans have a shorter-term maturity profile and usually contain provisions to allow the Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Tenge	525,052	31.3	220,086	29.6	118,156	23.5
U.S.$	1,117,769	66.6	501,876	67.5	372,202	73.9
Euro	13,683	0.82	6,487	0.9	6,031	1.2
Other	22,336	1.3	14,962	2.0	6,944	1.4
Total	1,678,840	100.0	743,411	100.0	503,333	100.0

Maturity profile of loan portfolio

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

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

	As at 31 December			
	2006		2005	
	(KZT millions)	(share %)	(KZT millions)	(share %)
Up to one month	137,072	8.2	44,661	6.0
From one to three months	140,768	8.4	47,156	6.3
From three months to one year	318,457	18.9	167,923	22.6
From one to five years	619,369	36.9	287,176	38.6
Over five years	463,174	27.6	196,495	26.4
Total	1,678,840	100.0	743,411	100.0

The following table sets forth certain information as to the maturity of the Bank's loan portfolio as at 31 December 2004, which is presented separately from the information for 31 December 2006 and 2005 because it is based on gross, rather than net loan amounts:

	As at 31 December	
	2004	
	(KZT millions)	(share %)
Up to one month	41,039	7.8
From one to three months	35,827	6.8
From three months to one year	125,181	23.9
From one to five years	192,832	36.7
Over five years	129,931	24.8
Total	524,810	100.0

Collateralisation of loan portfolio

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

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

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

Concentration of the loan portfolio

Whilst the Bank's total loan portfolio increased by 125.8 per cent. between 31 December 2005 and 31 December 2006, its composition underwent several changes. Loans to construction companies increased by 141.4 per cent., constituting a 29.6 per cent. share in the Bank's loan portfolio as at 31 December 2006 compared to 27.3 per cent. as at 31 December 2005 due to the development of large-scale construction projects in Astana, Almaty and Atyrau. Loans to trade companies increased by 107 per cent., while their percentage of the Bank's total loan portfolio decreasing slightly to 17.8 per cent. compared to 19.1 per cent. as at the end of 2005. As at 31 December 2006, loans to individuals, including consumer and mortgage lending, increased by 165.6 per cent. in comparison to the end of 2005. These loans, as a percentage of the Bank's loan portfolio increasing from 13.1 per cent. as at 31 December 2005 to 15.7 per cent. as at 31 December 2006. Loans to the transport and communications industries decreased by 0.2 per cent. in the same period and the percentage of these loans in the Bank's portfolio decreased to 2.4 per cent. as at 31 December 2006 from 5.3 per cent. at the end of 2005.

Loans to the oil and gas sector increased by 35.7 per cent. from 31 December 2005 to 31 December 2006 whilst their share in the total loan portfolio decreased to 2.7 per cent. compared to 4.4 per cent. in 2005. The oil and gas sector is represented by large Kazakh companies, as well as developing but still relatively small domestic oil producers with existing production facilities. The contribution of the oil and gas sector to the Bank's loan portfolio is declining as a result of the relatively easy access by such companies to less expensive funding in the international capital markets.

The total amount lent to companies in the agriculture sector increased by 52.1 per cent. and as a percentage of the Bank's total loan portfolio (such loans decreased from 4.3 per cent. as at the end of 2005 to 2.9 per cent. as at 31 December 2006), the growth in the Bank's total loan portfolio significantly exceeded the growth in loans to agricultural companies. Loans to agricultural companies are primarily provided to large integrated companies, which are involved in all stages of grain production and processing.

Loans to the food industry fell from 3.9 per cent. of the Bank's total loan portfolio as at the end of 2005 to 3.2 per cent. as at 31 December 2006, while the total amount of loans to this sector grew by 81.4 per cent. Loans to companies in this sector are principally provided to large conglomerates with potential export capacity.

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

The following table sets forth certain information as to the Bank's secured and unsecured loans after allowances for impairment losses and each as a percentage of total net loans as at 31 December 2006 and 2005:

	As at 31 December			
	2006		**2005**	
	(KZT millions)	**(share %)**	**(KZT millions)**	**(share %)**
Secured loans of which	1,424,115	84.8	672,683	90.5
Loans collateralised by real estate	429,701	25.6	193,975	26.1
Loans collateralised by guarantees of enterprises	219,410	13.1	97,787	13.2
Loans collateralised by shares of the banks and other companies	199,680	11.9	42,038	5.7
Loans collateralised by mixed types of collateral	168,269	10.0	96,385	13.0
Loans collateralised by equipment	127,966	7.6	71,370	9.6
Loans collateralised by accounts receivable	106,318	6.3	121,838	16.4
Loans collateralised by inventories	69,070	4.1	28,136	3.8
Loans collateralised by cash or Kazakhstan Government guarantees	51,414	3.1	14,195	1.9
Loans collateralised by guarantees of financial institutions	46,104	2.7	3,075	0.4
Loans collateralised by securities	6,183	0.4	3,884	0.5
Unsecured loans	254,725	15.2	70,728	9.5
Total loans to customers	1,678,840	100.0	743,411	100.0

The following table sets forth certain information as to the Bank's secured and unsecured loans before allowances for impairment losses and each as a percentage of total net loans as at 31 December 2004, which is presented separately from than the information for 31 December 2006 and 2005 because it is based on gross, rather than net loan amounts and is presented in a different format:

	As at 31 December	
	2004	
	(KZT millions)	**(share %)**
Secured loans, of which	476,881	90.9
Loans collateralised by real estate	112,348	21.4
Loans collateralised by accounts receivable	119,097	22.7
Loans collateralised by combined collateral	75,461	14.4
Loans collateralised by guarantees of enterprises	32,205	6.1
Loans collateralised by equipment	42,345	8.1
Loans collateralised by shares of other companies	26,092	5.0
Loans collateralised by inventories	21,084	4.0
Loans collateralised by cash or guarantees of the Government of Kazakhstan	25,943	4.9
Loans collateralised by guarantees of financial institutions	22,306	4.3
Unsecured loans	47,929	9.1
Subtotal	524,810	100.0
Less allowance for impairment losses	(29,879)	
Total loans to customers excluding under reverse repurchase agreements	494,931	

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Non-performing Loans

The Bank classifies as non-performing only that portion of principal, interest or fees on a loan which is overdue by more than 30 days for a corporate loan or retail loan, which is a classification methodology consistent with that used by other banks in Kazakhstan. According to this definition the Bank had a non-performing loan ratio of 0.9 per cent. as at 31 December 2006 compared to 1.6 per cent. as at 31 December 2005.

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

	As at 31 December 2006				
Days past due	**Portion overdue**	**% of total loans**	**Portion not overdue**	**Total**	**% of total loans**
	(KZT millions)		**(KZT millions)**	**(KZT millions)**	
Under 30	803	0.0	23,263	24,065	1.4
30 - 60	1,064	0.1	6,238	7,302	0.4
60 - 90	1,474	0.1	985	2,459	0.1
90 - 180	1,806	0.1	2,204	4,009	0.2
More than 180	10,246	0.6	3,167	13,413	0.8
Total	15,392	0.9	35,857	51,249	3.0

	As at 31 December 2005				
Days past due	**Portion overdue**	**% of total loans**	**Portion not overdue**	**Total**	**% of total loans**
	(KZT millions)		**(KZT millions)**	**(KZT millions)**	
Under 30	1,407	0.2	14,738	16,145	2.1
30 - 60	1,062	0.2	2,223	3,285	0.4
60 - 90	866	0.1	1,349	2,215	0.3
90 - 180	2,453	0.3	7,604	10,257	1.3
More than 180	6,426	0.8	4,284	10,711	1.4
Total	12,214	1.6	30,399	42,613	5.5

Allowances for Impairment Losses

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

	As at 31 December								
	2006			**2005**			**2004**		
	Total exposure	**Total reserves**	**Reserves/ Exposure**	**Total exposure**	**Total reserves**	**Reserves/ Exposure**	**Total exposure**	**Total reserves**	**Reserves/ Exposure**
	(KZT millions)		**%**	**(KZT millions)**		**%**	**(KZT millions)**		**%**
Standard	948,660	24,946	2.6	408,259	10,495	2.6	275,753	5,515	2.0
Watch	684,697	34,685	5.1	297,498	17,631	5.9	189,927	9,496	5.0
Substandard	51,937	3,438	6.6	41,126	3,352	8.2	36,597	3,056	8.4
Doubtful	12,290	1,955	15.9	6,627	1,934	29.2	3,276	1,035	31.6
Loss	20,171	8,912	44.2	18,496	8,750	47.3	19,257	10,777	56.0
Total	1,717,756	73,936	4.3	772,006	42,162	5.5	524,810	29,879	5.7

The Bank has policy of 2 per cent. minimum provisioning rate for all loan categories. The effective level of provisions fell from 5.7 per cent. as at the end of 2004 to 5.5 per cent. in 2005 and 4.3 per cent. as at 31 December 2006 as a result of the general improvement in the quality of the Bank's portfolio. "Standard" and "Watch" loans increased by 131.4 per cent. and amounted to KZT1,633 billion as at 31 December 2006, as compared with KZT705.8 billion as at 31 December 2005 and KZT465.7 billion as at 31 December 2004. "Standard" and "Watch" loans increased from 88.7 per cent. in 2004 to 91.4 per cent. in 2005 to 95.1 per cent. in 2006. "Sub-standard" loans increased by 26.3 per cent. from 31 December 2005 to 31 December 2006 while their share of the total portfolio fell to 3.0 per cent. as at 31 December 2006, as compared to 5.3 per cent. as at 31 December 2005 and 7.0 per cent. as at the end of 2004. "Doubtful" and "Loss" loans increased by KZT7.3 billion (by 29.2 per cent.) while their share of the total portfolio fell to 1.9 per cent. as at 31 December 2006, compared to 3.3 per cent. as at the end of 2005 and 4.3 per cent. at the end of 2004.

In 2006, the Bank wrote off loans in the aggregate amount of KZT0.9 billion, as compared to KZT5.4 billion in 2005, and KZT0.7 billion in 2004. For a description of the Bank's write-off policy, see "Risk Management Policies."

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

	As at 31 December		
	2006	2005	2004
	(KZT millions)		
Allowance for impairment losses at the beginning of period	42,162	29,879	19,069
Provision	33,277	17,121	11,103
Write-off of assets	(909)	(5,359)	(733)
Recoveries of assets previously written off	121	531	469
Exchange rate difference	(716)	(10)	(29)
Allowance for impairment losses at the end of the period	73,936	42,162	29,879

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions except for percentages)					
Legal entities	65,185	3.8%	37,742	4.9%	27,444	5.2%
Individuals	8,751	0.5%	4,420	0.6%	2,435	0.5%
Total	73,936	4.3%	42,162	5.5%	29,879	5.7%

Contingent Liabilities and Credit Commitments

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

	As at 31 December					
	2006		2005		2004	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	(KZT millions)		(KZT millions)		(KZT millions)	
Guarantees issued and similar commitments........	91,683	91,683	39,928	39,928	22,972	22,972
Letters of credit and other transaction related to documentary operations...	92,413	17,982	59,951	11,680	41,490	6,942
Commitments on loans and unused credit lines............	10,921	10,921	2,670	2,670	2,081	2,081
Total contingent liabilities and credit commitments....	195,017	120,586	102,549	54,278	66,543	31,995

Loans and advances to banks

As at 31 December 2006, loans and advances to banks, less allowance for impairment losses, decreased by 22.5 per cent. to KZT197.2 billion, as compared to KZT254.2 billion as at 31 December 2005 mainly due to maturity of short-term deposits. At the same time, loans and advances to banks as a percentage of total assets decreased from 21.3 per cent. as at the end of 2005 to 8.1 per cent. as at 31 December 2006. The majority of loans and advances to banks (45.8 per cent.) were represented by U.S. dollar accounts as at 31 December 2006. The Bank adheres to a conservative approach in its deposit funding activities. Funds are usually placed for a short term with a maximum limit on the amount deposited, unless such loans are backed by state securities or cash deposits. In particular, the majority (87.9 per cent.) of loans and advances to banks had maturities of less than three months.

During 2006, allowance for impairment losses on loans and advances to banks decreased substantially to KZT857 million, as compared to KZT1,245 million in 2005. This decrease was mainly due to the reduction in loans and advances to banks.

Cash and balances with the NBK, the National Bank of Kyrgyz Republic and the Central Bank of Russia increased substantially from KZT37.2 billion as at 31 December 2005 to KZT209 billion as at 31 December 2006 as a result of tightening of regulatory reserve requirements on internal (6 per cent.) and external (8 per cent.) liabilities placement.

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

	As at 31 December		
	2006	**2005**	**2004**
	(KZT millions)		
Correspondent accounts	30,277	18,478	13,021
Tenge	845	199	189
Foreign currency	29,432	18,279	12,832
Loans and advances to banks	122,266	236,671	29,346
Tenge	30,296	3,532	3,986
Foreign currency	91,970	233,139	25,360
Allowances for impairment losses	(857)	(1,245)	(533)
Loans and advances to banks, net	151,686	253,904	41,834
Loans under reverse repurchase agreements	45,505	383	—
Tenge	45,505	383	—
Foreign currency	—	—	—
Total loans and advances to banks, net	197,191	254,287	41,834

Funding

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

	As at 31 December					
	2006		**2005**		**2004**	
	(KZT millions)	**(share %)**	**(KZT millions)**	**(share %)**	**(KZT millions)**	**(share %)**
Customer accounts	687,806	31.5	303,437	27.4	197,827	30.1
Customer accounts	683,422	31.3	303,405	27.4	197,827	30.1
Loans from customers under repo agreements	4,384	0.2	32	0.0	—	—
Issued debt securities	424,162	19.4	303,133	27.4	207,841	32.2
Loans and advances from banks	884,301	40.6	379,206	34.2	198,776	30.8
Loans and advances from banks	633,449	29.1	320,095	28.9	170,331	26.4
Loans from banks under repo agreements	250,852	11.5	59,111	5.3	28,445	4.4
Subordinated debt	78,922	3.6	52,213	4.7	22,926	3.6
Other funds borrowed	68,814	3.2	50,604	4.6	4,464	0.7
Dividends payable	1	0.0	1	0.0	1	0.0
Other liabilities	36,370	1.7	18,004	1.7	12,926	2.0
Total liabilities	2,180,376	100.0	1,106,598	100.0	644,761	100.0

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Tenge:						
Demand deposits	161,498	23.5	58,031	19.1	59,235	29.9
Retail	16,200	2.4	5,475	1.8	6,603	3.3
Corporate	145,298	21.1	52,556	17.3	52,632	26.6
Time deposits	320,419	46.6	75,813	25.0	53,135	26.9
Retail	94,712	32.8	37,138	12.2	33,262	16.8
Corporate	225,707	13.8	38,675	12.8	19,873	10.0
	481,917	70.1	133,844	44.1	112,370	56.8
Foreign currency:						
Demand deposits	96,100	14.0	56,159	18.5	25,755	13
Retail	16,652	2.4	15,984	5.3	4,228	2.1
Corporate	79,448	11.6	40,175	13.2	21,527	10.9
Time deposits	97,945	14.2	108,806	35.9	57,712	29.2
Retail	68,284	9.9	49,190	16.2	39,076	19.8
Corporate	29,661	4.3	59,616	19.7	18,636	9.9
	194,045	28.2	164,965	54.4	83,467	42.2
Total customer accounts	675,962	98.3	298,809	98.5	195,837	99.0
Accrued interest	7,460	1.1	4,596	1.5	1,990	1.0
Total with accrued interest	683,422	99.4	303,405	100.0	197,827	100
Loans from customers under repurchase agreements	4,384	0.6	32	—	—	—
Total	687,806	100.0	303,437	100.0	197,827	100.0

As at 31 December 2006 the deposits (not including interest accrued) of the 20 largest depositors accounted for 44.4 per cent. of total deposits, compared to 27.8 per cent. at the end of 2005 and 30.2 per cent. at the end of 2004.

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

	As at 31 December					
	2006		2005		2004	
	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Loans and advances from banks:						
Correspondent accounts	46,273	4.9	29,121	6.8	6,613	3.3
Loans from banks	276,779	29.0	45,387	10.5	40,028	19.7
Deposits of banks	8,382	0.9	8,448	2.0	10,903	5.4
Loans sold to banks under repo agreements	250,852	26.3	59,111	13.7	28,445	14.0
Loans from international financial institutions	7,304	0.8	10,611	2.5	13,524	6.6
Syndicated loan	294,711	30.9	226,528	52.7	99,263	48.8
Total loans and advances from banks	884,301	92.8	379,206	88.2	198,776	97.8
Other borrowed funds:						
Due to Ministry of Finance	262	0.0	424	0.1	583	0.29
Due to the Fund of Small Business Support	—	—	21	—	1,190	8.59
Due to other organisations	68,552	7.2	50,159	11.7	2,691	1.3
Total other borrowed funds	68,814	7.2	50,604	11.8	4,464	2.2
Total borrowed funds	953,115	100.0	429,810	100.0	203,240	100.0

The Bank's debt securities decreased to 19.5 per cent. of the Bank's liabilities as at 31 December 2006 from 27.4 per cent. as at 31 December 2005 and 32.2 per cent. as at 31 December 2004, despite the issue by the Bank in 2005 of its U.S.$500 million Notes due 2015. This was due to increase in customers accounts. Long-term liabilities decreased to 46.5 per cent. of the Bank's liabilities as at 31 December 2006 from 48.3 per cent. as at 31 December 2005 and 43.4 per cent. as at 31 December 2004.

The Bank also adopts a policy of extending the maturities of its assets in accordance with the maturities of its funds raised in the debt capital markets so as to reduce risks related to interest rate changes. Long-term assets (i.e. assets over one year) increased by 122.2 per cent. during 2006 and accounted for 45.3 per cent. of assets, as compared to 41.7 per cent. of assets as at 31 December 2005 and 44.6 per cent. as at 31 December 2004. As at 31 December 2006 the asset and liability interest gap was positive in respect of assets and liabilities with maturities of over five years, at 1.7 per cent. of assets. The positive gap means that an interest rate increase would have a positive effect on net interest income. Where practicable, the Bank also links loans to their underlying funding sources through participation in special programmes sponsored by the NBK, the Ministry of Finance of Kazakhstan and international financial institutions. The Bank also endeavours to increase and extend the maturities of its retail time deposits.

RISK MANAGEMENT POLICIES

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

The Bank identifies and manages the following risks:

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

Credit Risk

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

Credit approval structure

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

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

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

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

- *Board of Directors.* All loans exceeding 10 per cent. of the Bank's total assets as well as all transactions with related parties have to be approved by the Board of Directors.

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

Corporate loan approvals

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

- *Department of Risk Management.* The Department of Risk Management considers a prospective corporate loan in several ways. The risk managers of the branches and the regional directorates and analytic group within the head office, which is divided into sub-groups according to industry, provide advice on commercial loans based on their assessment of the borrower's business and/or the project to which the loan relates. Their assessment takes into account the required cash and anticipated return necessary for the borrower to repay the loan. The Department of Risk Management is involved in the Bank's loan portfolio monitoring and in the development of procedures and guidelines with respect to the Bank's lending.
- *Collateral Assessment Department and Debt Restructuring Division.* The Bank requires collateral for almost all of its loans. The Collateral Assessment Department undertakes a valuation analysis with respect to proposed collateral and the Debt Restructuring Division, a division of the Collateral Assessment Department, determines the optimal method for restructuring and obtaining repayment of problem loans.
- *Legal Department.* The Bank obtains legal advice from the Legal Department regarding proposed loans and, receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into the loan transactions and grant collateral.
- *Security Department.* The Security Department provides information on the assets, credit history and reputation of potential borrowers. A central credit bureau has recently been established in Kazakhstan and this should improve the quality of information on the credit history of potential borrowers.

Rating model

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

Retail and SME loan approvals

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

As a part of the process of improving lending policies and credit approval procedures, the Bank has established a new division in the Department of Risk Management, the Decision Making Centre

(“DMC”). The DMC approves or declines applications for retail loans on the basis of the standardised information which it receives through the Bank’s internal information technology system. The DMC is authorised to approve applications from customers with total single party exposure of up to U.S.$200,000. Applications from retail customers with larger exposures are referred to SME applications with longer exposures are referred to the relevant credit approval committee as described above in “—Credit approval structure.” The new credit approval procedures have been introduced in 16 branches and the Bank plans to introduce these procedures into all branches during the first half of 2007.

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

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

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

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

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

Provisioning policy

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

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

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

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

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

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

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

In this matrix

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

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

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

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

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

Loan write-offs

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

Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The ALMC seeks to control liquidity risk by undertaking a maturity analysis of the loan portfolio and its conclusions are reflected in the Bank's ongoing strategy in subsequent financial periods. Current liquidity is managed by the Treasury Department, which deals in the money markets in order to help facilitate liquidity and cash flow optimisation. The ALMC is chaired by the Chairman of the Bank and includes four Managing Directors and the Director of the Treasury Department. The ALMC meets at least twice weekly to monitor the Bank's exposures on the basis of information about maturities, interest margins, liquidity and the Bank's net foreign currency positions. The Bank's treasury operations and investment strategies are also planned at ALMC meetings.

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

Currency Risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows.

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

Interest Rate Risk

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

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

Market Risk

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

Operational Risk Management

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

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

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

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

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

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

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

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MANAGEMENT

Management

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

Board of Directors

The Bank's board of directors (the "Board of Directors") must comprise not less than three and not more than five persons and is elected by the Shareholders. The members of the Board of Directors elect the chairman from amongst themselves. Members of the Board of Directors serve a term determined by the General Meeting of Shareholders or indefinitely until resignation or removal by a General Meeting of Shareholders. Members of the Board of Directors may be re-elected an unlimited number of times. The powers of the Board of Directors include determining the priority of the Bank's activities and approving the Bank's strategic and operational plans. The Board of Directors also makes decisions with respect to the establishment of branches and representative offices of the Bank, participation in the establishment and activities of other enterprises, concluding large-scale transactions and the adoption of operational budgets and estimates of capital expenditures. The Board of Directors must also approve all transactions with related parties. A9.9.1(a)

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

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

Daulet H. Sembaev (age 71) has been Deputy Chairman of the Board of Directors since 2002 and was Chairman of the Board of Directors and Advisor to the Chairman of the Management Board from 1999 to 2002. Mr. Sembaev is a former Chairman of the NBK, President of the Kazakhstan Association of Financiers and a member of Parliament. He has also held other positions with different government bodies and private companies. Mr. Sembaev graduated as an engineer from the Kazakhstan Mining Institute in 1958.

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

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

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

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

The Management Board A9.9.1(a)

The management board (the "Management Board") must consist of not less than three persons. The Management Board manages the Bank's affairs on a day-to-day basis and its responsibilities A9.9.1(a) A9.2

include all other matters not reserved to the exclusive competence of the Board of Directors or the General Meeting of Shareholders. Meetings of the Management Board can be convened as necessary.

The current members of the Management Board are as follows:

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

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

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

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

Alexander V. Yakushev (age 48) has served as a Managing Director of the Bank since 1999. He is also a Director of the Northern Regional Directorate. He is the former Director of the Bank's Correspondent Relationships with CIS and Baltic States Banks division. Before joining the Bank in 1996, Mr. Yakushev held various positions with Kramds Bank. He graduated from the Gorky Institute of Foreign Languages and AINE.

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

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

Magzhan M. Auezov (age 31) supervises the Bank's Credit Department No. 1, Project Finance Department and Product Support Department and has served as a Managing Director of the Bank since 2002. Mr. Auezov is a former Country Head of Loan Products of ABN AMRO Bank Kazakhstan and, prior to that was Head of the Trade and Commodity Finance Department at the same bank. He holds a graduate degree in International Banking and Finance from Columbia University and an undergraduate degree in International Economics from Georgetown University as well as a diploma in International Affairs from Kazakhstan State National University.

Andrey I. Timchenko (age 31) supervises the Bank's Financial Institutions Department and Business and Product Development Department and has served as a Managing Director of the Bank since 2003. Mr. Timchenko is a former tax adviser with Ernst & Young Almaty. He joined the Bank in 1998 and has held a number of positions in the Bank. He is a Director of Kazkommerts International B.V. and Kazkommerts Finance II B.V. He has a graduate degree in law from Kazakhstan State Law University.

Dennis Y. Fedossenko (age 31) supervises the Bank's Treasury Department and has served as a Managing Director of the Bank since 2003. Mr. Fedossenko joined the Bank in 1996 and held a number of positions in the Treasury Department of the Bank. He graduated from the Kazakhstan State Academy of Management.

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

Askarbek Nabiyev (age 32) supervises the Bank's Financial Control Department and was appointed as a Managing Director in February 2007. He has been with the Bank for 10 years, initially within the economic analysis division. In 2002, he became the Director of the Financial

Control Department. He holds a degree in economics from the Kazakh State Academy of Management.

Adil Batyrbekov (age 29) supervises the Bank's Risk Management Department and was appointed as a Managing Director in February 2007. He has headed the Bank's Risk Management Department since 2004. Prior to joining the Bank, he spent over 6 years as the head of the credit division at ABN AMRO Kazakhstan. He graduated from the Kazakh State Academy of Management as an economist specialising in international affairs, and holds an MBA from the University of Nottingham.

The business address of the members of the Management Board is the registered office of the Bank. A9.9.1

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 31 December 2006: A9.9.1(a)

	Principal amount outstanding
	(KZT thousands)
Apsenbetov B.T.	58,178
Balapanov E.Zh.	29,845
Barsukov A.V.	45,974
Ahmetov A.B.	9,840
Zhumagulov B.K.	25,384
Subhanberdin N.S.	1,270
Timchenko A.I.	11,145
Shamuratov E.N.	411
Yakushev A.V.	1,283
Total	183,330

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

Corporate Governance

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

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

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

Compensation of Directors and Senior Management

During 2006 total compensation paid to members of the Board of Directors and members of the Management Board was KZT500 million as compared to KZT662 million in 2005. This included salaries and bonuses and other payments to the Board of Directors and the Management Board. The Bank does not maintain any stock option or similar plans. No member of the Board of Directors or the Management Board has any contract with the Bank or any of its subsidiaries providing for benefits upon termination of employment.

Conflict of Interest

The only potential conflict of interest between any duties of the Issuer's managing directors towards the Bank and their private interests and/or other duties is that Mr. Andrey I. Timchenko is a managing director of both the Issuer and the Bank. Consequently, there may be situations where it is not possible for Mr. Timchenko to simultaneously act in the best interests of the Issuer and the Bank. A9.9.2

Except as disclosed in the paragraph directly preceding this paragraph, 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.

