IMPORTANT NOTICE

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS, EXCEPT AS PERMITTED UNDER REGULATION S. 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: You have been sent the attached Prospectus on the basis that you have confirmed to ING Bank N.V., London Branch, being the senders of the attached, that (i) you are not in the United States or a U.S. Person and (ii) you consent to delivery by electronic transmission.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither ING Bank N.V., London Branch nor any person who controls ING Bank N.V., London Branch or any director, officer, employee or agent of any of these, or affiliate of any such person accepts any liability or responsibility whatsoever in respect any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from ING Bank N.V., London Branch.

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

The attached Prospectus may only be communicated to persons in circumstances where Section 21(1) of the Financial Services and Markets Act 2000, as amended, does not apply.

CenterCredit International B.V.

(a limited liability company incorporated in The Netherlands)

U.S.$100,000,000

Perpetual Non-Cumulative Loan Participation Notes issued on a limited recourse basis for the sole purpose of financing a perpetual subordinated non-cumulative loan to

JSC Bank CenterCredit

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

Issue price: 100.00 per cent.

CenterCredit International B.V. (the "Issuer" or the "Lender") is issuing an aggregate principal amount of U.S.$100,000,000 Perpetual Non-Cumulative Loan Participation Notes (the "Notes").

The Notes are limited recourse obligations of the Issuer and are being offered for the sole purpose of funding a perpetual subordinated non-cumulative loan (the "Subordinated Loan") to JSC Bank CenterCredit (the "Bank" or the "Borrower") pursuant to a subordinated loan agreement dated 3 March 2006 between the Issuer (in its capacity as Lender) and the Borrower (the "Subordinated Loan Agreement"). The Notes will be constituted by, be subject to, and have the benefit of, a trust deed to be dated 3 March 2006 (the "Trust Deed") between the Issuer and Deutsche Trustee Company Limited, as trustee (the "Trustee") for the holders of the Notes from time to time (the "Noteholders"). In the Trust Deed, the Issuer will charge by way of first fixed charge as security for its payment obligations in respect of the Notes (a) certain of its rights to principal, interest and other amounts as lender under the Subordinated Loan Agreement and (b) amounts in respect of pursuant to the Subordinated Loan in an account of the Issuer (as described herein) and will also assign its administrative rights under the Subordinated Loan Agreement to the Trustee, in each case other than the Reserved Rights (as defined in "Terms and Conditions of the Notes") and certain amounts relating to the Reserved Rights.

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

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

On each Interest Payment Date (being 3 March and 3 September in each year commencing on 3 September 2006 up to and including the Interest Payment Date falling on 3 March 2016 and thereafter on 3 March, 3 June, 3 September and 3 December in each year commencing on the Interest Payment Date falling in June 2016), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement, which interest under the Subordinated Loan accrues at a rate of 9.125 per cent. per annum up to, but excluding, the Reset Date and, thereafter, at a rate equal to the London inter-bank offered rate for three-month deposits of U.S. dollars plus the Reset Margin (as defined in the Subordinated Loan Agreement). Subject to the exceptions described herein, payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes of The Netherlands. The Subordinated Loan may not be voluntarily repaid except in accordance with the terms of the Subordinated Loan Agreement. See "Terms and Conditions of the Notes-Early Redemption and Redemption for Tax Reasons" and "Subordinated Loan Agreement."

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

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

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

The Notes will be in registered form and will initially be represented by beneficial interests in a global note (the "Global Note"), in fully registered form, without interest coupons, which will be deposited on or around 3 March 2006 (the "Closing Date") with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear Operator") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive, fully registered, form, without coupons, in denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof without interest coupons attached. See "Form of Notes and Transfer Restrictions; Summary of Provisions Relating to the Notes in Global Form".

Sole Lead Manager and Bookrunner

ING Wholesale Banking

The date of this Prospectus is 2 March 2006

This Prospectus together with the attached unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2005 and the audited consolidated financial statements for the year ended 31 December 2004 and December 2003 constitute a prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC.

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

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

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

IN CONNECTION WITH THE ISSUE OF THE NOTES, ING BANK N.V., LONDON BRANCH (OR ANY PERSON ACTING ON BEHALF OF ING BANK N.V., LONDON BRANCH) MAY OVER-ALLOT NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO ASSURANCE THAT ING BANK N.V., LONDON BRANCH (OR ANY PERSON ACTING ON BEHALF OF ING BANK N.V., LONDON BRANCH) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

RESPONSIBILITY STATEMENT

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

Certain information in this Prospectus contained under the headings "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, publications released by the National Bank of Kazakhstan (the "NBK") and Kazakhstan's National Statistical Agency (the "NSA"). There is not necessarily any uniformity of view among such sources as to such information provided herein. The Issuer and the Bank accept responsibility for accurately reproducing such extracts, and as far as the Issuer and the Bank are aware and are able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information innaccurate or misleading.

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ENFORCEMENT OF FOREIGN JUDGMENTS

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

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

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as “estimates”, “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks”, “approximately”, or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank’s intentions, beliefs or current expectations concerning, amongst other things, the Bank’s results of operations, financial condition liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend n circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Bank’s actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised.

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books of account in Tenge in accordance with the relevant laws in Kazakhstan and with the regulations of the NBK. Its restated consolidated financial statements as at and for the years ended 31 December 2004 and 2003 have been prepared in accordance with International Financial Reporting Standards ("IFRS") (formerly referred to as the International Accounting Standards ("IAS")), and have been audited by TOO Deloitte & Touche, Kazakhstan located at 240-v Furmanov Street, Almaty, Kazakhstan. The consolidated interim condensed financial statements as at and for the months ended 30 September 2005, 2004 and 2003 are unaudited, and were prepared in accordance with IFRS. Neither it nor any of its employees have any material interest in the Bank or the Issuer.

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

In this Prospectus:

- "Bank", and the "Borrower" refer to JSC Bank CenterCredit, and, where the context permits, the Bank and its subsidiaries;
- "Basel Accord" refers to the 1988 Capital Accord adopted by the Basel Committee on Bank Regulations and Supervisory Practice;
- "CIS" refers to the Commonwealth of Independent States;
- "DBK" refers to the Development Bank of Kazakhstan;
- "EBRD" refers to the European Bank for Reconstruction and Development;
- "EU" refers to the European Union;
- "Issuer" refers to CenterCredit International B.V.
- "Kazakhstan" or the "Republic" are to the Republic of Kazakhstan;
- "NBK" refers to the National Bank of Kazakhstan;
- "NBK Regulations" refers to the regulations published by the NBK;
- "NSA" refers to Kazakhstan's National Statistical Agency;
- "OECD" refers to the Organisation for Economic Co-operation and Development;
- "Tenge" or "KZT" are to Kazakhstan Tenge, the official currency of Kazakhstan;
- "United States" or the "U.S." refers to the United States of America;
- "€" and "euros" refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; and
- "U.S.$" and "U.S. dollars" refer to the lawful currency of the United States.

Solely for the convenience of the reader, the Bank has in "Summary Financial Information" and "Selected Financial and Other Information" translated items from its consolidated financial statements for or as at the nine months ended 30 September 2005 and 30 September 2004 and for or as at the years ended 31 December 2004 and 31 December 2003 contained in this Prospectus into U.S. dollars at the rates of U.S.$1.00 = KZT133.89, U.S.$1.00 = KZT134.56, U.S.$1.00 = KZT130.00 and U.S.$1.00 = KZT144.22, respectively.

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

OVERVIEW OF THE ISSUER AND THE BANK

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

The Issuer

The Issuer is a limited liability company incorporated on 4 January 2006 under the laws of The Netherlands. The Issuer's primary business consists of raising funds on the international capital markets and lending such funds to the Bank.

The Bank

The Bank is a joint stock company incorporated under the laws of Kazakhstan. The Bank was originally registered with the state bank of the former Soviet Union on 19 September 1988 as Almaty Oblast Central Cooperative Bank CenterBank.

In 1991, the Bank was re-registered as Kazakhstan Central Joint Stock Bank CenterBank and in August 1998, the Bank merged with CJSC Zhilstroibank. In 2004, the Bank was re-registered as joint stock company Bank CenterCredit.

The Bank's Business

The Bank is the fifth largest commercial bank in Kazakhstan in terms of both assets, which as at 30 September 2005 equalled KZT257,934.8 million, and deposit accounts held by non-bank customers ("customer accounts"), which as at the same date equalled KZT127,909.8 million. The Bank's primary business consists of corporate and retail banking. Its corporate banking activities include providing a broad range of wholesale banking products to a diversified group of domestic customers, primarily small- and medium-sized companies. The Bank's retail banking activities and products include retail lending, deposit taking and issuing credit and debit cards. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

As at 30 September 2005, the Bank had 19 branch offices and 108 outlets in addition to its head office in Almaty.

The Bank's Business Strategy

The Bank's strategy is to increase its market share and total assets by strengthening its position in all segments of the market, with a particular focus on small- and medium-sized enterprises and retail customers. In order to implement its strategy, the Bank intends to focus on the following: expand its banking and capital market activities, strengthen its funding base and capital base, enhance its risk management infrastructure and policies, enhance operating efficiency, establish strategic partnerships with international financial institutions and increase its geographic presence.

The Bank's Credit Ratings

The Bank is rated Ba1 by Moody's Investors Services Inc. ("**Moody's**").

The Notes are expected to be assigned a rating of Ba3 by Moody's.

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.

The Bank's address is 100, Shevchenko Street, Almaty, 050022, Kazakhstan.

SUMMARY FINANCIAL INFORMATION

The following summary historical financial information has been derived from the Bank's audited consolidated financial statements as at and for the years ended 31 December 2004 and 2003, which were audited by TOO Deloitte & Touche, Kazakhstan, the Kazakhstan national practice of Deloitte Touche Tohmatsu ("DTT"). DTT is a Swiss Verein and each of its national practices is a separate and independent legal entity. The summary information for the nine months ended 30 September 2005 and 2004 and as at 30 September 2005 is extracted from the unaudited condensed consolidated interim financial statements prepared by the Bank. Investors should not rely on interim results as being indicative of results the Bank may expect for the full year. The Bank's financial statements have been prepared in accordance with IFRS and are presented in Tenge.

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

Consolidated Income Statement Data

	For the nine month period ended 30 September			For the year ended 31 December		
	2005	2005	2004	2004	2004	2003
	(U.S.$ thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.$ thousands) (unaudited)*	*(KZT thousands) (audited)*	
Income Statement:						
Interest income	129,928	17,216,823	8,989,114	91,121	12,396,971	6,962,144
Interest expense	(71,629)	(9,491,624)	(4,343,847)	(46,713)	(6,355,305)	(3,333,540)
Net interest income before provision for impairment losses on interest bearing assets	58,299	7,725,199	4,645,267	44,408	6,041,666	3,628,604
Provision for impairment losses	(28,121)	(3,726,321)	(1,841,577)	(17,773)	(2,418,052)	(1,434,198)
Net interest income	30,178	3,998,878	2,803,690	26,635	3,623,614	2,194,406
Net (loss)/gain on assets held-for-trading	(227)	(30,064)	639	682	92,756	111,886
Net gain on foreign exchange operations	6,310	836,087	523,296	5,757	783,277	452,529
Fees and commission income	28,705	3,803,765	2,341,188	24,458	3,327,522	2,209,659
Fees and commission expenses	(3,049)	(403,991)	(220,379)	(2,498)	(339,886)	(207,398)
Net gain/(loss) on investments available-for-sale	130	17,212	48,239	206	28,079	(16,034)
Other income (expense)	3,538	468,826	(409,580)	2,111	287,138	173,359
Net non-interest income	35,407	4,691,835	2,283,403	30,716	4,178,886	2,724,001
Operating income	65,585	8,690,713	5,087,093	57,351	7,802,500	4,918,407
Operating expenses	(36,782)	(4,874,020)	(3,143,509)	(36,485)	(4,963,739)	(3,540,043)
Profit before other provisions, income/(loss) from associates, income tax and minority interest	28,803	3,816,693	1,943,584	20,866	2,838,761	1,378,364
Provision for impairment losses on other transactions	(609)	(80,728)	(48,724)	(872)	(118,662)	(5,143)
Share of results of associates	—	—	4,100	30	4,100	871
Profit before income tax and minority interest	28,194	3,735,965	1,898,960	20,024	2,724,199	1,374,092
Income tax expense	(1,573)	(208,380)	(115,732)	(2,092)	(284,585)	(121,076)
Net profit	**26,621**	**3,527,585**	**1,783,228**	**17,932**	**2,439,614**	**1,253,016**
Attributable to:						
Equity holders of the parent	26,647	3,531,049	1,746,670	17,817	2,424,024	1,281,656
Minority interest	(26)	(3,464)	36,558	115	15,590	(28,640)
	26,621	**3,527,585**	**1,783,228**	**17,932**	**2,439,614**	**1,253,016**

Consolidated Balance Sheet Data

	As at 30 September			As at 31 December		
	2005	2005	2004	2004	2004	2003
	(U.S.$ thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.$ thousands) (unaudited)*	*(KZT thousands) (audited)*	
Balance Sheet						
Assets:						
Cash and balances with the National Bank of the Republic of Kazakhstan	80,615	10,793,579	8,766,331	67,224	8,739,070	5,648,630
Loans and advances to banks	72,397	9,693,186	4,871,066	74,962	9,745,108	9,494,053
Assets held-for-trading	41,540	5,561,841	2,762,508	22,395	2,911,382	1,412,897
Securities purchased under agreements to resell	25,408	3,401,857	5,501,922	60,333	7,843,313	68,182
Loans to customers, less allowance for impairment losses	1,362,894	182,477,837	88,720,210	703,596	91,467,416	52,068,761
Investments available-for-sale	273,538	36,624,058	24,760,053	165,221	21,478,739	8,999,865
Investments held-to-maturity	690	92,348	53,994	423	54,973	—
Fixed and intangible assets, less accumulated depreciation	38,842	5,200,508	3,057,638	29,906	3,887,790	2,688,497
Income tax assets	923	123,615	—	294	38,289	—
Other assets, less allowance for impairment losses	29,621	3,966,018	2,515,800	17,828	2,317,586	1,532,133
Total assets	**1,926,468**	**257,934,847**	**141,009,522**	**1,142,182**	**148,483,666**	**81,913,018**
Liabilities and Equity:						
Liabilities:						
Loans and advances from banks and other financial institutions	428,878	57,422,473	31,635,934	268,950	34,963,481	20,728,383
Securities sold under agreements to repurchase	32,921	4,407,787	2,526,808	—	—	1,332,711
Customer accounts	955,335	127,909,761	88,207,913	702,828	91,367,688	47,705,089
Income tax liabilities	—	—	50,882	—	—	62,403
Debt securities issues	246,866	33,052,953	—	11,617	1,510,157	—
Other liabilities	18,105	2,424,140	1,571,193	6,859	891,625	436,811
Subordinated debt	84,607	11,327,981	5,787,104	57,502	7,475,295	4,160,537
Total liabilities	**1,766,712**	**236,545,095**	**129,779,834**	**1,047,756**	**136,208,246**	**74,425,934**
Equity:						
Share capital	96,180	12,877,492	7,168,010	57,438	7,466,920	5,168,010
Investments available-for-sale fair value reserve	4,499	602,427	263,912	3,279	426,252	378,355
Fixed assets revaluation reserve	2,051	274,561	275,888	2,119	275,527	277,182
Revenue reserve	56,574	7,574,739	3,367,429	31,098	4,042,724	1,617,045
Minority Interest	452	60,533	154,449	492	63,997	46,492
Total equity	159,756	21,389,752	11,229,688	94,426	12,275,420	7,487,084
Total liabilities and equity	**1,926,468**	**257,934,847**	**141,009,522**	**1,142,182**	**148,483,666**	**81,913,018**

Selected Financial Ratios

	As at or for the nine month period ended 30 September		As at or for the year ended 31 December	
	2005	2004	2004	2003
	(per cent.)			
Key Ratios:				
Return on equity[1][2]	27.9	N/A	24.7	21.5
Net earnings per share (in KZT)	80.2	61.9	80.6	63.0
Operating expenses/operating income before provisions for impairment losses	39.3	45.4	48.6	55.7
Operating expenses/operating income after provisions for impairment losses	56.1	61.8	63.6	72.0
Effective provisioning rate on loans and advances to customers	4.0	4.2	4.3	4.2
Profitability Ratios:[3]				
Net interest margin[2][4]	5.6	N/A	6.0	6.5
Operating expenses as a percentage of net interest income before provisions for impairment losses	63.1	67.7	82.2	97.6
Operating expense as a percentage of average total assets[2]	3.2	N/A	4.3	5.3
Net profit as a percentage of average total assets[2]	2.3	N/A	2.1	1.9
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	49.6	62.6	61.5	58.2
Total net loans and advances to customers as a percentage of total assets	70.7	62.9	61.6	63.6
Total equity as a percentage of total assets	8.3	8.0	8.3	9.1
Liquid assets as a percentage of customer accounts[5]	47.9	45.8	46.1	52.9
Liquid assets as a percentage of liabilities of up to one month	114.8	85.4	89.0	103.5
Capital Adequacy Ratios:[6]				
Total capital	14.9	15.0	16.7	15.8
Tier I capital	9.6	11.0	10.3	9.9
Credit Quality Ratios:[7]				
Non-performing loans as a percentage of total loans	0.3	0.4	0.5	0.9
Non-performing loans as a percentage of total loans and guarantees	0.2	0.4	0.5	0.8
Provisions for impairment losses as a percentage of non-performing loans	1,511.2	942.4	787.3	466.9
Macroeconomic Data:				
Consumer Price Inflation (for the twelve months then ended)	7.9	7.7	6.7	6.8
Real GDP (change during the year)	9.0	9.1	9.4	9.2

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

(2) Annualised.

(3) Averages are based upon average daily balances.

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

(5) Liquid assets include cash and balances with the NBK, loans and advances to banks (with maturity of less than one month), assets held-for-trading and investment securities.

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

(7) For the definition of non-performing loans used by the Bank, see "Description of the Bank—Lending Policies and Procedures—Provisioning Policy".

OVERVIEW OF THE OFFERING

The summary below describes the principal terms of the Notes and the Subordinated Loan Agreement. See "Terms and Conditions of the Notes" and "Form of Notes and Transfer Restrictions" for a more detailed description of the Notes.

Issuer under the Notes and Lender under the Subordinated Loan Agreement:	CenterCredit International B.V.
Borrower under the Subordinated Loan Agreement:	JSC Bank CenterCredit
Format:	Perpetual subordinated non-cumulative loan (the "Subordinated Loan") from the Lender to the Borrower eligible to from time to time qualify as tier one (not to exceed 15 per cent. of total tier one capital) and/or tier two capital under Kazakhstan Prudential Capital Regulations.
Offer:	U.S.$100,000,000 perpetual non-cumulative loan participation Notes (the "Notes").
Sole Lead Manager and Bookrunner:	ING Bank N.V., London Branch.
Trustee:	Deutsche Trustee Company Limited
Principal Paying and Transfer Agent:	Deutsche Bank AG, London Branch
Registrar:	Deutsche Bank Luxembourg S.A.
Calculation Agent:	Deutsche Bank AG, London Branch
Issue Price:	100.00 per cent. of the principal amount of the Notes
Yield:	9.125 per cent.
Issue Date:	3 March 2006
Maturity Date:	The Notes do not have a scheduled maturity date and the Subordinated Loan does not have a scheduled repayment date (subject as provided in Optional Repayment by the Borrower in the Subordinated Loan Agreement).
Form:	The Notes will be issued in registered form. The Notes will initially be represented by beneficial interests in a Global Note, in fully registered form, without interest coupons. The Global Note will be exchangeable in certain limited circumstances for Notes in definitive, fully registered, form in denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof, without interest coupons attached. See "Form of Notes and Transfer Restrictions".
Clearing Systems:	Clearstream, Luxembourg and Euroclear.
Use of Proceeds:	The net proceeds from the offering of the Notes will be used by the Issuer for the sole purpose of fully funding the Subordinated Loan to the Borrower pursuant to the terms of the Subordinated Loan Agreement. The Borrower intends to use such proceeds of the Subordinated Loan to augment its capital base.
Limited Recourse:	The Notes will constitute the obligation of the Issuer to apply an amount equal to the proceeds from the issue of the Notes

	solely for the purpose of funding the Subordinated Loan pursuant to the terms of the Subordinated Loan Agreement. The Issuer will account to the holders of the Notes for amounts equivalent to those (if any) received from the Borrower under the Subordinated Loan Agreement, in each case less any amounts withheld in respect of the Reserved Rights (as defined in the Trust Deed).
Interest Payment Dates:	3 March and 3 September in each year commencing on 3 September 2006 up to and including the Interest Payment Date falling on 3 March 2016 and thereafter on 3 March, 3 June, 3 September and 3 December in each year commencing on the interest Payment Date falling in June 2016.
Interest on the Notes:	Subject to the Mandatory Interest Suspension under the Subordinated Loan Agreement, on each Interest Payment Date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest (less any amount in respect of the Pricing Margin (as defined in the Subordinated Loan Agreement)) actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement.
Interest under the Subordinated Loan:	Subject to the Mandatory Interest Suspension under the Subordinated Loan Agreement, the Borrower will, on each Interest Payment Date, pay interest in Dollars to the Lender in arrear on the principal amount of the Subordinated Loan at the rate of 9.125 per cent. per annum plus the Pricing Margin (the "Initial Interest Rate") from and including the Closing Date to, but excluding, the Interest Payment Date falling on 3 March 2016 (the "Reset Date") and, thereafter, at a rate (the "Floating Interest Rate") which is for any Interest Period the sum of (i) the London inter-bank offered rate for three-month deposits of U.S. dollars determined as provided in the Subordinated Loan Agreement for that Interest Period (ii) 6.02 per cent. (the "Reset Margin") and (iii) the Pricing Margin (as defined in the Subordinated Loan Agreement). Up to but excluding the Reset Date, interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed and, thereafter, interest will be calculated on the basis of the actual number of days in the relevant Interest Period divided by 360. Interest will continue to accrue on overdue interest or principal at the same rate per annum up to the maximum extent permitted by applicable law. The Floating Interest Rate applicable to any Interest Period shall be determined by the Calculation Agent on the second London Business Day immediately preceding the relevant Interest Period.
Mandatory Interest Suspension under the Subordinated Loan:	If and to the extent that, in the written opinion of the Agency on Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA"), in Kazakhstan either (i) the Borrower is, on any Interest Payment Date, or (ii) paying any interest on an Interest Payment Date would result in the Borrower being, not in compliance with the FMSA's Minimum Capital Adequacy Ratios or Liquidity Ratios, the Borrower shall suspend that payment of interest

	by issuing a Suspension Notice (as defined below) and no interest or, as the case may be, less than the full interest amount (being an amount that could be paid without resulting in non-compliance with such Minimum Capital Adequacy Ratios or Liquidity Ratios, as the case may be) shall be due and payable on such Interest Payment Date (a "Mandatory Suspension Date"). The Borrower shall give notice (a "Suspension Notice") to the Lender as soon as it becomes aware that an Interest Payment Date will be a Mandatory Suspension Date which notice shall include the amount (if any) of interest payable on that date and the grounds upon which such suspension has been made. Any interest in respect of the Subordinated Loan not paid on a Mandatory Suspension Date pursuant to a valid Suspension Notice shall cease to be payable and the Borrower's obligation to pay such interest shall be extinguished. Any such suspension of an obligation to pay interest on any Mandatory Suspension Date will not constitute an Event of Default.
Optional Repayment by the Borrower of the Subordinated Loan:	The Borrower shall be entitled, at its option, to repay the Subordinated Loan in whole, but not in part, on any Interest Payment Date from and including the Interest Payment Date falling on 3 March 2016 (the "Optional Repayment Date") at an amount equal to the principal amount of the Subordinated Loan together with interest which has accrued up to, but excluding, the Optional Repayment Date together with any Additional Amounts (as defined below) then payable (the "Par Repayment Amount") on giving not less than 30 nor more than 60 days' prior notice to the Lender provided that the payment by the Borrower of such Par Repayment Amount on the Optional Repayment Date will not result in the Borrower not being in non-compliance with the FMSA's Minimum Capital Adequacy Ratios or Liquidity Ratios and will be subject to the written consent of the FMSA, unless such prior approval is no longer required.
Repayment and Re-Borrowing	The Borrower may not voluntarily repay the whole or any part of the Loan except in accordance with the express terms of the Subordinated Loan Agreement and shall not be entitled to re-borrow from the Lender any amount repaid under the Subordinated Loan Agreement. For the avoidance of doubt, other than upon the occurrence of an Event of Default pursuant to the Subordinated Loan Agreement (and then only with the prior written approval of the Authorised Agency unless such prior approval is no longer required on the relevant date), the Subordinated Loan may only be repaid by the Borrower as provided in the Subordinated Loan Agreement after 3 March 2011 and only if such repayment will not result in the Borrower's non-compliance with the Authorised Agency's Minimum Capital Adequacy Ratios and subject to the written approval of the Authorised Agency unless such prior approval is no longer required. If the Borrower elects to repay the Subordinated Loan as provided herein, it shall become bound so to repay the Subordinated Loan on the date and in the manner specified in the Subordinated Loan Agreement.

Withholding Tax on Subordinated Loan and Additional Amounts:

All payments to be made by the Borrower under the Subordinated Loan Agreement shall be made in full without withholding or deduction for or on account of any present or future taxes. The Borrower will increase any payment by an amount (an "Additional Amount") sufficient to ensure that the net payment received by the Lender, or the Noteholders, as the case may be, after withholding for any taxes imposed by tax authorities in the Republic of Kazakhstan or The Netherlands upon payments made by or on behalf of the Borrower in respect of the Subordinated Loan or the Issuer in respect of the Notes will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions (see also "Repayment for Tax Reasons").

Withholding Tax on Notes and Additional Amounts:

All payments to be made by the Issuer under the Notes shall be made in full without withholding or deduction for or on account of any present or future taxes. If the Lender notifies the Borrower that it has become obliged to make any withholding or deduction on the Notes for any taxes imposed by tax authorities in The Netherlands the Borrower will pay the Lender such Additional Amounts as are necessary to ensure that the net payments received by Noteholders will equal the amounts which would have been received in the absence of any such withholding taxes, subject to customary exceptions.

Repayment of Subordinated Loan for Tax Reasons:

If, as a result of any amendment or change in, or determination under, the double tax treaty between Kazakhstan and The Netherlands or the laws or regulations (including a holding by a court of competent jurisdiction) of Kazakhstan or The Netherlands or of any political subdivision thereof or any authority therein having power to tax or the enforcement of the security to be provided for in the Trust Deed, which change or amendment becomes effective on or after the date of the Subscription Agreement, the Borrower would thereby be required to increase the payment of principal or interest or any other payment due as will be provided for in the Subordinated Loan Agreement in excess of the Additional Amounts which the Borrower will be liable to pay as of the date of the Subscription Agreement (a "Tax Event") and, in any such case, such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower will have the right upon not less than 30 nor more than 60 days' prior notice to the Lender and the Trustee (which notice shall be irrevocable), to repay the Subordinated Loan in whole (but not in part) (without premium or penalty) on any Interest Payment Date falling on or after 3 March 2011 (a "Tax Repayment Date") at the Par Repayment Amount.

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

Repayment for Tier 1 Disqualification:	If, following the initial confirmation from the FMSA that a portion of the Subordinated Loan has qualified as Tier 1 Capital pursuant to the Capital Regulations, a subsequent Tier 1 Disqualification Event occurs, the Borrower shall have the right to repay the Subordinated Loan in whole (but not in part) on any Interest Payment Date falling on or after 3 March 2011 (a "Tier 1 Disqualification Repayment Date") upon not less than 30 nor more than 60 days' prior notice to the Lender and, following the assignment of the Assigned Rights, to the Trustee (which notice the Lender and the Trustee shall be entitled to rely on and shall be irrevocable), to repay the Loan in whole (but not in part) on the next Tier 1 Disqualification Repayment Date at an amount equal to the greater of (i) the Make-whole Amount, as defined in the Subordinated Loan Agreement or (ii) the Par Repayment Amount. "Make-whole Amount" means the present value of the remaining scheduled payments of principal and interest on the Subordinated Loan discounted at 100 basis points above the relevant Treasury Rate.
Early Redemption, Redemption for Tax Reasons and Repayment for Tier 1 Disqualification under the Notes:	If the Subordinated Loan should become repayable as provided in Optional Repayment by the Borrower, Repayment for Tax Reasons or Repayment for Tier 1 Disqualification, upon giving not less than 30 nor more than 60 days' written notice, all Notes will thereupon become due and redeemable or repayable at par together with accrued interest and any Additional Amounts then payable and (subject to the Subordinated Loan being repaid together with accrued interest and any Additional Amounts) shall be redeemed or repaid.
Ranking of the Subordinated Loan:	The obligations of the Borrower under the Subordinated Loan Agreement, except in relation to the Reserved Rights, will constitute its direct, unconditional, perpetual and unsecured non-cumulative subordinated obligations and will rank at least equally and rateably with all other present and future, direct, unsecured, perpetual and subordinated obligations of the Borrower (whether actual or contingent) and with any other Tier 1 Capital of the Borrower (save for equity, including preference shares, as to which the Borrower's obligations under the Subordinated Loan Agreement shall be senior) from time to time outstanding. Claims in respect of the Subordinated Loan will rank behind the claims of all creditors ("Senior Creditors") of the Borrower (including in respect of dated, unsecured, subordinated obligations) other than creditors whose claims are in respect of obligations effectively ranking or expressed to rank *pari passu* with the Subordinated Loan and claims in respect of the Subordinated Loan will rank in priority to the rights and claims of holders of all classes of the Borrower's equity (including preference shares). The obligations of the Borrower in respect of the Reserved Rights will constitute the direct, unconditional, unsecured and unsubordinated obligations of the Borrower and will rank at least equally and rateably with all other unsecured and unsubordinated obligations of the Borrower.

Capital Payment Stopper under the Subordinated Loan Agreement:	The Borrower will agree that, beginning on the day on which it gives a Suspension Notice and continuing until the next succeeding date for payment of interest in respect of the Subordinated Loan, it shall not: (i) declare or pay any dividend or other payment in respect of its share capital (other than with respect to statutory or mandatory rights to receive such dividends or payments in respect of preference shares); (ii) redeem, repurchase or otherwise acquire any of its share capital; or (iii) make a proposal to its shareholders, vote, and shall procure that no vote is cast by any of its Subsidiaries, in favour of any of the declarations, payments, redemptions, repurchases or acquisitions described in (i) and (ii) above.
Events of Default under the Subordinated Loan Agreement:	The Lender may give notice to the Borrower that the Subordinated Loan is, and it shall accordingly become, immediately due and repayable (subject to the prior written approval of the FMSA, unless such prior approval is no longer required on the relevant date) at the Par Repayment Amount, if any of the following events (each an "Event of Default") shall have occurred and, in the case of (i) and (ii) only, be continuing: (i) *Failure to Pay* The Borrower fails to pay within ten days any principal amount in the event of repayment pursuant to the Subordinated Loan Agreement as and when such amount becomes payable in the currency and in the manner specified herein or any interest amount (except where interest is not paid by reason of the Mandatory Interest Suspension pursuant to the Subordinated Loan Agreement); (ii) *Winding-up* (a) The Borrower seeks or consents to the introduction of proceedings for its liquidation or the appointment of a liquidation committee or a similar officer of the Borrower; (b) the shareholders of the Borrower approve any plan of dissolution, administration or winding-up of the Borrower; or (c) a court of competent jurisdiction passes a resolution or an order for the winding-up of the Borrower otherwise than pursuant to a consolidation, amalgamation, merger or reconstruction, the terms of which have been approved in advance in writing by the Lender; or (iii) *Breach of Capital Payment Stopper* The Borrower breaches any of the provisions described in Clause 4.4(i), (ii) or (iii) of the Subordinated Loan Agreement.

Proceedings for Winding-up:	If the Subordinated Loan becomes due and repayable as described above in Events of Default and is for any reason not repaid when so due and repayable (including by reason of the consent of the FMSA being withheld), the Lender may at its discretion institute bankruptcy proceedings against the Borrower or take any other action that may be available under the applicable law to have proceedings instituted for the winding-up of the Borrower but shall have no other right to enforce payment due, provided however that the Lender waives all rights to request payment in bankruptcy proceedings until all Senior Creditors have been paid first under Article 74-2.3 of the law "On Banks and Banking Activity in the Republic of Kazakhstan" (eighth priority).
Enforcement under the Notes:	The Trust Deed will provide that, in the case of an Event of Default under the Subordinated Loan Agreement or of a Relevant Event (as defined in the Trust Deed), the Trustee may, and shall, if requested to do so by Noteholders holding one-quarter in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified to its satisfaction, declare all amounts payable under the Subordinated Loan Agreement by the Borrower to be immediately due and payable (in the case of an Event of Default) or enforce the security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Subordinated Loan following an Event of Default or such enforcement, the Notes will be redeemed or repaid and thereupon shall cease to be outstanding. The Issuer and the Trustee will have no right to accelerate payments under the Subordinated Loan Agreement without the prior written approval of the FMSA (unless such prior approval is no longer required).
Certain Covenants:	The Trust Deed will contain certain covenants, including, without limitation, covenants with respect to the Issuer conducting other business issuing further securities unless such further securities are unsecured or secured on assets other than the Subordinated Loan Agreement and include limited recourse terms.
Status of the Notes:	The Notes will constitute senior, secured, limited recourse obligations of the Issuer that rank *pari passu* and rateably without any preference among themselves, all as described in "Terms and Conditions of the Notes; Status and Limited Recourse".
Withholding Tax on the Notes:	All payments by the Issuer under the Notes will be made without the imposition of any Dutch withholding taxes. In the event that the Issuer is obligated to deduct or withhold tax the Issuer shall make such additional payments as shall result in receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been made, subject to the Issuer receiving equivalent sums from the Borrower under the Subordinated Loan Agreement.

Listing:	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.
Selling Restrictions:	The Notes have not been and will not be registered under the United States Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the United Kingdom and the Republic of Kazakhstan) only in compliance with applicable laws and regulations. See "Subscription and Sale".
Governing Law:	The Notes, the Trust Deed and the Subordinated Loan Agreement will be governed by, and construed in accordance with, the laws of England.
Risk Factors:	An investment in the Notes involves a high degree of risk. See "Risk Factors".
Security Codes:	The identification numbers for the Notes are as follows: ISIN Code . . . . XS0245586903 Common Code 24558690

RISK FACTORS

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

Risks Relating to the Issuer

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

Risk Factors Relating to the Republic of Kazakhstan

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

Risks relating to political and regional considerations

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

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a market economy through privatisation of state enterprises and deregulation and is more advanced in this respect than most other countries of the CIS. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims.

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

Like other countries in Central Asia, Kazakhstan could be affected by continued military activity taken in Afghanistan by the United States and an international coalition in response to the September 2001 terrorist attacks in the United States. In addition, the continuation of military actions by a United States and British led coalition in Iraq could also affect the world economy and the political stability of other countries. In particular, countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and oil products, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects, such as Turkey, which is a major infrastructure project contributor in the Central Asian region.

The Bank is subject to macroeconomic considerations and exchange rate policies

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

The Government of Kazakhstan began implementing market-based economic reforms in 1992, including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment, particularly in the oil and gas sectors, and the introduction of an extensive legal framework. Despite uneven progress in this regard, Kazakhstan has experienced extensive economic transformation over the last eleven 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, while gross domestic product ("GDP") fell in 1998 by 1.9 per cent. in the aftermath of the Asian and Russian financial crises, it began to rebound in 1999 following the flotation of the Tenge in April of that year and increased by 2.7 per cent. in real terms over the course of the full year. According to the NSA, GDP continued to grow in real terms, increasing 13.5 per cent. in 2001, 9.8 per cent. in 2002, 9.2 per cent. in 2003 and 9.4 per cent. in 2004. There was a 9.0 per cent. increase in GDP for the nine months ended 30 September 2005.

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 decline 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 has been generally stable against the U.S. dollar during 2001 and 2002, with an annual depreciation of between 3.8 per cent. and 3.3 per cent., respectively. In 2003 and 2004, the Tenge strengthened against the U.S. dollar and appreciated by 7.3 per cent. and 9.9 per cent., respectively. According to NBK, during the first nine months of 2005, the Tenge depreciated by 3.0 per cent. against the U.S. dollar.

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

The Bank's business is dependent upon the implementation of further market-based economic reforms

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

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

Although a large volume of legislation has come into force since early 1995, including a revised tax code, laws relating to foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan is at an early stage of development compared to countries with established market economies. The judicial system in Kazakhstan may not be fully independent of outside social, economic and political forces and court decisions can be difficult to predict. In addition, judicial and Government officials may not be fully independent of outside social, economic and political forces and there have been instances of improper payments being made. Court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent.

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

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

Securities markets are less developed than in many Western countries

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

Risk Factors Relating To the Bank

The Bank's rapid growth subjects it to additional risks

The Bank's gross loan portfolio has increased rapidly in recent years, growing to KZT190,030 million as at 30 September 2005, from KZT95,550 million as at 31 December 2004, and KZT54,356 million as at 31 December 2003. This significant increase in credit exposure will require continued emphasis by the Bank on credit quality and the adequacy of its provisioning levels and continued development of financial and management control. Failure successfully to manage growth and development and to maintain the quality of its assets could have a material adverse effect on the Bank's results of operations and financial condition. Classified loans, that is loans classified by the Bank as unsatisfactory, doubtful or loss in accordance with IFRS, as a percentage of gross loans were 11.2 per cent. at 31 December 2003 and 10.9 per cent. at 31 December 2004. As at 30 September 2005, the percentage of gross loans classified as unsatisfactory, doubtful or loss was 8.4 per cent. See "Description of the Bank—Lending Policies and Procedures—Provisioning Policy".

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

As at 30 September 2005, the Bank's top 20 borrowers comprised 25.7 per cent. of its gross loan portfolio, compared to 33.1 per cent. as at 30 September 2004, 35.3 per cent. as at 31 December 2004, and 37.1 per cent. as at 31 December 2003. Whilst this, in part, reflects the limited number of better corporate credits in Kazakhstan, the Bank will require continued emphasis on credit quality and the development of financial and management control to monitor this credit exposure, the failure to achieve which could have a material adverse effect on the Bank's results of operations and financial condition.

The Bank's success depends upon increasing its capitalisation

Since the start of 2002, the Bank has implemented a number of projects to increase its capital base and intends to improve its capital base over the course of the next three years by raising up to KZT134 billion through the issuance of KZT44 billion in common shares and KZT90 billion in subordinated debt, starting in 2006 with an issuance of KZT13.9 billion in common shares and KZT10 billion in subordinated debt. Failure to raise capital as planned could substantially limit the Bank's ability to increase the size of its loan portfolio in compliance with applicable NBK regulations. If such capital is available only at a price materially in excess of the cost of funds from other sources, this may negatively impact the Bank's profitability.

The Bank faces liquidity risks

The Bank like other commercial banks in Kazakhstan and elsewhere, is exposed to liquidity risk due to maturity mismatches between its assets and liabilities. As at 30 September 2005, 58.7 per cent. of the Bank's liabilities were due within 12 months. At the same time, 44.6 per cent. of the Bank's assets had maturities in excess of one year. Whilst the Bank has increased its liquid assets from KZT25,251.1 million as at 31 December 2003 to KZT42,136.5 million as at 31 December 2004, and to KZT61,302.2 million as at 30 September 2005, to address this mismatch, the Bank could face difficulties meeting its liabilities as they fall due if it fails to attract further medium- to long-term financing or if the Bank were to suffer a sudden increase in withdrawal of deposits, which currently form a significant portion of the Bank's funding. The issuance of the Notes will reduce this mismatch.

The Bank faces significant competition, in particular due to the concentration in its loan portfolio on Small- and Medium-Sized Enterprise Business

The Bank is subject to competition from both domestic and foreign banks. As at 30 June 2005, there were a total of 36 banks, excluding the NBK, in Kazakhstan, of which 14 were banks with foreign ownership, including subsidiaries of foreign banks. Loans to small- and medium-sized enterprises (i.e., companies with annual sales of KZT100 million to KZT1 billion) ("SMEs") comprised 46.7 per cent. of the Bank's gross loan portfolio as at 30 September 2005 and the Bank intends to increase this proportion in the future. Return on income from lending to SMEs is higher than lending to large companies as a result of the interest rates that the Bank can charge on these loans. The Bank estimates that its share of the SME loan market was 4.9 per cent. in 2003, 8.1 per cent. in 2004 and 11.1 per cent. as at 30 September 2005.

Although the Bank believes that it is well positioned to compete in the retail market and is a preferred bank for SMEs within the Kazakhstan banking sector due to its nationwide branch network, its significant share of the current retail deposit market and its diversified client base, it faces competition from a number of existing participants in the Kazakhstan banking sector. In particular, as the retail banking sector continues to expand in Kazakhstan, the Bank will face increased competition for retail customers from larger Kazakhstan banks and there is similarly no assurance that the Bank will continue to be able to attract the business of SMEs. While the Bank has large corporate clients, the Bank does not focus on this market segment.

In addition, the Bank's ability to compete, particularly in retail banking, with other banks in Kazakhstan who have developed the necessary information technology to provide credit card and other services to their customers, depends on the Bank having its own central processing centre to offer such services to its clients, which is currently being developed by the Bank.

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

In September 1995, the NBK introduced strict norms and prudential requirements for the operations and the capital adequacy of banks. In addition, an institutional development plan was prepared for leading Kazakhstan banks. According to the plan, banks are required to prepare their accounts in accordance with IFRS and to apply the Basel Committee norms within a period determined by the NBK on a case-by-case basis. Banks are also required to participate in a bank-funded deposit insurance scheme (the "Deposit Insurance Fund") and be audited annually by a public accountancy firm approved by the NBK. Following legislative changes in July 2003, the Agency on Regulation and Supervision of Financial Markets and Financial Organisations (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 of Kazakhstan may implement additional regulations or policies, including with respect to 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 financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

Notwithstanding the relatively strict 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 the Republic of Kazakhstan—Kazakhstan's legislative and regulatory framework is less developed than in many Western countries".

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

The Basel Committee has issued a proposal for a new capital adequacy framework to replace the previous Capital Accord issued in 1988. With regard to the risk weightings to be applied to exposures to sovereign states, the Basel Committee proposes replacing the existing approach by 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 sovereign states, 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, possibly resulting in a higher cost of borrowing for Kazakhstan banks.

The lack of statistical, corporate and financial information in Kazakhstan may make the Bank's assessments of credit risk less accurate

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors and companies within it, and the publication of corporate and financial information relating to companies and other economic enterprises, is not as comprehensive as those of many countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements, available to the Bank relating to its prospective corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Bank ordinarily makes an estimation of the 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 decrease the accuracy of the Bank's assessments of credit risk. This may increase the risk of borrower default and decrease the likelihood that the Bank will be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it. In addition, small- and medium-sized enterprises, a focus of the Bank's strategy, have, in many cases, not prepared audited financial statements, which may lessen the Bank's ability to perform a reliable credit assessment of them.

The NBK has established a central credit bureau in Kazakhstan to facilitate the collection of information and assessment of risk. While the relevant infrastructure for the operation of the credit bureau has been created, this bureau is still at a preliminary stage of development and there can be no assurance that this resource will improve the Bank's ability to assess credit risk.

The Bank's success depends upon on the ability to recruit and retain key personnel

To meet business challenges and retain the effectiveness of its operations, the Bank must continue to recruit and retain appropriately skilled personnel. The Bank relies on certain key personnel for the implementation of its strategy and operation of its day-to-day activities. As competition for skilled personnel is intense, the Bank seeks to further develop its compensation programmes and to take other measures to attract and motivate skilled personnel. If the Bank is unable to retain key personnel and cannot hire new qualified personnel in a timely manner, its business and results of operations could be adversely affected.

The Bank's success is dependent upon Information Technology

A substantial aspect of the Bank's strategy is to expand its customer base by providing additional products and services such as credit cards and internet banking, both of which will require a substantial capital investment by the Bank in its information technology. While the Bank is currently in the process of developing its information technology to enable it to provide these services to its customers and believes that it will be successful in such implementation, there is no certainty that the Bank will be in a position in the near future to offer such products and systems. In addition, the Bank may be susceptible to failures in its information technology if it becomes dependent on such products and systems for its success.

Volatile Earnings

A portion of the Bank's earnings is generated from its trading activities and the Bank's portfolio of investment securities increased 139.3 per cent. in 2004, from KZT8,999.9 million to KZT21,533.7 million, and 70.5 per cent. in the first nine months of 2005 from KZT21,533.7 million to KZT36,716.4 million. As at 30 September 2005, 78.6 per cent. of the Bank's securities portfolio, by value, was comprised of government securities while 21.4 per cent. was comprised of corporate securities. Due to the fact that the Bank, through its Treasury Department, primarily trades Kazakhstan securities which are emerging market securities for its own account (See "—Risk Factors Relating to the Notes—The Bank faces additional risks associated with emerging markets"), it is possible that the earnings of the Bank will be volatile.

Risk Factors Relating To The Notes

The Notes may not be a suitable investment for all investors

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

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

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

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

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

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

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

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

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

There is a risk either that the interpretation of such capital treatment could change or that the Capital Regulations when adapted could differ from those in draft form at the date of this Prospectus or that they could be subsequently amended or clarified. As a result, the Borrower could lose the regulatory capital treatment granted to the Subordinated Loan Agreement or such treatment may not be granted at all. Further, the Capital Regulations provide that if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios required to be maintained under the Capital Regulations shall be deemed to be not satisfied, irrespective of the actual position. If this becomes applicable to the Bank, even through inadvertent error, interest payments on the Loan could be suspended. Repayment of the Subordinated Loan may require the consent of the FMSA Certain of the provisions of the Subordinated Loan Agreement providing for the repayment of the Subordinated Loan are subject to the consent of the FMSA. There can be no guarantee that the consent of the FMSA will be forthcoming at any time that the Subordinated Loan would otherwise be subject to repayment pursuant to such provisions and, consequently, that the Borrower will be able to repay at such time.