RELATED PARTY TRANSACTIONS

Related parties include entities and natural persons that are shareholders, affiliates or entities under common management or control of the Bank. A9.9.2

The following table sets forth certain information as to the Bank's interest income and expense relating to transactions with related parties, as well as benefits paid to employees who are related parties, for the years ending 31 December 2006 and 2005:

	For the year ended 31 December	
	2006	**2005**
	(KZT millions)	
Interest income	130	251
Interest expense	(258)	(250)
Short-term employee benefits	(500)	(662)

The following table sets forth certain information as to the Bank's interest income and expense relating to transactions with related parties, as well as benefits paid to employees who are related parties, for the year ending 31 December 2004, which is presented in a different format than the information for 31 December 2006 and 2005:

	For the year ended 31 December
	2004
	(KZT millions)
Interest income	178
Interest expense	(210)
Benefits of key personnel	393

As at 31 December 2006 total guarantees issued for related parties amounted to KZT7,142 million, as compared to KZT19 million as at 31 December 2005 and KZT34 million as at 31 December 2004.

As at 31 December 2006, the Bank's investments in shares of related companies amounted to KZT1,755 million, compared to KZT425 million as at 31 December 2005 and KZT218 million in 2004.

The following table sets forth certain information as to related party transactions of the Bank as at 31 December 2006 and 2005:

	For the year ended 31 December	
	2006	**2005**
	(KZT millions)	
Loans to customers	2,052	1,400
Allowance for impairment losses	50	43
Investments in associates	1,718	388
Customer accounts	8,326	2,272
Provision for guarantees and other off-balance sheet contingencies	356	—
Commitments on loans and unused credit lines	651	869
Guarantees issued and similar commitments	7,142	19

The following table sets forth certain information as to related party transactions of the Bank as at 31 December 2004, which is presented separately from the information for 31 December 2006 and

2005 because it is based on gross, rather than net loan amounts and is presented in a different format:

	For the year ended 31 December
	2004
	(KZT millions)
Loans to customers	2,617
Allowance for impairment losses	84
Customer accounts	3,401
Provision for guarantees and letters of credit	3
Loan commitments and unused card limits	54
Guarantees given	34

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

There have been no material changes in the information set out above since 31 December 2006.

PRINCIPAL SHAREHOLDERS

Introduction

From late 1994 until November 2006, a majority of the Shares were owned or controlled by the Bank's directors and senior management, although as a result of the Bank's IPO and Rights Offering described below, the directors and senior management no longer control a majority of the Shares. As at 10 January 2007, the Bank's directors and senior management beneficially owned 34.4 per cent. of the outstanding Shares.

Principal Shareholders

The following table sets forth as at 10 January 2007 information as to the principal Shareholders and as to the beneficial ownership of Shares by: A9.10.1

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

Except as indicated, beneficial ownership includes the sole power to vote and to dispose of Shares. A.9.10.1

	Shares	(%)[(1)]
CAIC[(2)]	184,679,013	32.1
EBRD	48,597,791	8.5
The Bank of New York[(3)]	260,994,622	45.4
All directors and senior management as a group (three persons)[(2)]	197,845,242	34.4
Nurzhan Subkhanberdin	168,052,891	29.2
Direct	72,570,622	12.6
Indirect	95,482,219	16.6
Nina Zhussupova (indirect)	29,792,351	5.2
Other shareholders of which CAIC (excluding the interests in it of Mr. Subkhanberdin, Ms. Zhussupova and Mr. Akhmetov)	78,377,681	13.6
other direct Shareholders	8,014,676	1.4

(1) As at 10 January 2007, there were 574,856,724 Shares outstanding. CAIC, EBRD, The Bank of New York, Mr. Subkhanberdin and the other direct Shareholders constitute all of the direct Shareholders of the Bank.

(2) CAIC is one of the entities through which the Bank's directors and senior managers beneficially own Shares. As at 10 January 2007, CAIC held 184,679,013 Shares representing 32.1 per cent. of the Shares. 44.8 per cent. of the share capital of CAIC is beneficially owned by Mr. Subkhanberdin, 12.8 per cent. is beneficially owned by Ms. Zhussupova. The table above also includes Mr. Subkhanberdin's and Ms. Zhussupova's indirect holdings of Shares in the form of GDRs held by other means.

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

In addition to the Shares, as at 1 March 2007, the Bank had 124,978,795 Preference Shares outstanding. See "Capitalisation." 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 granted voting rights until all accrued and payable dividends are paid in full. At the option of the Bank, the Bank may offer to the holders of Preference Shares the option to convert all or some of such shares into Shares.

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

In November 2006, the Bank's three major shareholders, JSC "Central Asian Investment Company", Mr. Nurzhan Subkhanberdin and the European Bank for Reconstruction and Development (collectively, the "Selling Shareholders") sold 91,429,412 shares of the Bank's common stock ("Common Stock") in the form of Global Depositary Receipts ("GDRs") on the London Stock Exchange (the "IPO"). The GDRs were sold at a price of U.S.$18.50 per GDR, and each GDR represents two shares of Common Stock. The Selling Shareholders committed to use the proceeds from the IPO to subscribe for new shares of Common Stock offered domestically to the Bank's pre-IPO shareholders in the Rights Offering (defined below). Total proceeds to the Selling Shareholders exceeded U.S.$845 million. In the second stage of the IPO, the Bank offered 103.5 million shares of Common Stock to its pre-IPO shareholders (the "Rights Offering"). The Bank completed the Rights Offering in January 2007, and raised more than U.S.$957 million (before fees, commissions of investment banks and other expenses paid in connection with the IPO and Rights Offering) in new capital.

Shareholders' Agreement with the EBRD

In connection with the EBRD's purchase of Shares in August 2003, the EBRD entered into the Shareholders' Agreement dated 6 June 2003 (the "Shareholders' Agreement"). In connection with the EBRD's purchase of additional Shares in June 2005, the original shareholders' agreement was replaced by the Shareholders' Agreement dated 24 June 2005 as amended on 7 December 2005. The Shareholders' Agreement provides, amongst other things, that its terms and conditions shall remain in effect for so long as the EBRD holds Shares. The Shareholders' Agreement also provides that: A9.10.1

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

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

Subscription Agreement with the EBRD

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

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

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

The Subscription Agreement is governed by the laws of Kazakhstan.

Put Option Agreement A9.10.2

In addition to the Shareholders' Agreement, the EBRD also entered into a put option agreement dated 6 June 2003 (the "Put Option Agreement") with Mr. Subkhanberdin and Ms. Zhussupova. In accordance with the Put Option Agreement, at any time after 31 August 2009, the EBRD shall have the right to require that all or part of its Shares be purchased by Mr. Subkhanberdin or, in the event Mr. Subkhanberdin fails to comply with his obligation to purchase such Shares, by Ms. Zhussupova. The price of any such purchase is to be determined in accordance with a formula contained in the Put Option Agreement. In certain limited circumstances, the EBRD may exercise its put option earlier, in which case a different formula is used to determine the price.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994, the government of Kazakhstan has adhered to a strict macroeconomic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms, which have sharply reduced inflation and lowered interest rates.

Kazakhstan has a two-tier banking system with the central bank of Kazakhstan, the NBK, comprising the first tier and all other commercial banks comprising the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the FMSA (prior to 2004 this licensing role was carried out by the NBK).

The government of Kazakhstan, the NBK and the FMSA have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation and improving the overall viability of the system.

According to the FMSA, as at 31 December 2006, there were 33 commercial Kazakh banks, excluding the DBK, the NBK and Zhilstroisbrobank (the Housing Construction Savings Bank) and the share of total assets of the second-tier banks amounted to 91.1 per cent. of Kazakhstan's GDP as compared to 61.8 per cent. at the end of 2005 and 48.5 per cent. at the end of 2004.

The National Bank of Kazakhstan and the FMSA

The NBK is an independent institution. However, subordinate to the President of Kazakhstan. The President has the power, among other things, to appoint (with the approval of Parliament) and remove the NBK's Chairman, to appoint and remove the NBK's Deputy Governors, to confirm the annual report of the NBK on the recommendation of the Chairman, to confirm the concept and design of the national currency and to request information from the NBK. Anvar Saydenov, the current Governor of the NBK, has held this position since 2004.

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

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

The FMSA is an independent institution reporting directly to the President. The Chairman of the FMSA, Arman Dunayev, the former Minister of Finance of Kazakhstan, was appointed by the President in January 2006 and continues to hold this position.

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

Administration of anti-monopoly legislation in Kazakhstan with respect to certain industry sectors, including banking, is in the process of being transferred from the Kazakhstan Anti-monopoly Committee to industry regulators, including the FMSA for the banking sector.

Banking Reform and Supervision

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

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

Capital Adequacy

The FMSA further refined its capital adequacy and credit exposure standards in September 2005, when it adopted a resolution (which was subsequently amended in November 2005, May 2006 and June 2006) to set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions.

In November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel II accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks and include rules for calculating risk with respect to derivatives. Further, the new regulations establish reduced capital adequacy ratios for banks one of whose shareholders is a bank holding company. Such reduced rates are 5.0 per cent. for the K1 ratio (compared to a generally applicable ratio of 6.0 per cent.) and 10.0 per cent. for the K2 ratio (compared to a generally applicable ratio of 12.0 per cent.). A bank holding company is an entity, whether domestic or foreign, that owns more than 25.0 per cent. of the voting shares of a Kazakh bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

In January 2007, to reduce the risks associated with rapid growth in the external debt of Kazakh banks, the FMSA proposed amendments to its capital adequacy regulations which, if implemented, will impose limits on foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital" as calculated both including and excluding debt securities issued. The amendments set out time limits for compliance and came into effect on 1 April 2007. Under the new regulations Kazakh banks have until 1 October 2007 to bring the ratio of their external liabilities to own capital within interim ratios and into full compliance with the final ratios by 1 April 2008.

These amendments mean that banks will not be permitted to increase borrowings from non-domestic holders (subject to certain exceptions) to a level in excess of certain multiples of regulatory capital and may result in banks exceeding the prescribed ratios and having to either repay foreign-sourced debt or increase their regulatory capital. The final ratios that will be applicable to the Bank are (i) four times own capital for external liabilities excluding debt securities issued and (ii) six times own capital for external liabilities including debt securities issued.

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

Reserve requirements

In July 2006, the FMSA implemented measures to raise reserve requirements for Kazakh banks in an effort to limit foreign currency debt issuances amid concerns about currency mismatches. The rules increase reserve requirements for foreign currency borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (regardless of residence) to 8.0 per cent. from 6.0 per cent., although domestic borrowings from residents will remain at 6.0 per cent..

See *"Management's Discussion and Analysis of Results of Operations and Financial Condition - Equity and Capital Ratios"*

Deposit insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and as at 31 December 2006, 33 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts up to a maximum amount per customer (KZT700,000) at any given bank. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals. It is anticipated that participant banks will be called upon to make further contributions to the scheme as a result of payments made by the scheme to depositors of JSC ValutTransit Bank. See " – Commercial Banks".

Acquisition of interests in Kazakh banks

Current legislation requires FMSA approval of any acquisition of a shareholding of 10 per cent. or more (whether held independently or jointly with another legal entity) in a Kazakh bank. Furthermore, a foreign entity holding 10 per cent. or more of a Kazakh bank must obtain a credit rating from one of the top rating agencies. The rating of such an entity should be long-term and should not be less than; (a) Kazakhstan's Sovereign rating (or equivalent) or (b) if the entity is a financial institution, the rating should be 'BB-' or the equivalent, provided that the country in which the entity is domiciled has a rating of not less than 'BB-'.

Other regulations

In addition, in June 2006 the FMSA implemented new measures to restrict Kazakh banks from having outstanding external short-term financings which exceed a bank's regulatory capital. These measures may limit a bank's ability to extend the maturity of certain short-term facilities causing it to look to longer term financings or customer deposits to replace such short-term facilities. A failure to replace these facilities could lead to an increase in a bank's funding costs, an increase in its liquidity and interest rate risk or both.

See *"Management's Discussion and Analysis of Results of Operations and Financial Condition - Equity and Capital Ratios"*

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

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

The Regional Financial Centre of Almaty

The Regional Financial Centre of Almaty City ("RFCA") is one of the government of Kazakhstan's projects aimed at diversifying Kazakhstan's economy by developing and growing Kazakhstan's financial sector. The mandate of the RFCA is to:

- develop Kazakhstan's securities market;
- integrate Kazakhstan's capital market with the international capital markets;
- attract investment to Kazakhstan; and
- encourage investments by Kazakhs in the international capital markets.

The RFCA is expected to establish dispute resolution procedures for RFCA participants, as well as establish a trading floor and international advisory board. The RFCA is also expected to provide special tax and monetary incentives for participants who trade securities on the platforms established by the RFCA.

Commercial Banks

The number of commercial banks have decreased from 184 in mid 1994 to 38 as at the end of 2002 compared to 33 as at the end of 2006. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In November 2001, the government of Kazakhstan divested its remaining 33 per cent. stake in OJSC Halyk Bank, by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT2.1 billion. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the FMSA and currently JSC Nauryz Bank is in the process of liquidation as required by a court ruling in November 2005. On 24 December 2005, the FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards. In December 2006, FMSA revoked the banking licence of JSC ValutTransit Bank due to the violation of Kazakh laws, improper performance of contractual obligations and breach of prudential standards. A decision on the mandatory liquidation of JSC ValutTransit Bank was adopted by the special inter-district economic court of Karaganda on 13 February 2007 and came into effect on 1 March 2007. Compensation of about KZT16 billion is expected to be paid by the Kazakhstan deposit insurance fund to depositors of JSC ValutTransit Bank, which is expected to leave the fund in a shortfall position.

As at 31 December 2006, 22 of the 33 commercial banks (excluding DBK) had registered capital of over KZT2 billion and 11 banks had a registered capital of KZT1 billion to KZT2 billion. Any bank whose capital falls below KZT500 million is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations.

For a discussions of the competition facing the Bank, see "Description of the Business – Competition".

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

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

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

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

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

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

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

Calculated by the Bank on the basis of FMSA data, the total capital of commercial banks increased 62.4 per cent. in 2004 and 69.3 per cent. in 2005 and 101.0 per cent. in 2006, amounting to approximately KZT1,176.8 billion. During such period, the total assets of such banks increased by 96.6 per cent. and, as at 31 December 2006, amounted to approximately KZT8,874.6 billion. In 2006, the aggregate liabilities of such banks increased by 95.7 per cent. and amounted to approximately KZT5,992.0 billion as at 31 December 2006 and their aggregate net income increased by 77.1 per cent. in 2006, amounting to KZT891.2 billion in 2006.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Global Notes and the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Notes in definitive form. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the relevant Final Terms. Those definitions will be endorsed on the Notes in definitive form. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. A12.4.1.7 A13.4.7

The Notes are constituted by an amended and restated trust deed (the "Trust Deed") dated 4 April 2007 between Kazkommerts International B.V. (the "Issuer"), JSC Kazkommertsbank (the "Guarantor") and BNY Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes referred to below. An amended and restated agency agreement (the "Agency Agreement") dated 4 April 2007 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York as calculation agent (the "Calculation Agent"), principal paying agent (the "Principal Paying Agent" and a "Paying Agent") and a transfer agent, paying agent and registrar (a "Transfer Agent"), The Bank of New York transfer agent (the "Paying Agent, Transfer Agent and Registrar"). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, 48th Floor, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents. A13.4.8

The 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 are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "Tranche" means Notes which are identical in all respects.

1. Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms or integral multiples thereof, without interest coupons, provided that (i) the Specified Denomination(s) shall not be less than €50,000 or its equivalent in other currencies, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in Part A of the relevant Final Terms and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$100,000 or its equivalent in other currencies.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/ Payment Basis shown in the relevant Final Terms.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the person in whose name a Note is registered, "holder" shall be read accordingly and capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Transfers of Notes

(a) ***Transfer of Notes***: One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request. A13.4.14

(b) ***Exercise of Options or Partial Redemption in Respect of Notes***: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to the Registrar or any Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.

(c) ***Delivery of New Notes***: Each new Note to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition (c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) ***Transfer Free of Charge***: Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) ***Closed Periods***: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount or interest amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) or (iii) after any such Note has been called for redemption.

3. Guarantee and Status

(a) ***Status of the Notes***: The Notes constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer which rank and will rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law.

(b) ***Status of the Guarantee***: The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes and the Trust Deed (the "Guarantee"). The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Guarantor which rank and will rank at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Guarantor, save only for such obligations as may be preferred by mandatory provisions of applicable law. A6.1 A6.2

The Guarantor has undertaken in the Guarantee that so long as any of the Notes remain outstanding (as defined in the Trust Deed) it will not take any action for the liquidation or winding-up of the Issuer and will procure that sufficient funds are at all times made available to the Issuer to enable it to meet its liabilities as and when they fall due.

4. Covenants

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

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

(c) ***Limitations on Certain Transactions***: So long as any Note remains outstanding, neither the Issuer nor the Guarantor will, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$5,000,000 unless such transaction or series of transactions is or are at a Fair Market Value.

(d) ***Limitation on Payment of Dividends***: So long as any Note remains outstanding, the Guarantor will not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default (as defined in Condition 10) or an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default or (ii) at any time when no such Event of Default or event exists, (a) more frequently than once during any calendar year or (b) in an aggregate

amount exceeding 50 per cent. of the Guarantor's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with International Financial Reporting Standards, for which purpose, the amount of the Guarantor's net income shall be determined by reference to its audited financial statements of the period in respect of which the dividend is being paid. The foregoing limitation shall not apply to the payment of (i) any dividends in respect of any preferred shares of the Guarantor, which may be issued by the Guarantor from time to time or (ii) any dividends in respect of any common shares of the Guarantor, which are paid through the issuance of additional common shares.

(e) ***Determination of Material Subsidiaries***: A report or certificate of the Auditors (as defined in the Trust Deed) of the Guarantor (whether or not addressed to the Trustee and whether or not containing a monetary or other limit on the liability of the Auditors) that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties; and the Trustee shall be entitled to rely upon any such report or certificate prepared by the Auditors and shall not be responsible for any loss occasioned by acting on any such report or certificate, as the case may be.

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

5. Interest and other Calculations

(a) ***Interest on Fixed Rate Notes***: Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Final Terms.

(b) ***Interest on Floating Rate Notes and Index Linked Interest Notes***:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall

be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that 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 or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the Final Terms

(y) the Designated Maturity is a period specified in the Final Terms and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(x) if the *Primary* Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(I) *applies* and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation *Agent* determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative

Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in Europe (the "Principal Financial Centre") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes *for* each Interest Accrual Period shall be determined in the manner specified in the Final Terms and interest will accrue by reference to an Index or Formula as specified in the Final Terms.

(c) ***Zero Coupon Notes***: Where a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the due date for payment, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) ***Dual Currency Notes***: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms.

(e) ***Partly Paid Notes***: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the Final Terms.

(f) ***Accrual of Interest***: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) ***Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding***:

(i) If any Margin or Rate Multiplier is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries (as applicable) of such currency.

(h) ***Calculations***: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts***: As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, the Guarantor, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) ***Determination or Calculation by Trustee***: If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee may do so (or may appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee may apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

6. **Redemption, Purchase and Options**

(a) Redemption by Instalments and Final Redemption:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified in the Final Terms) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which, unless otherwise provided in the Final Terms, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the "Amortised Face Amount" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Final Terms.

(ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the Final Terms.

(c) ***Redemption for Taxation Reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified in the Final Terms, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue of the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it or (b) (i) the Guarantor has or (if a demand was made under the Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantee, as the case may be, or the Guarantor has or will become obliged to make any such withholding or deduction of the type referred to in Condition 8 or in the Guarantee, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case to any greater extent than would have been required had such a payment been required to be made before the date on which agreement is reached to issue the first Tranche of the Notes as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Guarantor (or the Issuer, as the case may be) taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due, or (as the case may be) a demand under the Guarantee were then made or (also as the case may be) the Guarantor would be obliged to make a payment to the Issuer to enable it to make a payment of principal or interest in respect of the Notes if any such payment on the Notes were then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers in form and substance satisfactory to the Trustee of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (a)(ii) and/or (b)(ii) above in which event it shall be conclusive and binding on Noteholders.

(d) ***Redemption at the Option of the Issuer and Exercise of Issuer's Options***: If Call Option is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) redeem, or exercise any Issuer's option (as may be described in the Final Terms) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall specify the nominal amount of Notes drawn and the holder(s) of such Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Official List of the Financial Services Authority and admitted to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange plc (the "London Stock Exchange") or any other stock exchange and the rules of the relevant stock exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in London or as specified by such other stock exchange, a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) ***Redemption at the Option of Noteholders and Exercise of Noteholders' Options***: If Put Option is specified in the Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out in the Final Terms (which must be exercised on an Option Exercise Date) the holder must deposit the Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) ***Partly Paid Notes***: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the Final Terms.

(g) ***Purchases***: The Issuer, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(h) ***Cancellation***: All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their subsidiaries may be held, resold or, at the option of the Issuer, surrendered for cancellation by surrendering the Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. Payments

(a) ***Payments of Principal and Interest***:

(i) Payments of principal (which for the purposes of this Condition 7(a) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Notes shall be made against presentation and surrender of the relevant Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(a) shall include all Instalment Amounts other than final Instalment Amounts) on Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(b) ***Payments subject to Laws***: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) ***Appointment of Agents***: The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer, the Guarantor and, in certain circumstances, the Trustee and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Paying Agent and a Transfer Agent having specified offices in such cities as may be required by any stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(d) ***Calculation Agent and Reference Banks***: The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Notes and for so long as any such Note is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall (with the prior written approval of the Trustee) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, within 7 days of the date upon which any such amount is due to be calculated, the Issuer shall (with the prior written approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Notice of any such change shall promptly be given to the Noteholders.

(e) ***Non-Business Days***: If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the Final Terms and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

All payments by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without deduction or withholding for, any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Netherlands or the Republic of Kazakhstan or, in either case, any political subdivision or any authority thereof or therein having the power to tax (collectively "**Taxes**") unless such withholding or deduction is required by law. In such event, the Issuer or (as the case may be) the Guarantor will pay such additional amounts to the holder of any Note as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction on account of any such Taxes had been required, except that no additional amounts shall be payable with respect to any Note: A12.4.1.14(b)

(a) ***Other connection***: to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note by reason of his having some connection with the Netherlands or, in the case of payments by the Guarantor, the Republic of Kazakhstan other than the mere holding of the Note or the receipt of payment thereunder or under the guarantee or

(b) ***Presentation more than 30 days after the Relevant Date***: presented (or in respect of which the Note representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day or

(c) ***Payment to individuals***: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council 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.

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject to it being indemnified and/or secured to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest to the date of such notice:

(a) ***Non-payment***: the Issuer fails to pay the principal of any of the Notes when the same becomes due and payable either at maturity, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or additional amounts on any of the Notes and such default in respect of interest or additional amounts continues for a period of 10 Business Days; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes, the Guarantee or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 10) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer or the Guarantor, as the case may be, by the Trustee; or

(c) ***Cross-default***: (i) any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Material Subsidiary (a) becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof by reason of default by the Issuer or the Guarantor or such Material Subsidiary or (b) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (ii) any Indebtedness Guarantee given by the Issuer or the Guarantor or any Material Subsidiary in respect of Indebtedness for Borrowed Money of any other Person is not honoured when due and called, provided that the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.$10,000,000 (or its equivalent in other currencies (as determined by the Trustee)); or

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

(e) ***Substantial change in business***: the Guarantor makes or threatens to make any substantial change in the principal nature of its business as conducted by it on the date of issue of the first Tranche of the Notes which is (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

(f) ***Maintenance of business***: the Guarantor fails to take any action as is required of it under applicable banking regulations in the Republic of Kazakhstan or otherwise to maintain in effect its banking licence or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Guarantor; or *(g)* ***Material compliance with applicable laws***: the Issuer or the Guarantor fails to comply in any respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable the Issuer or the Guarantor lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Guarantee or the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or to ensure that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect and the Trustee certifies that such non compliance is, in the sole opinion of the Trustee, materially prejudicial to the interests of Noteholders; or

(h) ***Invalidity or Unenforceability***: (i) the validity of the Notes, the Trust Deed, the Guarantee or the Agency Agreement is contested by the Issuer or the Guarantor or the Issuer or the Guarantor shall deny any of its obligations under the Notes, the Trust Deed, the Guarantee or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed, the Guarantee or the Agency Agreement or (iii) all or any of the Issuer's or the Guarantor's obligations set out in the Notes, the Trust Deed, the Guarantee or the Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of the events specified in this Condition 10(h), the Trustee is of the opinion (determined in its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders; or

(i) ***Government Intervention***: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 10(i), the Trustee is of the opinion (determined in its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders; or

(j) ***Controlling Shareholder***: the Issuer ceases to be a wholly-owned Subsidiary of the Guarantor.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) ***Meetings of Noteholders***: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount,

(vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified in the Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or any resolution, or (ix) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

(b) ***Modification***: The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) ***Substitution***: The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business or of the Guarantor or its successor in business or any subsidiary of the Guarantor or its successor in business in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) ***Entitlement of the Trustee***: In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes or the Guarantee but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

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

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or tax jurisdiction.

14. Replacement of Notes

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes) and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

15. Further Issues

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

16. Notices

Notices to the Noteholders shall be sent by first class mail of (if posted overseas) by airmail to them (or, in the case of joint holders, to the first-named in the Register) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. In addition, so long as any Notes are listed on a stock exchange, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of such stock exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

17. 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 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18. Governing Law, Jurisdiction and Arbitration

(a) Governing law: The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English Law.

(b) Submission to Jurisdiction; Arbitration: The Issuer has in the Trust Deed (i) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Trust Deed or the Notes; (ii) waived any objection which it might have to such courts being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum; (iii) designated Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX, to accept service of any process on its behalf in England; (iv) consented to the enforcement of any judgment;

(v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction; and (vi) agreed that the Trustee may elect by written notice to the Issuer that any dispute (including a claim, dispute or difference regarding the existence, termination or validity of the Notes), shall be finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration as at present in force and as modified by the Trust Deed.

19. Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Agency Agreement**" means the amended and restated agency agreement dated 4 April 2007 between the Issuer, the Guarantor and the agents named in it relating to the Programme.

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**") and/or

(iii) in the case of a currency and/or one or more Business Centres (specified in the Final Terms) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Contracts**" means the Trust Deed and the Agency Agreement.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/365**" or "**Actual/Actual — ISDA**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month))

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) and

(vi) if "**Actual/Actual — ICMA**" is specified in the Final Terms,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date specified as such in the Final Terms or, if none is so specified, the Interest Payment Date or if none, the Interest Commencement Date.