Risks associated with the nature of the Notes

As it is intended that the proceeds of the Subordinated Loan will constitute Tier 1 Capital of the Borrower on a consolidated basis for capital adequacy purposes, such proceeds will be available to absorb losses of the Borrower. Such loss absorption could result in adverse consequences for Noteholders, including non-payment of interest on the Notes and the suspension of interest payments. In certain circumstances, the Issuer may, subject to the imposition of a dividend and capital payments stopper on the Borrower pursuant to the terms of the Subordinated Loan Agreement, elect to suspend payment of interest on the Notes. If the Issuer does suspend the payment of any interest on the Notes, that interest will cease to be payable and all claims thereto will be irrevocably cancelled forthwith. Interest payable on the Notes is not cumulative.

Perpetual nature of the Notes

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

No Voting Rights

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

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

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

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

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

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

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

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

The trading price of the Notes may be volatile.

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

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

Enforceability of judgments

Kazakhstan's courts will not enforce any judgment in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom. Each of Kazakhstan and the United Kingdom are parties to the 1958 New York convention on Recognition and Enforcement of Arbitral Awards (the "Convention"), and, accordingly, an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions of enforcement set out in the Convention are met. See "Enforceability of Judgments".

Uncertainties surrounding the enforcement of security rights under Netherlands law

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

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

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

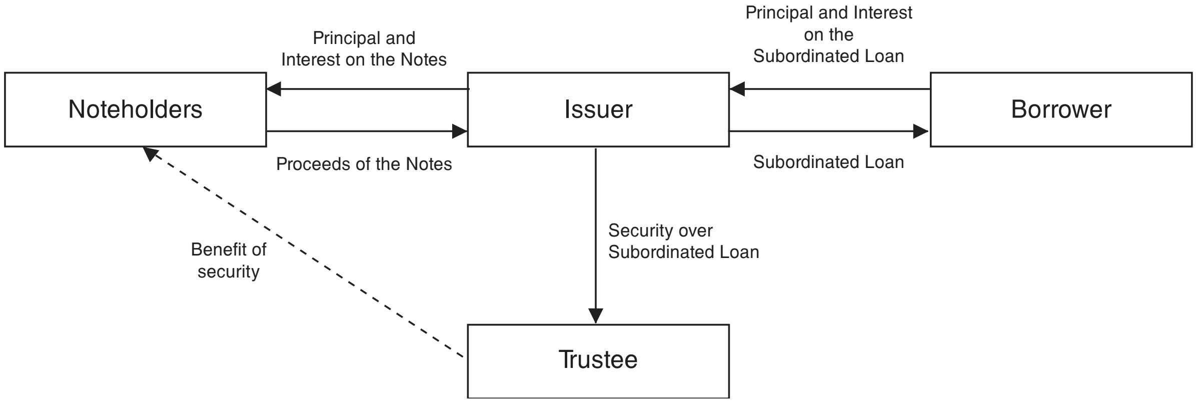
A trustee in bankruptcy (*curator*) in the bankruptcy of a Netherlands company may require a secured creditor to enforce its security right within a reasonable period of time and, if such creditor fails to do so, the trustee in bankruptcy may sell the security assets himself, without prejudice to the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

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

DESCRIPTION OF THE TRANSACTION

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

The following diagram illustrates the structure of the transaction.



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

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

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

provided that the Reserved Rights and any amounts relating to Reserved Rights and less any amount in respect of the Pricing Margin as defined in the Subordinated Loan Agreement are excluded from the Charge.

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

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

FORM OF SUBORDINATED LOAN AGREEMENT

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

SUBORDINATED LOAN AGREEMENT dated 3 March 2006

BETWEEN

(1) **JSC BANK CENTERCREDIT** (the "**Borrower**"); and

(2) **CENTERCREDIT INTERNATIONAL B.V.** (the "**Lender**").

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

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

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

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

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

"**Account**" means the account number of the Lender with Deutsche Bank AG, London Branch with the following details:

CenterCredit International B.V A/C no. GB87DEUT40508127014600

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

"**Agency Agreement**" means the paying agency agreement relating to the Notes dated the 2 March 2006, as amended, varied or supplemented from time to time, between the Lender, the Borrower, Deutsche Bank AG, London Branch, as principal paying agent and transfer agent and calculation agent. Deutsche Bank Luxembourg S.A, as registrar, and the Trustee.

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

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

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

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

"**Calculation Agent**" means Deutsche Bank AG, London Branch or such other entity as may be appointed by the Lender with the approval of the Trustee pursuant to the terms of the Agency Agreement.

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

"**Closing Date**" means 3 March 2006 which shall be the issue date of the Notes.

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

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

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

“**Floating Interest Rate**” has the meaning assigned to such term in Clause 4.1 (*Rate of Interest*).

“**Initial Interest Rate**” has the meaning assigned to such term in Clause 4.1 (*Rate of Interest*).

“**Interest Determination Date**” has the meaning assigned to such term in Clause 4.1 (*Rate of Interest*).

“**Interest Payment Date**” means 3 March and 3 June of each year from and including 3 June 2006 to and including the Reset Date and thereafter 3 March, 3 June, 3 September and 3 December of each year from and including 3 June 2016. Provided that (i) if any Interest Payment Date occurring before or on the Reset Date is not a Business Day the Lender shall not be entitled to payment until the next Business Day following such day nor to any interest or other sum in respect of such postponed payment and (ii) if any Interest Payment Date occurring after the Reset Date would otherwise fall on a day that is not a Business Day such date shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day.

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

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

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

“**Make-whole Amount**” means the present value of the remaining scheduled payments of principal and interest on the Loan discounted at 100 basis points above the Treasury Rate, as determined by the Calculation Agent.

“**Manager**” means ING Bank N.V., London Branch.

“**Mandatory Suspension Date**” has the meaning assigned to such term in Clause 4.3 (*Mandatory Interest Suspension*).

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

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

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

“**Officers’ Certificate**” means a certificate signed by two directors of the Borrower.

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

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

“**Pricing Margin**” means the arm’s length net margin of 4.94 basis points (0.0494 per cent.) per annum provided, however, that if The Netherlands tax authorities stipulate another arm’s length net margin in the advance pricing agreement related to the Subordinated Loan Agreement and the Notes (the “**Advance Pricing Agreement**”) the Pricing Margin shall be the arm’s length net margin so set out in such Advance Pricing Agreement, with effect from the date of this Subordinated Loan Agreement.

“**Principal Paying Agent**” means Deutsche Bank AG, London Branch or such other entity as may be appointed by the Lender.

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

“**Reset Date**” has the meaning assigned to such term in Clause 4.1 (*Rate of Interest*).

“**Reset Margin**” means 6.02 per cent., calculated in accordance with the Capital Regulations.

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

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

"**Subscription Agreement**" means the agreement dated 2 March 2006 between the Lender, the Borrower and the Manager providing for the purchase of the Notes by the Manager.

"**Suspension Notice**" has the meaning assigned to such term in Clause 4.3 (*Mandatory Interest Suspension*).

"**Tax Event**" has the meaning assigned to such term in Clause 5.2 (*Repayment for Tax Reasons*).

"**Tax Repayment Date**" means, following the occurrence of a Tax Event, (i) any Interest Payment Date falling on or after 3 March 2011 provided that the prior written consent of the Authorised Agency has been obtained (unless such approval is no longer required) and that the Borrower would not, in the written opinion of the Authorised Agency, upon repayment of the Loan, breach either the Minimum Capital Adequacy Ratios or the Liquidity Ratios.

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

"**Tier 1 Disqualification Event**" means the receipt by the Borrower of a written confirmation, opinion, declaration, rule or decree of the Authorised Agency to the effect that the entire Loan is not eligible to be included in calculating the Tier 1 Capital of the Borrower under the Capital Regulations.

"**Tier 1 Disqualification Repayment Date**" has the meaning assigned to such term in Clause 5.3 (*Tier 1 Disqualification Event*).

"**Treasury Rate**" means a rate equal to the yield, as published by the Board of Governors of the Federal Reserve System, on one or more actively traded U.S. Treasury securities with a maturity comparable to the remaining life of the Loan up to but excluding the Reset Date, as selected by the Calculation Agent. If there is no such publication of this yield during the week preceding the calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary U.S. Government securities dealers in New York City selected by the Calculation Agent and will, in any event, be calculated on the third business day in New York preceding the repayment date determined pursuant to the provisions of Clause 5 (*Repayment*).

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

"**Trustee**" means Deutsche Trustee Company Limited, as trustee under the Trust Deed and any successor thereto.

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

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

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

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

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

1.2 Other Definitions

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

1.3 Interpretation

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

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

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

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

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

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

2. FACILITY

2.1 Facility

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

2.2 Discount

The Loan shall be advanced by the Lender to the Borrower in an amount equal to the sum of the principal amount of the Loan less fees, commissions and expenses payable by the Lender in relation to the issue of the Notes (the "**Discount**"), and the Lender and the Borrower agree that, by advancing to the Borrower the amount of the Loan less the Discount the Lender shall have fulfilled its obligation to adavance the Loan to the Borrower and that its principal amount shall for all purposes by U.S.$100,000,000.

3. DRAWDOWN

Subject to the conditions set forth herein, on the Closing Date the Lender shall advance the Loan to the Borrower by transferring the amount of the Loan to the Borrower to the account number as notified in writing by the Borrower to the Lender. The Borrower agrees that it will account to the tax authorities in Kazakhstan for applicable withholding taxes payable in respect of such fee and that the provisions of Clause 7.2 (*No Set-Off, Counterclaim or Withholding; Gross-up*) shall apply in the event of any tax being levied in respect of such fee.

4. INTEREST

4.1 Rate of Interest

Subject to Clause 4.3 (*Mandatory Interest Suspension*), the Borrower will, on each Interest Payment Date, pay interest in Dollars to the Lender in arrear. Interest will be calculated on the principal amount of the Loan at the rate of 9.125 per cent. per annum plus the Pricing Margin (the "**Initial Interest Rate**") from and including the Closing Date to, but excluding the Interest Payment Date falling in on 3 March 2016 (the "**Reset Date**") and, thereafter, at a rate per annum (the "**Floating Interest Rate**") which is for any Interest Period the sum of (i) US$ LIBOR for that Interest Period, (ii) the Reset Margin and (iii) the Pricing Margin up to but excluding the Reset Date, interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed and thereafter, interest will be calculated on the basis of the actual number of days in the relevant Interest Period divided by 360. Interest will continue to accrue on overdue interest or principal at the same rate per annum up to the maximum extent permitted by applicable law. The Floating Interest Rate applicable to any Interest Period shall be determined by the Calculation Agent on the second London Business Day (the "**Interest Determination Date**") immediately preceding the relevant Interest Period (such determination by the Calculation Agent being final and binding on the Lender and the Borrower, in the absence of manifest error).

4.2 Payment

Interest on the Loan shall accrue from day to day, starting from (and including) the Closing Date and shall be paid in arrear not later than 10.00 a.m. (New York City time) one Business Day prior to each Interest

Payment Date. If applicable, interest on the Loan will cease to accrue from the Optional Repayment Date, the Tax Repayment Date, the Tier 1 Disqualification Repayment Date or the Mandatory Suspension Date, as the case may be, unless (in the case of a repayment date) payment of principal of the Loan is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) to, but excluding the date on which payment in full of the principal is made.

4.3 Mandatory Interest Suspension

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

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

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

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

4.4 Capital Payment Stopper

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

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

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

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

5. REPAYMENT

5.1 Optional Repayment by the Borrower

The Borrower shall be entitled, at its option, to repay the Loan in whole, but not in part, on any Interest Payment Date from and including the Interest Payment Date falling on 3 March 2016 (the "**Optional Repayment Date**") at an amount equal to the principal amount of the Loan together with interest which has accrued up to, but excluding, the date on which the Borrower exercises any repayment right hereunder together with any Additional Amounts then payable (the "**Par Repayment Amount**") on giving not less than 30 nor more than 60 days' prior notice to the Lender and, following the assignment of the Assigned Rights, to the Trustee (which notice shall be irrevocable) provided that the payment by the Borrower of such Par Repayment Amount on the Optional Repayment Date will not result in the Borrower's non-compliance with the Minimum Capital Adequacy Ratios or the Liquidity Ratios and will be subject to the written approval of the Authorised Agency unless such prior approval is no longer required.

5.2 Repayment for Tax Reasons

If, as a result of any amendment or change in, or determination under, the double tax treaty between Kazakhstan and The Netherlands or the laws or regulations (including a holding by a court of competent jurisdiction) of Kazakhstan or The Netherlands or of any political subdivision thereof or any authority therein having power to tax or the enforcement of the security provided for in the Trust Deed, which change or amendment becomes effective on or after the date of the Subscription Agreement, the Borrower would thereby be required to increase the payment of principal or interest or any other payment due hereunder as provided in Clause 7.2 or 7.3 (*No Set-Off, Counterclaim or Withholding; Gross-up* and *Withholding on Notes*) in excess of the Additional Amounts which the Borrower is liable to pay as of the date of the Subscription Agreement (a "**Tax Event**"), and in any such case such obligation cannot be avoided by the Borrower taking reasonable measures available to it, then the Borrower will have the right (without premium or penalty), on any Tax Repayment Date upon not less than 30 nor more than 60 days' prior notice to the Lender and, following the assignment of the Assigned Rights, to the Trustee (which notice shall be irrevocable), to repay the Loan in whole (but not in part) on the next Tax Repayment Date at the Par Repayment Amount provided that the payment by the Borrower of such Par Repayment Amount on the Tax Repayment Date will not result in the Borrower's non-compliance with the Authorised Agency's Minimum Capital Adequacy Ratios or the Liquidity Ratios and will be subject to the written approval of the Authorised Agency unless such prior approval is no longer required.

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

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

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

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

5.3 Tier 1 Disqualification Event

If, following the initial confirmation from the Authorised Agency that a portion of the Subordinated Loan has qualified as Tier 1 Capital pursuant to the Capital Regulations, a subsequent Tier 1 Disqualification Event occurs the Borrower shall have the right to repay the Subordinated Loan in whole (but not in part) on any Interest Payment Date falling on or after 3 March 2011 (a "**Tier 1 Disqualification Repayment Date**") upon not less than 30 nor more than 60 days' prior notice to the Lender and, following the assignment of the Assigned Rights, to the Trustee (which notice the Lender and the Trustee shall be entitled to rely on and shall be irrevocable), to repay the Loan in whole (but not in part) on the next Tier 1 Disqualification Repayment Date at an amount equal to the greater of (i) the Make-whole Amount or (ii) the Par Repayment Amount provided that the payment by the Borrower of such Make-whole Amount or Par Repayment Amount (as the case may be) on the Tier 1 Disqualification Repayment Date will not result in the Borrower's non-compliance with the Authorised Agency's Minimum Capital Adequacy Ratios or the Liquidity Ratios and will be subject to the written approval of the Authorised Agency unless such prior approval is no longer required.

5.4 Repayment and Re-Borrowing

The Borrower may not voluntarily repay the whole or any part of the Loan except in accordance with the express terms of this Agreement and shall not be entitled to re-borrow from the Lender any amount repaid under this Agreement. For the avoidance of doubt, other than upon the occurrence of an Event of Default pursuant to Clause 9.1 (and then only with the prior written approval of the Authorised Agency unless such prior approval is no longer required on the relevant date), the Loan may only be repaid by the Borrower as provided in this Clause 5 (*Repayment)* after 3 March 2011 and only if such repayment will not result in the Borrower's non-compliance with the Authorised Agency's Minimum Capital Adequacy Ratios or the Liquidity Ratios and subject to the written approval of the Authorised Agency unless such prior approval is no longer required. If the Borrower elects to repay the Loan as provided herein, it shall become bound so to repay the Loan on the date and in the manner specified herein.

6. SUBORDINATION

6.1 Status and Subordination

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

6.2 No Exercise of Rights of Set-off

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

6.3 Priority of Payments

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

7. PAYMENTS

7.1 Making of Payments

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

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

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

7.3 Withholding on Notes

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

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

7.4 Relief from withholding

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

7.5 Tax Refunds

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

7.6 Mitigation

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

8. CONDITIONS PRECEDENT

The obligation of the Lender to make the Loan shall be subject to the following conditions precedent;

8.1 Conditions Precedent under the Subscription Agreement

ING Bank N.V., London Branch shall have confirmed in writing to the Lender that all of the conditions precedent to the obligations of the Manager under the Subscription Agreement have been satisfied;

8.2 Proceeds

the Subscription Agreement, the Agency Agreement and the Trust Deed shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the Notes pursuant to the Subscription Agreement;

8.3 No Event of Default

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

8.4 No Breach of this Agreement

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

8.5 Registration with the National Bank of the Republic of Kazakhstan

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

9. EVENTS OF DEFAULT

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

(i) Failure to Pay

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

(ii) Winding-up

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

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

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

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

(iii) Breach of Capital Payment Stopper

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

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

9.2 Notice of Event of Default, etc.

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

9.3 Winding-Up Proceedings

If the Loan becomes due and repayable as described above in Events of Default and is for any reason not repaid when so due and repayable (including by reason of the approval of the Authorised Agency being withheld), the Lender may, at its discretion and without further notice, institute Winding-Up Proceedings against the Borrower in the manner and to the extent contemplated by the applicable law for the winding-up of the Borrower but shall have no other right to enforce payment due, provided however that the Lender waives all rights to request payment in bankruptcy proceeding until all Senior Creditors have been paid first under Article 74-2.3 of the law "On Banks and Banking Activity in the Republic of Kazakhstan" (eighth priority).

9.4 Rights Not Exclusive

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

10. EXPENSES OF PRESERVATION AND ENFORCEMENT OF RIGHTS

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

11. GENERAL

11.1 Evidence of Debt

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

11.2 Stamp Duties

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

11.3 Waivers

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

11.4 Notices

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

JSC Bank CenterCredit

100 Shevchenko Street

Almaty 050022

Kazakhstan

Facsimile Number:	+7 3272 588 950
Attention:	Debt Capital Markets Division

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

CenterCredit International B.V.

Schouwburgplein 30-34

3012 CL Rotterdam

The Netherlands

Facsimile Number:	+31 10 411 7894
Attention:	Board of Managing Directors

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

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

Facsimile Number:	+44 (0)20 7547 6149
Attention:	Trust and Securities Services

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

11.5 English Language

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

11.6 Assignment

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

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

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

11.7 Currency Indemnity

To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the

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

11.8 Prescription

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

11.9 Rights of Third Parties

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

11.10 Choice of Law

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

11.11 Jurisdiction

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

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

(iii) The Borrower agrees that the process by which any Proceedings in England involving them are begun may be served on it by being delivered to Bracewell & Giuliani LLP of 1 Cornhill, London EC3V 3ND or at any other address for the time being at which process may be served on such person in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). The Borrower agrees that if, for any reason, the appointment of any process agent appointed by it in or in accordance with this Clause 11.11(iii) ceases to be effective, it will immediately appoint a substitute process agent with an address for service in England, notify the Lender of such appointment and of such substitute process agent's address for service and deliver to the Lender evidence, in form and substance satisfactory to the Lender, that such substitute process agent has accepted its appointment. Nothing in this Clause shall affect the right of the Borrower to serve process in any other manner permitted by law.

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

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

11.12 Amendments

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

11.13 Counterparts

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

11.14 Power of Attorney

If the Issuer is represented by an attorney in connection with the signing of the Agreement, and the relevant power of attorney is governed by the laws of The Netherlands, it is hereby expressly accepted and acknowledged by the other parties to this Agreement that such laws shall govern the existence and extent of such attorney's authority, and the effects of the exercise thereof.

TERMS AND CONDITIONS OF THE NOTES

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

The U.S.$100,000,000 perpetual non-cumulative loan participation notes (the "Notes" which expression includes any further Notes issued pursuant to Condition 17 (*Further Notes*) and forming a single series therewith) of CenterCredit International B.V. (the "Issuer") are constituted by, are subject to, and have the benefit of, a trust deed (the "Trust Deed," which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 3 March 2006 and made between the Issuer, the Borrower and Deutsche Trustee Company Limited (the "Trustee," which expression shall include any trustee or trustee for the time being of the Trust Deed) as trustee for the Noteholders (as defined below).

The Issuer has authorised the creation, issue and sale of the Notes for the purpose of funding a U.S.$100,000,000 perpetual, subordinated non-cumulative loan (the "Subordinated Loan") to JSC Bank CenterCredit (the "Borrower"). The terms of the Subordinated Loan are set forth in a subordinated loan agreement (the "Subordinated Loan Agreement") dated 3 March 2006 between the Issuer and the Borrower. Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower) pursuant to an agency agreement (such agreement as modified and/or restated and/or novated and/or supplemented from time to time, the "Agency Agreement") dated 2 March 2006 between the Issuer, the Borrower, the Trustee, Deutsche Bank AG, London Branch as principal paying agent (the "Principal Paying Agent," which expression shall include any successors) and transfer agent (the "Transfer Agent" which expression shall include any successors) and Deutsche Bank Luxembourg S.A., as registrar (the "Registrar," which expression shall include any successors), transfer agent and paying agent (the "Paying Agent," which expression shall include any successors).

The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions and definitions in the Trust Deed. Copies of the Trust Deed, the Subordinated Loan Agreement and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee being, at the date hereof, at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each Paying Agent, the initial specified offices of which are set out below. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them, and the Noteholders are deemed to have notice of the provisions of the Subordinated Loan Agreement.

1. Form and Denomination

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

2. Register, Title and Transfers

(a) Register

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

The Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary.

(b) Title

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

(c) Transfers

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

(d) Registration and Delivery of Certificates

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

(e) No Charge

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

(f) Closed Periods

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

(g) Regulations concerning Transfers and Registration

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

3. Status and Limited Recourse

(a) Status

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

(b) Limited Recourse

The sole purpose of the issue of the Notes is to provide the funds to enable the Issuer to advance the Subordinated Loan. In each case where amounts of principal, interest and additional amounts (if any) are stated in these Conditions or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute only an obligation to account to the Noteholders on each date upon which amounts of principal, interest (less any amount in respect of the Pricing Margin) or additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest (less any amount in respect of the Pricing Margin) and additional amounts (if any) actually received by or for the account of the

Issuer pursuant to the Subordinated Loan Agreement, less any amount in respect of Reserved Rights (as defined in Condition 4 (Security)). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Subordinated Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

Any payment in respect of the Notes equivalent to the sums actually received by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Subordinated Loan Agreement, less any amount in respect of the Reserved Rights or the Pricing Margin, will be made by the Issuer *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Subordinated Loan Agreement.

The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided in these Conditions and in the Trust Deed. The Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or of banker's lien or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower.

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

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

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

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

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

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

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

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

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

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Subordinated Loan Agreement or the Subordinated Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Subordinated Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the Charge (as defined in Condition 4 (Security) and the assignment of the Assigned Rights (as defined in Condition 4 (Security)) granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take proceedings to enforce payment under the Subordinated Loan Agreement unless it has been indemnified and/or secured by the Noteholders to its satisfaction. After realisation of the Security Interests (as defined below) by the Trustee, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished. In particular, neither the Trustee nor any Noteholder shall petition or take any other step for the winding-up of the Issuer.

4. Security

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

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

5. Restrictive Covenant

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

6. Further Covenants

The Issuer shall not make any substantial change in the principal nature of its business as presently conducted which is (in the sole opinion of the Trustee) materially prejudicial to the interests of the

Noteholders and shall not, save with the prior written consent of the Trustee, create or incur other obligations or enter into related agreements, acquire and hold other assets which impose obligations on the Issuer or issue further series of notes unless such further series of notes are unsecured or secured on assets other than the Subordinated Loan and issued on limited recourse terms similar to those set out in Condition 3(b) (Limited Recourse).