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Event of Default**" has the meaning assigned to such term in Condition 10.

"**Extraordinary Resolution**" has the meaning assigned to such term in the Trust Deed.

"**Fair Market Value**" of a transaction means the value that would be obtained in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer. A report of the Auditors or certificate of the Guarantor of the Fair Market Value of a transaction, shall, in the absence of manifest error, be conclusive and binding on all parties; and the Trustee shall be entitled to rely upon any such report prepared by such Auditors and shall not be responsible for any loss occasioned by acting on any such report or certificate.

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

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing.

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the Final Terms.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two London Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the Final Terms.

"**ISDA Definitions**" means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Final Terms.

"**Material Subsidiary**" means, at any given time, any Subsidiary of the Guarantor whose gross assets or gross revenues represent at least 10 per cent. of the consolidated gross assets, or, as the case may be consolidated gross revenues of the Guarantor and its consolidated Subsidiaries and, for these purposes:

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

(ii) the consolidated gross assets and consolidated gross revenues of the Guarantor and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements.

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("Reuters") and Telerate ("Telerate")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

"**Permitted Security Interest**" means any Security Interest (i) granted in favour of the Guarantor by any Subsidiary to secure Indebtedness for Borrowed Money owed by such entities to the Guarantor, (ii) which arise pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings, (iii) being liens or rights of set-off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set-off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property of the Guarantor held by financial institutions, (iv) arising in the ordinary course of the Guarantor's or a Subsidiary's business and (a) which are necessary in order to enable the Guarantor or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Guarantor's or such Subsidiary's business or (b) limited to deposits made in the name of the Guarantor or such Subsidiary to secure obligations of the Guarantor's or such Subsidiary's customers, (v) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease, (vi) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Guarantor or any Subsidiary), in connection with (a) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (b) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (c) the Guarantor's foreign exchange dealings or other proprietary trading activities including, without limitation, Repos, (vii) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the issue date of the Notes or permitted by any of the above exceptions, provided that the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest, (viii) granted upon or with regard to any property hereafter acquired by the Guarantor or any Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property, (ix) created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Guarantor or any Material Subsidiary arising out of any securitisation of such property or assets or other similar structured finance transaction in relation to such property or assets where the primary source of payment of any obligations secured by such property or assets is the proceeds of such property or assets (or where the payment of such obligations is otherwise supported by such property or assets) and where recourse to the Guarantor and the Material Subsidiaries in respect of such obligations does not extend to defaults by the obligors in relation to such property or assets, provided that the aggregate amount of such obligations so secured pursuant to this Clause (ix) at any one time (measured at the time of initial incurrence) shall not exceed an amount in any currency or currencies equivalent to 15 per cent. of loans to customers before provisions for loan losses (calculated by reference to the most recent audited consolidated financial statements of the Guarantor prepared in accordance with International Accounting Standards) and (x) not included in any of the above exceptions, in aggregate securing Indebtedness for Borrowed Money with an aggregate principal amount at any time not exceeding U.S.$50,000,000 (or its equivalent in other currencies) at that time.

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

"**Programme**" means the U.S.$5,000,000,000 Debt Issuance Programme for the issuance of notes which the Issuer has authorised (or such other limit as agreed from time to time).

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Final Terms.

"**Reference Banks**" means the institutions specified as such in the Final Terms or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe).

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

“**Relevant Time**” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition, “local time” means, with respect to Europe as a Relevant Financial Centre, Brussels time.

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

“**Representative Amount**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

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

“**Specified Currency**” means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

“**Specified Duration**” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the Final Terms or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii).

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

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

FORM OF FINAL TERMS

Final Terms dated [ ]

KAZKOMMERTS INTERNATIONAL B.V.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by JSC KAZKOMMERTSBANK
under the
U.S.$5,000,000,000 Guaranteed Debt Issuance Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 4 April 2007 [and the supplemental Base Prospectus dated [●]][2] which [together] constitute[s] a Base Prospectus for the purposes of the Prospectus Directive (Directive 2003/ 71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].][3]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated 4 April 2007 [and the supplemental Base Prospectus dated [●]][2]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated 9 November 2006 [and the supplemental Base Prospectus dated [●]][2], which [together] constitute[s] a Base Prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 4 April 2007 [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated 4 April 2007 and [current date] [and the supplemental Base Prospectuses dated [●] and [●]]. [The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].][3]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

1.	(i) Issuer:	Kazkommerts International B.V	A9.4.1.1
	(ii) Guarantor:	JSC Kazkommertsbank	A9.4.1.1
2.	(i) Series Number:		
	(ii) Tranche Number:		
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		
3.	Specified Currency or Currencies:	[ ]	A12.4.1.5 A13.4.5
4.	Aggregate Nominal Amount of Notes admitted to trading:	[ ]	A13.4.1
	(i) Series:	[ ]	
	(ii) Tranche:	[ ]	

2 Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purpose of all future issues under the Programme.

3 Article 14.2 of the Prospectus Directive provides that a Base Prospectus is deemed available to the public when, *inter alia*, made available (i) in printed form free of charge at the offices of the market on which securities are being admitted to trading; OR (ii) at the registered office of the Issuer and at the offices of the Paying Agents; OR (iii) in an electronic form on the Issuer's website. Article 16 of the Prospectus Directive requires that the same arrangements are applied to supplemental Base Prospectuses.

5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]	
6.	Specified Denominations:		[ ] *[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]*	
7.	(i)	Issue Date:	[ ]	A12.4.1.9 A13.4.13
	(ii)	Interest Commencement Date	[ ]	A13.4.8 A12.4.1.11
8.	Maturity Date:		*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*	A13.4.9
9.	Interest Basis:		[[ ]% Fixed Rate] [[*specify reference rate*] +/ — [ ]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (specify)] (further particulars specified below)	
10.	Redemption/Payment Basis[(4)]		[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]	
11.	Change of Interest or Redemption/ Payment Basis:		*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*	
12.	Put/Call Options:		[Noteholder Put] [Issuer Call] [(further particulars specified below)]	A9.10.2 A12.4.1.7
13.	(i)	Status of the Notes:	[Senior/[Dated/Perpetual]/Subordinated]	A12.4.1.6 A13.4.6
	(ii)	Status of the Guarantee:	[Senior/[Dated/Perpetual]/Subordinated]	A6.1 A12.4.1.8
	(iii)	[Date [Board] approval for issuance of Notes and Guarantee obtained:	[ ] [and [ ], respectively]] *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]*	A13.4.12
14.	Method of distribution:		[Syndicated/Non-syndicated]	

Provisions Relating to Interest (If Any) Payable

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable]	A13.4.8

4 If the Final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.

			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[ ] per [ ] in Nominal Amount
	(iv)	Broken Amount(s):	*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
	(v)	Day Count Fraction (Condition 19):	[30/360/Actual/ Actual ([ICMA]/ISDA)/other] *(Day count fraction should be Actual/ ActualICMA for all fixed rate issues other than those denominated in U.S. dollars, unless requested otherwise)*
	(vi)	Determination Dates (Condition 19):	[ ] in each year *(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA]))*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s)	[ ]
	(ii)	Specified Interest Payment Dates:	[ ]
	(iii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(iv)	Business Centre(s) (Condition 19):	[ ]
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (give details)]
	(vi)	Interest Period Date(s):	[Not Applicable/specify dates]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
	(viii)	Screen Rate Determination (Condition 5(b)(iii)(B):	[ ]
	—	Relevant Time:	
	—	Interest Determination Date(s):	[[ ] [TARGET] Business Days in *[specify city]* for *[specify currency]* prior to [the first day in each Interest Accrual Period/each Interest Payment

			Date]][ ]
	—	Primary Source for Floating Rate:	*[Specify "Page" or "Reference Banks"]*
	—	Reference Banks (if Primary Source is "Reference Banks"):	*[Specify four]*
	—	Page (if Primary Source is "Page"):	[Page]
	—	Relevant Financial Centre:	*[The financial centre most closely connected to the Benchmark — specify if not London]*
	—	Benchmark:	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]
	—	Representative Amount:	*[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]*
	—	Effective Date:	*[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
	—	Specified Duration:	*[Specify period for quotation if not duration of Interest Accrual Period]*
	—	Relevant Screen Page:	[ ]
	(ix)	ISDA Determination (Condition 5(b)(iii)(A):	
	—	Floating Rate Option:	[ ]
	—	Designated Maturity:	[ ]
	—	Reset Date:	[ ]
	—	ISDA Definitions (if different from those set out in the Conditions):	[ ]
	(x)	Margin(s):	[+/] [ ] per cent. per annum
	(xi)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xii)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xiii)	Day Count Fraction (Condition 19):	[ ]
	(xiv)	Rate Multiplier	[ ]
	(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	[Amortisation/Accrual] Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Day Count Fraction (Condition 19):	[ ]

	(iv)	Any other formula/basis of determining amount payable:	[ ]	
18.	Index-Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*	A13.4.8
	(i)	Index/Formula:	*[give or annex details]*	A13.4.8
	(ii)	Calculation Agent responsible for calculating the interest due:	[ ]	
	(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula:	[ ]	
	(iv)	Determination Date(s):	[ ]	A12.4.1.11
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[ ]	A12.4.2.3 A12.4.2.4
	(vi)	Interest or calculation period(s):	[ ]	
	(vii)	Specified Interest Payment Dates:	[ ]	
	(viii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]	
	(ix)	Business Centre(s):	[ ]	
	(x)	Minimum Rate/Amount of Interest:	[ ] per cent. per annum	
	(xi)	Maximum Rate/Amount of Interest:	[ ] per cent. per annum	
	(xii)	Day Count Fraction (Condition 19):	[ ]	
19.	Dual Currency Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*	
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	*[give details]*	
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]	A13.4.8
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]	A12.4.2.3 A12.4.2.4
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]	
	(v)	Day Count Fraction (Condition 19):	[ ]	

Provisions Relating to Redemption

20.	Call Option	[Applicable/Not Applicable]	

			(If not applicable, delete the remaining subparagraphs of this paragraph)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
	(iii)	If redeemable in part:	
	(a)	Minimum Redemption Amount:	[ ]
	(b)	Maximum Redemption Amount:	[ ]
	(iv)	Option Exercise Date(s):	[ ]
	(v)	Description of any other Issuer's option:	[ ]
	(vi)	Notice period[5]	[ ]
21.	Put Option		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
	(iv)	Option Exercise Date(s):	[ ]
	(v)	Description of any other Noteholder's option:	[ ]
	(vi)	Notice period:	[ ]
22.	Final Redemption Amount of each Note[6]		[[ ] per Note of [ ] specified denomination / other/see Appendix] A12.4.1.12 A12.4.1.1
23.	Early Redemption Amount		
	(i)	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or on event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]
	(ii)	Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)):	[Yes/No]

General Provisions Applicable to the Notes

24.	Form of Notes:		[*specify amount of the Regulation S / Rule 144 A Notes*] Global Notes exchangeable for Definitive Notes in the limited circumstances specified in the Global Note A12.4.14 A13.4.4

5 If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee.

6 If the Final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.

25.	Financial Centre(s) (Condition 7) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 18(ix) relate*]
26.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
27.	Details relating to Instalment Notes	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[ ]
	(ii) Instalment Date(s):	[ ]
	(iii) Minimum Instalment Amount:	[ ]
	(iv) Maximum Instalment Amount:	[ ]
28.	Other final terms:	[Not Applicable/*give details*] *(When adding any other final terms consideration should be given as to whether such terms constitute a 'significant new factor'' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

Distribution

29.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*] *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and entities of the entities agreeing to place the issue without a firm commitment or on a ''best efforts'' basis if such entities are not the same as the Managers.)*	A12.5.4.3
	(ii) Date of Subscription Agreement	[ ]	
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]	
30.	If nonsyndicated, name of Dealer:	[Not Applicable/*give name*]	
31.	Additional selling restrictions:	[Not Applicable/*give details*]	

[Listing And Admission to Trading Application

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Issuer's U.S.$5,000,000,000 Guaranteed Debt Issuance Programme guaranteed by JSC Kazkommertsbank. A12.6.1 A13.5.1

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms, [[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.] A12.7.4 A13.1.1 A13.1.2 A13.7.1 A13.7.4

Signed on behalf of the Issuer:

By: ______________________________

Duly authorised

Signed on behalf of the Guarantor:

By: ______________________________

Duly authorised

c96157pu100 Proof 2: 4.4.07 B/L Revision: 0 Operator HomR

FINAL TERMS

PART B — OTHER INFORMATION

1. **Listing** A13.5.1

(i)	Listing:	London/other (specify)/None	
(ii)	Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]	A12.6.1
(iii)	Estimate of total expenses related to admission to trading:	[ ]	A12.3.2 A13.6

2. **Ratings**

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's:[ ]] [[Other]:[ ]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*	A13.7.5

3. **[Notification**

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/ has provided — include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[Interests of Natural and Legal Persons Involved in the [Issue/ Offer]** A13.3

Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: A12.3.1

"Save as discussed in ["Subscription and Sale"], so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Notes has an interest material to the offer."] A12.3.2

[5. **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**

[(i)	Reasons for the offer	[ ] (See ["Use of Proceeds"] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
[(ii)]	Estimated net proceeds:	[ ] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] Estimated total expenses:	[ ] [Include breakdown of expenses.] *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]**	

6. [Fixed Rate Notes only — YIELD [ ] A13.4.1

Indication of yield	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]	

7. **[*Index-Linked or other variable-linked Notes only* — Performance of Index/Formula/ Other Variable and Other Information Concerning the Underlying** A12.4.1.2 A12.4.2.2

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.] A12.4.3.3 A13.4.8

8. [*Dual Currency Notes only* — PERFORMANCE OF RATE[S] OF EXCHANGE A12.4.1.2

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.] A12.4.2.2 A12.4.2.3 A13.4.8

9. OPERATIONAL INFORMATION

ISIN Code (Reg S Notes):	[ ]	A12.4.1.1 A12.4.2.2 A.13.4.2
ISIN Code (Rule 144A Notes):	[ ]	
Common Code (Reg S Notes):	[ ]	
Common Code (Rule 144A Notes):	[ ]	
Rule 144A Notes CUSIP number:	[ ]	
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme or DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]	
Delivery:	Delivery [against/free of] payment	
Names and addresses of additional Paying Agent(s) (if any):	[ ]	A13.5.2

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be evidenced on issue (i) in the case of Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Book-Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified (the "distribution compliance period"), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "*Book-Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U.S. person (within the meaning of Regulation S), it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to the Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "Definitive Notes"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

- Payments. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes.

- Notices. So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes provided that for so long as the Notes are listed on the Regulated Market of the London Stock Exchange and the rules of the regulated market of the London Stock Exchange so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times).
- Meetings. The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.
- Trustee's Powers. In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its account holders with entitlements to such Global Note and may consider such interests as if such account holders were the holders of such Global Note.
- Cancellation. Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.
- Redemption at the Option of the Issuer. Any Call Option provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.
- Redemption at the Option of Noteholders. Any Put Option provided for in the Conditions may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Conditions substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by a Rule 144A 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 Rule 144A 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 a Rule 144A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by a Regulation S Global Note in a name other than the nominee of the common depositary for Euroclear and Clearstream, Luxembourg will only be permitted (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (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 (i.e. common depositary) of the relevant Regulation S Global Note requesting an exchange of the Regulation S Global Note for Definitive Notes.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

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

"Exchange Date" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (failing which the Guarantor) (but against such indemnity as the Registrar or any relevant Transfer Agent 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 Definitive Notes 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 (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A 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 to a QIB. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*."

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes 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 and the Investment Company Act.

Book-Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and crossmarket transfers of the Notes associated with secondary market trading. See "*Book Entry Ownership — Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("Direct Participants") or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Exchange for Definitive Notes*", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have a CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the ''Beneficial Owner'') will in turn be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual beneficial owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants

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

Trading Between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 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 participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of

Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/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 a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear 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. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the issue date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant issue date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

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SUBSCRIPTION AND SALE

Summary of Dealer Agreement A12.5.2.1

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated 4 April 2007 (the "Dealer Agreement") between the Issuer, the Guarantor, the Permanent Dealers, the Notes will be offered from time to time by the Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

Each of the Issuer and the Guarantor has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the Guarantor have not been and will not be registered under the Securities Act, the securities laws of any State or other jurisdiction of the United States, 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 transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or and (ii) otherwise until 40 days after completion of 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 (other than a sale pursuant to Rule 144A) 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 of any Notes, an offer or sale of Notes within the United States by a dealer that is not 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.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Dealer Agreement provides that the Dealers may directly or through a U.S. broker-dealer affiliate arrange for the offer and resale of Notes under the Programme that are designated as Rule 144A eligible under the relevant Final Terms 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such 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, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

(b) at any time 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;

(c) at any time 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;

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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.

Kazakhstan

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell 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.

United Kingdom

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

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

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

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither the Issuer, the Guarantor, nor any other Dealer shall have responsibility therefor.

TAXATION

United States Federal Income Taxation

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organizations, dealers or traders in securities or currencies, holders that will hold a Note as part of a position in a straddle or as part of 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, or certain former citizens or long-term residents of the United States. Moreover, this summary does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial issue price.

This summary is based on the Internal Revenue Code of 1986, as amended, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect 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. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Final Terms.

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 corporation (or entity treated as a corporation for U.S. federal income tax purposes) 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 (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

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

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

You should consult your own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes.

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. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income."

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date of payment is received differs from the rate applicable to an accrual of that interest.

Additional rules for Notes that are denominated in more than one currency or that have one or more non-currency contingencies and are denominated in either one foreign currency or more than one currency are described below under Dual Currency Notes.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("OID"), including Zero Coupon Notes, will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as "Original Issue Discount Notes." Notice will be given in the relevant Final Terms when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the application of the Treasury Regulations addressing OID to, or address the U.S. federal income tax consequences of, an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments, the relevant Final Terms will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described under Foreign Currency Discount Notes below.

For U.S. federal income tax purposes, a Note (including a Zero Coupon Note), other than a Note with a term of one year or less (a "Short-term Note"), will be treated as issued as an Original Issue Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is more than a de minimis amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Final Terms when we determine that a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with de minimis OID, the U.S. Holder generally must include such de minimis OID in income as stated principal payments on the Notes are made in proportion to the stated principal amount of the Note. Any amount of de minimis OID that has been included in income will be treated as capital gain.

Certain of the Notes may be redeemed prior to their maturity at our option and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortization of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. U.S. Holders should consult their own tax advisors about this election.

Short-Term Notes

In the case of Short-term Notes, under the OID regulations, all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

__Foreign Currency Discount Notes__

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under Payments of Interest. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above in "*Foreign Currency Denominated Interest*."

__Notes Purchased at a Premium__

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a "premium" and will not be required to include OID, if any, in income. A U.S. Holder generally may elect to amortize the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder's regular accounting method. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortized bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realized measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules limit the amortization of premium in the case of convertible debt. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Note.

__Sale, Exchange or Retirement__

A U.S. Holder's tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Gain or loss recognized on the sale or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be longterm capital gain or loss if the Note was held for more than one year.

Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss. Moreover, any loss realized by a U.S. Holder on such sale or retirement may be allocable to foreign source income by reference to the source of interest income on the Notes. Prospective investors should consult their tax advisers as to the foreign tax credit implications of a sale or retirement of Notes.

Sale, Exchange or Retirement of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. Dollars) will be ordinary income or loss.

Dual Currency Notes

U.S. Holders of Notes that are denominated in more than one currency or that have one or more non-currency contingencies and are denominated in either one foreign currency or more than one currency will be subject to special tax accounting rules applicable to "Multi-Currency Debt Securities." A Holder generally would be required to apply the "noncontingent bond method" in the Multi-Currency Debt Security's denomination currency, which for this purpose would be the Multi-Currency Debt Security's predominant currency as determined by the Issuer. A description of the principal U.S. federal income tax consideration relevant to holders of Dual Currency Notes, including specification of the predominant currency, will be set forth, if required, in the relevant Final Terms.

Index Notes and Notes with Contingent Payments

The tax consequences to a holder of an Index Linked Redemption Note, Index Linked Interest Note or a Note with contingent payments will depend on factors including the specific index or indices used to determine payments on such Note and the amount and time of any noncontingent payments on such Note. A description of the principal U.S. federal income tax considerations relevant to holders of such Note will be set forth, if required, in the relevant Final Terms.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to holders of high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set forth, if required, in the relevant Final Terms.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

Non-U.S. Holders

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

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

U.S. Backup Withholding Tax and Information Reporting

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

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 tax 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. However, any gains in relation to Notes which are admitted to the special trade platform (the "Special Trade Platform") of the regional financial center of Almaty city will be subject to Kazakhstan income tax except for gains from a sale made on the Special Trade Platform by an individual who is a non-resident of Kazakhstan.

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

Payments of interest to non-Kazakhstan Holders under the Guarantee, other than, with effect from 1 January 2007, under the Notes purchased on the Special Trade Platform, will be subject to withholding of Kazakhstan tax at a rate of 15 per cent. and payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20 per cent. respectively, unless reduced by an applicable double taxation treaty. The Bank will agree in the Trust Deed and the Guarantee to pay additional amounts (as defined in the Trust Deed) in respect of any such withholding, subject to certain exceptions set out in full in Condition 9. See "*Terms and Conditions of the Notes*".

Payments, if any, under the Guarantee to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

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, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.*

Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes are not re-characterised as equity for tax purposes.

Taxes on income and capital gains

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

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

Corporate income tax and individual income tax

Residents of the Netherlands

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

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

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

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

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

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

Non-residents of the Netherlands

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

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

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

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

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

Gift and estate taxes

Residents of the Netherlands

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

Non-residents of the Netherlands

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

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

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

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other taxes and duties

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

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EU Directive on the Taxation of Savings Income

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

CERTAIN ERISA CONSIDERATIONS

Subject to the following discussion the Notes may be acquired by pension, profit-sharing or other employee benefit plans that are subject to Title I of ERISA, individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the Code and entities deemed to hold the plan assets of the foregoing (each a "Benefit Plan"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

The acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Guarantor, the Trustee, the Dealers, the Registrar or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." In addition to the class exemptions listed above, the Pension Protection Act of 2006 provides a statutory exemption under Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), provided that there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisors regarding the applicability of any such exemption.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans are not subject to ERISA requirements, however governmental and foreign plans may be subject to comparable non-U.S., federal, state or local law restrictions.

By acquiring a Note, each purchaser and transferee will be deemed to represent, warrant and covenant that either (i) it is not acquiring the Note with the assets of a Benefit Plan or any other plan subject to a law that is substantially similar to Title I of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of the Note will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any other substantially similar applicable law.

A plan fiduciary considering the purchase of Notes should consult its legal advisors regarding whether the assets of the Issuer would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and other issues and their potential consequences.

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 Base 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) It either (a) is not acquiring the Notes (or interests therein) with the plan assets of an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, a "plan" as defined in Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code, or a governmental or foreign plan that is subject to a law that is substantially similar to Title I of ERISA or Section 4975 of the Code or (b) the acquisition, holding and disposition of the Notes (or interests therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any substantially similar applicable law.

(iv) 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 (INCLUDING ANY BENEFICIAL INTEREST HEREIN) AND THE GUARANTEE OF THE NOTES HAVE 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, AS AMENDED (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 GUARANTOR THAT (A) THE NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OR THE GUARANTOR, (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."

"EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR AN INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE WILL NOT BE ACTING ON BEHALF OF), AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S.

INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING, OR A GOVERNMENTAL OR FOREIGN PLAN THAT IS SUBJECT TO A LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR INTEREST HEREIN) WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW."

(v) The Issuer, the Bank, the Registrar, the Dealers 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 Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) 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 Guarantor or a person acting on behalf of such an affiliate.

(2) 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.

(3) 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.

(4) It either (a) is not acquiring the Regulation S Notes (or interests therein) with the plan assets of an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, a "plan" as defined in Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code, or a governmental or foreign plan that is subject to a law that is substantially similar to Title I of ERISA or Section 4975 of the Code or (b) the acquisition, holding and disposition of the Regulation S Notes (or interests therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any substantially similar applicable law.

(5) It acknowledges that the Issuer, the Guarantor, the Trustee, the Registrar, the Dealer(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 Guarantor 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.

GENERAL INFORMATION

(1) The Guarantor and the Issuer have obtained or will obtain all necessary consents, approvals and authorisations in Kazakhstan and the Netherlands in connection with the Guarantee and any Series of Notes. The establishment of the Programme was authorised by a duly adopted resolution of the Board of Directors of the Issuer on 16 October 2005 and by a decision of the general shareholders' meeting passed on 16 October 2005. The increase in the programme limit was authorised by a duly adopted resolution of the Board of Directors of the Issuer on [3] April 2007 (to increase the programme limit to U.S.$5,000,000,000) and by a decision of the general shareholders' meeting passed on [3] April 2007. The increase in the Programme Limit was authorised by a resolution of the Board of Directors of the Guarantor on 16 March 2007. No resolution of shareholders of the Guarantor is required by the Guarantor in connection with the establishment of the Programme (including giving the Guarantee). Prior to the issue of any Notes under the Programme, a resolution of the Board of Directors of the Issuer and the Board of Directors of the Guarantor will be required to approve the execution of the inter-company deposit agreement between the Issuer and the Guarantor in respect of the Guarantee. A12.4.1.8 A13.4.12

(2) There has been (i) no significant change in the financial or trading position of the Guarantor and its subsidiaries taken as a whole since 31 December 2006 or the Issuer and its subsidiary taken as a whole since 31 December 2006 and (ii) no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole or the Issuer and its subsidiary taken as a whole since 31 December 2006. A9.7.1 A9.11.6

(3) Neither the Issuer nor the Guarantor is involved or has been involved during the previous 12 months in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and the Guarantor are aware) which may have, or have had in the recent past, significant effect on the financial position or profitability of the Issuer and its subsidiary taken as a whole and/or of the Guarantor and its subsidiaries taken as a whole. A9.11.5

(4) Neither the Issuer nor the Guarantor 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 Notes. A9.12

(5) Deloitte LLP of 240-v Furmanov Str., 050059 Almaty, Kazakhstan, has audited, and rendered unqualified audit reports on, the consolidated financial statements of the Guarantor for the years ended 31 December 2006, 2005 and 2004. A9.2.1 A9.11.3.1

(6) For so long as any Series of Notes is outstanding, copies (and English translations where the documents in question are not in English) of the following documents may be obtained free of charge at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted): A9.14

- the consolidated audited annual financial statements of the Guarantor for the years ended 31 December 2006, 2005 and 2004; A9.14(c)
- the latest annual report and consolidated audited annual financial statements of the Guarantor prepared in accordance with IFRS (published annually); A9.11.3.1
- the latest interim consolidated unaudited financial statements of the Guarantor prepared in accordance with IFRS; A9.11.3.3
- the annual report and audited annual financial statements of the Issuer for the years ended 31 December 2006 and 2005; A9.14(c)
- the latest annual reports and audited annual financial statements of the Issuer (published annually); and A9.11.3.1
- the constitutional documents of the Issuer and the Guarantor. A9.14(a)

and copies of the following documents will be available for inspection at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the Trust Deed in respect of the Notes (including the forms of the Global Notes and definitive Notes); A6.4.1
- each set of Final Terms for Notes that are listed on the Regulated Market; and

- the Agency Agreement.