7. Interest and Mandatory Interest Suspension

(a) Accrual of Interest

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

(b) Overdue Interest

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

(c) Mandatory Interest Suspension

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

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

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

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

8. Early Redemption, Redemption for Tax Reasons and Repayment for Tier 1 Disqualification Event

If the Subordinated Loan should become repayable (and be repaid) pursuant to Clauses 5.1 (Optional Repayment by the Borrower), 5.2 (Repayment for Tax Reasons) or 5.3 (Tier 1 Disqualification Event) of the Subordinated Loan Agreement, upon giving not less than 30 nor more than 60 days' written notice, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at par together with accrued interest and any Additional Amounts (as defined in the Subordinated Loan Agreement) and (subject to the Subordinated Loan being repaid together with accrued interest and any Additional Amounts) shall be redeemed or repaid.

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

9. Payments

(a) Principal

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

(b) Interest

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

(c) Payments subject to Fiscal Laws

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

(d) Record Date

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

(e) Accrued Interest

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

(f) Payments By Borrower

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

(g) Currency other than U.S. Dollars

In respect of the Issuer's obligations under Conditions 7 (Interest and Mandatory Interest Suspension), 8 (Early Redemption, Redemption for Tax Reasons and Repayment for Tier 1 Disqualification Event), 9 (Payments) and 10 (Taxation), and subject to the following sentence, if the Issuer receives any amount under the Subordinated Loan Agreement in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any premium and costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer. If the Issuer receives any payment from the Borrower pursuant to Clause 11.7 of the Subordinated Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 9.

(h) Payment obligations limited

The obligations of the Issuer to make payments under Conditions 7 (Interest and Mandatory Interest Suspension), 8 (Early Redemption, Redemption for Tax Reasons and Repayment for Tier 1 Disqualification Event) and 9 (Payments) shall constitute an obligation only to account to the Noteholders on each Interest Payment Date or such other date upon which a payment is due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Subordinated Loan Agreement, less any amount in respect of the Reserved Rights.

10. Taxation

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

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

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

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

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

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

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

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

11. Enforcement

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Trust Deed provides for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and accordingly in such circumstances the Trustee will be unable to take action notwithstanding the provision of an indemnity to it, and it will be for the Noteholders to take action directly.

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

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

(a) Meetings of Noteholders

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

(b) Modification and Waiver

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

(c) Substitution

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

(d) Exercise of Powers

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

13. Prescription

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

14. Trustee and Agents

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

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Subordinated Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Borrower in respect of the Subordinated Loan Agreement. In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The Trustee may, in making any determination under these Conditions, act on the opinion or advice of, or information obtained from, any expert and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or Relevant Event has occurred.

Unless ordered to do so by a court of competent jurisdiction or unless required by the rules of the London Stock Exchange, the Trustee shall not be required to disclose to any Noteholder any confidential financial or other information made available to the Trustee by the Issuer or the Guarantors.

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

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

15. Replacement of Certificates

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

16. Notices

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

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

17. Further Notes

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

18. Contracts (Rights of Third Parties) Act 1999

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

19. Governing Law

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

Each of the Issuer and the Borrower has in the Trust Deed (a) 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; (b) 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; (c) consented generally in respect of any legal action or proceedings arising out of or in connection with the Trust Deed to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such action or proceedings; (d) to the extent that it may, in respect of any legal action or proceedings in any jurisdiction arising out of or in connection with the Trust Deed, be entitled to claim for itself or its assets immunity from suit, from the jurisdiction of any court, from execution, attachment (whether in aid of execution of a judgment, before judgment or otherwise) or any other relief or other legal process, and to the extent that in any such legal action or proceedings in any such jurisdiction there may be attributed to itself or its assets or revenues such mmunity (whether or not claimed), irrevocably agreed not to claim and irrevocably waived such immunity to the fullest extent now or hereafter permitted by the laws of the jurisdiction in which such legal action is or such proceedings are commenced; (e) agreed that a final judgment in any suit, action or proceedings of the nature referred to in Condition 19(a) brought in any court shall be conclusive and binding upon it and may, subject to applicable law and to compliance with any applicable procedural requirements, be enforced in or by any of those courts mentioned in Condition 19(a) , or any other courts to the jurisdiction of which the Issuer or the Borrower are or may be subject by a suit upon such judgment provided that service of process in connection with any such suit, action or proceedings shall have been effected upon them or such of them in one of the manners specified in this Condition 19 or as otherwise permitted by applicable law; (f) designated a person in England to accept service of any process on its behalf; and (g) agreed that the Trustee may elect by written notice to the Issuer and the Borrower 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.

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

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

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

1. Form of Notes

All Notes will be in fully registered form, without interest coupons attached. The Notes will be represented by interests in the Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date with Deutsche Bank AG, London Branch, as common depositary for the Euroclear Operator and Clearstream, Luxembourg, and registered in the name BT Globenet Nominees Limited, as nominee for such common depositary.

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

2. Transfer Restrictions

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

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

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

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

3. Notices

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

4. Meetings

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

5. Exchange of Interests in Global Note for Note Certificates

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

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

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

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

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

6. Euroclear Operator and Clearstream, Luxembourg Arrangements

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

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

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

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

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

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

THE ISSUER

History

The Issuer was incorporated as a private company with limited liability (a *besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under and subject to the laws of The Netherlands on 4 January 2006 for an unlimited duration. Its number in the commercial register of Rotterdam, The Netherlands is 24388417. The Issuer is a direct, wholly owned subsidiary of the Bank.

Capitalisation

The following table sets out the capitalisation of the Issuer as at 22 February, 2006, and as adjusted to reflect the issue and sale of the Notes, before deducting commissions and expenses:

	Actual		As adjusted	
	(U.S.$)[(1)] *(unaudited)*	*(Euro)* *(unaudited)*	*(U.S.$)*[(1)] *(unaudited)*	*(Euro)* *(unaudited)*
Senior long-term liabilities[(2)]	300,000,000	252,631,579	300,000,000	252,631,579
Subordinated long-term liabilities	—	—	100,000,000	84,210,526
Total shareholders' equity	2,396,375	2,018,000	2,396,375	2,018,000
Total shareholders' equity and long-term liabilities	**302,396,375**	**254,649,579**	**402,396,375**	**338,860,105**

(1) At the exchange rate of €1 = U.S.$1.1875 (from the European Central Bank).

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

The authorised share capital of the Issuer is €90,000, divided into ordinary shares with a par value of €100 each. As at the date of this Prospectus, the Issuer's total capitalisation is €18,000, consisting of 180 ordinary shares which have been issued and fully paid at par and are directly owned by the Bank and a €2,000,000 million share premium contribution made by the Bank.

Except for the issue of the U.S.$300,000,000 guaranteed notes issued by the Issuer on 2 February, 2006 and for the issue of the Notes, and as described below, there has been no material adverse change in the capitalisation, financial position or prospects of the Issuer since the date of its incorporation.

The net proceeds of the issue will be used to provide the Subordinated Loan to the Bank. The Bank will use the proceeds from such Subordinated Loan to augment its capital base.

Business

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

The Issuer has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Prospectus except for an issue of U.S.$300,000,000 8 per cent. notes due 2011, issued on 2 February, 2006, which are unconditionally and irrevocably guaranteed by the Bank.

There are no and have been no governmental, legal or arbitration proceedings against the issuer (including any such proceedings which are pending or threatened of which the Issuer is aware) during the last 12 months preceding the date of this Prospectus, which may have, or have had in the recent past significant effects on the Issuer's any of its financial position or profitability, nor is the Issuer aware of any pending or threatened proceedings of such kind.

Financial Statements

Since the date of its incorporation and at the date of this Prospectus, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus. To comply with a NBK requirement that the accounts of overseas subsidiaries of Kazakhstan banks must be independently audited, the Issuer will engage TOO Deloitte & Touche, to conduct annual audits of its statutory financial statements. The Issuer is not required to, and does not intend to, produce interim financial statements.

Management

The Issuer has two managing directors, Timur Ishmuratov, who is a Managing Director of the Bank, and Equity Trust Co. N.V. ("Equity Trust") a company with limited liability incorporated in The Netherlands.

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

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

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

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

General Information

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

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

USE OF PROCEEDS

The Issuer will lend the net proceeds it receives from the Notes to the Bank on a subordinated basis. Such proceeds are expected to amount to U.S.$98,544,875 after deduction of the combined management and underwriting commission, the selling commission, and expenses incurred in connection with the issue of the Notes. The Bank will use the proceeds from the Subordinated Loan to augment its capital base. Total commissions and expenses relating to the issue (including total expenses related to the admission to trading) are expected to be approximately U.S.$1,455,125.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system with the rate being determined on the basis of market developments and the NBK's role in setting the exchange rate being limited to interventions in the internal currency market in order to prevent volatile exchange rate fluctuations caused by short-term changes in supply and demand.

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

In April 1999, the NBK and the Government publicly announced that they would cease to intervene in the foreign exchange markets to support the Tenge, allowing the exchange rate to float freely. This decision was supported by international financial organisations such as the International Monetary Fund (the "IMF"). As a result, the Tenge depreciated from a pre-announcement rate of KZT88 per U.S. dollar to a rate of about KZT130 per U.S. dollar by May 1999. Since then, the Tenge has generally continued to depreciate in nominal terms against the U.S. dollar, although it strengthened against the U.S. dollar in 2003 and the first half of 2004.

The following table sets out certain period-end, high, average and low Tenge/U.S. dollar official exchange rates as reported by the NBK:

Year ended 31 December	Period-end	High	Average[1]	Low
1999	138.20	141.00	119.65	83.80
2000	144.50	144.50	142.13	138.20
2001	150.20	150.20	146.73	145.00
2002	155.60	155.60	153.28	150.60
2003	144.22	155.89	149.50	143.66
2004	130.00	143.33	136.05	130.00
2005	133.77	136.12	132.14	129.83

Quarter ended	Period-end	High	Average[1]	Low
31 March 2004	138.93	142.91	139.65	138.41
30 June 2004	136.06	138.92	137.19	136.00
30 September 2004	134.29	134.36	134.30	134.28
31 December 2004	130.00	134.41	131.35	130.00
31 March 2005	132.59	132.59	130.21	129.83
30 June 2005	135.26	136.00	132.18	130.28
30 September 2005	133.89	136.12	135.12	133.89
31 December 2005	133.77	134.42	131.05	133.46

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

The middle KZT/U.S. dollar exchange rate on the Kazakhstan Stock Exchange, as reported by the NBK on 22 February 2006, was KZT131.08 per U.S.$1 .

The above rates may differ from the actual rates used in the preparation of the Bank's consolidated financial statements and other financial information appearing in this Prospectus. The inclusion of these exchange rates is not meant to suggest that the Tenge amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all.

Exchange Controls

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

Following the influx of Dollars into Kazakhstan due to the rising oil prices, a number of steps aimed to liberalise the currency control regime were undertaken in Kazakhstan from 2002 to 2004. The new currency control law and supporting regulations came into effect at the end of 2005, as the major step towards achieving the liberalisation of currency operations, extension of export of capital and elimination of double control. Among other things, the new currency control rules substantially expand the scope of Kazakhstan investors that can invest abroad and eases the requirements for international financing to Kazakhstan.

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

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

CAPITALISATION OF THE BANK

The following table sets out the consolidated capitalisation of the Bank as at 30 September 2005 on an actual basis, and as adjusted to reflect the issuance of the Notes:

	30 September 2005			
	Actual		As Adjusted	
	(U.S.$ thousands)[1]	*(KZT thousands)*	*(U.S.$ thousands)*[1]	*(KZT thousands)*
	(unaudited)		*(unaudited)*	
Liabilities				
Short-term liabilities	1,037,617	138,926,510	1,037,617	138,926,510
Senior long-term liabilities[2] [3]	646,712	86,588,322	946,712	126,755,270
Subordinated long-term liabilities	82,383	11,030,263	182,383	24,419,260
Total liabilities	1,766,712	236,545,095	2,166,712	290,101,040
Shareholders' equity				
Share capital[4]	96,180	12,877,492	96,180	12,877,492
Fair value of investments for sale reserve	4,499	602,427	4,499	602,427
Revaluation reserve	2,051	274,561	2,051	274,561
Revenue reserves	56,574	7,574,739	56,574	7,574,739
Minority interest	452	60,533	452	60,533
Total shareholders' equity	**159,756**	**21,389,752**	**159,756**	**21,389,752**
Total capitalisation	**1,926,468**	**257,934,847**	**2,236,468**	**311,490,792**

(1) U.S.$1.00 = KZT133.89.

(2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated and do not include the Issuer's U.S.$300,000,000 8 per cent. Senior Notes due 2011 issued on 2 February 2006.

(3) Since 30 September 2005, the Bank has entered into a number of financings. See ''Description of the Bank—Funding and Liquidity''.

(4) Comprises 58,867,872 authorised, issued and fully paid ordinary shares with a par value of KZT200 each. As at 30 September 2005, the Bank's share capital had increased to KZT12,877,492 thousand. The Bank has not issued any debt securities convertible into, or exchangeable for, its ordinary shares.

Other than as set forth in the notes to the capitalisation table, there has been no material change in the Bank's capitalisation since 30 September 2005.

SELECTED FINANCIAL AND OTHER INFORMATION

The following table contains summary historical financial information derived from the Bank's audited consolidated IFRS financial statements as at and for the years ended 31 December 2004 and 31 December 2003 which were audited by DTT. The summary information for the nine months ended 30 September 2005 and 2004 and as at 30 September 2005 is extracted from the unaudited consolidated interim IFRS financial statements prepared by the Bank. Investors should not rely on interim results as being indicative of results the Bank may expect for the full year. The Bank's financial statements have been prepared in accordance with IFRS and are presented in Tenge.

Solely for the convenience of the reader, the Bank has translated information in the summary income statement and the summary balance sheet for or as at the nine months ended 30 September 2005, 30 September 2004 and for or as at the years ended 31 December 2004 and 31 December 2003 into U.S. dollars at the rates of U.S.$1.00 = KZT133.89, U.S.$1.00 = KZT134.56, U.S.$1.00 = KZT130.00 and U.S.$1.00 = KZT144.22, respectively.

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

Consolidated Income Statement Data

	For the nine month period ended 30 September			For the year ended 31 December		
	2005	2005	2004	2004	2004	2003
	(U.S.$ thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.$ thousands) (unaudited)*	*(KZT thousands) (audited)*	
Income Statement:						
Interest income	129,928	17,216,823	8,989,114	91,121	12,396,971	6,962,144
Interest expense	(71,629)	(9,491,624)	(4,343,847)	(46,713)	(6,355,305)	(3,333,540)
Net interest income before provision for impairment losses on interest bearing assets	58,299	7,725,199	4,645,267	44,408	6,041,666	3,628,604
Provision for impairment losses	(28,121)	(3,726,321)	(1,841,577)	(17,773)	(2,418,052)	(1,434,198)
Net interest income	30,178	3,998,878	2,803,690	26,635	3,623,614	2,194,406
Net (loss)/gain on assets held-for-trading	(227)	(30,064)	639	682	92,756	111,886
Net gain on foreign exchange operations	6,310	836,087	523,296	5,757	783,277	452,529
Fees and commission income	28,705	3,803,765	2,341,188	24,458	3,327,522	2,209,659
Fees and commission expenses	(3,049)	(403,991)	(220,379)	(2,498)	(339,886)	(207,398)
Net gain/(loss) on investments available-for-sale	130	17,212	48,239	206	28,079	(16,034)
Other income (expense)	3,538	468,826	(409,580)	2,111	287,138	173,359
Net non-interest income	35,407	4,691,835	2,283,403	30,716	4,178,886	2,724,001
Operating income	65,585	8,690,713	5,087,093	57,351	7,802,500	4,918,407
Operating expenses	(36,782)	(4,874,020)	(3,143,509)	(36,485)	(4,963,739)	(3,540,043)
Profit before other provisions, income/(loss) from associates, income tax and minority interest	28,803	3,816,693	1,943,584	20,866	2,838,761	1,378,364
Provision for impairment losses on other transactions	(609)	(80,728)	(48,724)	(872)	(118,662)	(5,143)
Share of results of associates	—	—	4,100	30	4,100	871
Profit before income tax and minority interest	28,194	3,735,965	1,898,960	20,024	2,724,199	1,374,092
Income tax expense	(1,573)	(208,380)	(115,732)	(2,092)	(284,585)	(121,076)
Net profit	**26,621**	**3,527,585**	**1,783,228**	**17,932**	**2,439,614**	**1,253,016**
Attributable to:						
Equity holders of the parent	26,647	3,531,049	1,746,670	17,817	2,424,024	1,281,656
Minority interest	(26)	(3,464)	36,558	115	15,590	(28,640)
	26,621	**3,527,585**	**1,783,228**	**17,932**	**2,439,614**	**1,253,016**

Consolidated Balance Sheet Data

	As at 30 September			As at 31 December		
	2005	2005	2004	2004	2004	2003
	(U.S.$ thousands) (unaudited)	*(KZT thousands) (unaudited)*		*(U.S.$ thousands) (unaudited)*	*(KZT thousands) (audited)*	
Balance Sheet						
Assets:						
Cash and balances with the National Bank of the Republic of Kazakhstan	80,615	10,793,579	8,766,331	67,224	8,739,070	5,648,630
Loans and advances to banks	72,397	9,693,186	4,871,066	74,962	9,745,108	9,494,053
Assets held-for-trading	41,540	5,561,841	2,762,508	22,395	2,911,382	1,412,897
Securities purchased under agreements to resell	25,408	3,401,857	5,501,922	60,333	7,843,313	68,182
Loans to customers, less allowance for impairment losses	1,362,894	182,477,837	88,720,210	703,596	91,467,416	52,068,761
Investments available-for-sale	273,538	36,624,058	24,760,053	165,221	21,478,739	8,999,865
Investments held-to-maturity	690	92,348	53,994	423	54,973	—
Fixed and intangible assets, less accumulated depreciation	38,842	5,200,508	3,057,638	29,906	3,887,790	2,688,497
Income tax assets	923	123,615	—	294	38,289	—
Other assets, less allowance for impairment losses	29,621	3,966,018	2,515,800	17,828	2,317,586	1,532,133
Total assets	**1,926,468**	**257,934,847**	**141,009,522**	**1,142,182**	**148,483,666**	**81,913,018**
Liabilities and Equity:						
Liabilities:						
Loans and advances from banks and other financial institutions	428,878	57,422,473	31,635,934	268,950	34,963,481	20,728,383
Securities sold under agreements to repurchase	32,921	4,407,787	2,526,808	—	—	1,332,711
Customer accounts	955,335	127,909,761	88,207,913	702,828	91,367,688	47,705,089
Income tax liabilities	—	—	50,882	—	—	62,403
Debt securities issues	246,866	33,052,953	—	11,617	1,510,157	—
Other liabilities	18,105	2,424,140	1,571,193	6,859	891,625	436,811
Subordinated debt	84,607	11,327,981	5,787,104	57,502	7,475,295	4,160,537
Total liabilities	**1,766,712**	**236,545,095**	**129,779,834**	**1,047,756**	**136,208,246**	**74,425,934**
Equity:						
Share capital	96,180	12,877,492	7,168,010	57,438	7,466,920	5,168,010
Investments available-for-sale fair value reserve	4,499	602,427	263,912	3,279	426,252	378,355
Fixed assets revaluation reserve	2,051	274,561	275,888	2,119	275,527	277,182
Revenue reserve	56,574	7,574,739	3,367,429	31,098	4,042,724	1,617,045
Minority Interest	452	60,533	154,449	492	63,997	46,492
Total equity	**159,756**	**21,389,752**	**11,229,688**	**94,426**	**12,275,420**	**7,487,084**
Total liabilities and equity	**1,926,468**	**257,934,847**	**141,009,522**	**1,142,182**	**148,483,666**	**81,913,018**

Selected Financial Ratios

	As at or for the nine month period ended 30 September		As at or for the year ended 31 December	
	2005	2004	2004	2003
	(per cent.)			
Key Ratios:				
Return on equity[1][2]	27.9	N/A	24.7	21.5
Net earnings per share (in KZT)	80.2	61.9	80.6	63.0
Operating expenses/operating income before provisions for impairment losses	39.3	45.4	48.6	55.7
Operating expenses/operating income after provisions for impairment losses	56.1	61.8	63.6	72.0
Effective provisioning rate on loans and advances to customers	4.0	4.2	4.3	4.2
Profitability Ratios:[3]				
Net interest margin[2][4]	5.6	N/A	6.0	6.5
Operating expenses as a percentage of net interest income before provisions for impairment losses	63.1	67.7	82.2	97.6
Operating expense as a percentage of average total assets[2]	3.2	N/A	4.3	5.3
Net profit as a percentage of average total assets[2]	2.3	N/A	2.1	1.9
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	49.6	62.6	61.5	58.2
Total net loans and advances to customers as a percentage of total assets	70.7	62.9	61.6	63.6
Total equity as a percentage of total assets	8.3	8.0	8.3	9.1
Liquid assets as a percentage of customer accounts[5]	47.9	45.8	46.1	52.9
Liquid assets as a percentage of liabilities of up to one month	114.8	85.4	89.0	103.5
Capital Adequacy Ratios:[6]				
Total capital	14.9	15.0	16.7	15.8
Tier I capital	9.6	11.0	10.3	9.9
Credit Quality Ratios:[7]				
Non-performing loans as a percentage of total loans	0.3	0.4	0.5	0.9
Non-performing loans as a percentage of total loans and guarantees	0.2	0.4	0.5	0.8
Provisions for impairment losses as a percentage of non-performing loans	1,511.2	942.4	787.3	466.9
Macroeconomic Data:				
Consumer Price Inflation (for the twelve months then ended)	7.9	7.7	6.7	6.8
Real GDP (change during the year)	9.0	9.1	9.4	9.2

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

(2) Annualised.

(3) Averages are based upon average daily balances.

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

(5) Liquid assets include cash and balances with the NBK, loans and advances to banks (with maturity of less than one month), assets held-for-trading and investment securities.

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

(7) For the definition of non-performing loans used by the Bank, see "Description of the Bank—Lending Policies and Procedures—Provisioning Policy".

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

The following discussion should be read in conjunction with the Bank's audited annual IFRS financial statements and its interim unaudited IFRS financial statements as at and for the nine months ended 30 September 2005 appearing elsewhere in this Prospectus. This discussion includes forward-looking statements based on assumptions about the Bank's future business. The Bank's actual results could differ materially from those contained in such forward-looking statements.

Introduction

Established in 1988, the Bank is the fifth largest commercial bank in Kazakhstan, measured by total assets and customer accounts as at 30 September 2005, providing retail and corporate banking products and services. As at and for the nine months ended 30 September 2005, the Bank had net income of KZT3,527.6 million, total assets of KZT257,934.8 million and shareholders' equity of KZT21,389.8 million, compared with net income of KZT1,783.2 million, total assets of KZT141,009.5 million and shareholders' equity of KZT11,229.7 million for the same period ended 30 September 2004.

The Bank's financial statements as at and for the years ended 31 December 2004 and 2003 were prepared in accordance with IFRS and audited by DTT. These financial statements are consolidated and reflect the results of operations of the Bank and its subsidiaries, LLP Center Leasing, JSC KIB Asset Management and JSC Capital Pension Fund, as well as LLP BCC and LLP Aktas Zhol, which are not subsidiaries of, but are controlled by the Bank as special purpose entities.