Each set of Final Terms for Notes that are listed on the Official List and admitted for trading on the Regulated Market will also be published through the London Stock Exchange plc's Regulatory News Service.

(7) The Issuer does not intend to provide any post-issuance transaction information regarding the Notes. A12.7.5

(8) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms. In addition, application may be made to have Rule 144A Notes designated as eligible for trading on PORTAL.

(9) This Base Prospectus shall be published through the London Stock Exchange's Regulatory News Service.

INDEX TO AUDITED FINANCIAL STATEMENTS

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JOINT STOCK COMPANY KAZKOMMERTSBANK

Consolidated Financial Statements
For the Years Ended 31 December 2006, 2005 and 2004

and Independent Auditors' Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Kazkommertsbank and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2006, 2005 and 2004, and the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2006, 2005 and 2004 were authorised for issue on 15 March 2007 by the Management Board of JSC Kazkommertsbank.

On behalf of the Management Board:

Zhusupova N.A.	**Shoinbekova G.K.**
Chairman of the Board	**Chief Accountant**
15 March 2007	15 March 2007
Almaty	Almaty

Deloitte.

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Furmanov str., 240-v
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Kazkommertsbank:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of JSC Kazkommertsbank and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as at 31 December 2006, 2005 and 2004, and the consolidated income statements, statements of changes in equity and cash flows statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2006, 2005 and 2004, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice 78586,
Australia

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan Number 0000015, type MFU-2, given by the Ministry of Finance of the Republic of Kazakhstan dated September 13, 2006

Nurlan Bekenov
General Director
Deloitte, LLP

15 March 2007

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Interest income	6	147,250	86,407	56,163
Interest expense	6	(83,115)	(45,855)	(27,433)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		64,135	40,552	28,730
Provisions for impairment losses on interest bearing assets	7	(32,887)	(17,833)	(11,222)
NET INTEREST INCOME		31,248	22,719	17,508
Net gain on financial assets at fair value though profit or loss	8	4,545	849	22
Net gain on foreign exchange operations	9	5,403	1,591	1,972
Fee and commission income	10	17,537	10,684	9,102
Fee and commission expense	10	(1,672)	(1,269)	(988)
Net realized gain on investments available-for-sale		29	12	49
Dividends received		83	10	15
Other income	11	3,042	2,690	1,895
NET NON-INTEREST INCOME		28,967	14,567	12,067
OPERATING INCOME		60,215	37,286	29,575
OPERATING EXPENSES	12	(18,039)	(13,368)	(9,511)
OPERATING PROFIT		42,176	23,918	20,064
Provision for impairment losses on other transactions	7	(383)	(880)	(615)
Provision for guarantees and other off-balance sheet contingencies	7	(1,548)	(1,059)	(106)
Share of results of associates	22	1,130	174	12
PROFIT BEFORE INCOME TAX		41,375	22,153	19,355
Income tax expense	13	(11,789)	(2,338)	(9,573)
NET PROFIT		29,586	19,815	9,782
Attributable to:				
Equity holders of the parent		27,810	18,392	8,716
Minority interest		1,776	1,423	1,066
EARNINGS PER SHARE				
Basic and diluted (KZT)	14	64.83	50.95	25.18

On behalf of the Management Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 March 2007
Almaty

Shoinbekova G.K.
Chief Accountant

15 March 2007
Almaty

The notes on pages 10-76 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2006, 2005 AND 2004

	Notes	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
ASSETS:				
Cash and balances with national (central) banks	15	209,005	37,229	66,293
Precious metals	16	807	-	-
Financial assets at fair value through profit or loss	17	322,618	140,375	74,800
Loans and advances to banks	18	197,191	254,287	41,834
Loans to customers	19	1,678,840	743,411	503,333
Investments available-for-sale	20	2,628	427	489
Investments held to maturity	21	357	562	64
Investments in associates	22	1,755	425	218
Goodwill	23	2,405	2,405	-
Property, equipment and intangible assets	24	15,681	8,662	7,386
Other assets	25	13,015	7,086	9,640
TOTAL ASSETS		2,444,302	1,194,869	704,057
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and advances from banks	26	884,301	379,206	198,776
Customer accounts	27	687,806	303,437	197,827
Derivative financial instruments	17	3,554	189	31
Debt securities issued	28	424,162	303,133	207,841
Other borrowed funds	29	68,814	50,604	4,464
Provisions	7	6,758	4,934	3,087
Deferred income tax liabilities	13	17,471	8,290	6,976
Dividends payable		1	1	1
Other liabilities	30	8,587	4,591	2,832
		2,101,454	1,054,385	621,835
Subordinated debt	31	78,922	52,213	22,926
Total liabilities		2,180,376	1,106,598	644,761
EQUITY:				
Equity attributable to equity holders of the parent:				
Share capital	32	6,995	4,996	4,197
Share premium	32	152,534	15,902	7,864
Property and equipment revaluation reserve		2,436	1,520	1,313
Reserves		86,689	58,877	40,454
Total equity attributable to equity holders of the parent		248,654	81,295	53,828
Minority interest		15,272	6,976	5,468
Total equity		263,926	88,271	59,296
TOTAL LIABILITIES AND EQUITY		2,444,302	1,194,869	704,057

On behalf of the Management Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 March 2007
Almaty

Shoinbekova G.K.
Chief Accountant

15 March 2007
Almaty

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Share capital (KZT million)	Share premium (KZT million)	Investments available-for-sale fair value reserve (KZT million)	Investments revaluation reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Retained earnings (KZT million)	Total equity attributable to equity holders of the parent (KZT million)	Minority interest (KZT million)	Total equity (KZT million)
31 December 2003	4,019	6,407	41	-	570	31,618	42,655	4,704	47,359
Share capital increase of									
- ordinary shares	-	-	-	-	-	-	-	-	-
- preference shares	177	1,456	-	-	-	-	1,633	-	1,633
Sale of repurchased of own shares	1	1	-	-	-	-	2	-	2
Property and equipment revaluation	-	-	-	-	865	-	865	-	865
Depreciation of property and equipment revaluation reserve	-	-	-	-	(122)	122	-	-	-
Unrealized gains on revaluation of available-for-sale investments	-	-	19	-	-	-	19	-	19
Gains transferred to income statement on sale of available-for-sale investments	-	-	(49)	-	-	-	(49)	-	(49)
Effect of purchase of interest in Kazkommertsbank Kyrgyzstan	-	-	-	-	-	-	-	(59)	(59)
Exchange differences on translation of foreign operations	-	-	-	(13)	-	-	(13)	(243)	(256)
Net profit	-	-	-	-	-	8,716	8,716	1,066	9,782
31 December 2004	4,197	7,864	11	(13)	1,313	40,456	53,828	5,468	59,296

	Share capital (KZT million)	Share premium (KZT million)	Investments available-for-sale fair value reserve (KZT million)	Investments revaluation reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Retained earnings (KZT million)	Total equity attributable to equity holders of the parent (KZT million)	Minority interest (KZT million)	Total equity (KZT million)
31 December 2004	4,197	7,864	11	(13)	1,313	40,456	53,828	5,468	59,296
Share capital increase of									
- ordinary shares	289	4,142	-	-	-	-	4,431	-	4,431
- preference shares	512	3,915	-	-	-	-	4,427	-	4,427
Repurchase of own shares	(2)	(19)	-	-	-	-	(21)	-	(21)
Property and equipment revaluation	-	-	-	-	232	-	232	-	232
Depreciation of property and equipment revaluation reserve	-	-	-	-	(25)	25	-	-	-
Unrealized gains on revaluation of available-for-sale investments	-	-	1	-	-	-	1	-	1
Gains transferred to income statement on sale of available-for-sale investments	-	-	(11)	-	-	-	(11)	-	(11)
Effect of purchase of interest in Accumulation Pension Fund JSC ABN AMRO KaspiyMunaiGaz	-	-	-	-	-	-	-	126	126
Exchange differences on translation of foreign operations	-	-	-	16	-	-	16	(41)	(25)
Net profit	-	-	-	-	-	18,392	18,392	1,423	19,815
31 December 2005	4,996	15,902	1	3	1,520	58,873	81,295	6,976	88,271

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Share capital (KZT million)	Share premium (KZT million)	Investments available-for-sale fair value reserve (KZT million)	Investments revaluation reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Retained earnings (KZT million)	Total equity attributable to equity holders of the parent (KZT million)	Minority interest (KZT million)	Total equity (KZT million)
31 December 2005	4,996	15,902	1	3	1,520	58,873	81,295	6,976	88,271
Share capital increase of - ordinary shares	2,000	136,890	-	-	-	-	138,890	-	138,890
Repurchase of own shares	(1)	(258)	-	-	-	-	(259)	-	(259)
Property and equipment revaluation	-	-	-	-	948	-	948	-	948
Depreciation of property and equipment revaluation reserve	-	-	-	-	(32)	32	-	-	-
Unrealized gains on revaluation of available-for-sale investments	-	-	68	-	-	-	68	-	68
Gains transferred to income statement on sale of available-for-sale investments	-	-	(29)	-	-	-	(29)	-	(29)
Exchange differences on translation of foreign operations	-	-	-	73	-	(142)	(69)	6,520	6,451
Net profit	-	-	-	-	-	27,810	27,810	1,776	29,586
31 December 2006	6,995	152,534	40	76	2,436	86,573	248,654	15,272	263,926

On behalf of the Management Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 March 2007
Almaty

Shoinbekova G.K.
Chief Accountant

15 March 2007
Almaty

The notes on pages 10-76 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax		41,375	22,153	19,355
Adjustments for:				
Provision for impairment losses on interest bearing assets	7	32,887	17,833	11,222
Provision for reserves for impairment losses on other transactions	7	383	880	615
Provision for guarantees and other off-balance contingencies	7	1,548	1,059	106
Unrealised gain and amortisation of discounts on securities		(363)	(1,439)	(2,344)
Amortization of discount on issued securities		156	500	1,147
Depreciation and amortization	12, 24	1,833	1,564	1,302
Change in interest accruals, net		25,966	1,434	616
Unrealized exchange loss		2,855	276	39
Share of results of associates	22	(1,130)	(174)	(12)
Net gain on sale of property, equipment and intangible assets	11	(17)	(28)	(98)
Net change in fair value of financial assets at fair value though profit or loss		10,371	96	26
Cash flows from operating activities before changes in operating assets and liabilities		115,864	44,154	31,974
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Minimum reserve deposit with Central Bank of Russian Federation		(1,072)	142	(661)
Loans and advances to banks		(84,218)	(38,337)	(6,029)
Precious metals		(807)	-	300
Financial assets at fair value through profit or loss		(183,671)	(63,491)	(1,372)
Loans to customers		(928,684)	(254,007)	(229,325)
Other assets		(5,018)	3,475	(6,404)
Increase/(decrease) in operating liabilities:				
Loans and advances from banks		401,197	149,542	84,723
Customer accounts		422,316	133,686	47,572
Other borrowed funds		18,200	45,971	966
Other liabilities		2,357	1,722	(114)
Cash (outflow)/inflow from operating activities before taxation		(243,536)	22,857	(78,370)
Income tax paid		(2,369)	(2,082)	(5,876)
Net cash (outflow)/inflow from operating activities		(245,905)	20,775	(84,246)

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, equipment and intangible assets	24	(7,715)	(2,566)	(1,484)
Proceeds on sale of property, equipment and intangible assets		193	135	300
Dividends received		-	10	16
Net proceeds on (purchase)/sale of investments available-for-sale		(2,394)	519	(381)
Net proceeds on redemption of investments held to maturity		211	4	(32)
Acquisition of investments in associates	22	(200)	(33)	(60)
Acquisition of subsidiaries, net of cash acquired of entities		-	(3,389)	-
Net cash outflow from investing activities		(9,905)	(5,320)	(1,641)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary share capital		138,890	4,431	-
Issue of preference share capital		-	4,427	1,634
Proceeds from debt securities issued		113,157	95,731	104,352
Redemption of debt securities issued		-	(2,480)	3,342
Proceeds from subordinated debt		25,680	28,751	11,495
Redemption of subordinated debt		-	-	(78)
Repurchase of own shares		(259)	(21)	1
Dividends paid		(636)	(669)	(290)
Net cash inflow from financing activities		276,832	130,170	120,456
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,022	145,625	34,569
CASH AND CASH EQUIVALENTS, beginning of year	15	227,476	81,858	47,322
Effect of changes in foreign exchange rate on cash and cash equivalents		718	(7)	(33)
CASH AND CASH EQUIVALENTS, end of year	15	249,216	227,476	81,858

Interest paid and received by the Group in cash during the year ended 31 December 2006 amounted to KZT 75,112 million and KZT 127,355 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2005 amounted to KZT 40,709 million and KZT 81,440 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 25,510 million and KZT 54,227 million, respectively.

On behalf of the Management Board of the Bank:

Zhusupova N.A.
Chairman of the Board

15 March 2007
Almaty

Shoinbekova G.K.
Chief Accountant

15 March 2007
Almaty

The notes on pages 10-76 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

1. ORGANISATION

JSC Kazkommertsbank (the "Bank", or "Kazkommertsbank") is a joint stock bank and operates in the Republic of Kazakhstan since 1990. The Bank conducts its operations under the license № 48 issued by the National Bank of the Republic of Kazakhstan ("NBRK"). The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin str., Almaty, Republic of Kazakhstan.

The Bank has 22 branches in the Republic of Kazakhstan, and a representative office in London (Great Britain) and Dushanbe (Tajikistan).

Kazkommertsbank is a parent company of the banking group (the "Group") which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	The Bank ownership interest 2006	2005	2004	Type of operation
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	100%	Payment card and related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	-	Investment management of pension assets
JSC Kazkommerts Life	Republic of Kazakhstan	100%	-	-	Life insurance
JSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	93.58%	93.58%	93.58%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	80.01%	80.01%	-	Pension fund
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	65%	65%	65%	Insurance

Notwithstanding Kazkommertsbank had no ownership in the share capital of LLP Moskommertsbank ("MKB"), a commercial bank in the Russian Federation, MKB was included in the consolidated financial statements of the Group since the Bank was able to and exercised effective control over its activity. The control assumed a possibility for Kazkommertsbank to issue loans to customers of MKB and receive income from such activity. In 2003 shareholders of MKB and Kazkommertsbank entered into agreements of trust management of 60.04% interest in the share capital of MKB. At the same time between shareholders of MKB owning 39.96% interest in the share capital of MKB and Kazkommertsbank there is an agreement on segregation of responsibility regarding management of MKB providing for non-involvement of these shareholders in the policy of the activity of MKB determined by Kazkommertsbank. In September 2006 Kazkommertsbank and shareholders of MKB cancelled the agreements of trust management for 2.6% interest in the share capital of MKB, decreasing the trust management from 60.04% to 57.44%. In fourth quarter of 2006 MKB increased its charter capital by 750 million Russian roubles (KZT 3,608 million at average exchange rate effective in 4th quarter of 2006) and additional paid-in capital by 562.5 million Russian roubles (KZT 2,706 million at average exchange rate effective in 4th quarter of 2006). On 15 December 2006 the Board of Directors of Kazkommertsbank approved an informal agreement between Kazkommertsbank and the existing shareholders of MKB on the acquisition of 52.11% interest in the share capital of MKB and on obtaining remaining 47.89% interest in trust management. At present time permission on acquisition was received from the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations ("AFN"). Related documentation was sent to the regulatory bodies of the Russian Federation. Expected date of obtaining permission from the regulatory bodies of the Russian Federation is March of 2007, while acquisition of interest in share capital of MKB is expected to take place in April of 2007.

JSC Kazkommerts Securities is a joint stock company and operates under laws of the Republic of Kazakhstan since 1997. The company's primary business consists of trading with securities, including broker and dealing operations, consulting in investments and corporate finances, organization of issues, allocation and underwriting of securities, and purchase and sale of securities in the capacity of the agent. The company has license № 0401200324 dated 27 November 2000 issued by the National Bank of the Republic of Kazakhstan. In 2005 the company received license for investment portfolio management № 0403200363 dated 30 September 2005 issued by the National Bank of the Republic of Kazakhstan.

JSC Insurance Company Kazkommerts-Policy is a joint stock company and operates under laws of the Republic of Kazakhstan since 1996. The company's primary business consists of insurance of property, cargoes, auto insurance, civil liability insurance of vehicle owners, insurance of other civil liabilities and reinsurance. The company has licenses on voluntary insurance services №13-8/1 DOS dated 1 July 2005 and on obligatory insurance services №13-8/1 OS dated 1 July 2005 issued by the National Bank of the Republic of Kazakhstan.

JSC Kazkommertsbank Kyrgyzstan is a joint stock bank and operates under laws of the Kyrgyz Republic since 1991. The Bank's operations are regulated by the National Bank of the Kyrgyz Republic according to license № 010. The Bank's primary business consists of commercial banking activities, acceptance of deposits from individuals, transfer of payments, issue of loans, operations with foreign exchange and derivative instruments, originating loans and guarantees.

JSC Kazkommerts Life is a joint stock company and operates under laws of the Republic of Kazakhstan. The company's primary business consists of life insurance. The company has a license on life insurance services №42-1/1 dated 28 December 2006 issued by the AFN and 28 December 2006 is determined to be the date of commencement of operations.

LLP Processing company is a limited liability partnership and operates under laws of the Republic of Kazakhstan since 9 July 2004. The company is registered with the Ministry of Justice of the Republic of Kazakhstan under № 64313-1910-TOO. The Company's primary business is to provide payment card and related services.

Kazkommerts International BV is a limited liability partnership (B.V.) and operates under laws of the Kingdom of Netherlands since 1 October 1997. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets. The company has license №24278506 dated 1 October 1997 for raising funds, including issuance of bonds and other securities, and entering into agreements regarding those activities issued by Chamber of Commerce of Netherlands.

Kazkommerts Finance II BV is a limited liability partnership (B.V.) and operates under laws of the Kingdom of Netherlands since 13 February 2001. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets. The company has license №24317181 dated 13 February 2001 for conducting separate types of banking and other types of operations issued by Chamber of Commerce of Netherlands.

Kazkommerts Capital II BV is a limited liability partnership (B.V.) and operates under laws of the Kingdom of Netherlands since 11 April 2000. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets. The company has license №24305284 dated 11 April 2000 for conducting operations issued by Chamber of Commerce of Netherlands.

In October 2005, Kazkommertsbank acquired from JSC DB ABN AMRO Bank 100 % shares in a pension assets management company – JSC OCOPAIM ABN AMRO Asset Management Kazakhstan (the "ABN AM") and 80.01% shares in the Accumulation Pension Fund JSC ABN AMRO KaspiyMunaiGaz (the "ABN APF") (see Note 23). In the agreement with the seller, ABN APF and ABN AM received new names, JSC Grantum APF and JSC OCOPAIM Grantum Asset Management ("Grantum PAMC"), respectively.

Grantum PAMC is a joint stock company and operates under laws of the Republic of Kazakhstan since 1998. The company's primary business consists of investment management of pension assets. The company has a license on investment management of pension assets №0412200149 dated 18 August 2004 issued by the AFN, license on investment portfolio management №0403200199 dated 18 August 2004 issued by the AFN, and license on broker/dealer activity at the stock market without the right to maintain customer accounts №0402200216 dated 18 August 2004.

Grantum APF is a joint stock company and operates since 1998 under laws of the Republic of Kazakhstan. The company's primary business consists of attraction of pension contributions of depositors and making pension payments to recipients under laws of the Republic of Kazakhstan. The company operates based on the state license on attraction of pension contributions and making pension payments №0000019 dated 22 January 2004, issued by the AFN.

As at 31 December 2006, the following shareholders owned the issued shares of the Bank:

	Shares	**(%)** [1]
JSC Central-Asian Investment Company [2]	184,679,013	32.1
European Bank of Reconstruction and Development	48,909,043	8.5
Bank of New York	260,934,622	45.4
Directors and Management Board members	199,213,086	34.6
Nurzhan Subkhanberdin	169,229,894	29.4
Direct	72,570,672	12.6
Indirect	96,659,222	16.8
Nina Zhussupova (indirect)	29,983,192	5.2
Other shareholders		
JSC Central-Asian Investment Company (excluding the interests in it of Mr. Subkhanberdin and Ms. Zhussupova)	78,377,681	13.7
other direct shareholders	8,055,350	1.4
Total	574,837,398	100

[(1)] As at 31 December 2006 the number of issued common shares of Kazkommertsbank amounted to 574,837,398. JSC Central-Asian Investment Company, European Bank of Reconstruction and Development, N. Subkhanberdin and other direct shareholders constitute direct shareholders of Kazkommertsbank.

[(2)] JSC Central-Asian Investment Company ("CAIC") is one of the entities through which the Directors and Management Board members own shares of Kazkommertsbank. As at 31 December 2006 CAIC held 184,679,013 shares of Kazkommertsbank. At the same date N. Subkhanberdin held 44.8% of shares of CAIC, and N. Zhussupova held 12.8% of shares of CAIC. The table above also includes holdings in the form of GDR of N. Subkhanberdin and N. Zhussupova.

These consolidated financial statements were authorized for issue by the Bank's Management Board on 15 March 2007.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements are presented in millions of Kazakhstan tenge ("KZT million" or "mln. tenge"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of land and buildings at revalued amounts according to International Accounting Standard ("IAS") # 16 "Property, Plant and Equipment".

Kazkommertsbank and its subsidiaries in the Republic of Kazakhstan maintain its accounting records in accordance with IFRS, while its foreign subsidiaries maintain accounting records in accordance with the requirements of their countries of residence where subsidiaries operate. These consolidated financial statements have been prepared based on the accounting records of Kazkommertsbank and its subsidiaries, and have been adjusted to conform to IFRS.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Kazkommertsbank and entities controlled by the Bank made up to 31 December each year. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets (including identifiable intangible assets), liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to income statement in the period of acquisition. The minority interest is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The equity attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively. For a business combination involving entities or business under common control all assets and liabilities of a subsidiary are measured at their carrying values recorded in the stand-alone financial statements of the subsidiary with the difference between the carrying value of the share in net assets of the subsidiary and the cost of acquisition recorded directly in equity attributable to the equity holders of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Bank follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" and the following procedures are done:

- assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- income and expense items of the foreign entity are translated at the average exchange rate for the period;
- all resulting exchange differences are classified in equity until the disposal of the investment;
- on disposal of the investment in the foreign entity, related exchange differences are recognized in the income statement.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is recorded in the income statement in the period of acquisition.

Where a group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Bank's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

As at 31 December 2006 fair value of investments, assets, liabilities, revenue and income of associated companies for the year then ended are presented as follows:

Name of associated company	Fair value of investments in associated company (KZT million)	Total assets of associated company (KZT million)	Total liabilities of associated company (KZT million)	Revenue of associated company (KZT million)	Profit (KZT million)
JSC APF Ular Umit	725	2,568	778	3,469	806
JSC OCOPAIM Zhetysu Asset Management Company	993	1,995	10	1,483	823

As at 31 December 2005 fair value of investments, assets, liabilities, revenue and income of associated companies for the year then ended are presented as follows:

Name of associated company	Fair value of investments in associated company (KZT million)	Total assets of associated company (KZT million)	Total liabilities of associated company (KZT million)	Revenue of associated company (KZT million)	Profit (KZT million)
JSC APF Ular Umit	388	1,136	195	2,189	422

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

The Bank tests goodwill for impairment quarterly.

If the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Bank:

a) reassesses the identification and measurement of the Bank's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
b) recognises immediately in profit or loss any excess of the value of identifiable assets, liabilities and contingencies over the acquisition value remaining after that reassessment on the date of acquisition.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in other subsidiaries and associates

Investments in corporate shares where the Group owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not significantly affect the financial statements of the Group as a whole, as well as investments in corporate shares where the Bank owns less than 20% of share capital, are accounted for at fair value or at approximate fair value. If such value cannot be estimated, investments are accounted for at cost. Management periodically assesses realizability of the carrying values of such investments and provides valuation allowances, if necessary. Such investments are accounted for as investments available-for-sale.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

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

Cash and balances with national (central) banks

Cash and balances with national (central) banks are basically cash and cash equivalents and include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan, Central Bank of the Russian Federation, and National Bank of Kyrgyz Republic with original maturity within 90 days, and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic cards, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the Central Bank of the Russian Federation is not included in cash equivalents due to restrictions on its availability.

Precious metals

Assets denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange 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 in the consolidated income statement.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Loans and advances to banks are carried net of any allowance for impairment losses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities acquired principally for the purpose of selling them in the near future, or are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or securities that upon initial recognition are designated by the Group at fair value through profit or loss. Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The bank uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. Fair value adjustment on financial assets and liabilities is recognized in the consolidated income statement at Net gain on financial assets at fair value though profit or loss. The Group does not reclassify financial instruments in or out of this category while they are held.

The Group enters into derivative financial instruments to manage currency and liquidity risks. Derivative financial instruments include forwards on foreign currency, precious metals and securities, and swaps. The Group does not apply hedge accounting.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repurchase agreements are retained in the consolidated financial statements and consideration received under these agreements is recorded as loans and advances from banks and customer accounts.

Assets purchased under reverse repurchase agreements are recorded in the consolidated financial statements as loans and advances to banks and loans to customers which are collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Loans to customers

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a syndicated loan.