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

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

Kazakhstan's Economy

Overview

Kazakhstan has been recognised by both the European Union and the United States as having a market economy. It has experienced extensive economic transformation since independence in 1992; for example, real GDP, which fell by 38.6 per cent. between 1990 and 1995, is estimated to have grown by roughly the same amount since then, assisted substantially by the flotation of the Tenge in April 1999 and its subsequent devaluation, improvement in the global economic environment and rising commodity prices over the period.

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

Gross domestic product

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

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

	Year ended 31 December							
	2004	2003	2002	2001	2000	1999	1998	1997
Nominal GDP (KZT millions)	5,542,500	4,449,800	3,747,200	3,250,593	2,599,902	2,016,456	1,733,264	1,672,143
Real GDP (percentage change during the twelve months then ended)	9.4	9.2	9.5	13.5	9.8	2.7	(1.9)	1.7
Nominal GDP per capita (KZT)	368,056	297,844	252,263	219,170	174,854	135,088	114,991	109,045
Population (millions average annual)	15.06	14.94	14.86	14.85	14.86	14.9	15.0	15.2

Source: NSA, NBK

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

GDP by source

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

	Year ended 31 December							
	2004	2003	2002	2001	2000	1999	1998	1997
	(per cent. share of GDP)							
Industry	31.1	29.5	29.3	30.7	31.9	28.2	24.4	21.4
Construction	5.9	6.2	6.1	5.5	5.3	4.8	4.9	4.2
Agriculture	7.9	7.3	7.9	8.7	8.7	9.9	8.6	11.4
Transportation and Telecommunications	12.2	12.1	11.5	11.2	12.0	12.0	13.9	11.7
Trade	11.4	12.1	12.0	12.1	12.6	3.6	15.2	15.6
Other(1)	31.5	32.8	33.2	31.8	29.5	31.5	33.0	35.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: NSA

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

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

The extraction and production of hydrocarbons (i.e., oil, gas and gas condensates) and minerals are the most significant industries in the Kazakhstan economy. Exports of hydrocarbons and minerals accounted for 74 per cent. of total exports in the first nine months of 2005, compared to 68 per cent. and 65 per cent. of total exports for the same period in 2004 and in the whole of 2003, respectively.

Inflation

The year-on-year rate of consumer price inflation has fallen from 1,258.3 per cent. as at the end of 1994 to 6.6 per cent. as at the end of 2004 and 7.9 per cent. as at the end of September 2005, although inflationary pressures have resumed in the first nine months of 2005, to a certain extent as a result of the flotation of the Tenge and rising commodity prices.

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

	Nine months ended 30 September	Year ended 31 December							
	2005	2004	2003	2002	2001	2000	1999	1998	1997
				(per cent.)					
Consumer Prices	7.9	6.7	6.8	6.6	6.4	9.8	17.8	1.9	11.2
Producer Prices	25.5	23.8	5.9	11.9	(14.1)	19.4	57.2	(5.5)	11.7

Source: NSA, NBK

Balance of Payments

The following table sets forth the year on year surplus (or deficits) on the current account and surplus on the capital and financial accounts (primarily attributable to inflows of foreign direct investment) as at the dates indicated:

	Six months ended 30 June	Year ended 31 December				
	2005	2004	2003	2002	2001	2000
			(U.S.$ millions)			
Current account	912.8	529.6	(270.1)	(1,024.3)	(1,389.5)	366.3
Capital and financial account	(637.1)	4,585.4	2,738.0	1,239.3	2,428.7	1,016.5

Source: NSA, NBK

Based on NBK data, Kazakhstan's current account deficit in 2002 was U.S.$1,024.3 million and U.S.$1,389.5 million in 2001 compared with a surplus of U.S.$366.3 million in 2000. The current account deficit in 2003 was U.S.$270.1 million compared a to surplus of U.S.$529.6 million in 2004. The current account surplus in the first half of 2005 was U.S.$912.8 million.

The current account deficit has been offset by inflows of foreign direct investment. The capital and financial account surplus in 2000 was U.S.$1,016.5 million, resulting in a balance of payment surplus of U.S.$585.1 million. In 2001, foreign direct investment in the amount of U.S.$4,556.6 million resulted in a capital and financial account surplus of U.S.$2,428.7 million. In 2002, foreign direct investment for the year amounted to U.S.$4,106.5 million, which resulted in a capital and financial account surplus of U.S.$1,239.2 million. In 2003, foreign direct investment was U.S.$4,607 million and the capital and financial account surplus was U.S.$2,755.2 million. In 2004, foreign direct investment was U.S.$8,423.7 million which resulted in a capital and financial account surplus of U.S.$4,592.5 million.

Critical Accounting Policies

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

The Bank's significant accounting policies are described in Note 3 to the financial statements appended to the back of this Prospectus. 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 judgment about matters that are inherently uncertain. The impact and any associated risks related to the Bank's critical accounting policies on its business operations are discussed throughout this section where these policies affect the Bank's financial results as presented in this Prospectus.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. The consolidated financial statements are prepared on a quarterly basis. 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. Consolidated financial statements also include statements of special purpose entities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in non-consolidated associates

Investments in companies where the Group owns more than 20 per cent. of share capital, but does not have the ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the consolidated financial statements taken as a whole, or the Group intends to resell such investments in the near future, as well as investments in companies where the Group owns less than 20 per cent. of share capital, are accounted for at fair cost or approximated cost, or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary.

Recognition and measurement of financial instruments

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of financial assets and liabilities are recognised 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 recognised 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 the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with NBK—includes cash on hand, unrestricted balances on correspondent and time deposit accounts with the NBK with original maturity of less than 90 days, and advances to banks in countries that are members of the OECD.

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 amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for losses.

Assets held-for-trading—these represent assets acquired principally for the purpose of selling them in the near term and for which there is evidence of a recent pattern of short-term profit-taking, or it is a derivative. Assets held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's assets held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognised in profit and loss for the period.

Investments available-for-sale—these 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. Subsequently the securities are measured at fair value, with such re-measurement recognised directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Interest earned on investments available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognised in equity is removed from equity and recognised in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognised in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognised in profit and loss while gains from the sale of investments available-for-sale are recognised in profit and loss.

Investments held-to-maturity – such investments 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.

Allowance for impairment losses

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

Results of Operations for the nine months ended 30 September 2005 compared to the nine months ended 30 September 2004

Net Interest Income

The following table sets out the principal components of the Bank's consolidated net interest income for the nine months ended 30 September 2005 and 2004:

	For the nine months ended 30 September		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Interest income	17,216,823	8,989,114	91.5
Interest expense	(9,491,624)	(4,343,847)	118.5
Net interest income before provision for impairment losses on interest bearing assets	**7,725,199**	**4,645,267**	**66.3**
Provision for impairment losses on interest bearing assets	(3,726,321)	(1,841,577)	102.3
Net interest income	**3,998,878**	**2,803,690**	**42.6**

Interest Income

The following table sets out the principal components of the Bank's consolidated interest income for the nine months ended 30 September 2005 and 2004:

	For the nine months ended 30 September		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Interest on loans and advances to customers	15,334,282	7,981,239	92.1
Interest on debt securities	1,489,751	826,399	80.3
Interest on loans and advances to banks	340,419	113,106	201.0
Interest on reverse repurchase transactions	52,371	68,370	(23.4)
Total interest income	**17,216,823**	**8,989,114**	**91.5**

Interest income increased by 91.5 per cent. or by KZT8,227.7 million, from KZT8,989.1 million for the nine months ended 30 September 2004, to KZT17,216.8 million for the nine months ended 30 September 2005. This increase was primarily due to increases in volume of net loans and advances to customers from KZT88,720.2 million at 30 September 2004 to KZT182.477.8 million at 30 September 2005. The average interest rate payable on such loans as of 31 December 2004 was 13.2 per cent. and for the nine months ended 30 September 2005 was 13.4 per cent.

Interest Expense

The following table sets out the principal components of the Bank's consolidated interest expense for each of the nine month periods ended 30 September 2005 and 2004:

	For the nine months ended 30 September		Variation
	2005	2004	2005/2004
	(KZT thousands)		*(per cent.)*
Interest on customer accounts	4,883,252	2,946,375	65.7
Interest on loans and advances from banks and other financial institutions	2,353,362	970,264	142.5
Interest on subordinated debt and eurobonds	2,250,015	414,452	442.9
Interest on repurchase transactions	4,995	12,756	(60.8)
Total interest expense	**9,491,624**	**4,343,847**	**118.5**

For the nine months ended 30 September 2005, interest expense increased by 118.5 per cent. or by KZT5,147.8 million, from KZT4,343.8 million for the nine months ended 30 September 2004 to KZT9,491.6 million for the nine months ended 30 September 2005. This increase resulted from an increase in the volume of deposits by customers from KZT88,207.9 million at 30 September 2004 to KZT127,909.8 million at 30 September 2005 as well as from an increase in loans and advances to banks. Interest rates on customer deposits remained stable during this period at an average rate of 7.9 per cent. Interest on subordinated debt and Eurobonds increased 442.9 per cent. as a result of the numerous issuances of subordinated debt and Eurobonds in the principal amounts of KZT7 billion and KZT26,662.7 million, respectively, in the first nine months of 2005.

Interest Margin

The Bank's overall net interest margin (net interest income before provision for impairment losses on interest bearing assets as a percentage of average interest-earning assets) decreased from 6.4 per cent. for the nine months ended 30 September 2004 to 5.6 per cent. for the nine months ended 30 September 2005. The decrease was primarily as a result of increased competition driving down interest rates paid by local borrowers and also increased cost of funding on international markets linked to LIBOR, however it was smaller than that experienced by other Kazakhstan banks based on their financial statements as provided to the Kazakhstan Stock Exchange, reflecting the Bank's strong position in the high-margin retail and SME lending sectors. In addition it took time to utilise the proceeds of the Bank's issue on 11 February 2005 of U.S.$200 million 8.0 per cent. notes due 2008.

The following table sets out the effective average interest rates by major currencies for the principal interest-bearing assets and liabilities of the Bank as at 30 September 2005 and 2004. The analysis has been prepared using period-end effective contractual rates.

	30 September 2005				30 September 2004			
	KZT	U.S.$	Euro	Other	KZT	U.S.$	Euro	Other
				(per cent.)				
Assets								
Loans and advances to banks	6.9	3.9	2.1	—	5.9	2.3	2.3	2.0
Assets held-for-trading	8.7	5.5	—	—	5.7	5.6	—	—
Securities purchased under agreements to repurchase	1.0	—	—	—	1.5	3.1	—	—
Loans and advances to customers	15.6	13.5	11.0	—	15.2	14.5	9.8	—
Investment securities:								
available-for-sale	4.6	4.6	2.0	—	4.5	4.9	—	—
held-to-maturity	—	—	—	—	—	—	—	—
Liabilities								
Loans and advances from banks and other financial institutions	6.0	4.0	—	—	6.0	4.9	3.9	—
Securities sold under agreements to repurchase	3.7	4.0	—	—	—	—	—	—
Customer accounts	9.5	7.3	6.9	—	10.3	6.6	7.1	—
Debt securities issued	8.2	8.0	—	—	8.8	—	—	—
Subordinated debt	9.5	9.5	—	—	10.9	9.1	—	—

Allowance for Impairment Losses

The allowance for losses and impairment and provisions was KZT7,551.8 million for the nine months ended 30 September 2005, compared to KZT3,888.9 million for the nine months ended 30 September 2004.

The higher charge for 2005 as compared to 2004 was a result of changes in the composition of the loan portfolio; during the nine months ended 30 September 2005, as compared to 2004, loans and advances to banks decreased as a proportion of the Bank's loan portfolio while loans and advances to customers increased, thus resulting in a higher allowance for impairment losses.

As a percentage of total loans and advances to customers, the allowance for impairment losses decreased to 4.0 per cent. for the nine months ended 30 September 2005, from 4.2 per cent. for the nine months ended 30 September 2004. The Bank intends to increase this percentage in 2006 to 4.5 per cent. in view of an expected increase in the performance of the Bank's assets and provision coverage.

Non-Interest Income

The following table sets out the principal components of the Bank's consolidated non-interest income for the nine months ended 30 September 2005 and 2004:

	For the nine months ended 30 September		Variation
	2005	2004	2005/2004
	(KZT thousands)		(per cent.)
Net gain on assets held-for-trading	(30,064)	639	(4,804.9)
Net gain on foreign exchange operations	836,087	523,296	59.8
Fees and commission income	3,803,765	2,341,188	62.5
Fees and commission expense	(403,991)	(220,379)	83.3
Net gain on investment securities	17,212	48,239	(64.3)
Other income/(expense)	468,826	(409,580)	214.5
Total non-interest income	**4,691,835**	**2,283,403**	**105.5**

Total non-interest income increased by 105.5 per cent., or by KZT2,408.4 million, to KZT4,691.8 million in the nine months ended 30 September 2005. This increase was mainly driven by increased commissions, of which a major component constituted transfer operations, cash withdrawals and granting of guarantees. The negative gain on assets held-for-trading was a result of a revaluation of those securities, indexed to U.S. dollar LIBOR, the price of which has fallen as a result of a substantial increase in LIBOR.

Operating Expenses

Operating expenses increased by 55.1 per cent. for the nine months ended 30 September 2005 as compared to the same period in 2004. This increase was primarily a result of increases in salary expenses, administrative costs and tax expenses. As at 30 September 2005, the Bank employed 2,642 people, an increase of 31.9 per cent. from the number of employees totalling 2,003 as at 30 September 2004. In addition, the salaries of the employees increased as competition for skilled banking employees in Kazakhstan increased, thereby causing upward pressure on salaries throughout the sector. Salary expenses increased 33.8 per cent. for the nine months ended 30 September 2005 from the same period in 2004, from KZT1,474.7 million to KZT1,972.8 million.

In addition, administrative expenses increased 60.7 per cent. in the nine months ended 30 September 2005 from the same period in 2004, increasing from KZT868.5 million to KZT1,395.9 million, of which a large part were insurance advertising and other administrative expenses. The increase in insurance expenses to KZT209.3 million as of 30 September 2005 from KZT24.5 million as of 30 September 2004 was principally a result of the recognition of payments to the Deposit Insurance Fund in the amount of KZT166.6 million as of 30 September 2005 as insurance expenses, which before May 2005 were recognised as other expenses. Although still constituting a significant part of administrative costs, advertising expenses decreased by some 19.1 per cent. Tax expenses increased by 158.0 per cent. from KZT334.4 million for the nine months ended 30 September 2004 to KZT862.9 million for the nine months ended 30 September 2005, as a result of increased social security costs and VAT which reflected an increase in salary expenses and level of operations, respectively.

The Bank's ratio of operating expenses to operating income before provisions for impairment losses decreased by 6.1 per cent. from 45.4 per cent. for the nine months ended 30 September 2004 to 39.3 per cent. for the same period ended 30 September 2005. Its ratio of operating expenses to operating income after provisions for impairment losses also decreased by 5.7 per cent., from 61.8 per cent. for the nine months ended 30 September 2004 to 56.1 per cent. for the nine months ended 30 September 2005.

Operating expenses as a percentage of net interest income before provisions for impairment losses decreased by 4.6 per cent. from 67.7 per cent. for the nine months ended 30 September 2004 to 63.1 per cent. for the nine months ended 30 September 2005.

Taxation

The statutory corporate tax in Kazakhstan is 30 per cent. For the nine month period ended 30 September 2005, the effective tax expense incurred by the Bank was 5.6 per cent. of the relevant IFRS unaudited pre-tax income figure, compared to the effective tax expense of 6.1 per cent. incurred by the Bank for the nine month period ended 30 September 2004. The effective tax rate in the first nine months of 2005 and 2004 was substantially lower than the statutory tax rate mainly due to the effect of recent changes in the local tax regulations. Examples of such changes include the tax treatment of certain types of loans, including financial leases and long-term loans to companies to finance the modernisation of fixed assets, as well as residential mortgages to individuals and non-performing loans. Furthermore, the effective tax rate was substantially lower because of the Bank's increased holding of tax exempt government securities.

Similar to other Kazakhstan banks, the Bank was subject to a tax inspection by the Kazakhstan Tax Committee in 2004. The result of the inspection was a preliminary assessment for additional tax of KZT337 million which is disclosed as a contingent liability in the unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2004. The tax liability arose due to certain imperfections of local tax legislation, in particular because of the absence at the time of the clear calculations methodology. The Bank has received a final assessment of KZT82 million plus interest and penalties of approximately KZT18 million, which has been paid.

Results of Operations for the Years Ended 31 December 2004 and 2003

Net Interest Income

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

	For the year ended 31 December		Variation
	2004	2003	2004/2003
	(KZT thousands)		*(per cent.)*
Interest income	12,396,971	6,962,144	78.1
Interest expense	(6,355,305)	(3,333,540)	90.6
Net interest income before provision for impairment losses on interest bearing assets	**6,041,666**	**3,628,604**	**66.5**
Provision for impairment losses on interest bearing assets	(2,418,052)	(1,434,198)	68.6
Net interest income	**3,623,614**	**2,194,406**	**65.1**

Interest Income

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

	For the year ended 31 December		Variation
	2004	2003	2004/2003
	(KZT thousands)		*(per cent.)*
Interest on loans and advances to customers	10,897,119	6,229,448	74.9
Interest on debt securities	1,024,146	617,996	65.7
Interest on loans and advances to banks	390,352	82,054	375.7
Interest on reverse repurchase transactions	85,354	32,646	161.5
Total interest income	**12,396,971**	**6,962,144**	**78.1**

Interest income increased by 78.1 per cent., or by KZT5,434.8 million, from KZT6,962.1 million for the year ended 31 December 2003, to KZT12,396.9 million for the year ended 31 December 2004. This increase was primarily due to increased volume of loans and advances extended to customers.

Interest Expense

The following table sets out the principal components of the Bank's consolidated interest expense for the years ended 31 December 2004 and 2003.

	For the year ended 31 December		Variation
	2004	2003	2004/2003
	(KZT thousands)		*(per cent.)*
Interest on customer accounts	4,254,115	2,371,351	79.4
Interest on loans and advances from banks and other financial institutions	1,465,663	604,602	142.4
Interest on subordinated debt	612,559	342,047	79.1
Interest on repurchase transactions	22,968	15,540	47.8
Total interest expense	**6,355,305**	**3,333,540**	**90.6**

For the year ended 31 December 2004, interest expense increased by 90.6 per cent. or by KZT3,021.8 million, from KZT3,333.5 million for the year ended 31 December 2003, to KZT6,355.3 million for the year ended 31 December 2004.

The increase in interest expense on customer accounts is a reflection of the growth in volumes of customer deposits with the Bank.

Interest Margin

The Bank's overall net interest margin decreased from 6.5 per cent. for the year ended 31 December 2003 to 6.0 per cent. for the year ended 31 December 2004. This decline was consistent with the decline in net interest margins at other Kazakhstan banks as competition increased and the banking system further matured.

The following table sets out the effective average interest rates by major currencies for the principal interest-bearing assets and liabilities of the Bank as at 31 December 2004 and 2003. The analysis has been prepared using period-end effective contractual rates.

	31 December 2004				31 December 2003			
	KZT	U.S.$	Euro	Other	KZT	U.S.$	Euro	Other
				(per cent.)				
Assets								
Loans and advances to banks	5.9	2.3	2.3	2.0	5.5	2.5	—	2.5
Assets held-for-trading	5.7	5.6	—	—	5.5	4.5	—	—
Securities purchased under agreements to repurchase	1.5	3.1	—	—	2.5	1.5	—	—
Loans and advances to customers	15.2	14.2	9.8	—	16.0	15.2	13.2	—
Investment securities:								
available-for-sale	4.5	4.9	—	—	5.5	4.5	—	—
held-to-maturity	—	—	—	—	—	—	—	—
Liabilities								
Loans and advances from banks and other financial institutions	6	4.9	3.9	—	—	—	—	—
Securities sold under agreements to repurchase	—	—	—	—	2.5	—	—	—
Customer accounts	10.3	6.6	7.1	—	10.0	6.2	6.0	—
Debt securities issued	8.8	—	—	—	—	—	—	—
Subordinated debt	10.9	9.1	—	—	11.8	—	—	—

Allowance for Impairment Losses

The allowance for impairment losses was KZT2,287.5 million for the year ended 31 December 2003 and KZT4,082.7 million for the year ended 31 December 2004. The higher charge for 2004 as compared to 2003 was the result of the increase in the size of the Bank's consumer and SME loan portfolios during 2003.

As a percentage of total loans and advances to customers, the allowance for impairment losses was 4.2 per cent. as at 31 December 2003 and 4.3 per cent. as at 31 December 2004.

Non-Interest Income

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

	For the year ended 31 December		Variation
	2004	**2003**	**2004/2003**
	(KZT thousands)		*(per cent.)*
Net gain on assets held-for-trading	92,756	111,886	(17.1)
Net gain on foreign exchange operations	783,277	452,529	73.1
Fees and commission income	3,327,522	2,209,659	50.6
Fees and commission expense	(339,886)	(207,398)	63.9
Net gain/(loss) on investment securities	28,079	(16,034)	275.1
Other income	287,138	173,359	65.6
Total non-interest income	**4,178,886**	**2,724,001**	**53.4**

Total non-interest income increased by 53.4 per cent. or by KZT1,454.9 million, to KZT4,178.9 million for the year ended 31 December 2004 from KZT2,724.0 million for the year ended 31 December 2003. This increase primarily reflects significant growth in fee and commission income as a result of an increase of 44.6 per cent. in the volume of cash withdrawals and settlement transactions by the Bank's clients. In addition, foreign exchange operations experienced an increase in gain as the Bank purchased U.S. dollars for its own account and sold them on domestic markets at a profit.

Fees and Commission Income

The following table sets out the principal components of the Bank's consolidated fees and commission income for the years ended 31 December 2004 and 2003:

	For the year ended 31 December		Variation
	2004	**2003**	**2004/2003**
	(KZT thousands)		*(per cent.)*
Cash operations	1,101,622	815,637	35.1
Settlements	1,063,609	681,450	56.1
Documentary operations	383,319	336,897	13.8
Trust operations	281,371	38,514	630.6
Foreign exchange operations	197,046	171,309	15.0
Loans operations	161,810	40,892	295.7
Internet-banking operations	29,678	15,876	86.9
Safe operations	13,830	38,601	(64.2)
Other operations	95,237	70,483	35.1
Total fees and commission income	**3,327,522**	**2,209,659**	**50.6**

For the year ended 31 December 2004, total fees and commission income increased by 50.6 per cent. or by KZT1,117.9 million, as compared to the year ended 31 December 2003. This increase was primarily due to increased levels of operations.

Fees and Commission Expense

The following table sets out the principal components of the Bank's consolidated fees and commission expense for the years ended December 2004 and 2003:

	For the year ended 31 December		Variation
	2004	2003	2004/2003
	(KZT thousands)		*(per cent.)*
Settlements	183,518	100,492	82.6
Brokerage services	44,667	20,233	120.8
Documentary operations	36,817	7,821	370.7
Foreign exchange operations	25,847	11,576	123.3
Cash operations	4,789	30,061	(84.1)
Other operations	44,248	37,215	18.9
Total fees and commission expense	**339,886**	**207,398**	**63.9**

For the year ended 31 December 2004, total fees and commission expense increased by 63.9 per cent. or by KZT132.5 million to KZT339.9 million, as compared to KZT207.4 million for the year ended 31 December 2003. This increase was largely due to expenses related in increased levels of operations.

Operating Expenses

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

	For the year ended 31 December		Variation
	2004	2003	2004/2003
	(KZT thousands)		*(per cent.)*
Salary and bonuses	1,743,103	1,160,840	50.2
Other employees' benefits	492,560	176,488	179.1
Administrative services	368,153	218,702	68.3
Taxes, other than income tax	317,730	197,687	60.7
Depreciation of fixed and intangible assets	315,947	345,342	(8.5)
Advertising expenses	303,591	290,480	4.5
Social security costs	261,725	251,215	4.2
Lease expenses	238,938	108,569	120.1
Communication expenses	181,111	155,699	16.3
Repairs and maintenance expense	168,912	126,598	33.4
Obligatory guarantee payment to Deposit Insurance Fund	134,499	125,410	7.2
Business trip expenses	100,544	75,515	33.1
Entertainment expenses	83,442	48,570	71.8
Sponsorship	41,942	10,071	316.5
Presentation expense	36,336	33,788	7.5
Professional services fees	26,709	96,473	(72.3)
Other	148,497	118,596	25.2
Total operating expenses	**4,963,739**	**3,540,043**	**40.2**

Operating expenses increased by 40.2 per cent. in 2004 as compared to 2003 and represented 63.6 per cent. of operating income after provisions for impairment losses as at 31 December 2004 compared to 72.0 per cent. as at 31 December 2003. This was due primarily to increases in salary and bonus expenses, other employees' benefits and administrative costs.

The major component of the Bank's operating expenses was salaries and bonuses, which accounted for 35.1 per cent. of the total operating expenses in the year ended 2004, compared to 32.8 per cent. in the year ended 2003. The rise in salaries resulted from a 20.6 per cent. increase in the number of staff employed by the Bank (1,746 employees as at 31 December 2003 and 2,106 employees as at 31 December 2004) as well as general upward pressure on the salaries of all banking employees in Kazakhstan due to stiff competition for skilled labour.

Other employees' benefits increased by 179.1 per cent. to KZT492.6 million in the year ended 31 December 2004 as compared to KZT176.5 million for the year ended 31 December 2003, which reflects the Bank's strategy to attract, retain and motivate skilled labour by providing additional fringe benefits.

Administrative costs increased by KZT149.5 million (68.3 per cent.) in 2004 as compared to 2003, which reflected an increase in the Bank's volume of operations.

Taxes, other than income tax, increased by 60.7 per cent. to KZT317.7 million for the year ended 31 December 2004 as compared to KZT197.7 million in the year ended 31 December 2003 as a result of higher social security costs and VAT which reflected an increase in salary expenses and level of operations, respectively. Depreciation of fixed and intangible assets decreased by KZT29.4 million (8.5 per cent.) in 2004 as compared to 2003 as a result of a lower depreciation on computer equipment and other fixed assets.

Advertising expenses increased by KZT13.1 million (4.5 per cent.) in 2004 as compared to 2003 due to the Bank's aggressive advertising campaign to promote its banking products. Social security costs also increased in the year ended 31 December 2004 compared to the year ended 31 December 2003 (4.2 per cent.) as a result of an increased in salary expenses.

Operating expenses as a percentage of average assets also improved in the year ended 31 December 2004 as compared to the year ended 31 December 2003, from 5.3 per cent. in 2003 to 4.3 per cent. in 2004 as a result of a 81.3 per cent. increase in assets compared to a 40.2 per cent. increase in operating expenses. The Bank's ratio of operating expenses to operating income before provisions for impairment losses decreased by 7.1 per cent. from 55.7 per cent. for the year ended 31 December 2003 to 48.6 per cent. for the same period ended 31 December 2004. Its ratio of operating expenses to operating income after provisions for impairment losses also decreased by 8.4 per cent., from 72.0 per cent. for the year ended 31 December 2003 to 63.6 per cent. for the year ended 31 December 2004.

Operating expenses as a percentage of net interest income before provisions for impairment losses decreased by 15.4 per cent. from the year ended 31 December 2003 (97.6 per cent.) to the year ended 31 December 2004 (82.2 per cent.) as a result of substantially higher growth rate of interest income over operating expenses as part of cost reducing and profit enhancing strategies pursued by the Bank's management.

Taxation

The Bank's income tax expense was KZT284.6 million for the year ended 31 December 2004, as compared to KZT121.1 million for the year ended 31 December 2003. The Bank's effective rates were 10.4 per cent. and 8.8 per cent. for the years ended 31 December 2004 and 2003, respectively, as a result of the changes to applicable tax laws relating to the tax treatment of certain types of loans.

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

Total assets

As at 30 September 2005, the Bank's total assets amounted to KZT257,934.8 million, an increase of 73.7 per cent., on total assets at 31 December 2004. During 2004, the Bank's total assets increased by KZT66,570.6 million, or 81.3 per cent., from KZT81,913 million at the end of 2003 to KZT148,483.7 million at the end of 2004. The growth for the first nine months in 2005 was primarily attributable to the 99.5 per cent. increase in the Bank's net loan portfolio. The growth in 2004 was primarily attributable to a 75.7 per cent. increase in the Bank's net loan portfolio.

As at 30 September 2005, the Bank's cash and balances with the NBK had increased to KZT10,793.6 million, from KZT8,739.1 million as at 31 December 2004, an increase of 23.5 per cent. Cash and balances with the NBK increased by KZT3,090.4 million, or 54.7 per cent., from the end of 2003 to the end of 2004.

As at 30 September 2005, loans and advances to banks totalled KZT9,693.2 million, a decrease of 0.5 per cent. as compared to 31 December 2004. From 2003 to 2004, loans and advances to banks increased by KZT251.1 million, or by 2.6 per cent.

As at 30 September 2005, the Bank held KZT5,561.8 million of assets held-for-trading, compared to KZT2,911.4 million of securities held at 31 December 2004, an increase of 91.0 per cent. which reflects an increase in the volume of the Bank's trading operations and the relatively high yield on assets held-for-trading.

As at 30 September 2005, the Bank held KZT3,401.9 million of securities as part of reverse repurchase transactions, compared to KZT7,843.3 million of securities held at 31 December 2004, a decrease of 56.6 per cent.

As at 30 September 2005, the total amount of outstanding net loans and advances to customers, was KZT182,477.8 million, an increase of 99.5 per cent., as compared to 31 December 2004. The total amount of outstanding loans, net of loan loss provisions was KZT91,467.4 million at the end of 2004, as compared to KZT52,068.8 million at the end of 2003. These increases in 2004 were higher than the increases in loans and advances to banks.

As at 30 September 2005, investments available-for-sale totalled KZT36,624.1 million, an increase of 70.5 per cent. over the figure at 31 December 2004. This increase was a result of the Bank's investment of its deposits into highly liquid securities including securities issued by the Government, the NBK and other entities. From 31 December 2003 to 31 December 2004, investments available-for-sale increased from KZT8,999.9 million to KZT21,478.7 million.

As at 30 September 2005, investments held-to-maturity totalled KZT92.3 million, an increase of 68.0 per cent. from 31 December 2004. This increase reflects the Bank's decision to broaden its securities portfolio and diversify its risk profile.

There was no investment in associated companies in 2003, 2004 or during the first nine months of 2005.

As at 30 September 2005, fixed and intangible assets, less accumulated depreciation of the Bank, had increased from KZT3,887.8 million as at 31 December 2004 to KZT5,200.5 million. In 2004, purchases by the Bank of 30 additional new ATMs, and other telecommunications, network and computer equipment resulted in an increase in the Bank's fixed assets of KZT1,199.3 million, or 44.6 per cent., over the prior year end.

As at 30 September 2005, the Bank's average assets totalled KZT203.2 billion, an increase of 76.4 per cent., as compared to 31 December 2004. From 2003 to 2004, the Bank's average assets increased by KZT48.8 billion, or 73.5 per cent., from KZT66.4 billion to KZT115.2 billion. The increase in the first nine months of 2005 was due to the 90.9 per cent. growth in the average loan portfolio, net of provisions for impairment losses, or by KZT65.2 billion.

Total liabilities

As at 30 September 2005, the Bank's total liabilities were KZT236,545.1 million, an increase of 73.7 per cent. as compared to 31 December 2004. During 2004, the Bank's liabilities increased by 83 per cent., to KZT136,208.2 million from KZT74,425.9 million at the end of 2003. The increases in 2005 and 2004 primarily resulted from an increase in customer accounts and deposits from banks.

As at 30 September 2005, customer accounts totalled KZT127,909.8 million, an increase of 40.0 per cent., as compared to 31 December 2004 in this sector. In 2004, customer accounts increased by KZT43,662.6 million as at 31 December 2004, or by 91.5 per cent., compared to 31 December 2003. As at the end of 2004, customer accounts aggregated KZT91,367.7 million, as compared to KZT47,705.1 million to the end of 2003.

As at 30 September 2005, loans and advances from banks and other financial institutions (including syndicated loans) amounted to KZT57,422.5 million, an increase of 64.2 per cent., as compared to 31 December 2004. Deposits received from banks increased by 68.7 per cent., from KZT20,728.4 million at the end of 2003 to KZT34,963.5 million at the end of 2004. The significant growth in 2004 and the first nine months of 2005 were a result of the increase in credit lines available to, and utilised by, the Bank during these periods .

As at 30 September 2005, the volume of securities sold under repurchase agreements totalled KZT4,407.8 million, as compared with KZT1,332.7 million as at 31 December 2003. No securities were sold under repurchase agreements in 2004.

There were no income tax liabilities as at 31 December 2004 and 30 September 2005. As at 31 December 2003, income tax liabilities were KZT62.4 million. These differences are primarily due to the net tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and different methods of interest and expense recognition for tax purposes as well as to the recorded values of certain assets.

The average liabilities of the Bank during the first nine months of 2005 amounted to KZT186.4 billion, an increase of 77.0 per cent. on the average for 2004. This was primarily due to increases in deposits from customers and banks. In 2004, the Bank's average liabilities increased to KZT105.3 billion (representing growth in comparison with 2003 of KZT44.8 billion, or 73.9 per cent.). As at 30 September 2005, the Bank's average interest-bearing liabilities were KZT153.7 billion, an increase of 81.7 per cent. as compared to 31 December 2004. In 2004, the Bank's average interest-bearing liabilities increased by 84.1 per cent. compared to 2003, primarily as a result of an increase in average time and demand deposits. As at 30 September 2005, average time deposits and demand deposits were KZT79.6 billion and KZT28.9 billion respectively, an increase of 59.2 per cent., and 52.4 per cent., respectively, as compared to 31 December 2004. During 2004, average time deposits and demand deposits increased by 88.5 per cent., and 30.3 per cent., respectively.

Equity and Capital Adequacy Ratios

As at 30 September 2005, the Bank's shareholders' equity had increased by 74.2 per cent., to KZT21,389.8 million, as compared to the 31 December 2004 figures. As at 31 December 2004, the Bank's shareholders' equity had increased 64.0 per cent., to KZT12,275.4 million, as compared to KZT7,487.1 million as at 31 December 2003. The increases in share capital in 2004 and 2005 were a result of additional issuances by the Bank of ordinary shares.

As at 30 September 2005, the Bank's total capital, calculated in accordance with the Basel Accord, was KZT31,643.1 million, including Tier I capital of KZT20,512.8 million, an increase of 77.2 per cent., on the 31 December 2004 figure. As at 31 December 2004, the Bank's total capital, calculated in accordance with the Basel Accord, was KZT18,775 million including Tier I capital of KZT11,573 million. As at 30 September 2005, the Bank's Tier I capital adequacy ratio and total capital adequacy ratio, each calculated in accordance with the Basel Accord as currently in effect and on the basis of IFRS financials, were 9.6 per cent., and 14.86 per cent., respectively. As at 31 December 2004, the Bank's Tier I capital adequacy ratio and total capital adequacy ratio, were 10.32 per cent., and 16.74 per cent., respectively.

The following table gives certain information regarding the Bank's Tier I and Tier II capital and its risk weighted capital adequacy ratio, based on IFRS as at 30 September 2005 and 31 December 2004 and 2003, and calculated in accordance with the Basel Accord:

	30 September	31 December	
	2005	2004	2003
	(KZT millions, except for percentages)		
Tier I capital	20,513	11,573	6,832
Tier II capital	11,130	7,202	4,071
Tier I and Tier II capital (total capital)	31,643	18,775	10,903
Total risk weighted assets	212,880	112,173	68,910
Risk weighted capital adequacy ratio (per cent.)	14.86	16.74	15.82

Using ratios calculated in accordance with the Basel Accord, the Bank had a Tier I capital ratio of 10.32 per cent. as at 31 December 2004, compared to a ratio of 9.91 per cent. as at 31 December 2003 and risk weighted capital adequacy ratio (comprising total capital divided by total risk weighted assets) of 16.74 per cent. as at 31 December 2004, compared to 15.82 per cent. as at 31 December 2003.

Capital

The following table sets out certain ratios calculated in accordance with the requirements of the NBK, based on financial statements prepared according to Kazakhstan Accounting Standards, at 30 September 2005, and 31 December 2004 and 2003 regarding capital adequacy, foreign exchange positions, maximum exposures and certain other matters:

	NBK's requirements	As at 30 September 2005	As at 31 December 2004	2003
		(per cent., unless otherwise noted)		
Minimum Share Capital (KZT)(1)	Not less than KZT2,000 million(2)	KZT12,877 million	KZT7,467 million	KZT5,167 million
Capital Adequacy Ratios				
K1 – tier I capital to total assets(2)	Not less than 6 per cent.	6.6	6.3	7.2
K2 – own capital to total assets weighted for risk(2)	Not less than 12 per cent.	12.6	14.0	14.9
K4 – current liquidity ratio(3)	Greater than 30 per cent.	115.0	134.0	80.0
K5 – short-term liquidity ratio(4)	Greater than 50 per cent.	127.0	155.0	83.0
Reserve requirements as a percentage of average customer account balances(5)	Not less than 6 per cent.	11.2	22.7	21.2
K6 – investments in fixed assets and non-financial assets to own capital	Not greater than 50 per cent. of bank's own capital	21.0	24.0	20.0
Maximum aggregate net open foreign currency position(6)	30 per cent. of bank's own capital	(1.9)	(7.0)	2.3
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the euro	15 per cent. of bank's own capital	(1.8)	(7.2)	1.7
Maximum net open position in currencies of countries rated from "B" to "A"	Short position—5 per cent. of bank's own capital	(0.1)	0.2	0.6
Maximum aggregate on-balance sheet and off-balance sheet exposure to related parties	100 per cent. of bank's own capital	12.1	8.4	4.9
Maximum exposure to any single borrower	Percentage of bank's own capital			
related parties	Not greater than 10	5.8	5.1	2.0
other borrowers	Not greater than 25	16.7	16.6	21.2
on unsecured loans	Not greater than 10	2.8	0.2	1.0

(1) Under Kazakhstan law, "share capital" means capital which must be provided in order to establish a company or a bank. A bank's share capital may be formed only with cash contributions. Sources of funds contributed to bank's share capital are subject to certain disclosure requirements.

(2) The NBK's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and, starting from 1 January 2006, Tier III capital (not exceeding 250 per cent. of the part of Tier I capital aimed to cover the 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 ("first tier subordinated debt") in the 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 second tier subordinated debt (but not more than 50 per cent. of Tier I capital) and, starting from 22 November 2005, first tier subordinated debt not included into calculation of Tier I capital. Starting from 1 January 2006, Tier III capital is the sum of third tier subordinated debt plus second tier subordinated debt not included into calculation of Tier II capital.

(3) The current liquidity ratio is the ratio of monthly average highly liquid assets to monthly average demand liabilities. For this purpose, ''highly liquid assets'' include cash, refined precious metals, certain securities issued by the Government, the NBK or certain other entities, call deposits with the NBK and with banks with an appropriate credit rating, overnight loans to such banks and securities issued by foreign governments with an appropriate credit rating. Demand liabilities include call deposits, inter-bank overnight deposits and other specified short term or undated liabilities.

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

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

(5) Starting from 1 October 2005, reserve requirements should be calculated as a percentage of internal liabilities of the bank (basically average customer account balances) plus a positive difference between the amount of external liabilities and the amount of external reserve assets of the bank. External liabilities include liabilities before international financial organizations, special purpose deposits of subsidiaries, debt security liabilities and subordinated debts. External reserve assets include hard currency and certain other assets abroad. The percentage stays unchanged at 6 per cent.

(6) Ratio of net currency position (including of balance sheet items) to equity in accordance with NBK requirements

Regulatory Ratios

At no time during the five years preceding the date of this Prospectus has the bank been in breach of applicable Capital Adequacy or Liquidty Ratios.

DESCRIPTION OF THE BANK

Overview

The Bank is the fifth largest commercial bank in Kazakhstan in terms of assets and customer accounts, which as at 30 September 2005 equalled KZT257,934.8 million and KZT127,909.8 million, respectively. The Bank's primary business consists of corporate and retail banking. Its corporate banking activities include a broad range of wholesale banking products to a diversified group of domestic customers, primarily small- and medium-sized companies. The Bank's retail banking activities and products include retail lending and deposit taking and credit and debit cards. The Bank is also an active participant in the fixed income securities market and foreign currency markets in Kazakhstan.

The Bank's objectives, as set out in Clause 1.5 of the Bank's Articles of Association, are to promote the development of the state economy and to ensure the receipt of dividends by the Bank's shareholders, through a variety of banking operations in compliance with the laws of Kazakhstan.

As at 30 September 2005, the Bank, in addition to its head office in Almaty, had 19 full service branches and 108 limited service branches, or retail settlement units, throughout Kazakhstan and a network of 81 ATMs in principal cities in Kazakhstan.

On 25 May 2004, the Bank re-registered as Joint Stock Company CenterCredit, under the new Joint Stock Company Law to engage in various activities in the banking sector in accordance with the laws of the Republic of Kazakhstan. The Bank's current banking licence was re-issued by the NBK on 9 June 2004 and its registration certificate, issued by the Ministry of Justice, is numbered 3890-1900-AO. The registered office and the head office of the Bank are at 100 Shevchenko Street, Almaty, 050022, Kazakhstan and its telephone number is +7 3272 588 955.

History

The Bank was originally registered with the state bank of the former USSR on 19 September 1988 as Almaty Oblast Central Cooperative Bank CenterBank, a credit institution for cooperative societies and small- and medium- sized companies. In August 1991, the Bank was re-registered as Kazakhstan Central Joint Stock Bank CenterBank, the first private commercial bank in Kazakhstan, and in November 1996, it was re-registered as OJSC Bank CenterCredit. The Bank is incorporated for an unlimited duration.

In 1998, the Bank merged with the then state-owned bank CJSC Zhilstroibank. CJSC Zhilstroibank was initially established in November 1996 as State Owned Housing Bank for the purpose of providing individuals with affordable long-term mortgage loans. In 1997, CJSC Zhilstroibank merged with another state-owned bank, OJSC Kazakhstan Joint Stock Commercial Bank On Crediting Social Development ("KredSotsBank") established in 1990 for the purpose of financing the development and stabilisation of the economy of the former Kazakhstan Soviet Social Republic. Following the merger with KredSotsBank, the Government initiated a financial restructuring which included the transfer of approximately KZT1,298 million of non-performing loans to the Rehabilitation Bank. The transfer did not include certain Dollar-linked mortgages which, at the time of transfer, were not in default. See "—Loan Portfolio". Following this restructuring, CJSC Zhilstroibank was privatised in December 1997. Pursuant to the terms of the privatisation, the shareholders of OJSC Bank CenterCredit (the successful bidder) and the Government received shares in the newly merged entity, the Bank, in proportion to their respective holdings based upon the value of the shares in each bank as at 31 December 1997. As a result, the Government became a major shareholder in the Bank holding approximately 21 per cent. of its issued common shares. In 2001, the Bank repurchased the Government's shareholding and such shares were reissued to other investors.

The common shares of the Bank are currently listed on the "A" list of the Kazakhstan Stock Exchange and, as at 30 September 2005, the Bank had over 700 shareholders with the largest single shareholder beneficially holding 6.6 per cent. of the Bank's issued share capital. See "Management and Share Ownership—Principal Shareholders".

Competition

As at 30 September 2005, there were 34 banks, excluding the NBK and the DBK, operating in Kazakhstan, of which 14 were banks with foreign participation, including subsidiaries of foreign banks. As at 31 December 2002, there were 38 banks operating in Kazakhstan, excluding the NBK and the DBK. The Bank believes that the decline in the number of banks in Kazakhstan from 31 December 2002 to

30 September 2005 is primarily attributable to stricter requirements set by the NBK as to capital adequacy, provisioning, maximum exposures, accounting and information disclosure. See "The Banking Sector in Kazakhstan".

The commercial banks in Kazakhstan can be divided into four groups: large domestic banks, such as Kazkommertsbank, Bank TuranAlem and Halyk Savings Bank; medium-sized domestic banks, such as ATF Bank, the Bank and Alliance Bank; subsidiaries of foreign banks, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC; and other smaller banks.

The Bank currently does not compete with the leading Kazakhstan banks for large corporate clients. However, as the fourth largest bank in Kazakhstan in terms of retail deposits (KZT55,149 million as at 30 September 2005), the Bank does compete with the leading banks for retail customers. In addition, the Bank competes with other market participants (including the leading Kazakhstan banks) for small- and medium-sized corporate clients.

The Bank believes that its professional management, transparent and consistent business practices and strong nationwide branch network position it favourably in the Kazakhstan market to compete for small- and medium-sized corporate clients and retail customers.

The following table compares certain financial information (prepared in accordance with Kazakhstan accounting practices and the regulations of the NBK) relating to the Bank, certain other domestic banks and banks with foreign participation:

	As at 30 September 2005	
	Assets	Shareholders' Equity
	(KZT millions)	
Large Local Banks		
Kazkommertsbank	829,627	73,534
Bank TuranAlem	799,397	71,049
Halyk Savings Bank	543,406	52,600
Medium-Sized Domestic Banks		
ATF Bank	288,951	25,844
Bank CenterCredit	258,909	21,090
Alliance Bank	228,306	27,096
Banks under Foreign Ownership		
ABN AMRO Bank Kazakhstan	60,858	5,767
Citibank Kazakhstan	48,651	5,637

Source: Published financial statements.

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

For further information, see "The Banking Sector in Kazakhstan".

Strategy

The Bank's strategy is to increase its market share and total assets by strengthening its position in all segments of the market, with a particular focus on small- and medium-sized enterprises and retail customers, where it currently has a strong clientele base. In order to implement its strategy, the Bank intends to focus on the following:

- Expand its banking and capital market activities;

- Strengthen its funding base and capital base;
- Enhance its risk management infrastructure and policies;
- Enhance operating efficiency;
- Establish strategic partnerships with international financial institutions; and
- Increase its geographic presence.

Expansion of banking and capital market activities

Although the retail banking market has expanded rapidly in recent years in Kazakhstan, it still represents only a small percentage of the Kazakhstan economy. In order to attract and retain retail customers, the Bank plans to use its branch network to cross-sell to its target retail customers (i.e., those with annual incomes of U.S.$6,000 to U.S.$20,000) a traditional range of retail products, such as term deposits and consumer loans, with other more sophisticated financial products and services, such as insurance, money transfer, internet and mobile banking, mortgage lending, asset management, pension products and credit and debit cards, some of which are provided by the Bank's subsidiaries.