Loans granted by the Group with fixed maturities are initially recognized at fair value plus initial direct costs and fees that are integral to the interest rate. For loans issued at lower than market terms the difference between the nominal amount of consideration given and the present value of future cash flows discounted at market rate at inception is recognized in the consolidated income statement in the period the loan is issued as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances to banks and customers are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. The decision on writing off bad debt against allowance for impairment losses for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjustment of an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

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

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

Finance leases

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

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

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value, which amounts to the purchase value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the management's valuation is used. Interest income on debt investments is recognized in the consolidated income statement as interest income on investments in securities. Dividends received on equity investments are included in dividend income in the consolidated income statement.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

Property, equipment and intangible assets

Property and equipment, except for buildings and other real estate and construction, and intangible assets are carried at historical cost less accumulated depreciation. Buildings and other real estate and construction are carried at market value. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	1-5%
Furniture and equipment	8-33%
Intangible assets	15-33%

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

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

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings and other real estate or construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

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

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Deposits from banks and customers

Customer and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent promissory notes, eurobonds and bonds issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Subordinated debt

Subordinated debt is initially recognized at fair value, which usually amounts to the net proceeds from the issue, less directly attributable transaction expenses incurred. Subsequently, these liabilities are measured at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

Provisions

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

Guarantees and letters of credit

Guarantees and letters of credit are initially recognized at fair value. Subsequently they are measured at the amortized cost taking into account commission received or paid equally during the effective period of the instrument. Guarantees issued are evaluated regularly and in case of excess of assessed loss over the carrying value, the provision is established for the difference. Such losses are evaluated based on the financial position of the customer, compliance with the changes of the contracts and business conditions.

Contingent assets

Contingent assets from received financial guarantees appear when the Group has indications of a loss as a result of a specific debtor's failure to make a timely payment on initial or amended terms of the debt instrument. The contingent asset arises where an economic profit can be received. If it is actually clear that the inflow of economic benefit increases, the asset and related income is reflected in the financial statements of the period, when changes take place.

Share capital and share premium

Share capital is recognized at historic cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

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

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Preference shares

Preference shares having a prescribed dividend amount are considered to be compound financial instruments in accordance with the substance of the contractual arrangement and accordingly the liability and equity components are presented separately in the balance sheet. On initial recognition the equity component is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. The fair value of the liability component on initial recognition is estimated by discounting expected future cash flows at a market interest rate for a comparable debt instrument. Subsequently the liability component is measured according to the same principles used for subordinated debt, and the equity component is measured according to the same principles used for share capital.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate, the Group withholds pension contributions from employee wages and transfers them to pension funds. The existing state pension systems provide for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Group does not have any pension arrangements separate from the state pension system of the countries in which the Group operates. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income also includes income earned on investments in securities. Other income is credited to income statement when the related transactions are completed.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

Underwriting income

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other assets in the accompanying consolidated balance sheet.

Losses and loss adjustments are charged to the consolidated profit and loss accounts as incurred through the reassessment of the reserve for losses and loss adjustment expenses.

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

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the accompanying consolidated balance sheet within other assets, and are amortized over the period in which the related written premiums are earned.

Reserve for insurance losses and loss adjustment expenses

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

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

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

Reinsurance

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

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated balance sheets within other assets.

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

Foreign currency translation

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

Rates of exchange

The exchange rates at year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2006	31 December 2005	31 December 2004
KZT/1 US Dollar	127.00	133.98	130.00
KZT/1 Euro	167.12	158.99	177.10
KZT/1 Kyrgyz Som	3.36	3.24	3.12
KZT/1 Russian Rouble	4.82	4.66	4.67

Offsetting of financial assets and liabilities

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

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have not been reported separately within these consolidated financial statements since the management of the Group believes that the main segment is the Commonwealth of Independent States, including the Republic of Kazakhstan, (CIS), which is characterized by similar risks and profitability. In addition, over 90% of the Group's operations are conducted within the CIS.

Adoption of new and revised International Financial Reporting Standards

In 2006 the following interpretations and amendments applicable to the Bank became effective:

- IFRIC 4 "Determining Whether an Arrangement Contains a Lease" (effective 1 January 2006);
- IFRIC 8 "Scope of IFRS 2" (effective 1 May 2006);
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective 1 June 2006);
- Amendment to IAS 39 regarding the financial guarantee contracts (effective 1 January 2006);
- Amendment to IAS 39 regarding the fair value option (effective 1 January 2006).

The effect of these changes on the financial statements of the Group is not significant.

At the date of authorization of these financial statements, the following Standards and Interpretations applicable to the Group were issued but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2007);
- Amendments to IAS 1 regarding disclosure on the objectives, policies and processes for managing capital (effective 1 January 2007).

The management is currently assessing the impact of the adoption of these new and revised Standards and Interpretations in future periods.

4. RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2005 and 2004 and for the years then ended to conform to the presentation as at 31 December 2006 and for the year then ended as current year presentation provides a better view of the financial position of the Group.

In particular, securities purchased under reverse repurchase agreement have been included as loans and advances to banks and loans to customers and securities sold under repurchase agreements have been included as loans and advances from banks and customer accounts.

In addition, the Bank had a different presentation for certain notes for the year ended 31 December 2004. Therefore, certain notes are being presented in a different format if compared to the years ended 31 December 2006 and 2005.

5. ACQUISITION

On 01 November 2006 the Group acquired 50% share in JSC OCOPAIM Zhetysu Asset Management Company.

As of 31 December 2006 the Group has not consolidated JSC OCOPAIM Zhetysu Asset Management Company as Kazkommertsbank does not have the power to govern the financial and operating policies of the company so as to obtain benefits from its activities.

6. NET INTEREST INCOME

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Interest income			
Interest income on loans to customers and on reverse repurchase agreements:			
- loans to customers	129,117	75,648	48,826
- reverse repurchase agreements	1,351	608	459
Interest on debt securities	7,183	4,087	4,885
Interest income on loans and advances to banks and on reverse repurchase agreements:			
- loans and advances to banks	6,532	3,923	1,029
- reverse repurchase agreements	462	38	-
Amortization of discount on loans	2,605	2,103	964
Total interest income	147,250	86,407	56,163
Interest expense			
Interest on debt securities issued	36,610	22,136	15,890
Interest expense on customer accounts and repurchase agreements:			
- customer accounts	20,034	11,649	6,970
- repurchase agreements	98	40	-
Interest expense on loans and advances from banks and repurchase agreements:			
- loans and advances from banks	19,514	10,475	3,801
- repurchase agreements	1,773	97	275
Dividends	636	669	290
Interest expense on securitization program	3,744	-	-
Other interest expense	706	789	207
Total interest expense	83,115	45,855	27,433
Net interest income before provision for impairment losses on interest bearing assets	64,135	40,552	28,730

7. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks (KZT million)	Loans to customers (KZT million)	Total (KZT million)
31 December 2003	414	19,069	19,483
Provision	119	11,103	11,222
Write-off of assets	-	(733)	(733)
Recoveries of assets previously written off	-	469	469
Exchange rate difference	-	(29)	(29)
31 December 2004	533	29,879	30,412
Provision	712	17,121	17,833
Write-off of assets	-	(5,359)	(5,359)
Recoveries of assets previously written off	-	531	531
Exchange rate difference	-	(10)	(10)
31 December 2005	1,245	42,162	43,407
(Recovery)/provision	(390)	33,277	32,887
Write-off of assets		(909)	(909)
Recoveries of assets previously written off	-	121	121
Exchange rate difference	2	(715)	(713)
31 December 2006	857	73,936	74,793

The movements in insurance provisions and allowances for impairment losses on other transactions were as follows:

	Insurance provisions (KZT million)	Other assets (KZT million)	Total (KZT million)
31 December 2003	1,057	31	1,088
Provision	500	115	615
Write-off of assets	-	(39)	(39)
Recoveries of assets previously written off	-	6	6
Exchange difference	-	(2)	(2)
31 December 2004	1,557	111	1,668
Provision	788	92	880
Write-off of assets	-	(81)	(81)
Recoveries of assets previously written off	-	6	6
Exchange difference	-	3	3
31 December 2005	2,345	131	2,476
Provision	358	25	383
Write-off of assets	-	(39)	(39)
Recoveries of assets previously written off	-	4	4
Exchange difference	-	(4)	(4)
31 December 2006	2,703	117	2,820

Insurance provisions comprised:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Property	997	894	620
Vehicles	664	708	582
Civil liability for owners of vehicles	215	282	166
Civil liability for damage	63	64	157
Other	764	397	32
Total insurance provisions	2,703	2,345	1,557

The movements in provision for guarantees and other off-balance sheet contingencies were as follows:

	2006 (KZT million)	2005 (KZT million)	2004 (KZT million)
1 January	2,589	1,530	1,426
Provision for the period	1,548	1,059	106
Exchange rate difference	(82)	-	(2)
31 December	4,055	2,589	1,530
Total provisions	6,758	4,934	3,087

8. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets at fair value through profit or loss comprises:

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)
Trading (loss)/gain on operations with financial assets at fair value through profit or loss, net		
- Bonds	(496)	(87)
- Ordinary shares	17	68
- Derivative financial instruments on bonds	(149)	-
- Derivative financial instruments on foreign currency	6,553	(11)
Fair value adjustment on financial assets at fair value through profit or loss, net		
- Bonds	581	(260)
- Ordinary shares	919	1,247
- Derivative financial instruments on foreign currency	(2,879)	(108)
- Derivative financial instruments on precious metals	(1)	-
Total net gain on financial assets at fair value through profit or loss	4,545	849

	Year ended 31 December 2004 KZT millions
Equity securities	67
Debt securities	(45)
Total net gain on financial assets at fair value through profit or loss	22

9. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Dealing, net	4,435	1,869	2,728
Translation differences, net	968	(278)	(756)
Total net gain on foreign exchange operations	5,403	1,591	1,972

10. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Fee and commission income:			
Cash operations	4,896	3,446	2,786
Documentary operations	3,393	2,144	1,600
Foreign exchange and securities operations	2,492	1,334	1,237
Settlements	2,018	1,801	1,990
Plastic cards operations	1,890	1,227	893
Encashment operations	170	140	136
Other	2,678	592	460
Total fee and commission income	17,537	10,684	9,102
Fee and commission expense:			
Plastic cards services	692	468	357
Insurance activity	474	368	270
Foreign exchange and securities operations	131	105	82
Correspondent bank services	107	77	80
NBRK computation center services	81	82	63
Documentary operations	48	28	93
Other	139	141	43
Total fee and commission expense	1,672	1,269	988

11. OTHER INCOME

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Insurance income	2,451	2,394	1,479
Fines and penalties received	89	109	40
Income from sale of property, equipment and intangible assets	28	28	99
Other	474	159	277
Total other income	3,042	2,690	1,895

12. OPERATING EXPENSES

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Staff costs	9,154	6,517	3,782
Depreciation and amortization	1,833	1,564	1,302
Lease	1,134	514	375
Advertising costs	1,038	587	417
Value added tax	640	456	332
Property and equipment maintenance	635	666	543
Communications	476	367	334
Payments to the Individuals' Deposit Insurance Fund	402	311	285
Business trip expenses	323	256	253
Vehicle maintenance	210	150	162
Bank cards services	207	130	121
Security services	204	145	321
Taxes, other than income tax	177	144	333
Consulting and audit services	136	257	51
Charity and sponsorship expenses	98	70	89
Training and information services	96	95	136
Stationery and blanks	92	72	79
Representative expenses	49	45	51
Mail and courier expenses	43	40	42
Other inventories	41	37	
Legal services	20	27	90
Cash collection expenses	15	82	82
Penalties and fines	14	212	1
Other expenses	1,002	624	330
Total operating expenses	18,039	13,368	9,511

13. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from International Financial Reporting Standards.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2006, 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 31 December 2006, 2005 and 2004 comprise:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Deferred assets:			
Unamortized commission for loan issue	191	-	-
Unrealized revaluation of investments	10	-	-
Other assets	482	459	180
Total deferred assets	683	459	180
Deferred liabilities:			
Loans to banks and customers	13,662	7,440	6,214
Property, equipment and intangible assets	1,583	650	692
Provisions under guarantees and letters of credit	1,167	372	-
Unrealized revaluation of investments	1,530	183	206
Investments in associates	201	94	22
Other liabilities	11	10	22
Total deferred liabilities	18,154	8,749	7,156
Net deferred tax liabilities	17,471	8,290	6,976

The increase of the deferred income tax as at 31 December 2006 is caused by the increase in deferred tax liabilities on the asset impairment provisions by 83.6%, increase in revaluation amount of securities and derivative financial instruments by 736.1% and increase in deferred tax liabilities on property, equipment and intangible assets by 143.5%. The increase in deferred tax liability on the asset impairment provisions was affected by a significant increase in the loan portfolio of the Bank in 2006 of 122.5%. The increase in deferred tax liability on revaluation of derivative financial instruments was affected by an acute fluctuation in the exchange rate of USD to KZT and Euro. The increase in deferred tax liability on property, equipment and intangible assets was affected by an increase in initial and revalued cost of fixed and intangible assets in 2006 of 62.5%.

Relationships between tax expenses and accounting profit for the years ended 31 December 2006, 2005 and 2004 are explained as follows:

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Profit before income tax	41,375	22,153	19,355
Tax at the statutory tax rate (30%)	12,413	6,646	5,807
Tax effect of permanent differences	(624)	(2,713)	(243)
Adjustment of prior periods	-	(1,595)	-
Tax accruals as a result of tax audit	-	-	4,009
Income tax expense	11,789	2,338	9,573
Current income tax expense	3,015	1,096	5,876
Deferred income tax expense	8,774	1,242	3,697
Income tax expense	11,789	2,338	9,573

	2006 (KZT million)	2005 (KZT million)	2004 (KZT million)
Deferred income tax liabilities			
1 January	8,290	6,976	2,945
Decrease in property and equipment revaluation reserve	407	72	334
Deferred income tax expense	8,774	1,242	3,697
31 December	17,471	8,290	6,976

14. EARNINGS PER SHARE

	Year ended 31 December 2006 (KZT million)	Year ended 31 December 2005 (KZT million)	Year ended 31 December 2004 (KZT million)
Net profit for the year attributable to equity holders of the parent	27,810	18,392	8,716
Weighted average number of ordinary shares for basic and diluted earnings per share	428,947,990	360,965,715	346,141,258
Earnings per share – basic and diluted (KZT)	64.83	50.95	25.18

15. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Cash on hand	31,100	17,425	11,218
Balances with the national (central) banks	177,905	19,804	55,075
Total cash and balances with the national (central) banks	209,005	37,229	66,293

The balances with Central Bank of Russian Federation ("CBR") as at 31 December 2006, 2005 and 2004 include KZT 1,712 million, KZT 641 million and KZT 783 million, respectively, which represents the permanent minimum reserve deposits required by the Central Bank of Russian Federation. The Group is required to maintain the reserve balance at the Central Bank of Russian Federation at all times.

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

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Cash and balances with the national (central) banks	209,005	37,229	66,293
Loans and advances to banks in OECD countries	41,923	190,888	16,348
Less minimum reserve deposit with CBR	(1,712)	(641)	(783)
Total cash and cash equivalents	249,216	227,476	81,858

16. PRECIOUS METALS

Precious metals comprise:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Refined precious metals	807	-	-
Total precious metals	807	-	-

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Debt securities	309,405	138,568	74,304
Equity investments	6,126	1,726	476
Derivative financial instruments	7,087	81	20
Total financial assets at fair value through profit or loss	322,618	140,375	74,800

	Effective interest rate %	31 December 2006 (KZT million)	Effective interest rate %	31 December 2005 (KZT million)	Effective interest rate %	31 December 2004 (KZT million)
Debt securities:						
Bonds of Depfa Investment Bank LTD	5.19%	50,873	-	-	-	-
Bonds of Freddie Mac	1.10227-6.8%	45,314	4.60%	12,965	5.25-12.36%	1,559
Eurobonds of Dexia Banque Luxemburg	-	44,313	-	-	-	-
Eurobonds of Fannie MAE International Housing	-	37,861	-	-	5%	260
Short-term notes of NBRK	5.035%	34,895	2.22%	1,002	1.5-7.12%	41,146
Eurobonds of Fortis Banque Luxemburg	-	18,992	-	-	-	-
Bonds of Alliance Bank	8.5%	9,154	-	-	-	-
Eurobonds of Hellenic Republic, Greece	3.6%	8,233	-	-	-	-
Eurobonds of KFW Intl Finance	4.7%	6,478	5.25%	6,722	-	-
Eurobonds of Caisse D'Amortissement Delta France	5.00%	6,384	4.60%	6,732	-	-
Eurobonds of JP Morgan Chase Bank London	8.73-17.50%	5,359	-	-	-	-
Corporate bonds of issuers of the Russian Federation	7.95-13.30%	5,321	7.5-15.5%	5,371	11.28-12.3%	5,633
Bonds of Batys Transit	8.00%	5,277	-	-	-	-
Bonds of KAZEXPORTASTYK Holding	9.9-10.2%	4,621	-	-	-	-
Bonds of ATF Bank	8.125-10.9%	4,272	8.50-10%	4,466	8.5-12.5%	1,667
Bonds of Food Contract Corporation	8.00%	3,647	-	-	-	-
Bonds of Small Business Development Fund	9.00%	2,134	-	-	-	-
Bonds of Halyk Bank	6.8-8.125%	1,843	7.5-7.75%	556	8.13%	410
Bonds of CenterCredit Bank	8-10.00%	1,536	8.5-10.4%	680	-	-
Bonds of local executive bodies of the Russian Federation	7.20-10.90%	1,496	8.20-13.30%	1,080	12.5-13.5%	573
Bonds of federal loan of the Ministry of Finance of the Russian Federation	6.30-10.00%	1,392	10%	210	12.75%	481
Bonds of JP Morgan Chase Bank London	11.25%	1,092	-	-	-	-
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	11.125%	1,052	11.13%	2,159	11.13%	2,255
State treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.78-6.68%	998	2.75-5.5%	6,783	3.22-8.35%	12,906
Eurobonds of TuranAlemFinance B.V.	7.875-8%	905	7.875-8%	334	7.88%	50
Eurobonds of CALYON	-	696	-	-	-	-
Bonds of KazStroyService	9.00%	662	-	-	-	-
Eurobonds of ALB Finance B.V.	9%	645	9%	280	-	-
Eurobonds of Centerdit International B.V.	8.00%	590	-	-	-	-
Bonds of Karazhanbasmunai	10.9%	561	9.1-9.9%	668	8-9.7%	1,320
Bonds of BTA Ipoteka	8.5%	527	-	-	-	-
Bonds of Nurbank	9.00%	521	-	-	-	-
Bonds of Development Bank of Kazakhstan	6.5-7.125%	476	9.1-13%	964	8-13%	925
Bonds of Kazakhaltyn	10.5%	456	9.90%	579	-	-
Bonds of Atyrau local executive bodies	8.5%	240	8.5-8.6%	292	8.5-8.6%	276
Eurobonds of Temir Capital B.V.	9.00%	192	-	-	-	-
Bonds of Kazakhstan kagazy	11.30%	133	10.40%	132	-	-
Bonds of Glotur	10%	104	10%	102	-	-
Bonds of Kazatomprom	8.50%	86	8.50%	88	8.50%	85
Bonds of Bank TuranAlem	10.5%	52	8-9.90%	272	8%	158
Bonds of KazTransCom	8%	12	8%	135	8%	185
Bonds of Kazakhstani Mortgage Company	8.89-9.50%	10	6.9-12.25%	191	8.09-12.25%	1,366
US exchequer bonds	-	-	2.7306-10.7225%	21,403	-	-
Eurobonds of European Investment Bank	-	-	3-5.625%	13,577	-	-
Bonds of Federal Home Loan Bank	-	-	4.06%	13,529	-	-
Eurobonds of InraAmerican Development Bank	-	-	5.375-6.125%	8,916	-	-
Eurobonds of International Bank of Reconstruction and Development	-	-	5%	8,153	-	-
Eurobonds of Nordic Investment Bank	-	-	2.75%	6,781	-	-
Bonds of the Government of Finland	-	-	5.88%	4,794	-	-
Eurobonds of Bank Nederlandse Gemeenten	-	-	2.50%	5,432	-	-
Bonds of KazTransOil	-	-	8.50%	2,379	8.50%	2,424
Eurobonds of Federal Farm Credit Bank	-	-	3.38%	263	3.38%	259
Bonds of Astana city administration	-	-	8.50%	267	8.50%	296
Bonds of Astana-Finance	-	-	9.40%	126	-	-
Bonds of Khimfarm	-	-	10%	120	-	-
Bonds of Mangistau REK	-	-	13%	65	13%	67
Bonds of Almaty Kus	-	-	-	-	10%	3
Total debt securities		309,405		138,568		74,304

	Ownership share %	31 December 2006 (KZT million)	Ownership share %	31 December 2005 (KZT million)	Ownership share %	31 December 2004 (KZT million)
Equity investments:						
ADR Kazakhtelecom	5.11%	2,342	5.11%	1,673	-	-
EP Kazmunaigaz	0.164%	2,077	-	-	-	-
GDR EP Kazmunaigaz	3.247%	1,148	-	-	-	-
Ust-Kamenogorsk Titanium-Magnesium Plant	0.391%	213	-	-	-	-
Kazzinc	0.09%	141	0.04%	34	-	-
Halyk Bank	0.013%	54	-	-	-	-
Rosneft	0.12%	36	-	-	-	-
Lukoil	0.0003%	34	-	-	-	-
CenterCredit Bank	0.003%	7	-	-	-	-
Surgutneftegaz	0.0001%	4	-	-	-	-
TuranAlem Bank	0.0003%	2	-	-	-	-
ATF Bank	0.0003%	1	-	-	-	-
Kazakhtelecom						
- ordinary	0.016%	56	0.009%	4	-	-
- preference	0.113%	11	0.075%	6	-	-
- GDRs	-	-	-	-	0.54%	420
Aktobemunaigaz	-	-	0.004%	9	-	-
Moscow shipbuilding shipyard	-	-	-	-	2.70%	56
Total equity securities		6,126		1,726		476

As at 31 December 2006, 2005 and 2004 included in financial assets at fair value through profit or loss is accrued interest income on debt securities amounting to KZT 1,816 million, KZT 1,649 million and KZT 636 million, respectively.

As at 31 December 2006, 2005 and 2004 financial assets at fair value through profit or loss included short-term notes of the National Bank of the Republic of Kazakhstan, bonds of the federal loan of the Ministry of Finance of the Russian Federation, and bonds of Kazakh and Russian companies pledged under repurchase agreements with other banks/customers with fair value amounting to KZT 262,008 million, KZT 60,380 million and KZT 28,445 million, respectively. As at 31 December 2006, 2005 and 2004 all the agreements mature in January 2007, 2006 and 2005, respectively (Note 26, 27).

	Nominal value	31 December 2006 Net fair value (KZT million)		Nominal value	31 December 2005 Net fair value (KZT million)		Nominal value	31 December 2004 Net fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:									
Foreign exchange contracts									
Foreign exchange swap	29,704	4,075	(876)	16,865	2	(95)	5,132	-	(3)
Interest swap	128,055	2,284	(2,544)	14,108	77	(94)	-	-	-
Forward contracts	72,480	728	(130)	2,634	2	-	7,245	17	-
Securities purchase/sale contracts									
Forward contracts	610	-	(4)		-	-	1,345	3	(28)
		7,087	(3,554)		81	(189)		20	(31)

18. LOANS AND ADVANCES TO BANKS

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Loans and advances to banks	122,266	236,671	29,346
Correspondent accounts with other banks	30,277	18,478	13,021
Loans under reverse repurchase agreements	45,505	383	-
Less allowance for impairment losses	(857)	(1,245)	(533)
Total loans and advances to banks	197,191	254,287	41,834

Movements in allowances for impairment losses on loans and advances to banks for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 7.

Loans and advances to banks included accrued interest of KZT 860 million, KZT 148 million and KZT 98 million as of 31 December 2006, 2005 and 2004, respectively.

As at 31 December 2006, 2005 and 2004 the Group had loans and advances to the following banks, which individually exceeded 10% of the Bank's equity, calculated according to the principles employed by the Basle Committee (Note 37).

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Bank Austria AG Wien	-	26,812	-
Zurcher Kantonalbank	-	26,812	-
Dexia Bank SA	-	26,802	-
Fortis Bank NV/SA Brussels	-	26,802	-
Depfa Investment Bank LTD, Ireland	-	26,802	-
Societe Generale Paris France	-	26,802	-
Moscow Business World Bank	-	19,809	-
	-	180,641	-

The fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 31 December 2006, 2005 and 2004 comprised:

	31 December 2006 (KZT million)		31 December 2005 (KZT million)		31 December 2004 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Notes of the National Bank of the Republic of Kazakhstan	26,318	25,010	-	-	-	-
Bonds of Kazakhstan companies	6,127	5,042	-	-	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4,763	4,339	27	35	-	-
Shares of Kazakhstan Companies	4,940	3,254	-	-	-	-
Bonds of TuranAlem Bank	3,965	3,184	-	-	-	-
Bonds of CenterCredit Bank	1,566	1,251	-	-	-	-
Bonds of ATF Bank	838	821	52	45	-	-
Bonds of Nurbank	1,004	811	-	-	-	-
Bonds of Caspian Bank	535	438	-	-	-	-
Shares of ATF Bank	430	360	-	-	-	-
Shares of TuranAlem Bank	329	351	-	-	-	-
Bonds of Texakabank	395	300	-	-	-	-
Bonds of Alliance Bank	364	295	-	-	-	-
Shares of Kazkommertsbank	58	49	300	303	-	-
Total securities purchased under reverse repurchase agreements	51,632	45,505	379	383	-	-

As at 31 December 2006 the guarantee deposit included in loans and advances to banks was placed with JP Morgan Chase Bank London as security for a reserve letter of credit in the amount of KZT 2,540 million.

19. LOANS TO CUSTOMERS

	31 December 2006 (KZT million)	31 December 2005 (KZT million)
Originated loans	1,713,183	768,808
Net investments in finance lease	4,573	3,198
Loans under reverse repurchase agreements	35,020	13,567
	1,752,776	785,573
Less allowance for impairment losses	(73,936)	(42,162)
Total loans to customers	1,678,840	743,411

As at 31 December 2006 and 2005 accrued interest income included in loans to customers amounted to KZT 33,106 million and KZT 14,948 million, respectively.

	31 December 2004 (KZT million)
Originated loans and net investments in finance lease	513,295
Accrued interest income	11,515
	524,810
Less allowance for impairment losses	(29,879)
Total loans to customers excluding under reverse repurchase agreements	494,931
Loans under reverse repurchase agreements	8,402
Total loans to customers	503,333

Movements in allowances for impairment losses for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 7.