The Bank has installed nine additional ATMs during the first nine months of 2005 and intends to install 70 additional ATMs during 2006 in order to enable its customers to have easier access to their accounts and is in the process of developing an internal processing centre in order to provide internet banking and improved range of services to its retail customers. In 2005, the Bank opened eight retail settlement units and intends to open 30 to 50 retail settlement units over the next few years in regions which the Bank believes have a high growth potential to better service its customers and exploit the opportunity to cross-sell insurance, pension and other products. The Bank intends to increase its market share in the credit/debit card segment of the retail banking sector, which is currently 3 per cent. (having issued approximately 103,000 cards as at 30 September 2005), to 10 per cent. in 2007 (with an estimated 500,000 cards).

The Bank is also committed to developing its corporate banking services. The Bank plans to focus on diversifying its loan portfolio, while maintaining its quality, by attracting new small- and medium-sized corporate clients, extending trade financing to major customers for their import and export activities, increasing medium term project financing volumes and introducing and expanding new services to existing and new customers, such as access to private pension programmes, leasing, money transfer, liquidity and asset management, structured finance, certain derivative services, financial consulting and e-banking. In particular, the Bank aims to achieve a market share of 15 per cent. by the year 2008 in each of the leasing, insurance and pension sectors. The Bank also plans to develop special loan programmes and introduce sector specialisation for SMEs and large corporate clients.

The Bank plans to introduce Customer Service Centres and a network of multifunctional ATMs, to develop a tailored service approach with different marketing strategies designated for each segment and to improve quality of services through upgrades of management information systems.

Kazakhstan's capital markets continue to develop as the economy grows. The Bank's wholly-owned broker-dealer subsidiary, JSC KIB Asset Management, had a market share as of 30 September 2005 of 11.7 per cent. of the aggregate volume of corporate securities traded on the Kazakhstan Stock Exchange. The Bank intends to further develop JSC KIB Asset Management's security trading activities and financial advisory capabilities, as well as underwriting and lead arranging local equities and bonds issuances services.

Strengthening and diversifying capital and funding base

The Bank intends to improve its funding base by increasing its market share of domestic retail deposits through its extensive branch network, medium and long-term borrowings in the domestic and international markets, including subordinated and senior debt and share issues as well as asset securitisation programmes, and lower-cost borrowing from international development organisations and other international financial institutions. In doing so, the Bank will seek to diversify its funding sources, lower its overall funding costs and increase the maturity profile of its debt portfolio to support its anticipated asset growth.

Domestic deposits are an important and attractive source of funding for the Bank. The Bank believes that as the banking sector in Kazakhstan strengthens, retail deposits, which to date have remained limited, will gradually increase. The Bank's marketing strategy is to ensure that it effectively utilises its branch network and experience in the retail banking market to capture such anticipated capital flows. As at 30 September 2005, the Bank was the fourth largest bank in Kazakhstan in terms of deposits and, as a result, the Bank believes that it is well placed to obtain a significant share of any increase in domestic deposits.

Between September 2002 and September 2005, the Bank entered into numerous loan facilities and financings with several international financial institutions and the European Bank for Reconstruction and Development (the "EBRD") extended several credit lines to the Bank during this time. The Bank is currently in discussions with the EBRD, Deutsche Investitions – und Entwicklungsgesellschaft mbH ("DEG") and the International Finance Corporation (the "IFC"), a division of the World Bank, regarding possible capital injections. See "—Funding and Liquidity—Foreign Currency Borrowings".

As at 30 September 2005, the Bank's authorised share capital equalled KZT 12,877 million, all of which is issued and fully paid. Since 2000, the Bank has implemented a number of projects to increase its funding base, such as the issuance of U.S.$4.5 million in subordinated debt due in December 2005. Between 2002 and 2004, the Bank issued an additional KZT5.5 billion in three separate subordinated debt issuances with terms ranging from seven to nine years. The Bank's risk weighted capital adequacy ratio equalled 14.86 per cent. as at 30 September 2005. The Bank has improved its capital base during the first nine months of 2005 by increasing its authorised and issued share capital base to KZT 12.9 billion and by issuing additional subordinated debt of KZT7 billion. In November 2005 the Bank announced an additional issue of 50 million common shares in the amount of KZT10 billion, which it expects to place in 2006. The Bank intends to further improve its capital base by increasing its authorised and issued share capital base by KZT13.9 billion and by issuing subordinated debt of KZT10 billion during 2006. The Bank is also contemplating a listing on an international stock exchange, as well as an international primary and/or secondary offering of its shares during the course of 2006. No assurance can be given that such plans will be fulfilled.

Enhancing risk management infrastructure and policies

The Bank has established internal rules, policies and guidelines for risk management in line with the requirements of the NBK and FMSA. The Bank's primary committees responsible for risk management are the Credit Committee of the Head Office, responsible for credit risks related to retail and corporate clients, and the Asset and Liability Committee (the "ALCO"), responsible for market risk and credit risk of financial institutions. The Treasury Department, which reports monthly to the ALCO, is involved in management of liquidity, interest rates and foreign exchange risks. The Bank's risk management function has improved in recent years following the introduction of a number of operational changes implemented with the assistance of Raiffeisen Zentralbank Österreich ("RZB") and Bank of Ireland. The Bank is committed to continuing the development of its risk management capability, including the introduction of more sophisticated analyses, such as value-at-risk analysis, and entering into derivative financial instruments to manage interest rate, currency and liquidity risks, including forwards, swaps, foreign currency options, and other derivatives, in addition to gap analysis currently used by the Bank. See "—Asset and Liability Management".

Enhancing operating efficiency

The Bank believes that it can improve its operational efficiencies through the rationalisation of its organisational structure, investment in human resources and by increasing its use of, and upgrading of its, technology. Following the merger with CJSC Zhilstroibank in 1998, the Bank implemented a "one branch per city" strategy and reduced the number of regional branches in areas of low business concentration. As at 30 September 2005, the Bank had 19 full service branches throughout Kazakhstan, a reduction from 46 in 1998. Management believes that the Bank's full service branch network covers all the principal cities and regions in Kazakhstan and does not intend to reduce its branch network further. The Bank may open additional full service branches in the future in cities or regions which the Bank determines are likely to yield larger sources of deposits and fee income derived from the sale of retail and corporate-based products.

In 1998, the Bank started to introduce a centralised, integrated banking information system of western standards, which connects the head office and branches, to service its corporate and retail banking operations. The Bank believes that its full introduction of the system by the end of 2006 will significantly improve the scope and efficiency of its information system with respect to risk management in treasury operations, assets and liabilities management and the management of loan transactions and liquidity, as well as financial reporting in accordance with IFRS.

The Bank intends to continue to introduce up-to-date banking technologies in the future, including a customer relationship management system, a Call Centre System, an Oracle-based system to redesign and automate business processes and internet banking systems. The Bank's software system has a separate power source and is equipped with emergency backup and data protection facilities. All data is copied onto a back-up server on a daily basis. The Bank is currently studying ways to automate its risk management systems and provide realtime monitoring of its risk exposures. Over the next few years the Bank expects to implement automated risk management software systems as its business expands.

The Bank implemented an organisational restructuring programme at its head office and throughout its branch network in early 2005 to ensure efficient human resources allocation in view of the Bank's rapid growth in recent years, together with the introduction of internal and external training programmes to improve the skill base and cross-selling ability of its employees. The Bank believes that such programmes, together with efficient staffing guidelines and human resources policies, will help to improve the quality and motivation of the Bank's personnel and help to develop a strong corporate culture.

Furthermore, as part of its cost reduction efforts, the Bank is aiming to introduce a profit and cost center approach and a division responsible for tracking and controlling the profitability of each client segment, business line, product and profit center. Under the profit centre approach, each business unit of the Bank will be responsible for its own revenues and costs and will have its own profit targets, in order to help management of the Bank run its operations more efficiently.

Strategic partnerships with international financial institutions

The Bank is currently in the process of establishing strategic alliances with several of the international financial institutions with whom it is currently engaged in ongoing discussions. The Bank believes that such a strategic partnership will allow the Bank to gain a greater knowledge of western IT systems, corporate governance and risk management know-how and to enhance operational efficiencies and strengthen management skills. The Bank's management is reviewing possible structures to establish such strategic partnerships. The Bank is currently in negotiations with the IFC for the sale of an approximately 10 per cent. stake in the Bank for U.S.$20 million via a new common share issue in the first half of 2006.

Increase geographic presence

The Bank seeks to increase its geographic presence, principally by expanding into other CIS countries, while maintaining its current position as the fifth largest commercial bank in Kazakhstan. The Bank has a representative office in Moscow. The Bank believes that expansion into other countries within the region will enable it to better serve clients active in those countries and to attract Russian based SMEs, the segment which the Bank believes is currently underserved.

Business

The Bank's branch network as at 30 September 2005 comprised, in addition to the head office in Almaty, 19 full service branches and 108 limited service branches, or retail settlement units, throughout Kazakhstan, supported by 81 ATMs. In addition, in common with other retail banks in Kazakhstan, customers of the Bank can use the ATM networks of other Kazakhstan banks for a small fee per withdrawal. As a result, customers of the Bank have access to a large network of ATMs throughout Kazakhstan. The Bank is currently authorised to offer products and services such as retail and corporate deposit taking, discount operations, settlements, issuance of payment cards, foreign currency exchange, issuance of bank guarantees, correspondent banking, cash and transfer operations, lending, trust operations, settlement operations, transactions with precious metals, leasing, factoring, forfeiting, broking-dealing, clearing operations and custody.

In May 2001, the Bank became a participating member of the VISA system and in 2002 was made an associate member of Visa International. As at 30 September 2005, 102,907 payment cards had been issued and this amount is expected to reach 175,000 by the end of 2006. Payment cards are issued predominantly to individuals whose employers have instituted payroll programmes whereby salaries are paid electronically by the employer to its employees' bank accounts at a specific, agreed-upon bank. Such agreements are negotiated between the Bank and the employer.

The Bank is the primary agent in Kazakhstan for Western Union. This service is utilised mainly by retail customers. For the nine months ended 30 September 2005, transfers from Western Union amounted to U.S.$30.2 million, compared to U.S.$23.9 million for the same period in 2004, and the Bank estimates that, for the nine months ended 30 September 2005, it had a 35 per cent. market share of the total number of money transfers in using the Western Union transfer network in Kazakhstan. During the first nine months of 2005, the average single transfer was U.S.$850, while the maximum single transfer did not exceed U.S.$7,300. Monthly volumes of transfers from individual customers have not exceeded U.S.$4.2 million.

In addition, the Bank has begun to offer limited tele-banking and internet banking to its corporate customers. At present, current Internet banking services include access to account information, payment transfers and currency exchange operations. Tele-banking services are limited to obtaining account balance information. In the medium term, the Bank anticipates that it will significantly expand its internet and tele-banking services to its retail customers. However, the Bank does not anticipate that initially there will be significant demand for these services, in particular for internet banking services, as personal computers are expensive in Kazakhstan and are not widely available.

As at 30 September 2005, total deposits of the Bank had reached approximately KZT128 billion, deposited in more than 210,974 accounts. The Bank estimates that its share of the retail and corporate deposit market, including SMEs, in Kazakhstan was approximately 5.9 per cent. as at 30 September 2005, compared to 5.6 per cent. as at 30 September 2004.

The Bank has the following five principal front-office business departments that provide the following services:

- *Corporate Business*, providing corporate and banking services;
- *International,* responsible for raising capital from foreign markets;
- *Treasury*, providing capital markets services, pension funds and asset management;
- *Business Development*, providing mortgage lending and retail banking services; and
- *SME Lending*, focusing on lending to small- and medium-sized enterprises.

The Bank also has four back-office departments that provide support services to its front-office business departments. These are as follows:

- *Credit risk*, which assists the branches by analysing the credit risks of potential borrowers and monitoring the loan portfolio of the Bank;
- *Administrative*, which is responsible for human resource management and information protection;
- *Financial*, which monitors the finances of the Bank; and
- *Analysis and Risk Management*, which is responsible for analysis and management of the Bank's market and operational risks.

Corporate Banking and Focus on SMEs

The Bank provides commercial banking products and services, focusing primarily on small, medium and, to a limited extent, large businesses in Kazakhstan. The Bank currently segments its corporate clients based on the annual revenues of such clients. Corporate clients with annual sales of U.S.$700,000 or less are classified as "small-sized", corporate clients with annual sales of between U.S.$700,000 and U.S.$7 million are classified as "medium-sized", corporate clients with annual sales of between U.S.$7 million and U.S.$70 million are classified as "large-sized" and corporate clients with annual sales in excess of U.S.$70 million are classified as "largest-companies". The Bank's number of corporate accounts is growing. As at 30 September 2005, the Bank had approximately 1,261 corporate accounts, of which 105 were categorised "large" and "largest" and the remaining were small- and medium-sized (i.e., SMEs). As at 30 September 2005, lending to "large" and "largest" corporate clients represented approximately 19.2 per cent. of the Bank's total assets (26.4 per cent. of the Bank's total gross loan portfolio) and lending to small- and medium-sized corporate clients accounted for 31.6 per cent. of the Bank's total assets (43.4 per cent. of the Bank's gross loan portfolio).

The Bank has traditionally been known for the high quality of services that it provides to SMEs and the Bank intends to continue to provide such services and increase its share of the SME banking market, which is currently 11.2 per cent. of loans, to 14 per cent. of loans. The Bank believes that growth in the SME market will be achieved both by attracting the business of SMEs who currently do not use a bank and by convincing SMEs who are currently customers of the Bank's competitors to switch their business to the Bank. The Bank is aggressively pursuing these customers and believes it can differentiate itself through quality of service.

The Bank participates in a number of special programmes for the financing of small- and medium-sized enterprises and enterprises in targeted industries, arranged and sponsored by the NBK, the Ministry of Finance and several local (regional) executive bodies as well as international financial institutions such as Asian Development Bank ("ADB"), EBRD, DEG and Nederlandse Financierings – Maatschappj voor Ontwikkelingsclanden N.V. ("FMO"). The amounts of loans provided by such institutions to the Bank as at 30 September 2005 were U.S.$32,857 by ADB, U.S.$32.6 million by EBRD, U.S.$4 million by DEG and U.S.$4.1 million by FMO, compared to U.S.$99,000 by ADB, U.S.$27.4 million by EBRD, U.S.$4 million by DEG and KZT565.9 million by FMO as at 30 September 2004. See "—Funding and Liquidity".

As part of its short- to medium-term strategy, the Bank plans to expand its corporate client base and increase the quality of its loan portfolio. In order to achieve this, the Bank established its Corporate and International Business Department in October 2002 to better service its corporate clients.

A major part of the Bank's corporate banking activities is the provision of trade finance and short-term credit facilities, mostly in Tenge and in U.S. dollars, including letters of credit, guarantees and working capital facilities. The majority of the Bank's corporate loans have maturities of less than 12 months. As demand for longer-term facilities grows, the Bank tries to link underlying funding sources to longer-term financing when available.

As at 30 September 2005, the Bank's share of the corporate lending market in Kazakhstan was approximately 6.8 per cent., compared to 4.9 per cent. as at the same date in 2004.

The Bank is also expanding into additional corporate services such as payroll management, payroll services supported by debit cards and foreign exchange.

Retail banking

In 2001, the retail banking market in Kazakhstan experienced considerable expansion following the introduction of the Deposit Insurance Fund. In addition, between June and July of 2001, to repatriate funds back to Kazakhstan, the Government announced a tax amnesty in relation to any deposits placed with banks during that period. The programme brought approximately U.S.$480 million into the banking system.

The retail banking market is an increasingly important source of funding and business for the Bank. The Bank believes that its branch network will allow it to take advantage of its retail customer and depositor base. As at 30 September 2005, the Bank held approximately 10.5 per cent. of retail term deposits in Kazakhstan through approximately 65,907 individual accounts (8.9 per cent. through approximately 170,400 individual accounts as at 30 September 2004).

The Bank offers a wide range of retail banking products and services, including term deposits, current accounts, debit and credit cards, currency exchange and ATM services. During 2002, 2003, 2004 and 2005, the Bank increased its share of the retail banking market by increasing the number of its ATMs in areas where it believed the potential for retail banking business growth was high, particularly in eastern Kazakhstan and in the Caspian Sea regions in the western part of Kazakhstan.

The Bank believes that the debit and credit card business will be one of the most significant growth areas in the retail banking market in the next few years. The Bank currently uses the card processing centre of a third party to process its debit and credit card transactions.

As at 30 September 2005, the Bank had issued approximately 103,000 payment cards (representing a market share in Kazakhstan of 3.3 per cent.), of which approximately 3,600 are credit cards, representing an increase of 350.0 cent. in the total number of cards issued by the Bank since 31 December 2003 and a 94.0 per cent. increase since 30 September 2004, when the Bank had issued approximately 53,033 payment cards (representing a market share in Kazakhstan of approximately 2.7 per cent.). While the majority of these cards relate to payroll services provided to the employees of the Bank's corporate customers, the Bank believes that the payment card market in Kazakhstan will continue to grow.

The Bank is also active in the retail lending market. The Bank had a market share of 4.3 per cent., as at 30 September 2004, and 10.4 per cent. as at 30 September 2005, of the Kazakhstan retail lending market (including mortgages). Loans aggregating KZT52,594 million were provided to 43,129 individuals as at 30 September 2005, compared to loans aggregating KZT14,921.9 million provided to 24,401 individuals as at 30 September 2004. The Bank participates in a programme established by the NBK in 2000 for long-term financing of house construction and development of a mortgage finance system in Kazakhstan. Under this programme, participating banks extend mortgage loans to retail customers and then transfer such loans to the Kazakhstan Mortgage Company, a wholly-owned subsidiary of the NBK, which finances the purchase through the issuance of domestic bonds. The Bank, however, maintains an ongoing economic interest in these loans throughout their duration and, although these loans are not reflected on the Bank's balance sheet once they have been transferred to the Kazakhstan Mortgage Company (approximately one month after the loan is granted), the Bank bears the credit risk. By the end of 2004, the Bank had lent approximately KZT1.6 billion under this programme, and, as at 30 September 2005, had an ongoing economic interest in loans with an aggregate value of KZT0.9 billion. In 2004, the Bank also inherited a number of mortgage loans from CJSC Zhilstroibank following its merger, for which the borrowers receive payment subsidies from the Government. See "Loan Portfolio—Loan portfolio structure by sector".

Capital Markets

Kazakhstan's capital markets are gradually developing as the economy grows. An important factor in this development was the establishment in 1998 of domestic private pension funds and asset management companies. As at 30 September 2005, JSC KIB Asset Management, a wholly-owned subsidiary of the Bank, had an approximate 11.7 per cent. market share of the corporate securities trading value on the Kazakhstan Stock Exchange, which recognised it as the second most active broker trading non-government securities.

JSC KIB Asset Management's primary activities include: purchase and sale of Government and corporate securities on the Kazakhstan Stock Exchange and over-the-counter markets in Kazakhstan; nominal holding; underwriting; management of clients' investment portfolios; and corporate finance. In 2003, JSC KIB Asset Management acted as the financial advisor and sole underwriter of second and third issues (KZT3 billion and KZT5 billion, respectively,) of local mortgage bonds issued by the Kazakhstan Mortgage Company. In addition, JSC KIB Asset Management acted as the financial advisor and market maker in the stock issuance of Charaltyn gold mining company and lead-zinc company Kazzinc. In 2003, JSC KIB Asset Management won a tender to become the exclusive adviser of the Committee on State Property and Privatisation under the Ministry of Finance of the Republic of Kazakhstan with respect to the sale of the government's minority shareholding in JSC CNPC Aktobemunaigas, a joint venture between a Chinese organisation and a Kazakhstan oil and gas production company. In 2004, JSC KIB Asset Management acted as the sole underwriter of the fourth, fifth and sixth issues, of KZT5 billion each, of Kazakhstan mortgage bonds issued by the Kazakhstan Mortgage Company. JSC KIB Asset Management acted as an authorised broker in the sale of 10 per cent. of the government's shareholding in the Ustkamenogorskiy Titanium-Magnesium Industrial Complex in 2004 and in the sale of 5 per cent; of the government's shareholding in the Kazzinc Company in 2005.

Trading partners of JSC KIB Asset Management include such major domestic financial institutions as Bank TuranAlem, Halyk Savings Bank, Kazkommertsbank, ATF Bank and ABN AMRO Bank Kazakhstan as well as major international banks including ING Bank, Deutsche Bank and Standard Bank London.

Pension Fund Services

The provision of pension fund services is a growing business in Kazakhstan. There are currently nine asset management companies and 16 pension funds, including two pension funds licensed for independent management of pension funds in Kazakhstan. The Bank is committed to becoming a leading provider of pension fund services. As at 30 September 2005, the Bank held an equity interest in three pension funds: JSC Atameken Pension Fund, JSC Korgau Pension Fund and JSC Capital Pension Fund. See "—Subsidiaries and Affiliates".

Treasury Services

Through its Treasury Department, the Bank trades government and corporate securities and foreign currencies for its own account. The Treasury Department operates within a set of parameters and standards determined by the ALCO and Analysis and Risk Management Department. In addition, the Treasury Department offers custodial management services to two pension funds, JSC Otan Pension Fund and JSC Korgau Pension Fund, and provides safe-keeping services for pensioners of those funds. It invests the pension funds based on instructions received from the managing companies of the pensions.

International Banking

Although the Bank does not have any operating subsidiaries or affiliates outside of Kazakhstan, the Bank provides services for customers engaged in international trading. The Bank maintains correspondent banking relationships with many international leading banks, including ING Bank, Deutsche Bank, Dresdner Bank, Commerzbank, ABN AMRO Bank, Credit Suisse, The Bank of New York, RZB, HypoVereinsbank, Citigroup, Bank of Tokyo-Mitsubishi, RaboBank, Bank Austria Creditanstalt, Bankgesellshaft Berlin, Swedbank, American Express and others, as well as being Western Union's primary agent in Kazakhstan.

Branch Operations

The Bank has 19 full service branches and 108 limited service branches, or retail settlement units, throughout Kazakhstan. The operations of each branch are subject to internal regulations and to oversight by the head office. Each full service branch provides a broad range of banking services, although discount operations, trust operations, clearing operations, mortgage operations, issuance of payment cards, guarantee operations, issuance of securities, factoring and forfeiting operations and transactions with precious metals are conducted out of only the head office. In comparison with branches, settlement units perform a limited number of banking operations such as utility payments, cash withdrawals and money transfers and, as such, are primarily for individual customers.

The Bank's Credit Committee of the Head Office is responsible for developing branch policies and expansion strategies. Based on the financial results and operations of each branch, the Credit Committee also determines the aggregate amount that each branch is entitled to lend to its customers. These limits range from U.S.$50,000 to U.S.$400,000. Retail settlement units do not extend loans. See "—Lending Policies and Procedures—General".

Technology

The Bank operates an integrated banking system which allows on-line interactive communication between the Bank's head office and its branches through a real-time wide area network. The Bank considers the upgrading of its information technology systems an important aspect of the Bank's further development and has invested approximately U.S.$5million in its computer and communication technology during the first nine months of 2005, and plans to make additional investments during the year 2006 of approximately U.S$6.75million.