	31 December 2006 (KZT million)	31 December 2005 (KZT million)
Analysis by type of collateral:		
Loans collateralized by real estate	429,701	193,975
Loans collateralized by guarantees of enterprises	219,410	97,787
Loans collateralized by shares of the banks and other companies	199,680	42,038
Loans collateralized by mixed types of collateral	168,269	96,385
Loans collateralized by equipment	127,966	71,370
Loans collateralized by accounts receivable	106,318	121,838
Loans collateralized by inventories	69,070	28,136
Loans collateralized by cash or Kazakh Government guarantees	51,414	14,195
Loans collateralized by guarantees of financial institutions	46,104	3,075
Loans collateralized by securities	6,183	3,884
Unsecured loans	254,725	70,728
Total loans to customers	1,678,840	743,411

As at 31 December 2006 unsecured loans included loans of KZT 160,300 million, collateral of which was under the process of registration (real estate, land, shares, guarantees, and other).

	31 December 2004 (KZT million)
Analysis by collateral:	
Loans collateralized by real estate	112,348
Loans collateralized by accounts receivable	119,097
Loans collateralized by combined collateral	75,461
Loans collateralized by guarantees of enterprises	32,205
Loans collateralized by equipment	42,345
Loans collateralized by shares of other companies	26,092
Loans collateralized by inventories	21,084
Loans collateralized by cash or guarantees of the Government of the Republic of Kazakhstan	25,943
Loans collateralized by guarantees of financial institutions	22,306
Unsecured loans	47,929
	524,810
Less allowance for impairment losses	(29,879)
Total loans to customers excluding under reverse repurchase agreements	494,931

	31 December 2006 (KZT million)	31 December 2005 (KZT million)
Analysis by sector:		
Trade	296,022	142,294
Individuals	261,708	97,424
Housing construction	225,622	84,830
Commercial real estate construction	163,481	79,743
Real estate	138,179	15,129
Investments and finance	87,724	42,720
Industrial and other construction	64,131	26,304
Food industry	52,802	29,115
Energy	44,877	30,156
Hotel business	41,079	16,271
Agriculture	38,931	23,738
Transport and communication	38,675	39,222
Production of construction materials	33,760	10,639
Machinery construction	21,778	12,988
Mining and metallurgy	20,309	23,968
Medicine	2,467	3,559
Culture and art	568	702
Other	146,727	64,609
Total loans to customers	1,678,840	743,411

	31 December 2004 (KZT million)
Analysis by sector:	
Construction	90,495
Trade	97,326
Individuals	72,821
Transport and communication	31,125
Energy	37,007
Agriculture	34,279
Investments and finance	32,975
Food industry	29,802
Mining and metallurgy	14,042
Hotel business	14,517
Real estate	27,597
Machinery construction	9,206
Culture and art	1,632
Other	31,986
	524,810
Less allowance for impairment losses	(29,879)
Total loans to customers excluding under reverse repurchase agreements	494,931

Loans to individuals comprise the following products:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)
Mortgage loans	148,346	63,039
Consumer loans	74,987	24,375
Car loans	15,672	8,585
Other	22,703	1,425
Total loans to individuals	261,708	97,424

As at 31 December 2006, 2005 and 2004 the Group granted loans to the following borrowers, respectively, which individually exceeded 10% of the Bank's equity, calculated according to the principles employed by the Basle Committee (Note 37).

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Alibi Holding	36,715	-	-
Jeilan Limited Holding	36,423	15,625	12,850
KUAT Holding	35,229	20,615	12,350
Mayberry Financial Services S.A.	34,942	20,645	9,888
Ordabasy Corporation	34,492	-	-
LLP SAT&Co Holding	-	16,259	-
IKAN Holding	-	14,780	-
Holding LLC Unimilk	-	-	11,477
Holding LLP TKF Agroinvest Trading	-	-	8,977
	177,801	87,924	55,542

As at 31 December 2006, 2005 and 2004 a significant part of loans (70.34%, 76.58% and 74.82% of the total portfolio) is granted to companies operating on the territory of the Republic of Kazakhstan, which represents significant geographical concentration.

The fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 31 December 2006, 2005 and 2004 comprised:

	31 December 2006 (KZT million)		**31 December 2005 (KZT million)**		**31 December 2004 (KZT million)**
	Fair value of collateral	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**	**Carrying value of loans**
Shares of Kazakh companies	30,640	21,574	3,473	1,281	277
Shares of Russian companies	6,686	5,803	8,880	8,342	1,328
Bonds of Kazakh companies	3,000	3,112	1,441	1,509	2,972
Bonds of Russian companies	1,318	1,157	830	808	3,628
Bonds of ATF Bank	1,017	1,033	1,030	1,065	-
Bonds of Halyk Bank	345	881	299	330	
Shares of Savings Bank of the Russian Federation	958	875	-	-	-
Shares of Halyk Bank	337	357	-	-	-
Shares of Kazkommertsbank	183	227	-	-	-
Shares of CenterCredit Bank	1	1	-	-	-
Bonds of local executive bodies of the Russian Federation	-	-	200	172	-
Shares of Neftebank	-	-	60	60	-
Notes of the National Bank of the Republic of Kazakhstan	-	-	-	-	179
Bonds of the Ministry of finance of the Republic of Kazakhstan	-	-	-	-	18
Total securities purchased under reverse repurchase agreements	44,485	35,020	16,213	13,567	8,402

The components of net investment in finance lease as at 31 December 2006 and 2005 are as follows:

	31 December 2006 (KZT million)	**31 December 2005 (KZT million)**
Minimum lease payments	5,606	3,843
Less: unearned finance income	(1,033)	(645)
Net investment in finance lease	4,573	3,198
Current portion	2,004	1,675
Long-term portion	2,569	1,523
Net investment in finance lease	4,573	3,198

The value of future minimum lease payments received from the customer under finance lease as of 31 December 2006 and 2005 comprised:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)
Not later than one year	2,368	1,975
From one year to five years	3,176	1,848
More than 5 years	62	20
Total value of future minimum lease payments	5,606	3,843

20. INVESTMENTS AVAILABLE-FOR-SALE

	Effective interest rate %	31 December 2006 (KZT million)	Effective interest rate %	31 December 2005 (KZT million)	Effective interest rate %	31 December 2004 (KZT million)
Debt securities:						
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.75-6.68%	442	2.75-6.99%	340	-	-
Short-term notes of NBRK	0.002%	355	-	-	-	-
Bonds of Small Business Development Fund	9%	334	-	-	-	-
Bonds of KAZEXPORTASTYK Holding	9.9-10.2%	304	-	-	-	-
Bonds of Kazakhstan Mortgage Company	6.90-8.89%	271	6.9-8.29%	87	-	-
Bonds of TuranAlem Bank	10.5%	198	-	-	-	-
Bonds of KazTransCom	8%	124	-	-	-	-
Bonds of Karazhanbasmunai	10.5%	124	-	-	-	-
Bonds of Astana-Finance	11.20%	121	-	-	9%	127
Bonds of Kazakhaltyn	10.5%	120	-	-	9.7%	123
Bonds of Khimfarm	10%	120	-	-	10%	119
Bonds of ATF Bank	8.5-9%	106	-	-		-
Bonds of CenterCredit Bank	9%	7				
		2,626		427		369
	Ownership share %		**Ownership share %**		**Ownership share %**	
Equity securities:						
Kazakhstan Stock Exchange	1.33%	2	-	-	-	-
Shares of Kazakhtelecom						
- common	-	-	-	-	0.14%	90
- preference	-	-	-	-	0.19%	6
Aktubinsk chromium compounds plant	-	-	-	-	3.07%	22
Aktobemunaigas	-	-	-	-	0.004%	2
		2		-		120
Total investments available-for-sale		2,628		427		489

As at 31 December 2006 and 2005 interest income on debt securities amounting to KZT 39 million and KZT 7 million, respectively, was accrued and included in investments available-for-sale.

21. INVESTMENTS HELD TO MATURITY

	Effective interest rate %	31 December 2006 (KZT million)	Effective interest rate %	31 December 2005 (KZT million)	Effective interest rate %	31 December 2004 (KZT million)
Bonds of Bank CenterCredit	8.5-9%	117	8.5%	94	-	-
Bonds of Halyk Bank	7.75%	109	7.75%	99	-	-
Bonds of ATF Bank	8.5%	92	8.5%	92	-	-
Bonds of the Ministry of Finance of the Kyrgyz Republic	6.95%	39	4.52-8.15%	40	5.91-8.10%	64
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	4-4.3%	234	-	-
Bonds of the National Bank of the Kyrgyz Republic	-	-	4.9%	3	-	-
Total investments held to maturity		357		562		64

As at 31 December 2006 and 2005 interest income on debt securities amounting to KZT 6 million and KZT 6 million, respectively, was accrued and included in investments held to maturity.

22. INVESTMENTS IN ASSOCIATES

The following enterprises were recorded in the consolidated financial statements using the equity method:

	31 December 2006		31 December 2005		31 December 2004	
	Held %	Amount (KZT million)	Held %	Amount (KZT million)	Held %	Amount (KZT million)
Ular Umit Pension Fund	41.18%	725	41.18%	388	41.18%	214
JSC OCOPAIM Zhetysu Asset Management Company	50.00%	993	-	-	-	-
First Credit Bureau LLP	18.40%	37	18.40%	37	14.29%	4
		1,755		425		218

In 2006 the Bank purchased 50% of shares of JSC OCOPAIM Zhetysu Asset Management Company (see Note 5).

The percentage held of the above associates represents both direct and indirect ownership of the Bank.

The movements of investments are accounted for in the consolidated financial statements using the equity method:

	2006 (KZT million)	2005 (KZT million)	2004 (KZT million)
1 January	425	218	146
Purchase cost	200	33	60
Share of results of associates	1,130	174	12
31 December	1,755	425	218

23. GOODWILL

In October 2005 Kazkommertsbank purchased 100% shares in JSC OCOPAIM ABN Amro Asset Management ("ABN AM") and 80.01% in JSC ABN Amro CaspiyMunaiGaz Accumulation Pension Fund ("ABN APF") from JSC ABN AMRO Bank Kazakhstan. In the agreement with the seller, ABN APF and ABN AM received new names – JSC OCOPAIM Grantum Asset Management ("Grantum PAMC") and JSC Grantum APF ("Grantum APF") (see Note 1).

The net assets and the goodwill acquired are as follows:

	Grantum PAMC (KZT million)	Grantum APF (KZT million)	Total (KZT million)
Property, equipment and intangible assets	1	18	19
Investments held to maturities	259	184	443
Investments available-for-sale	151	244	395
Comission receivable	22	47	69
Securities purchased under reverse repurchase agreements	81	60	141
Other assets	2	4	6
Tax payables	(16)	(43)	(59)
Other liabilities	(3)	(27)	(30)
	497	487	984
Goodwill	1,124	1,281	2,405
Total consideration, satisfied by cash	1,621	1,768	3,389
Net cash outflow on acquisition:			
Cash consideration paid	(1,635)	(1,787)	(3,422)
Cash acquired	14	19	33
Total	(1,621)	(1,768)	(3,389)

The Goodwill arising on the acquisition is attributable to the anticipated profitability of the distribution of the Group's products in the new markets, long-term funds attraction and the anticipated future synergies from the combination.

Goodwill acquired in a business combination is allocated, at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. These cash generating units do not carry on their balance sheets any intangible assets with indefinite useful lives, other than goodwill.

Cash generating companies	31 December 2006 (KZT million)	31 December 2005 (KZT million)
JSC Grantum APF	1,281	1,281
Grantum PAMC	1,124	1,124
	2,405	2,405

Grantum APF contributed KZT 165 million of revenue and KZT 35 million to the Group's profit before tax for the period between the date of acquisition and 31 December 2005.

Grantum PAMC contributed KZT 72 million of revenue and KZT 50 million to the Group's profit before tax for the period between the date of acquisition and 31 December 2005.

If the acquisition of Grantum APF and Grantum PAMC Asset Management had been completed on 1 January 2005, total group revenue for the year 2005 would have been KZT 86,051 million, and profit for the year 2005 would have been KZT 20,823 million.

As at 31 December 2006 no objective evidence of goodwill impairment, such as deterioration of the companies' liquidity, solvency, business and financial risk exposures, national and local economic trends and conditions, was identified.

Goodwill impairment is usually determined by discounted future cash inflows. For the forecast cash inflows the period of 5 years is used based on financial budgets using discounting rate of 14%. The management uses the following main assumptions as the basis for forecast cash inflows:

- Economic growth of the Republic of Kazakhstan;
- Stable legislation on obligatory pension contributions and therefore growth of the pension system;
- Stable structure of the customer base (customers with relatively high wages);
- Favorable demographic indexes (more of young population); and
- Possible sales of several complimentary products.

24. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate (KZT million)	Furniture and equipment (KZT million)	Intangible Assets (KZT million)	Construction in progress (KZT million)	Other (KZT million)	Total (KZT million)
At primary/revalued cost						
31 December 2003	2,402	5,665	798	-	324	9,189
Additions	61	1,103	103	9	209	1,485
Revaluation increase	1,220	-	-	-	-	1,220
Disposals	(134)	(232)	(17)	-	(3)	(386)
Exchange differences	-	4	14	-	(18)	-
31 December 2004	3,549	6,540	898	9	512	11,508
Additions	452	1,478	299	29	308	2,566
Revaluation increase	346	-	-	-	-	346
Acquisition of subsidiaries	-	31	5	-	4	40
Subsidiaries adjustments for 2004	-	13	-	-	-	13
Disposals	(364)	(235)	(18)	-	(118)	(735)
Exchange differences	-	-	-	-	6	6
31 December 2005	3,983	7,827	1,184	38	712	13,744
Additions	1,564	3,220	345	2,081	505	7,715
Revaluation increase	1,315	-	-	-	-	1,315
Disposals	(44)	(271)	(1)	-	(144)	(460)
Exchange differences	-	(15)	1	-	28	14
31 December 2006	6,818	10,761	1,529	2,119	1,101	22,328
Accumulated depreciation						
31 December 2003	196	2,261	362	-	66	2,885
Charge for the year	48	1,013	163	-	78	1,302
Written off upon revaluation	125	-	-	-	-	125
Written off upon disposal	(14)	(153)	(16)	-	(1)	(184)
Exchange differences	-	(6)	3	-	(3)	(6)
31 December 2004	355	3,115	512	-	140	4,122
Charge for the year	58	1,048	205	-	253	1,564
Acquisition of subsidiaries	-	12	2	-	3	17
Subsidiaries adjustments for 2004	-	8	-	-	-	8
Written off upon disposal	(354)	(157)	(13)	-	(107)	(631)
Exchange differences	-	-	-	-	2	2
31 December 2005	59	4,026	706	-	291	5,082
Charge for the year	70	1,432	224	-	107	1,833
Written off upon revaluation	-	1	-	-	-	1
Written off upon disposal	(33)	(145)	(1)	-	(103)	(282)
Exchange differences	1	4	1	-	7	13
31 December 2006	97	5,318	930	-	302	6,647
Net book value						
31 December 2006	6,721	5,443	599	2,119	799	15,681
31 December 2005	3,924	3,801	478	38	421	8,662
31 December 2004	3,194	3,425	386	9	372	7,386

As at 31 December 2006 and 2005 property, equipment and intangible assets included completely depreciated and amortized assets with initial cost in the amount of KZT 1,947 million and KZT 1,435 million, respectively.

The effective date of the revaluation of buildings and other real estate is 16 June 2006. The buildings and real estate was revalued based on an independent expert's appraisal LLP "Laboratory of independent appraisal "Optima", registration number UL-00525, legal address: office 513, 58 Dzhandosov St., Almaty, the Republic of Kazakhstan. Methods of valuation used are cost approach, benchmark (comparative) approach, and profit method. Additionally the method of determining fair value directly by reference to observable prices in an active market has been applied. The source for obtaining information by this method is publications placing announcements on purchase-and-sale of real estate objects, and internet sites on commercial realty, helping in selecting analogues maximally approximated by their characteristics to evaluated objects.

Intangible assets include software, patents and licenses.

25. OTHER ASSETS

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Prepayments and other debtors	4,968	2,927	7,296
Prepaid expenses	3,232	978	1,599
Income tax receivable	2,611	1,685	278
Insurance agreement accounts receivable	1,220	1,040	456
Tax settlements, other than income tax	1,101	587	122
	13,132	7,217	9,751
Less allowance for impairment losses	(117)	(131)	(111)
Total other assets	13,015	7,086	9,640

Movements in allowances for impairment losses for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 7.

26. LOANS AND ADVANCES FROM BANKS

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Correspondent accounts of other banks	46,273	29,121	6,613
Loans from banks and financial institutions, including:			
Syndicated loan from a group of banks *(Bank of Tokyo Mitsubishi)* (maturity – December 2006, interest rate - 4.819%)	-	109,201	-
Syndicated loan from a group of banks *(Bank of Tokyo Mitsubishi)* (maturity – December 2008, interest rate - 6.22%)	61,044	63,950	-
Syndicated loan from a group of banks *(Citibank International Plc)* (maturity – Aufust 2006, interest rate - 4.87%)	-	53,377	-
Syndicated loan from a group of banks *(ING Bank N.V.)* (maturity – February 2008, interest rate - 5.67%)	107,377	-	-
Syndicated loan from a group of banks *(Bank of Tokyo Mitsubushi/ ING UniCredit/Standard Chartered Bank)* (maturity – December 2009, interest rate - 5,95%)	37,809	-	-
Syndicated loan from a group of banks *(Bank of Tokyo Mitsubushi/ ING UniCredit/Standard Chartered Bank)* (maturity – December 2007, interest rate – 5.625%)	88,481	-	-
Syndicated loan from banks (City Bank Int/ PLC London, maturity date – 28.08.2005, USD 150 million, interest rate 3.64%)	-	-	19,591
Loan from EBRD (maturity on 21 December 2009, interest rate - 4.376% – 6.403% annually)	2,371	10,611	-
Loan from EBRD (maturity on 14 September 2007, interest rate - 5.69%-6.25% annully)	4,933	-	-
Loan from EBRD (maturity date in 2005, interest rate 2.84%-4.33% annually, USD 40 million and USD 22.5 million)	-	-	8,169
Loan from EBRD (maturity date in 2006, interest rate 3.27 – 8.42% annually)	-	-	5,355
Loan from the bank syndicate (Deutsche Bank AG London):			
Tranche A due on 16.12.2005 (USD 500 million), coupon rate 4.54%	-	-	65,305
Tranche B due on 19.12.2005 (USD 110 million), coupon rate 4.32%	-	-	14,367
Due to NBRK	-	3,617	85
Loans with othe banks and financial establishments	276,779	41,770	39,943
Deposits with banks	8,382	8,448	10,903
Loans under repurchase agreements	250,852	59,111	28,445
Total loans and advances from banks	884,301	379,206	198,776

As of 31 December 2006, 2005 and 2004 loans and advances from banks included accrued interest expenses in the amounts of KZT 3,391 million, KZT 1,156 million, and KZT 795 million, respectively.

As at 31 December 2006 and 2005 the loans and advances from banks in the amounts of KZT 294,711 million (33.33%) and KZT 226,528 million (59.74%), respectively, were due to 4 and 3 banks, which represents significant concentration.

As at 31 December 2006 loans with other banks and financial institutions for KZT 262,938 million (95.00% of total loans with othe banks and financial establishments) consisted of 34 banks and financial institutions of such countries as Russia, Great Britain, the Netherlands, Czech Republic, Canada, the USA, Switzerland, Kuwait, Austria, Luxemburg, Korea, Kazakhstan, Germany, Belgium, and Singapore. Maturities of these loans are from 1 month up to 67 months.

As at 31 December 2006, 2005 and 2004 included in loans and advances from banks are loans under repurchase agreements amounting to KZT 250,852 million, KZT 59,111 million and KZT 28,445 million, respectively with maturity in January 2007, 2006 and 2005, respectively.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2006, 2005 and 2004 are presented as follows:

	31 December 2006 (KZT million)		31 December 2005 (KZT million)		31 December 2004 (KZT million)
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Carrying value of loans
Eurobonds from Depfa Bank Plc	50,800	49,878	-	-	-
Eurobonds from Dexia Banque Intl A Luxembourg	44,313	43,439	-	-	-
Eurobonds of Freddie MAC	44,171	42,915	-	-	-
Eurobonds of Fannie MAE	37,861	37,116			-
Notes of the National Bank of the Republic of Kazakhstan	24,944	24,942	-	-	19,144
Eurobonds of Fortis Banque Generale A Luxembourg	18,992	18,617	-	-	-
Bonds of companies of the Republic of Kazakhstan	13,151	10,952	-	-	-
Eurobonds of Hellenic Republic	7,946	8,408	-	-	-
Eurobonds of KFW Intl Finance	6,350	6,324	6,720	6,726	-
Eurobonds of Caisse D'Amortissement Dela France	6,350	6,260	6,700	6,732	-
Bonds of ATF Bank	1,485	1,200	-	-	-
Bonds of CenterCredit Bank	1,000	801	-	-	-
Bonds of Federal Home Loan Bank	-	-	13,341	13,533	-
Eurononds of the International Bank for Development and Reconstruction	-	-	8,050	8,158	-
Eurobonds of European Investment Bank	-	-	6,635	6,719	-
Eurobonds of Bank Nederlandse Gemeenten	-	-	5,331	5,434	-
Eurobonds of the Government of Finland	-	-	4,699	4,795	-
Bonds of the Ministry of finance the Republic of Kazakhstan	-	-	4,474	4,041	6,987
Eurobonds of the Ministry of finance the Republic of Kazakhstan	-	-	1,324	1,701	-
Shares of Kazakhstan companies	-	-	2,809	1,040	-
Bonds of the Russian Federation companies	-	-	94	85	2,154
Bonds of local executive bodies of the Russian Federation	-	-	154	147	160
Total securities under repurchase agreements	257,363	250,852	60,331	59,111	28,445

27. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Loans and time deposits	425,822	189,201	112,837
Demand deposits	257,600	114,204	84,990
Loans under repurchase agreements	4,384	32	-
Total customer accounts	687,806	303,437	197,827

As at 31 December 2006, 2005 and 2004 customer accounts included accrued interest expense in the amounts of KZT 7,466 million, KZT 4,596 million and KZT 1,990 million, respectively.

As at 31 December 2006 and 2005 customer accounts included accounts as a guarantee for issued letters of credit and other transactions relating to contingent liabilities in the amounts of KZT 2,542 million and KZT 15,744 million, respectively.

As at 31 December 2006 and 2005 the customer accounts in the amounts of KZT 250,184 million (36.37%) and KZT 47,847 million (15.77%), respectively, were due to 10 customers, which represents significant concentration.

	31 December 2006 (KZT million)	31 December 2005 (KZT million)
Analysis by sector:		
Individuals	196,072	110,041
Chemical and petrochemical industry	167,466	21,770
Construction	75,750	29,492
Trade	52,364	26,409
Investments and Finance	52,076	75,587
Individual services	36,608	25
Transport and communication	30,209	6,865
Agriculture	20,232	4,224
Real estate	11,266	213
Mining and metallurgy	7,724	1,864
Hotel business	4,972	220
Light industry	3,592	50
Distribution of electricity, gas and water	3,352	658
Education	2,170	1,134
Food industry	1,568	1,475
Culture and art	1,031	154
Health care	965	206
Machinery construction	689	380
Public organizations and unions	680	717
Energy	1	14,377
Other	19,019	7,576
Total customer accounts	687,806	303,437

As at 31 December 2006 and 2005 customer accounts included loans under repurchase agreements amounting to KZT 4,384 million and KZT 32 million, respectively, with the maturity of six months.

	31 December 2004 (KZT million)
Analysis by sector:	
Individuals	83,169
Investments and finance	26,173
Construction in progress	16,894
Trade	18,505
Chemical and petrochemical industry	25,224
Energy	4,041
Transport and communication	5,179
Agriculture	2,979
Mining and metallurgy	924
Food industry	964
Education	953
Public organizations and unions	783
Machinery construction	337
Hotel business	142
Real estate	22
Health care	202
Culture and art	296
Light industry	78
Other	8,972
Accrued interest expense on customer accounts	1,990
Total customer accounts	197,827

Fair value of assets pledged and carrying value of of loans under repurchase agreements as at 31 December 2006, 2005 and 2004 are presented as follows:

	31 December 2006 (KZT million)		31 December 2005 (KZT million)		31 December 2004 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of Russian companies	2,477	2,304	-	-	-	-
Shares of Russian companies	1,551	1,515	49	32	-	-
Bonds of local executive bodies of the Russian Federation	617	565	-	-	-	-
Total securities sold under repurchase agreements	4,645	4,384	49	32	-	-

28. DEBT SECURITIES ISSUED

	Maturity date	Annual coupon rate %	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Eurobonds of Kazkommerts International B.V. due In May 2007:					
Tranche A, issued in May 2002 and placed at the price of 99.043%	8 May 2007	10.125%	17,594	18,561	18,534
Tranche B, issued in November 2002 and placed at the price of 107.00%	8 May 2007	10.125%	6,350	6,699	6,500
In April 2013:					
Tranche A, issued in April 2003 at the price of 97.548%	16 April 2013	8.5%	43,729	45,730	45,286
Tranche B issued in April 2003 and placed in May 2003 at the price of 99.00%	16 April 2013	8.5%	19,050	20,097	19,500
In April 2014:					
Issued in April 2004 at the price of 99.15%	7 April 2014	7.875%	50,165	52,386	51,742
In November 2009:					
Tranche A issued in November 2004 at the price of 98.967%	3 November 2009	7%	42,786	46,880	45,500
Tranche B issued in February 2005 at the price of 98.967%	3 November 2009	7%	19,050	20,097	-
In November 2015:					
Issued in November 2005 at the price of 98.32%	3 November 2015	8%	63,246	66,990	-
Issued in February, 2006 at the price of 100%	24 February 2009	4.25%	8,288	-	-
Issued in March, 2006 at the price of 99.993%	24 March 2011	5.125%	48,465	-	-
Issued in November, 2006 at the price of 98.282%	29 November 2016	7.5%	63,500	-	-
			382,223	277,440	187,062
Including /(less):					
Discount on debt securities issued			(5,023)	(4,098)	(1,796)
Amounts of accrued interest on debt securities issued			6,385	4,125	2,984
Total issued Eurobonds of Kazkommerts International B.V.			383,585	277,467	188,250
Issued bonds of Kazkommertsbank			3,036	3,957	3,950
Amounts of accrued expenses on issued bonds of Kazkommertsbank			97	127	129
Issued promissory notes of MKB			36,982	21,040	15,473
Accrued interest expense on issued promissory notes of MKB			462	542	39
Total debt securities issued			424,162	303,133	207,841

As at 31 December 2006, 2005 and 2004 accrued interest expense is included in debt securities issued amounting to KZT 6,944 million, KZT 4,794 million, and KZT 3,152 million, respectively.

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of the Bank, and were guaranteed by the Bank. For Eurobonds with a maturity of May 2007, coupon is paid semi-annually on 8 May and 8 November, while for those having a maturity of April 2013, interest is paid on 16 April and 16 October, for Eurobonds with maturity of April 2014, interest is paid on 7 April and 7 October, for Eurobonds with maturity of November 2009, interest is paid 3 May and 3 November, for Eurobonds having a maturity of November 2015 interest is paid on 3 May and 3 November, for Eurobonds with maturity of March 2011 interest is paid on 23 March, for Eurobonds with maturity of November 2016 interest is paid on 29 May and 29 November.

29. OTHER BORROWED FUNDS

	Currency	Maturity date	Interest rate %	31 December 2006 (KZT million)	Interest rate %	31 December 2005 (KZT million)	Interest rate %	31 December 2004 (KZT million
Kazkommerts DPR Company	USD	15 June 2013	6.59 – 7.95%	56,792	6.84 – 6.91%	39,806	-	-
DEG-Deutsche Investitions MBH	USD	15 January 2014	7.88 – 8.86%	6,559	7.05 – 7.32%	6,884	4.99%	1,703
Private Export Funding Corporation	USD	25 March 2011	5.65 – 5.97%	1,160	4.54 – 4.64%	1,148	-	-
DEERE Credit	USD	15 June 2011	5.75 – 5.8%	480	4.74 – 4.91%	872	-	-
Funding of agricultural equipment purchasing	USD	31 March 2011	5.64 – 9.53%	1,016	8.04 – 8.83%	747	3.22-7.76%	988
Intesa Soditic Trade Finance Ltd	USD	27 December 2007	6.86%	2,545	6%	646	-	-
Funding by the Ministry of finance of Republic of Kazakhstan and regional centers	KZT	30 September 2011	0.5 – 5.81%	156	0.5 – 5%	210	0.50-5.78%	583
Funding by the Ministry of finance of Republic of Kazakhstan	EURO	20 December 2009	5%	104	5%	211	-	-
Funding by theMinistry of finance of Kyrgyz republic	USD	01 July 2015	1.5%	2	1.5%	3	-	-
Hungarian International Finance Ltd	-	-	-	-	8.04%	56	-	-
Funding by the Small Business Development Support Fund	-	-	-	-	7.3%	21	7.30-8.05%	1,190
Total other borrowed funds				68,814		50,604		4,464

As at 31 December 2006, 2005 and 2004 accrued interest expense included in other borrowed funds in the amount of KZT 255 million, KZT 245 million, and KZT 43 million, respectively.

On 8 December 2005 Kazkommertsbank launched the inaugural future flow securitization of diversified payment rights for 300 million USD. The transaction is a true-sale securitization of the Bank's dollar-denominated present and future diversified payment rights (SWIFT USD MT100 series) to Kazkommerts DPR Company (special purpose vehicle created on Cayman Islands). Kazkommerts DPR Company is operated by Maples Finance Limited, which is incorporated in the Cayman Islands. Allocation was made in three series 2005A in the amount of USD 200 million, 2005B and 2005C in the amount of USD 50 million each. Two latter tranches were allocated by private offering, and Series 2005A was insured by the specialized financial company Ambak, the rate of which amounted to 3-month LIBOR plus 0.29%.

On June 7, 2006 Kazkommertsbank in the framework of the Future payment inflow securitization Program allocated additional series of bonds 2006A and 2006B, insured by the specialized financial companies Ambak and FGIC. The sum of the given bonds amounted to USD 100 million each, with maturity of 7 years with 3-year grace period of the principal debt and rate of 3-month LIBOR plus 0.25 %.

30. OTHER LIABILITIES

	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Taxes payable, other than income tax	2,992	1,760	975
Payable to employees	1,576	1,033	510
Accounts payable on re-insurers	616	611	117
Advances received	144	412	24
Other	3,259	775	1,206
	8,587	4,591	2,832

31. SUBORDINATED DEBT

	Currency	Maturity date (year)	Interest rate %	31 December 2006 (KZT million)	31 December 2005 (KZT million)	31 December 2004 (KZT million)
Subordinated debt of Kazkommerts Finance II B.V.	USD	2016	9.6417%	26,239	-	-
Subordinated debt of Citigroup GMD AG & CO	USD	2014	8.194%	12,943	13,654	13,160
Perpetual debt of Kazkommerts Finance II B.V.	USD	-	9.2531%	12,715	13,485	-
Subordinated bonds	KZT	2015	7.5%	12,639	12,582	-
Debt component of preference shares	KZT	-	-	5,758	6,074	3,521
Indexed subordinated bonds	KZT	2007	7.0%	3,479	3,699	-
Subordinated bonds MKB	USD	2016	10%	2,570	-	-
International subordinated debt	USD	2007	11%	2,537	2,668	2,603
Subordinated bonds	USD	2007	5.5%	42	51	49
Indexed subordinated bonds	KZT	2009	8%	-	-	3,593
				78,922	52,213	22,926

As at 31 December 2006, 2005 and 2004 accrued interest expenses included in subordinated debt amounted to KZT 1,677 million, KZT 707 million, and KZT 279 million, respectively.

In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

32. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2006 the Bank's share capital comprised the following:

	Authorized share capital (KZT million)	Unpaid share capital (KZT million)	Repurchased share capital (KZT million)	Total share capital (KZT million)
Ordinary shares	5,748	(1)		5,747
Preference shares	1,248	-	-	1,248
	6,996	(1)	-	6,995

As at 31 December 2005 the Bank's share capital comprised the following:

	Authorized share capital (KZT million)	Unpaid share capital (KZT million)	Repurchased share capital (KZT million)	Total share capital (KZT million)
Ordinary shares	3,750	-	-	3,750
Preference shares	1,250	-	(4)	1,246
	5,000	-	(4)	4,996

As at 31 December 2004 the Bank's share capital comprised the following:

	Authorized share capital (KZT million)	Unpaid share capital (KZT million)	Repurchased share capital (KZT million)	Total share capital (KZT million)
Common shares	3,750	(289)	-	3,461
Preference shares	1,250	(512)	(2)	736
	5,000	(801)	(2)	4,197

The preference shares have a nominal value of KZT 10 and carry no voting rights, unless dividends are not paid, but rank ahead of the ordinary shares in the event of liquidation of the Bank. Annual dividend is determined by the preference shares issuance rules in the amount of USD 0.04 per share. These shares are not redeemable.

Dividend declared on preference shares amounted to KZT 635 million, KZT 669 million and KZT 290 million in 2006, 2005 and 2004, respectively. In 2006, 2005 and 2004 dividends on ordinary shares have not been declared.

In 2006 shareholders of the Group increased its nominal value of its share capital by KZT 2,000 million, including:

a) on 21 July 2006 Kazkommertsbank completed placement of 96,500,000 ordinary shares of JSC Kazkommertsbank at the price of KZT 200 per share on the local market;
b) in November 2006 the shareholders of the Bank (JSC Central-Asian Investment Company, Mr. Subhanberdin and EBRD) conducted placement of 45,714,706 global depositary receipts ("GDR"), each representing two shares at the price of USD 18.50 per one GDR;
c) in December 2006 Kazkommertsbank started placement of issued shares for existing shareholders of the Bank in the amount of 103,500,000 ordinary shares at the price of USD 9.25 per share in tenge equivalent through initial public offering on the local market.

33. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk are not reflected in the balance sheet.

The Group uses the same policy of credit control and management upon accepting off-balance commitments that it uses relating to balance commitments.

As at 31 December 2006, 2005 and 2004 accrued provision on letters of credit and guarantees amounted to KZT 4,055 million, KZT 2,589 million and KZT 1,530 million, respectively.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.
As at 31 December 2006 and 2005, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2006		31 December 2005		31 December 2004	
	Nominal amount (KZT million)	Risk weighted amount (KZT million)	Nominal Amount (KZT million)	Risk weighted amount (KZT million)	Nominal Amount (KZT million)	Risk weighted amount (KZT million)
Contingent liabilities and credit commitments						
Guarantees issued and similar commitments	91,683	91,683	39,928	39,928	22,972	22,972
Letters of credit and other transaction related to contingent obligations	92,413	17,982	59,951	11,680	41,490	6,942
Commitments on loans and unused credit lines	10,921	10,921	2,670	2,670	2,081	2,081
Total contingent liabilities and credit commitments	195,017	120,586	102,549	54,278	66,543	31,995

Capital commitments

As at 31 December 2006 and 2005 the capital commitments sum amounted to KZT 5,866 million and KZT 110 million, respectively. The Group had no material capital commitments as at 31 December 2004.

Operating lease commitments

No material rental commitments were outstanding as at 31 December 2006, 2005 and 2004.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position.

The Group also provides depositary services to its customers. As at 31 December 2006, 2005 and 2004 the Group had customer securities in its nominal holder accounts totaling:

- on broker-dealer operations 41,579,877 items, 13,175,579 items and 63,668,088 items, respectively.
- on custodial operations 726,520,526 items, 333,537,909 items and 535,951,836 items, respectively.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes

Due to the presence in commercial legislation of the countries where the Group operates, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Group believes that it has already made all tax accruals, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees receive pension benefits in accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate. As at 31 December 2006, 2005 and 2004 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal business activities are within the Republic of Kazkahstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Bank; and that have joint control over the Group;

(b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Joint ventures in which the Group is a venturer;

(d) Members of key management personnel of the Group or its parent;

(e) Close members of the family of any individuals referred to in (a) or (d);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party of the Group.

The Group had the following transactions outstanding with related parties:

	31 December 2006 (KZT million)		31 December 2005 (KZT million)	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	2,052	1,752,776	1,400	785,573
- entities with joint control or significant influence over the entity	114		342	
- key management personnel of the entity or its parent	1,938		1022	
- other related parties	-		36	
Allowance for impairment losses	50	73,936	43	42,162
- entities with joint control or significant influence over the entity	15		20	
- key management personnel of the entity or its parent	35		21	
- other related parties	-		2	
Investments in associates	1,718	1,755	388	425
- to associates	1,718		388	
Customer accounts	8,326	687,806	2,272	303,437
- entities with joint control or significant influence over the entity	92		15	
- associates	1,050		1,093	
- key management personnel of the entity or its parent	7,062		1,157	
- other related parties	122		7	
Provision for guarantees and other off-balance sheet contingencies	356	4,055	-	2,589
- key management personnel of the entity or its parent	1		-	
- other related parties	355		-	
Commitments on loans and unused credit lines	651	10,921	869	2,670
- entities with joint control or significant influence over the entity	215		335	
- key management personnel of the entity or its parent	431		531	
- other related parties	5		3	
Guarantees issued and similar commitements	7,142	91,683	19	39,928
- key management personnel of the entity or its parent	30		19	
- other related parties	7,112		-	

	31 December 2004 (KZT million)	
	Related party transactions	Total category as per financial statements caption
Loans to customers	2,617	524,810
- who are under common control jointly with the Bank	482	
- individuals influencing the Bank's operations, and their close family members	562	
- key management personnel of the Bank	1,142	
- other related parties	431	
Allowance for impairment losses	84	29,879
- who are under common control jointly with the Bank	39	
- individuals influencing the Bank's operations, and their close family members	11	
- key management personnel of the Bank	25	
- other related parties	9	
Customer accounts	3,401	197,827
- who directly or indirectly, through one or several intermediaries, control the Bank	70	
- who are under common control jointly with the Bank	58	
- associates of the Bank	2,248	
- individuals influencing the Bank's operations, and their close family members	445	
- key management personnel of the Bank	537	
- other related parties	43	
Provision for guarantees and letters of credit	3	1,530
- who are under common control jointly with the Bank	1	
- individuals influencing the Bank's operations, and their close family members	-	
- key management personnel of the Bank	2	
Loan commitments and unused card limits	54	2,081
- individuals influencing the Bank's operations, and their close family members	17	
- key management personnel of the Bank	37	
Guarantees given	34	22,972
- who are under common control jointly with the Bank	16	
- individuals influencing the Bank's operations, and their close family members	1	
- key management personnel of the Bank	17	

Included in the income statement for the years ended 31 December 2006 and 2005 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2006 (KZT million)		Year ended 31 December 2005 (KZT million)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	130	147,250	251	86,407
Interest expense	(258)	(83,115)	(250)	(45,855)
Operating expense	(500)	(18,039)	(662)	(13,368)
Short-term employee benefits	500	9,154	662	6,517

	Year ended 31 December 2004 (KZT million)	
	Related party transactions	**Total category as per financial statements caption**
Interest income	178	56,163
Interest expense	(210)	(27,433)
Benefits of key personnel	393	3,782

Key management personnel compensation for the years ended 31 December 2006 and 2005 is represented by short-term employee benefits.

35. SEGMENT REPORTING

Business segments

The Group is organized on the basis of three main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency products, guarantees and letters of credit and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.

Transactions between the business segments are conducted on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of funds attracted. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise of operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	Retail Banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Year ended 31 December 2006 (KZT million)
External interest income	19,119	112,603	14,594	309	625	-	147,250
Internal interest income	10,879	14,777	61,125	13	40,026	(126,820)	-
External interest expenses	(8,038)	(10,033)	(64,442)	13	(615)	-	(83,115)
Internal interest expenses	(10,236)	(60,338)	(16,203)	(13)	(39,393)	126,183	-
Net interest income before provision for impairment losses on interest bearing assets	11,724	57,009	(4,926)	322	643	(637)	64,135
Provisions for impairment losses on interest bearing assets	(4,224)	(28,282)	(388)	7	-	-	(32,887)
Net non-interest income	5,353	10,437	11,270	2,037	(58)	(72)	28,967
Operating income	12,853	39,164	5,956	2,366	585	(709)	60,215
Operating expenses	(6,782)	(9,893)	(1,159)	(852)	(62)	709	(18,039)
Operating profit	6,071	29,271	4,797	1,514	523	-	42,176
Share of results of associates	-	-	1,130	-	-	-	1,130
Provision for guarantees and other off-balance sheet contingencies and for impairment losses on other transactions	-	(2,022)	422	(331)	-	-	(1,931)
Profit before income tax	6,071	27,249	6,349	1,183	523	-	41,375
Income tax expense	-	-	-	-	(11,789)	-	(11,789)
Net profit	6,071	27,249	6,349	1,183	(11,266)	-	29,586
Total assets	261,708	1,417,132	765,391	8,244	767,055	(775,228)	2,444,302
Total liabilities	196,072	491,734	1,514,514	3,351	733,774	(759,069)	2,180,376

	Retail Banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Year ended 31 December 2005 (KZT million)
External interest income	11,825	65,926	8,449	194	13	-	86,407
Internal interest income	6,324	1,525	35,947	9	26,434	(70,239)	-
External interest expenses	(5,009)	(5,357)	(35,174)	-	(315)	-	(45,855)
Internal interest expenses	(4,912)	(31,035)	(7,849)	-	(25,704)	69,500	-
Net interest income before provision for impairment losses on interest bearing assets	8,228	31,059	1,373	203	428	(739)	40,552
Provisions for impairment losses on interest bearing assets	(2,104)	(15,017)	(707)	(5)	-	-	(17,833)
Net non-interest income	3,604	6,459	1,602	2,249	(9)	662	14,567
Operating income	9,728	22,501	2,268	2,447	419	(77)	37,286
Operating expenses	(4,634)	(7,534)	(577)	(678)	(22)	77	(13,368)
Operating profit	5,094	14,967	1,691	1,769	397	-	23,918
Share of results of associates	-	-	174	-	-	-	174
Provision for guarantees and other off-balance sheet contingencies and for impairment losses on other transactions	-	(731)	(396)	(812)	-	-	(1,939)
Profit before income tax	5,094	14,236	1,469	957	397	-	22,153
Income tax expense	-	-	-	-	(2,338)	-	(2,338)
Net profit	5,094	14,236	1,469	957	(1,941)	-	19,815
Total assets	97,424	645,987	447,514	5,086	543,930	(545,072)	1,194,869
Total liabilities	110,041	193,396	750,833	2,888	529,906	(480,466)	1,106,598

	Retail Banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	Year ended 31 December 2004 (KZT million)
External interest income	5,813	43,977	6,251	122	-	-	56,163
Internal interest income	5,774	1,427	24,728	-	13,688	(45,617)	-
External interest expense	(4,617)	(2,353)	(19,940)	-	(523)	-	(27,433)
Internal interest expense	(2,718)	(22,011)	(7,201)	-	(13,687)	45,617	-
Net interest income before provisions for impairment losses on interest bearing assets	4,252	21,040	3,838	122	(522)	-	28,730
Provision for impairment losses on interest bearing assets	(1,163)	(9,940)	(117)	(2)	-	-	(11,222)
Net non-interest income	2,877	7,039	852	1,299	-	-	12,067
Operating income	5,966	18,139	4,573	1,419	(522)	-	29,575
Operating expenses	(3,055)	(5,366)	(755)	(313)	(22)	-	(9,511)
Operating profit	2,911	12,773	3,818	1,106	(544)	-	20,064
Share of results of associates	-	-	12	-	-	-	12
Provision for impairment losses on other assets [1]	-	(161)	(5)	(555)	-	-	(721)
Profit before income tax	2,911	12,612	3,825	551	(544)	-	19,355
Income tax expense	-	-	-	-	(9,573)	-	(9,573)
Net profit	2,911	12,612	3,825	551	(10,117)	-	9,782
Total assets	70,386	424,545	200,861	2,903	310,131	(304,769)	704,057
Total liabilities	83,170	114,657	455,754	1,724	291,891	(302,435)	644,761

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

	31 December 2006		31 December 2005		31 December 2004	
	Current value (KZT million)	Fair value (KZT million)	Current value (KZT million)	Fair value (KZT million)	Current value (KZT million)	Fair value (KZT million)
Cash and balances with national (central) banks	209,005	209,005	37,229	37,229	66,293	66,293
Precious metals	807	807	-	-	-	-
Financial assets at fair value	322,618	322,618	140,375	140,375	74,800	74,800
Loans and advances to banks	197,191	197,191	254,287	254,287	41,834	41,834
Investment available-for-sale	2,628	2,628	427	427	489	489
Investment held to maturity	357	357	562	564	64	64
Investments in associates	1,755	1,755	425	425	218	218
Other assets	13,015	13,015	7,086	7,086	9,640	9,640
Loans and advances from banks	884,301	884,301	379,206	379,206	198,776	198,776
Customer accounts	687,806	687,806	303,437	303,437	197,827	197,827
Derivative financial instruments	3,554	3,554	189	189	31	31
Debt securities issued	424,162	434,851	303,133	323,204	207,841	215,513
Other borrowed funds	68,814	68,814	50,604	50,604	4,464	4,464
Dividends payable	1	1	1	1	1	1
Other liabilities	8,587	8,587	4,591	4,591	2,832	2,832
Subordinated debt	78,922	79,928	52,213	51,747	22,926	21,501

The fair value of loans to customers cannot be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such financial instruments.

37. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2006 the Group's total capital amount for capital adequacy purposes was KZT 327,063 million and tier 1 capital amount was KZT 270,384 million with ratios of 15.05% and 12.45%, respectively.

As at 31 December 2005 the Group's total capital amount for capital adequacy purposes was KZT 133,721 million and tier 1 capital amount was KZT 102,459 million with ratios of 14.38% and 11.02%, respectively.

As at 31 December 2004 the Group's total capital amount for capital adequacy purposes was KZT 87,212 million and tier 1 capital amount was KZT 60,726 million with ratios 15.00% and 10.45%, respectively.

As at 31 December 2006, 2005 and 2004 the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

38. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

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

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2006			31 December 2005		
	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies
ASSETS:						
Financial assets at fair value through profit or loss	6.54	4.95	11.00	2.90	4.62	10.00
Loans and advances to banks	1.97	8.26	2.51	2.44	4.43	2.07
Loans to customers	13.56	12.20	12.89	13.25	12.32	10.72
Investments available-for-sale and held to maturity	8.13	9.21	7.05	3.60	-	4.10
LIABILITIES:						
Loans and advances from banks	3.01	6.44	4.65	2.07	5.39	2.91
Customer accounts	5.44	4.20	4.41	4.61	3.74	4.39
Debt securities issued	7.00	8.13	11.47	7.00	9.02	9.88
Other borrowed funds	1.95	6.90	5.00	2.38	6.81	5.00
Subordinated debt	7.50	8.32	-	7.50	9.47	-

	31 December 2004		
	% in KZT	% in USD	% in other currencies
ASSETS:			
Time deposits in NBRK	2.28	0.50	-
Financial assets at fair value through profit or loss	3.62	5.79	12.10
Loans and advances to banks	0.70	2.79	2.54
Loans to customers	13.16	12.28	10.14
Investments available-for-sale	7.18	-	7.22
LIABILITIES:			
Loans and advances from banks	0.29	4.02	3.98
Customer accounts	3.87	4.00	3.32
Debt securities issued	7.21	9.23	11.66
Other borrowed funds	1.78	5.75	5.00
Subordinated debt	-	7.97	-

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (including allowance for impairment losses)	31 December 2006 Total (KZT million)
ASSETS:							
Loans and advances to banks	152,190	21,099	21,722	27	1,293	-	196,331
Financial assets at fair value through profit or loss	38,297	217,265	64,627	613	-	-	320,802
Investments available-for-sale	475	-	557	1,207	350	-	2,589
Investments held to maturity	-	-	39	22	290	-	351
Loans to customers	108,530	136,764	317,916	619,350	463,174	-	1,645,734
Total interest bearing assets	299,492	375,128	404,861	621,219	465,107	-	2,165,807
Cash and balances with national (central) banks	209,812	-	-	-	-	-	209,812
Investments in associates	-	-	-	-	-	1,755	1,755
Goodwill	-	-	-	-	-	2,405	2,405
Property, equipment and intangible assets	-	-	-	-	-	15,681	15,681
Accrued interest income on interest-bearing assets	29,322	5,013	1,427	59	6	-	35,827
Other assets	4,142	2,319	6,439	115	-	-	13,015
TOTAL ASSETS	542,768	382,460	412,727	621,393	465,113	19,841	2,444,302
LIABILITIES:							
Loans and advances from banks	336,544	111,831	51,564	379,901	1,070	-	880,910
Customer accounts	355,322	116,990	105,051	78,489	24,488	-	680,340
Debt securities issued	4,288	661	33,589	142,960	235,720	-	417,218
Other borrowed funds	-	-	262	6,804	61,493	-	68,559
Subordinated debt	-	-	41	5,988	71,216	-	77,245
Total interest bearing liabilities	696,154	229,482	190,507	614,142	393,987	-	2,124,272
Derivative financial instruments	73	2,554	927	-	-	-	3,554
Provisions	712	378	1,306	1,640	18	2,704	6,758
Dividends payable	1	-	-	-	-	-	1
Deferred income tax liability	11,624	5,831	16	-	-	-	17,471
Accrued interest expense on interest-bearing liabilities	5,962	5,738	7,266	735	32	-	19,733
Other liabilities	2,518	3,395	2,654	20	-	-	8,587
TOTAL LIABILITIES	717,044	247,378	202,676	616,537	394,037	2,704	2,180,376
Liquidity gap	(174,276)	135,082	210,051	4,856	71,076		
Interest sensitivity gap	(396,662)	145,646	214,354	7,077	71,120		
Cumulative interest sensitivity gap	(396,662)	(251,016)	(36,662)	(29,585)	41,535		
Cumulative interest sensitivity gap as a percentage of total assets	(16.23)%	(10.27)%	(1.50)%	(1.21)%	1.70%		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (including allowance for impairment losses)	31 December 2005 Total (KZT million)
ASSETS:							
Loans and advances to banks	227,816	18,267	6,716	-	1,340	-	254,139
Financial assets at fair value through profit or loss	43,054	22,057	73,538	77	-	-	138,726
Investments available-for-sale	-	-	36	287	97	-	420
Investments held to maturity	13	5	133	125	280	-	556
Loans to customers	38,910	43,222	164,218	285,621	196,492	-	728,463
Total interest bearing assets	309,793	83,551	244,641	286,110	198,209	-	1,122,304
Cash and balances with national (central) banks	37,229	-	-	-	-	-	37,229
Investments in associates	-	-	-	-	-	425	425
Goodwill	-	-	-	-	-	2,405	2,405
Property, equipment and intangible assets	-	-	-	-	-	8,662	8,662
Accrued interest income on interest-bearing assets	6,020	4,132	5,036	1,560	10	-	16,758
Other assets	2,475	361	3,707	334	209	-	7,086
TOTAL ASSETS	355,517	88,044	253,384	288,004	198,428	11,492	1,194,869
LIABILITIES:							
Loans and advances from banks	95,500	10,200	192,422	75,590	4,338	-	378,050
Customer accounts	167,159	24,658	62,131	43,704	1,189	-	298,841
Debt securities issued	74	1,586	2,152	113,331	181,197	-	298,340
Other borrowed funds	-	-	23	3,632	46,704	-	50,359
Subordinated debt	-	-	-	6,377	45,129	-	51,506
Total interest bearing liabilities	262,733	36,444	256,728	242,634	278,557	-	1,077,096
Derivative financial instruments	188	-	1	-	-	-	189
Provisions	625	265	1,219	416	64	2,345	4,934
Dividends payable	1	-	-	-	-	-	1
Deferred tincome ax liability	-	-	-	8,290	-	-	8,290
Accrued interest expenses on interest-bearing liabilities	2,188	1,268	6,593	1,448	-	-	11,497
Other liabilities	1,330	2,075	746	440	-	-	4,591
TOTAL LIABILITIES	267,065	40,052	265,287	253,228	278,621	2,345	1,106,598
Liquidity gap	88,452	47,992	(11,903)	34,776	(80,193)		
Interest sensitivity gap	47,060	47,107	(12,087)	43,476	(80,348)		
Cumulative interest sensitivity gap	47,060	94,167	82,080	125,556	45,208		
Cumulative interest sensitivity gap as a percentage of total assets	3.94%	7.88%	6.87%	10.51%	3.78%		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined (including allowance for impairment losses)	31 December 2004 Total (KZT million)
ASSETS:							
Cash and balances with central (national) banks	26,250	-	-	-	-	-	26,250
Financial assets at fair value through profit or loss	5,032	19,028	50,084	-	-	-	74,144
Loans and advances to banks	27,105	7,803	6,828	-	-	-	41,736
Loans to customers	37,802	32,940	118,075	178,509	124,474	-	491,800
Investments available-for-sale	-	-	367	115	-	-	482
Investments held-to-maturity	24	8	32	-	-	-	64
Total interest bearing assets	96,213	59,779	175,386	178,624	124,474	-	634,476
Cash and balances with central (national) banks	40,034	-	-	-	-	-	40,034
Financial assets at fair value through profit or loss	10	10	-	-	-	-	20
Investments in associates and other entities	-	-	-	-	-	218	218
Property, equipment and intangible assets	-	-	-	-	-	7,386	7,386
Accrued interest income on interest bearing assets	5,922	1,555	2,293	2,265	248	-	12,283
Other assets, less allowance for impairment losses	451	6,819	1,328	986	56	-	9,640
TOTAL ASSETS	142,630	68,163	179,007	181,875	124,778	7,604	704,057
LIABILITIES:							
Loans and advances from banks	59,347	5,665	117,952	15,008	-	-	197,972
Customer accounts	106,695	18,443	39,888	29,788	1,023	-	195,837
Debt securities issued	2,541	857	4,127	82,133	115,031	-	204,689
Other borrowed funds	-	390	734	3,159	138	-	4,421
Subordinated debt	-	-	-	6,169	16,479	-	22,648
Total interest bearing liabilities	168,583	25,355	162,701	136,257	132,671	-	625,567
Derivative financial instruments	31	-	-	-	-	-	31
Provisions	-		-	-	-	3,087	3,087
Dividends payable	-	1	-	-	-	-	1
Deferred tax liability	-	-	-	6,976	-	-	6,976
Accrued interest expenses on interest bearing liabilities	638	768	4,436	425	-	-	6,267
Other liabilities	1,348	247	1,076	161	-	-	2,832
TOTAL LIABILITIES	170,600	26,371	168,213	143,819	132,671	3,087	644,761
Liquidity gap	(27,970)	41,792	10,794	38,056	(7,893)		
Interest sensitivity gap	(72,370)	34,424	12,685	42,367	(8,197)		
Cumulative interest sensitivity gap	(72,370)	(37,946)	(25,261)	17,106	8,909		
Cumulative interest sensitivity gap as a percentage of total assets	(10.3)%	(5.4)%	(3.6)%	2.4%	1.3%		

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of national (central) banks.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	**USD**	**EURO**	**RUR**	**Other currency**	**31 December 2006 Total**
	(KZT million)	**(KZT million)**	**(KZT million)**	**(KZT million)**	**(KZT million)**	**(KZT million)**
ASSETS :						
Cash and balances with the national (central) banks	189,718	10,548	2,707	5,198	834	209,005
Precious metals	-	-	-	-	807	807
Financial assets at fair value through profit or loss	76,500	228,059	9,621	8,290	148	322,618
Loans and advances to banks	76,647	90,338	15,061	14,154	991	197,191
Loans to customers	525,052	1,117,469	13,683	22,014	622	1,678,840
Investments available-for-sale	2,625	3	-	-	-	2,628
Investments held to maturity	318	-	-	-	39	357
Investments in associates	1,755	-	-	-	-	1,755
Goodwill	2,405	-	-	-	-	2,405
Property, equipment and intangible assets	14,706	-	-	847	128	15,681
Other assets	8,964	2,540	399	1,074	38	13,015
TOTAL ASSETS	898,690	1,448,957	41,471	51,577	3,607	2,444,302
LIABILITIES :						
Loans and advances from banks	171,762	669,690	24,801	17,574	474	884,301
Customer accounts	387,384	262,057	20,855	16,487	1,023	687,806
Derivative financial instruments	1,310	2,239	-	5	-	3,554
Debt securities issued	3,133	354,654	50,149	7,823	8,403	424,162
Other borrowed funds	156	68,554	104	-	-	68,814
Provisions	3,691	1,954	1,108	1	4	6,758
Deferred income tax liabilities	17,370	-	-	85	16	17,471
Dividends payable	1	-	-	-	-	1
Other liabilities	6,677	1,396	48	423	43	8,587
Subordinated debt	21,770	57,152	-	-	-	78,922
TOTAL LIABILITIES	613,254	1,417,696	97,065	42,398	9,963	2,180,376
OPEN BALANCE SHEET POSITION	285,436	31,261	(55,594)	9,179	(6,356)	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2006:

	KZT (KZT million)	USD (KZT million)	EURO (KZT million)	RUR (KZT million)	Other currency (KZT million)	31 December 2006 Total (KZT million)
Accounts payable on forwards	(66,282)	(102,482)	(3,482)	(1,263)	-	(173,509)
Accounts receivable on forwards	41,725	61,288	61,333	3,046	9,920	177,312
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(24,557)	(41,194)	57,851	1,783	9,920	
TOTAL OPEN POSITION	260,879	(9,933)	2,257	10,962	3,564	

	KZT (KZT million)	USD (KZT million)	EURO (KZT million)	RUR (KZT million)	Other currency (KZT million)	31 December 2005 Total (KZT million)
ASSETS:						
Cash and balances with the national (central) banks	16,405	16,731	1,168	1,826	1,099	37,229
Financial assets at fair value through profit or loss	13,340	120,375	-	6,660	-	140,375
Loans and advances to banks	4,040	235,826	10,647	2,789	985	254,287
Loans to customers	220,086	501,876	6,487	14,811	151	743,411
Investments available-for-sale	427	-	-	-	-	427
Investments held to maturity	519	-	-	-	43	562
Investments in associates	425	-	-	-	-	425
Goodwill	2,405	-	-	-	-	2,405
Property, equipment and intangible assets	8,417	-	-	146	99	8,662
Other assets	5,057	1,453	93	477	6	7,086
TOTAL ASSETS	271,121	876,261	18,395	26,709	2,383	1,194,869
LIABILTIES:						
Loans and advances from banks	16,033	344,891	11,409	5,504	1,369	379,206
Customer accounts	135,747	153,156	7,491	6,230	813	303,437
Derivative financial instruments	94	95	-	-	-	189
Debt securities issued	4,084	293,888	-	5,161	-	303,133
Other borrowed funds	210	50,183	211	-	-	50,604
Provision	2,601	1,966	337	4	26	4,934
Deferred tax liabilities	8,014	-	-	257	19	8,290
Dividends payable	1	-	-	-	-	1
Other liabilities	3,418	1,101	34	32	6	4,591
Subordinated debt	16,282	35,930	1	-	-	52,213
TOTAL LIABILITIES	186,484	881,210	19,483	17,188	2,233	1,106,598
OPEN BALANCE SHEET POSITION	84,637	(4,949)	(1,088)	9,521	150	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above, The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2005:

	KZT (KZT million)	USD (KZT million)	EURO (KZT million)	RUR (KZT million)	Other currency (KZT million)	31 December 2005 Total (KZT million)
Accounts payable on forwards	(9,657)	(9,080)	(795)	-	(155)	(19,687)
Accounts receivable on forwards	6,895	11,277	1,192	15	200	19,579
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(2,762)	2,197	397	15	45	
TOTAL OPEN POSITION	81,875	(2,752)	(691)	9,536	195	

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other currency (KZT million)	31 December 2004 Total (restated – Note 3) (KZT million)
ASSETS:						
Cash and balances with the national (central) banks	53,298	9,578	1,252	2,041	124	66,293
Financial assets at fair value through profit or loss	55,538	12,519	-	6,743	-	74,800
Loans and advances to banks	4,092	36,301	432	454	555	41,834
Loans to customers	118,156	372,202	6,031	6,453	491	503,333
Investments available-for-sale	489	-	-	-	-	489
Investments held-to-maturity	-	-	-	-	64	64
Investments in associates and other entities	218	-	-	-	-	218
Property, equipment and intangible assets	7,181	-	-	111	94	7,386
Other assets	1,597	7,975	33	30	5	9,640
TOTAL ASSETS	240,569	438,575	7,748	15,832	1,333	704,057
LIABILTIES:						
Loans and advances from banks	30,429	160,023	4,119	4,001	204	198,776
Derivative financial instruments	3	28	-	-	-	31
Customer accounts	113,169	75,445	6,180	2,647	386	197,827
Debt securities issued	4,079	202,100	-	1,662	-	207,841
Other borrowed funds	189	3,914	361	-	-	4,464
Provisions	1,779	1,075	226	3	4	3,087
Dividends payable	1	-	-	-	-	1
Deferred tax liabilities	6,775	-	-	196	5	6,976
Other liabilities	1,922	731	103	53	23	2,832
Subordinated debt	-	22,926	-	-	-	22,926
TOTAL LIABILITIES	158,346	466,242	10,989	8,562	622	644,761
OPEN BALANCE SHEET POSITION	82,223	(27,667)	(3,241)	7,270	711	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above, The following table presents further analysis of currency risk by types of derivative financial instruments as at 31 December 2004:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million) `	RUR (KZT million)	Other currency (KZT million)	31 December 2004 Total (KZT million)
Accounts payable on forwards	(6,938)	(6,759)	-	(56)	-	(13,753)
Accounts receivable on forwards	2,340	8,302	3,099	-	-	13,741
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(4,598)	1,543	3,099	(56)	-	
TOTAL OPEN POSITION	77,625	(26,124)	(142)	7,214	711	

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc,) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Heads of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or a group of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower are approved quarterly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Off-balance sheet credit liabilities represent unused credit lines, guarantees or letters of credit. The credit risk on financial instruments on off-balance accounts is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i,e, the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Geographical concentration

The ALMC exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses. The Bank's Management Board sets up country limits, which are mainly applied by banks of the Commonwealth of Independent States (further – "CIS") and Baltic countries.

The Management of the Group considers the main segment to be the Commonwealth of Independent States, including the Republic of Kazakhstan, (CIS), in which similar risks and profitability are inherent.

The geographical concentration of assets and liabilities is set out in tables below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2006 Total (KZT million)
ASSETS:					
Cash and balances with the national (central) banks	189,711	6,814	12,480	-	209,005
Precious metals	-	-	807	-	807
Financial assets at fair value through profit or loss	84,385	8,295	229,938	-	322,618
Loans and advances to banks	63,575	91,693	41,923	-	197,191
Loans to customers	1,180,864	228,282	64,396	205,298	1,678,840
Investments available-for-sale	2,628	-	-	-	2,628
Investments held to maturity	318	39	-	-	357
Investments in associates	1,755	-	-	-	1,755
Goodwill	2,405	-	-	-	2,405
Property, equipment and intangibles assets	14,706	975	-	-	15,681
Other assets	9,889	1,355	1,742	29	13,015
TOTAL ASSETS	1,550,236	337,453	351,286	205,327	2,444,302
LIABILITIES:					
Loans and advances from banks	63,345	70,923	722,778	27,255	884,301
Customer accounts	642,492	22,603	20,321	2,390	687,806
Derivative financial instruments	983	4	2,565	2	3,554
Debt securities issued	3,322	37,216	383,396	228	424,162
Other borrowed funds	260	2	68,552	-	68,814
Provisions	6,393	149	1	215	6,758
Deferred income tax liabilities	17,370	101	-	-	17,471
Dividends payable	1	-	-	-	1
Other liabilities	6,766	595	1,174	52	8,587
Subordinated debt	21,909	2,570	54,443	-	78,922
TOTAL LIABILITIES	762,841	134,163	1,253,230	30,142	2,180,376
NET POSITION	787,395	203,290	(901,944)	175,185	

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2005 Total (mln. tenge)
ASSETS:					
Cash and balances with national (central) banks	27,124	2,915	7,190	-	37,229
Financial assets at fair value through profit or loss	23,819	6,661	109,895	-	140,375
Loans and advances to banks	18,105	38,728	190,888	6,566	254,287
Loans to customers	569,317	83,918	18,900	71,276	743,411
Investments available-for-sale	427	-	-	-	427
Investments held to maturity	519	43	-	-	562
Investments in associates	291	-	134	-	425
Goodwill	2,405	-	-	-	2,405
Property, equipment and intangible assets	8,417	245	-	-	8,662
Other assets	4,929	635	1,053	469	7,086
TOTAL ASSETS	655,353	133,145	328,060	78,311	1,194,869
LIABILITIES:					
Loans and advances from banks	29,607	23,138	319,685	6,776	379,206
Customer accounts	257,275	9,264	18,669	18,229	303,437
Derivative financial instruments	95	1	93	-	189
Debt securities issued	4,135	20,129	277,416	1,453	303,133
Other borrowed funds	433	3	50,168	-	50,604
Provisions	4,100	685	4	145	4,934
Deferred income tax liability	8,014	276	-	-	8,290
Dividends payable	1	-	-	-	1
Other liabilities	3,167	230	1,110	84	4,591
Subordinated debt	22,408	-	29,805	-	52,213
TOTAL LIABILITIES	329,235	53,726	696,950	26,687	1,106,598
OPEN BALANCE SHEET POSITION	326,118	79,419	(368,890)	51,624	

The geographical concentration of assets and liabilities is set out in tables for 2004 below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries	31 December 2004 Total (KZT million)
ASSETS:					
Cash and balances with national (central) banks	59,791	2,380	4,122	-	66,293
Financial assets at fair value through profit or loss	64,324	6,760	3,713	3	74,800
Loans and advances to banks	3,873	16,466	16,358	5,137	41,834
Loans to customers	376,583	80,175	7,956	38,619	503,333
Investments available-for-sale	489	-	-	-	489
Investments held-to-maturity	-	64	-	-	64
Investments in associates and other entities	218	-	-	-	218
Property, equipment and intangible assets	7,180	206	-	-	7,386
Other assets	1,882	5,897	1,860	1	9,640
TOTAL ASSETS	514,340	111,948	34,009	43,760	704,057
LIABILITIES:					
Loans and advances from banks	46,652	15,290	132,438	4,396	198,776
Derivative financial instruments	28	-	3	-	31
Customer accounts	179,275	6,242	4,496	7,814	197,827
Debt securities issued	4,079	15,234	188,250	278	207,841
Other borrowed funds	1,783	3	2,678	-	4,464
Provisions	2,792	280	2	13	3,087
Dividends payable	1	-	-	-	1
Deferred tax liability	6,774	202	-	-	6,976
Other liabilities	1,014	96	1,674	48	2,832
Subordinated debt	6,730	-	15,838	358	22,926
TOTAL LIABILITIES	249,128	37,347	345,379	12,907	644,761
OPEN BALANCE SHEET POSITION	265,212	74,601	(311,370)	30,853	

39. SUBSEQUENT EVENTS TRANSACTIONS

In January 2007 Kazkommertsbank completed placement of 103,500,000 ordinary shares of JSC Kazkommertsbank at the price of USD 9.25 per share in tenge equivalent through initial public offering.

The life insurance subsidiary, JSC Kazkommerts Life, commenced its operations on 3 January 2007.

On 2 February 2007 the subsidiary, Kazkommerts International B.V., placed two-tranche bonds for Euro 750 million and 350 million English Pound Sterling at the rates of 6.785% and 7.625% with maturity in 2017 and 2012, respectively.

Kazkommertsbank received a permission from the AFN and was registered with the Agency of the Republic of Kazakhstan on regulation of the Almaty regional financial center to create a subsidiary LLP Kazkommerts Almaty Regional Financial Center whose main activity is provision of services on dealing with financial instruments at the expense and in the interests of its customers (as a broker), services of a nominal holder, underwriter services, information, analytical and consulting services, services on constant announcement and support of securities quotation.

In February 2007 Kazkommertsbank opened 2 branches in Kapchagai and Kaskelen cities.

KAZKOMMERTS INTERNATIONAL B.V.

Rotterdam, The Netherlands.

Annual Report
for the financial year ended 31 December 2005

ADDRESS:
Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce
File number 24.278.506

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MANAGEMENT REPORT

The Management herewith submits its annual accounts for the financial year ended 31 December 2005.

Overview of activities

The Company acts as a finance company.

Future outlook

It is expected that the activities of the Company will remain unchanged.

Post-balance sheet events

No major post-balance sheet events affecting the accounts herewith presented, have occurred to date.

The Management,

A. Timchenko	Equity Trust Co. N.V.

Rotterdam, 22 August 2006

BALANCE SHEET

	Notes	31 December 2005	31 December 2004
		(before appropriation of results and expressed in USD)	
FIXED ASSETS			
Financial fixed assets			
Investment	3	0	0
Loan to group companies	4	2,582,258,444	1,448,132,159
		2,582,258,444	1,448,132,159
CURRENT ASSETS			
Loan to shareholder	4	1,216,666,667	760,000,000
Bonds of Russian Federation		0	3,697,110
Current account shareholder		287,795	0
Current account group companies		86,282	105,708
Interest receivable		33,264,507	26,173,825
VAT receivable		2,936	2,777
Cash at banks	5	8,834,202	3,914,410
		1,259,142,389	793,893,830
CURRENT LIABILITIES			
Loan from third parties	6	1,216,666,667	760,000,000
Current account shareholder		0	3,087,582
Prepaid interest income		1,941,236	0
Interest payable to third parties		32,997,645	25,722,456
Corporation tax		1,133,860	722,470
Accrued expenses		35,000	35,700
		1,252,774,408	789,568,208
NET CURRENT ASSETS/(LIABILITIES)		6,367,981	4,325,622
TOTAL ASSETS LESS CURRENT LIABILITIES		2,588,626,425	1,452,457,781
Less: LONG-TERM DEBT			
Loan from third parties	6	2,582,258,444	1,448,132,159
		6,367,981	**4,325,622**
CAPITAL AND RESERVES	7		
Share capital		21,292	24,579
Currency translation reserve		1,347	(1,951)
Legal reserve		195	206
Share premium		497,000	497,000
Retained earnings		3,805,788	2,300,232
Result for the year		2,042,359	1,505,556
		6,367,981	**4,325,622**

PROFIT AND LOSS ACCOUNT

	Year ended 31 December 2005	Year ended 31 December 2004
	(expressed in USD)	
FINANCIAL INCOME/(CHARGES)		
Gross income on loans		
to group companies	195,788,619	113,125,859
withholding tax	(18,956,361)	(6,781,687)
Net interest income on loans		
to group companies	176,832,258	106,344,172
Interest expenses on loans		
from third parties	(173,726,111)	(104,509,244)
Net interest income on loans	3,106,147	1,834,928
Interest income Bonds	102,640	236,559
Result investment	0	(50)
Result on securities	(73,542)	65,000
Amortized premium on issued bonds	792,952	792,952
Amortized premium on provided bonds	(792,952)	(792,952)
Bank interest/charges	(139,145)	(83,393)
Ruling shortage/surplus	(147,723)	147,723
Exchange result	(8,506)	32,130
Total financial income/(charges)	2,839,871	2,232,897
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative expenses	39,583	50,679
Audit fees	31,178	29,626
Legal fees	1,459	(3,774)
Capital tax	0	2,726
General expenses	39,185	103,233
	111,405	182,490
PROFIT BEFORE TAXATION	2,728,466	2,050,407
CORPORATION TAX	686,107	544,851
NET PROFIT FOR THE YEAR	**2,042,359**	**1,505,556**

NOTES TO THE ACCOUNTS AS AT 31 DECEMBER 2005

1. General

The Company is a private limited liability company established in Rotterdam on 1 October 1997. The Company acts as a finance company.

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

As per 1 January 2004 the Company has changed its reporting currency to USD which is the functional currency of the company. 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.

(c) Investments

Investments are valued at Net Asset Value.

(d) Other assets and liabilities

Unless otherwise indicated assets and liabilities are stated at face value.

(e) Revenue recognition

Expenses and income are accounted for under the accrual basis.

(f) Corporation tax

Taxation is incurred and provided for in accordance with generally accepted ruling practice. The tax authorities in The Netherlands granted a tax ruling to Kazkommerts International B.V. in 2001 which has expired on 31 December 2005. For the years 2006 until 2010 Kazkommerts International B.V. is expected to be granted a new tax ruling by the tax authorities in The Netherlands. The net profit of the coming years will be affected by the expected adjustments in the ruling and contracts.

3. Investment

The company held a 100% interest in Kazkommerts International Ltd, Cayman Islands. This company has been liquidated during 2005.

4. Loan to shareholder/Deferred premium on loans provided

This item reflects the following loans to shareholder:

1. a dollar term deposit facility to the amount of USD 200,000,000. The repayment date of the loan is 8 May 2007. The loan consists of two tranches: Tranche A, USD 150 million and Tranche B USD 50 million. Tranche A bears deposit interest at a nominal rate of 11.39% (10.25% + withholding tax compensation. Tranche B also bears deposit interest at a nominal rate of 11.39% (10.25% + withholding tax compensation). The borrower shall pay to the Company interest from time to time. In December 2002 Tranche B was issued with a premium of USD 3,500,000.

   This amount has been partially amortized leading to a deferred bond issue premium of USD 1,074,889 (l.y. USD 1,867,841).

2. a dollar term deposit facility to the amount of USD 500,000,000. The repayment date of the loan is 16 April 2013. The loan consists of two tranches: Tranche A USD 350 million and Tranche B USD 150 million. Tranche A bears deposit interest at a nominal rate of 9.445% (8.625% + withholding tax

compensation). Tranche B also bears deposit interest at a nominal rate of 9.445 (8.625% + withholding tax compensation). The borrower shall pay to the Company interest from time to time.

3. a dollar term deposit facility to the amount of USD 400,000,000. The repayment date of the loan is 7 April 2014. The loan bears deposit interest at a nominal rate of 8.89% (8% + withholding tax compensation). The borrower shall pay to the Company interest from time to time.

4. a dollar term deposit facility to the amount of USD 500,000,000. The repayment date of the loan is 3 November 2009. The loan bears deposit interest at a nominal rate of 7.84% (7.125% + withholding tax compensation). The borrower shall pay to the Company interest from time to time.

5. a dollar term deposit facility to the amount of USD 400,000,000. The repayment date of the loan is 24 August 2006. The loan bears deposit interest at a nominal rate of LIBOR + 0.775% + withholding tax compensation). The borrower shall pay to the Company interest from time to time.

6. a dollar term deposit facility to the amount of USD 500,000,000. The repayment date of the loan is 4 November 2015. The loan bears deposit interest at a nominal rate of 8.96% (8.063% + withholding tax compensation). The borrower shall pay to the Company interest from time to time.

7. a dollar term deposit facility to the amount of USD 1,300,000,000. The loan consists of two tranches: Tranche A USD 816.67 million (repayment date 14 December 2006) and Tranche B USD 483.33 million (repayment date 14 December 2008). Tranche A bears deposit interest at a nominal rate of LIBOR + 0.575% + withholding tax compensation). Tranche B bears deposit interest at a nominal rate of LIBOR + 1.025% + withholding tax compensation). The borrower shall pay to the Company interest from time to time.

In 2004 tax authorities in Kazakhstan disputed the split of the fee on the outstanding loans in commission and interest. Between JSC Kazkommertsbank and Kazkommerts International B.V. a new agreement was made to change the split of the fee, starting 1 January 2004. Because the new agreement can be changed if JSC Kazkommerts wins the appeal with the juridical authorities, the changes have not been carried through in the annual accounts 2004. The changes regarding 2004 have been made in the figures 2005, this has only effect on the division between gross income on loans and withholding tax in the P&L for an amount of approximately $ 3,400,000. It does not have any effect on the net profit for the year 2004 nor 2005.

5. Cash at bank

Cash at banks consists of current account balances and deposit balances at different banks (ING-bank, ABN AMRO bank and Kazkommertsbank) which are available on demand.

6. Issued Bonds/Deferred interest income on bonds

This refers to the following items:

1. Bonds were issued in the amount of USD 200 million with an interest percentage of 10,125%. The repayment date of the bond is 8 May 2007. In December 2002 part of these bonds were issued at a premium of USD 3,500,000. This amount has been partially amortized for USD 2,425,111 leading to a deferred bond issue premium of USD 1,074,889.

2. Bonds were issued in the amount of USD 500 million with an interest percentage of 8.5%. The repayment date of the bonds is 16 April 2013

3. Bonds were issued in the amount of USD 400 million with an interest percentage of 7.875%. The repayment date of the bonds is 7 April 2014

4. Bonds were issued in the amount of USD 500 million with an interest percentage of 7%. The repayment date of the bonds is 3 November 2009

5. Bonds were issued in the amount of USD 400 million with an interest percentage of LIBOR + 0.65%. The repayment date of the bonds is 24 August 2006.

6. Bonds were issued in the amount of USD 500 million with an interest percentage of 8%. The repayment date of the bonds is 4 November 2015

7. Bonds were issued in the amount of USD 1,300 million. The issue consist of two tranches: tranche A, USD 816.67 million (repayment date 14 December 2006) with an interest percentage of LIBOR

+ 0.45% and tranche B, USD 483.33 million (repayment date 14 December 2008) with an interest percentage of LIBOR +0.9%.

The shareholder guarantees due and punctual observance and performance of all terms, conditions and covenants on the part of Kazkommerts International B.V. in the agreements.

7. Capital and reserves

The authorised share capital of the Company consisted of 200 shares of EUR 450 each, amounting to EUR 90,000. As at balance sheet date 40 shares were issued and fully paid-up.

The movements in capital and reserves can be summarised as follows:

	31 December 2005	31 December 2004
Issued share capital	21,292	24,579
Currency translation reserve	1,347	(1,951)
Legal (non-distributable) reserve	195	206
	22,834	22,834
Share premium	497,000	497,000
Retained earnings/(Accumulated deficit):		
— position as at the beginning of the year	2,300,232	808,160
— appropriation of previous result	1,505,556	1,723,212
— dividend	0	(231,140)
— position as at the end of the year	3,805,788	2,300,232
Profit/(Loss) for the year		
— position as at the beginning of the year	1,505,556	1,723,212
— appropriation to reserves	(1,505,556)	(1,723,212)
— profit for the year	2,042,359	1,505,556
— position as at the end of the year	2,042,359	1,505,556
Total capital and reserves	**6,367,981**	**4,325,622**

All shares are held by JSC Kazkommertsbank, Almaty, Kazakhstan.

8. 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.

9. Directors

The Company has two directors and no supervisory directors. Neither remuneration nor any other benefits 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, 22 August 2006

SUPPLEMENTARY INFORMATION TO THE ACCOUNTS AS AT 31 DECEMBER 2005

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 Board of Directors 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.

Proposed appropriation of result

The Management proposes that the result of the Company during the year under review be carried forward.

Audit

Since the Company qualifies as a ‘‘small-sized’’ company it is, consequently, legally not required to have its accounts audited as provided for in Section 396, Paragraph 6, Part 9, Book 2 of the Dutch Civil Code.

MAZARS

MvV/AH5690A

AUDITORS’ REPORT

INTRODUCTION

We have audited the annual accounts of Kazkommerts International B.V., Rotterdam, The Netherlands for the year 2005, with capital and reserves as at 31 December 2005 of USD 6,367,981 and net profit for the period 2005 of USD 2,042,359. 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 31 December 2005 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, 22 August 2006

MAZARS PAARDEKOOPER HOFFMAN N.V.

[SIGNATURE TO COME]

G.A.P.M. Kannekens RA

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A13.5.2

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