Subsidiaries and Affiliates

The Bank has three subsidiaries: LLP CenterLeasing, JSC KIB Asset Management and JSC Capital Pension Fund and five affiliates: JSC Atameken Pension Fund (formerly Narodny Pension Fund), JSC Korgau Pension Fund, JSC Oil Insurance Company, JSC First Credit Bureau and Legal Persons Union "Association of Financiers of Kazakhstan". These subsidiaries and affiliates are strategically important to the Bank, given the Bank's intention to cross-sell its financial products. The Bank also controls the operation of LLP BCC and LLP Aktas Zhol, although it is not a participant in such companies. The following table sets out details of the Bank's shareholding in its subsidiaries and affiliates as at 30 September 2005:

	Shareholding *(per cent.)*
JSC KIB Asset Management	100.0
LLP CenterLeasing	100.0
JSC Capital Pension Fund	85.0
JSC First Credit Bureau	18.4
Legal Persons Union "Association of Financiers of Kazakhstan"	16.6
JSC Atameken Pension Fund	12.5
JSC Korgau Pension Fund	9.4
JSC Oil Insurance Company	5.5
LLP BCC(1)	—
LLP Aktas Zhol(1)	—

(1) Although the Bank is not a partner in LLP BCC and LLP Aktas Zhol, they are consolidated in the Bank's audited IFRS financial statements as subsidiaries due to the fact that the Bank controls their operations.

JSC KIB Asset Management

JSC KIB Asset Management was established in 1998 and is based in Almaty. JSC KIB Asset Management is engaged in investment banking operations. For the nine months ended 30 September 2005, profits of

JSC KIB Asset Management totalled KZT34.3 million compared to a profit of KZT41.9 million for the year ended 31 December 2004, and a loss of KZT42.9 million for the year ended 31 December 2003. See "—Business—Capital Markets". JSC KIB Asset Management has been consolidated with the Bank since its incorporation and as at 30 September 2005, had an authorised and issued share capital of KZT275.0 million. As at 30 September 2005, it had reserves (representing the sum of capital reserves, fixed assets revaluation fund and retained income) of KZT126.9 million. The registered office of JSC KIB Asset Management is located at 597 Seifullina Street, Almaty, 050022, Kazakhstan. It has never paid any dividends and its shares are fully paid.

LLP CenterLeasing

LLP CenterLeasing was established in 2002 as a limited liability partnership and is based in Almaty. LLP CenterLeasing provides leasing services to its clients. LLP CenterLeasing has been consolidated with the Bank since its incorporation and as at 30 September 2005, had an authorised and issued share capital of KZT25.5 million. For the nine months ended 30 September 2005, its profits totalled KZT36.3 million and for the year ended 31 December 2004, it had net income of KZT23.9 million. Its reserves as at 30 September 2005 were KZT52.5 million. The registered office of LLP CenterLeasing is located at 119 Kabanbai Batyr Street, Almaty, 050012, Kazakhstan. It has never paid any dividends and its shares are fully paid.

JSC Atameken Pension Fund

JSC Atameken Pension Fund was established in 1998 in Almaty as a Narodny Pension Fund, and was renamed in 2005. JSC Atameken Pension Fund was established to attract pension contributions and effect pension payments as a private pension fund. As at 30 September 2005, it had a 2.4 per cent. share of the pensions market in Kazakhstan, with total pension assets of KZT14,026million and had an authorised and issued share capital of KZT294 million.

JSC Korgau Pension Fund

JSC Korgau Pension Fund was established in 1999 as a joint stock company and is based in Almaty. JSC Korgau Pension Fund was established to attract pension contributions and effect pension payments as a private pension fund. For the nine months ended 30 September 2005, it had a 1.5 per cent. share of the pensions market in Kazakhstan with total pension assets of KZT9,037 million and had an authorised share capital of KZT300 million.

JSC Capital Pension Fund

JSC Capital Pension Fund was established in 2002 as a closed joint stock company and is based in Almaty and has an authorised and issued share capital of KZT400 million. JSC Capital Pension Fund was established to attract pension contributions and effect pension payments as a private pension fund. For the nine months ended 30 September 2005, it had a 1.5 per cent. share of the pensions market in Kazakhstan with total pension assets of KZT400.3 million. Its net income for the year ended 31 December 2004 was KZT103.8 million and for the nine months ended 31 September 2005 was KZT23.9 million. Its reserves as of 30 September 2005 were KZT11.2 million. Its registered office is located at 143a Tole Bi Street, Almaty, 480096, Kazakhstan. It has never paid dividends and its shares are fully paid.

JSC Oil Insurance Company

JSC Oil Insurance Company was established in 1999 as an open joint stock company, is based in Almaty and has an authorised and issued share capital of KZT750 million. JSC Oil Insurance Company provides a range of property and casualty insurance products. It is the third largest insurance company in the country and, for the nine months ended 30 September 2005, had an 6.3 per cent. share of the insurance market in Kazakhstan (in terms of premium).

JSC First Credit Bureau

JSC First Credit Bureau was founded in 2004 by a group of large Kazakh Banks for the purpose of establishing the credit histories of Kazakhstani borrowers and in order to provide a high level of reporting to creditors. The authorised and issued share capital of the Bureau is KZT37,260,000.

Legal Persons Union—"Association of Financiers of Kazakhstan"

This organisation was established in May 1999 as a fulfilment of the resolution of the Congress of Kazakhstan Financiers. It has an authorised and issued share capital of KZT675,000. The association's main goals are lobbying the interests of financial institutions in general and the implementation of the resolution of the Congress of Kazakhstan Financiers. In order to do this, the Association established a liaison with the Government of the Republic of Kazakhstan, and its ministries and agencies. In particular, the Protocol on Cooperation was signed on 1 February 2002 between the Association and the NBK. A similar protocol was signed on 1 January 2004 with the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets.

LLP BCC and LLP Aktas Zhol

Although the Bank is not an equity participant in either LLP BCC and LLP Aktas Zhol, these entities are consolidated with the Bank's audited financial statements, because the Bank controls their operations. Both partnerships were established in 1998 for the purpose of providing property appraisal and leasing operations for the Bank and the bulk of fixed assets of CJSC Zhilstroibank (mainly real estate) were transferred to them in order to comply with the NBK's requirements as to the ratio of fixed assets to the Bank's equity (stated according to statutory reporting standards and prepared on an unconsolidated basis). LLP Aktas Zhol is also involved, to a minor extent, in the municipal road construction business. Under Kazakhstan law, the Bank is required to obtain a valuation of collateral it takes to secure loans from an independent appraiser. Because the Bank does not hold an equity position in LLP BCC, LLP BCC is treated as an independent appraiser under Kazakhstan law and the Bank uses it for its collateral valuations. See "—Lending Policies and Procedures—General". LLP BCC and LLP Aktas Zhol have been consolidated with the Bank since 2001 and hold the relevant fixed assets under a lease from the Bank. Pursuant to a 50-year lease negotiated on an arm's length basis, they have leased back to the Bank certain buildings used by the Bank. They also lease properties to third parties. Although LLP BBC and LLP Aktas Zhol are not prohibited from selling any of their properties, the fact that they are controlled by the Bank means that any sale of the CJSC Zhilstroibank properties transferred to them would take place in a manner by which the Bank may benefit.

Employees

As at 30 September 2005, the Bank had 2,642 full-time employees, of which 2,149 were employed at the Bank's branches. The Bank has one labour union which entered into a collective agreement with the Bank in 2002. The Bank has never experienced industrial action or other work stoppages resulting from labour disputes. 76.1 per cent. of employees in professional positions hold university degrees. A number of key staff have been trained at the Bank's primary correspondent banks including ING Bank, HypoVereinsbank, Citibank, HSBC, Société Générale, Deutsche Bank and Dresdner Bank.

Property

The Bank owns its head office on Shevchenko Street, Almaty, although it leased the building to BCC LLP in 1998 for 50 years following the need to reduce its fixed assets so as to comply with the NBK's requirements on the ratio of fixed assets to equity. See "—Subsidiaries and Affiliates—LLP BCC and LLP Aktas Zhol". The Bank rents the building from LLP BCC. The Bank is currently building a new head office in Almaty at an anticipated cost of KZT3,080 million and expects to take occupation in 2006.

The Bank leases the buildings used by its branches.

Legal Proceedings

There are no and have been no governmental, legal or arbitration proceedings against the Bank and/or the Group (including any such proceedings which are pending or threatened of which the Bank is aware), during the last 12 months preceding the date of this Prospectus, which may have, or have had, significant effects on the Bank and/or the Group's financial position or profitability, nor is the Bank aware of any pending or threatened proceedings of such kind.

Asset and Liability Management

Introduction

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

To manage its risks, the Bank has established the ALCO, the Credit Committee and the Small Credit Committee which are responsible for devising, implementing and monitoring the Bank's risk policies. The Bank's risk management infrastructure has been developed with the assistance of RZB and the Bank of Ireland.

The Bank monitors and manages its asset and liability position through the ALCO, which is a permanent committee reporting to the Management Board. The ALCO is headed by the Chairman of the Management Board. The committee also includes three Deputy Chairmen, the Managing Director of the Analysis and Global Risk Department and the Managing Director of the Treasury Department, the Managing Director of Corporate Finance and International Department and the Head of the Dealing Division. The ALCO meets on a monthly basis to review the Bank's asset and liability position based on information provided by the Treasury Department on various matters, including maturities, interest rates and yields; the size and maturity of the Bank's loan portfolio, demand and term deposits and investments; the Bank's net foreign currency position; the Bank's operational ratios conforming to the regulations established by the FMSA; exchange rates, inflation rates and other economic data; and general national and international political and economic trends.

Based on its review of this information, the ALCO evaluates the Bank's risk profile and determines strategies and policies for transactions relating to assets and liabilities for the coming month with an aim to increasing revenues of the Bank while maintaining adequate liquidity, compliance with industry norms and regulations and minimising the impact of financial market risks. These decisions are reviewed and approved by the Bank's Management Board which has overall responsibility for ensuring that the asset and liability maturity profiles are appropriate considering prevailing market conditions and consistent with the Bank's strategy, while meeting all the requirements and limits established by the FMSA.

The Bank conducts its credit risk management at several levels, depending upon the amount of risk involved. Credit committees currently operate in all 19 of the Bank's 19 branches. The Bank has three main credit committees located within its head office which are responsible for approving credit decisions within the Bank; the Credit Committee, the Credit Committee of the Head Office and the Small Credit Committee. See "—Lending Policies and Procedures".

The Bank has developed an automated centralised programme, called the "Credit Module", to monitor its credit risk. The objectives of the Credit Module are to:

- create a centralised database of credit transactions;
- effectively manage and control the credit activity of the Bank;
- increase the productivity of the Bank's credit officers by making them more efficient; and
- control the execution of credit transactions.

The Bank believes that centralising its loan transactions through a database will enhance the credit information available to its employees throughout its branches and Head Office. In addition, the Bank believes that the Credit Module will enable it to analyse the Bank's loan portfolio and amend lending procedures to improve risk management.

Maturities

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

The following table summarises the Bank's banking assets and liabilities by maturity as at 30 September 2005 and contains certain information regarding interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the periodic re-pricing of assets and liabilities. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income while an increase in interest rates would have a negative effect on interest income.

	As at 30 September 2005						
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Allowance for losses	Total
	(KZT thousands)						
ASSETS							
Interest earning assets							
Loans and advances to banks	7,050,191	796,615	666,210	—	—	—	8,513,016
Assets held-for-trading	5,470,804	—	—	—	—	—	5,470,804
Securities purchased under agreement to resell	3,383,589	—	—	—	—	—	3,383,589
Loans and advances to customers, less allowance for impairment losses	6,847,118	15,160,640	61,237,750	82,445,648	20,642,728	(7,052,052)	178,782,126
Investment securities	30,076,194	470,434	847,943	1,377,288	3,378,263	—	36,150,122
Investments held-to-maturity	—	—	—	92,348	—	—	92,348
Total interest earning assets	**52,827,896**	**16,427,689**	**62,751,903**	**83,915,284**	**24,020,991**	**(7,052,052)**	**232,891,711**
Cash and balances with the NBK	10,793,579	—	—	—	—	—	10,793,579
Loans and advances to banks	1,150,099						1,150,099
Overdue loans	499,706	—	—	—	—	(499,706)	—
Investment securities	157,975	—	—	—	—	—	157,975
Fixed and intangible assets, less accumulated depreciation		—	—	3,940,578	1,259,930	—	5,200,508
Interest accrued on interest earning assets	3,651,342	—	—	—	—	—	3,651,342
Income tax	—	—	—	123,615	—	—	123,615
Other assets, less allowance for impairment losses	2,319,027	—	—	1,656,578	—	(9,587)	3,966,018
TOTAL ASSETS	**71,399,624**	**16,427,689**	**62,751,903**	**89,636,055**	**25,280,921**	**(7,561,345)**	**257,934,847**
LIABILITIES							
Interest bearing liabilities							
Loans and advances from banks and other financial institutions	1,705,865	30,076,592	16,774,158	4,353,897	2,142,240	—	55,052,752
Securities sold under repo agreements	4,407,787	—	—	—	—	—	4,407,787
Customer accounts	7,833,563	5,358,320	32,676,532	47,990,246	—	—	93,858,661
Issued securities	—	646,733	—	30,548,816	1,471,738	—	32,667,287
Subordinated debt	—	—	—	—	11,030.263	—	11,030,263
Total interest bearing liabilities	**13,947,215**	**36,081,645**	**49,450,690**	**82,892,959**	**14,644,241**	**—**	**197,016,750**
Loans and advances from banks and other financial institutions	1,526,830	—	—	—	—	—	1,526,830
Customer accounts	32,569,596	—	—	—	—	—	32,569,596
Other liabilities	2,342,755	—	—	—	—	81,385	2,424,140
Interest accrued on interest bearing liabilities	3,007,779	—	—	—	—	—	3,007,779
TOTAL LIABILITIES	**53,394,175**	**36,081,645**	**49,450,690**	**82,892,959**	**14,644,241**	**81,385**	**236,545,095**
Liquidity gap	18,005,449	(19,653,956)	13,301,213	6,743,096	10,636,680		
Interest sensitivity gap	38,880,681	(19,653,956)	13,301,213	1,022,325	9,376,750		
Cumulative interest sensitivity gap	38,880,681	19,226,725	32,527,938	33,550,263	42,927,013		
Cumulative interest sensitivity gap as a percentage of total assets	15.07%	7.45%	12.61%	13.01%	16.64%		

As at 30 September 2005, the Bank's overall cumulative maturity gap was KZT42,927 million, and as at 30 September 2004, it was positive at KZT5,540 million.

Although the relative maturities of the Bank's assets and liabilities give some indication as to the Bank's sensitivity to interest rate movements, it is an imprecise measure as it does not take account of the frequency with which the Bank is able to reprice its assets and liabilities. The Bank believes that its sensitivity to interest rate changes is largely reduced because it has the ability to reprice certain of its loans that mature within one year and has the ability to reprice loans maturing after one year under certain circumstances. In addition, a significant percentage of its loan portfolio maturing after one year under is funded by fixed rate long-term funds. However, if the average maturity of the Bank's loan portfolio increases, without a matching increase in the average maturity of its liabilities or if the average maturity of its liabilities increases without a matching increase in the average maturity of its assets, the Bank will be exposed to increasing interest rate risk. At such time, the Bank may need to introduce new risk management techniques.

Funding and Liquidity

Introduction

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

Liquidity is centrally managed on a real-time basis by the Treasury Department according to the requirements and forecasts for all the Bank's divisions and branches. The Director of the Treasury Department is consulted on each major credit decision in respect of its impact on the Bank's overall liquidity position. In addition, the ALCO reviews the Bank's liquidity guidelines and strategy on a monthly basis, making any necessary adjustments.

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

	30 September 2005		31 December 2004		31 December 2003	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Customer accounts	127,910	54.1	91,368	67.1	47,705	64.1
Deposits from banks	57,422	24.3	34,964	25.7	20,728	27.9
Issued securities	33,053	14.0	1,510	1.1		
Securities sold under agreements to repurchase	4,408	1.8	—	—	1,333	1.8
Subordinated debt	11,328	4.8	7,475	5.5	4,161	5.5
Income tax liabilities	—	0	—	—	62	0.1
Other liabilities	2,424	1.0	892	0.6	437	0.6
Total liabilities	**236,545**	**100.0**	**136,208**	**100.0**	**74,426**	**100.0**

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

	30 September 2005	31 December 2004
	(per cent.)	
Net Loans(1)/total assets	70.7	61.6
Net Loans(1)/customer accounts	142.7	100.1
Net Loans(1)/shareholders' equity	853.1	745.1
Liquid assets(2)/total assets	23.8	28.4
Liquid assets(2)/customer accounts	47.9	46.1

(1) Net loans means loans and advances to customers, net of allowances for losses.

(2) Liquid assets comprise investments held-to-maturity, assets held-for-trading, investments available-for-sale, cash, cash and balances with NBK, equivalents and loans and advances to banks (with maturity of less than 1 month).

Customer accounts

A significant portion of the Bank's funding base is represented by corporate customer accounts, which the Bank's management believes to be relatively insensitive to short term fluctuations in market interest rates. The Bank increased its retail funding base in 2004. Retail funding is less volatile than corporate funding, although it is more costly for the Bank. The Bank concentrates its efforts on servicing the retail market, especially those customers with annual incomes of U.S.$6,000 to U.S.$20,000. Other important sources of funding are bilateral and special purpose facilities from banks and financial institutions and the issue of debt securities.

As at 30 September 2005, the ten largest depositors accounted for 16.8 per cent. of total deposits, compared to 18.1 per cent. as at 30 September 2004 and 19.7 per cent. as at 31 December 2004. As at 30 September 2005, the Bank's two largest depositors, CJSC KATEP and CJSC "NPF Narodny Bank", accounted for 6.3 per cent. compared to 10.0 per cent. as at 31 December 2004 (JSC Mangystaumunaigas Representative Office and JSC KazakhMys). All top ten depositors have placed their deposits with the Bank as time deposits.

The amnesty implemented by the Government in 2001 to encourage the use of the banking system was one of the factors in increasing the Bank's funding from retail deposits in that year. Between June and July 2001, individuals and companies who deposited funds with banks did not need to justify the source of such funds to the tax authorities or otherwise. The 30 day amnesty resulted in U.S.$480 million being placed with commercial banks.

As at 30 September 2005, time deposits were KZT90,737 million or 70.9 per cent. of total customer accounts, compared to KZT68,478 million or 75.0 per cent. of total customer accounts at the end of 2004.

The following table sets forth details of customer accounts broken down into time and demand deposits and accrued interest on customer accounts as at 30 September 2005 and as at 31 December 2004 and 2003:

	30 September 2005		**31 December 2004**		**31 December 2003**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Time deposits	90,737	70.9	68,478	75.0	31,506	66.0
Demand deposits	35,691	27.9	22,045	24.1	15,834	33.2
Accrued interest expense on customer accounts	1,482	1.2	845	0.9	365	0.8
	127,910	**100.0**	**91,368**	**100.0**	**47,705**	**100.0**

The interest rates on the Bank's deposits are close to average rates on the market, and the Bank offers rates which are competitive with those of other institutions in Kazakhstan.

The following table sets out the average interest rates on the Bank's deposits for the nine months ended 30 September 2005 and for the years ended 31 December 2004 and 2003:

	30 September	**31 December**	
	2005	**2004**	**2003**
		(per cent.)	
KZT deposits			
Time deposit	9.8	10.3	10.2
Demand deposits	1.2	1.8	1.9
Foreign currency deposits			
Time deposits	7.2	6.9	6.4
Demand deposits	0.7	0.9	1.0

As at 30 September 2005, approximately 63.9 per cent. of the Bank's accounts were covered by the Deposit Insurance Fund. In accordance with its rules, the Deposit Insurance Fund will not guarantee a deposit exceeding KZT7 million. See "The Banking Sector in Kazakhstan".

Foreign Currency Borrowings

Over the past several years, the Bank has entered into financings with foreign banks and other financial institutions. Some of the more important of these are set out below.

Since 1997, the Bank has participated in a number of special programmes for the financing of small- and medium-sized enterprises and enterprises in specific industries, arranged and sponsored by the NBK, the Ministry of Finance, several local (regional) executive bodies as well as international financial institutions such as the International Bank of Research and Development, ADB, EBRD, DEG and FMO.

Syndicated Loans. The Bank has successfully attracted six syndicated loans on international markets, of which two remain outstanding. Two first syndicated loans were co-arranged by RZB and Citibank. The first loan of U.S.$11 million was issued in September 2001 and repaid in September 2002. The second loan of U.S.$15 million was issued in September 2002 for a one-year term. In November 2003, the Bank raised a third syndicated loan in the amount of U.S.$36 million, which was arranged by HBV Group, Sanpaolo IMI S.p.A. and Standard Bank London. The facility was extended in November 2004, and the amount increased to U.S.$70 million with 28 participants. In the first half of 2004, the Bank attracted a U.S.$45 million syndicated trade-related loan arranged by Deutsche Bank London and ING Bank. The facility, which was initially launched at U.S.$30 million, was increased to U.S.$45 million and has 21 participants. During the course of 2005, the Bank has attracted a U.S.$125 million syndicated loan arranged by ING Bank and Deutsche Bank and a U.S.$200 million syndicated loan arranged by RZB Austria and Citibank. The Bank plans to broaden the scope of its syndications in 2006.

Trade Finance. Beginning in 2002, the Bank entered into numerous short-term trade finance related facilities with various financial institutions, including American Express Bank, Citibank, HSBC Bank Kazakhstan, HypoVereinsbank, Natexis Banques Populaires, Bank of Montreal, Standard Bank London, Bankgesellschaft Berlin, Finansbank (Holland) and others.

In 2004, several club deals and short-term trade finance related facilities were arranged for clients of the Bank for an aggregate amount exceeding U.S.$90 million. All transactions were intended to finance specific projects of corporate customers. Among the banks that participated in these transactions were American Express Bank, HypoVereinsbank, Natexis Banques Populaires, Bank of Montreal, Citibank, Finansbank (Holland), DZ Bank, HSH Nordbank, Bankgesellschaft Berlin, Bank Austria Creditanstalt, Erste Bank, RZB, Adria Bank and Caixa Geral de Depositos and others. A portion of the funds was guaranteed by the EBRD.

In July 2003, the Bank entered into a U.S.$5 million five-year credit line with South Korean Eximbank in order to finance exports to and imports from South Korea. In addition, the Bank, in 2004, entered into several loan agreements intended to provide long-term funding to purchase equipment and technology from European countries, with guarantee insurance coverage provided by export credit agencies of the relevant countries. Loan agreements, each in the amount of €10 million, were entered into with Commerzbank and HypoVereinsbank; to date, the Bank has utilised €430,000 and €1.17 million under them, respectively. The Bank also entered into a loan agreement with Bankgesellschaft Berlin for €2.91 million and with Dresdner Bank for U.S.$1.1 million.

SME Programmes. The Bank participates in the Programme for State Support of Small Business funded by EBRD. Under this Programme, EBRD provides funds to the Small Scale Business Development Fund, a quasi-governmental financial institution, which in turn distributes the funds to a number of designated Kazakhstan banks, including the Bank, for further on-lending to small-scale enterprises. As at 30 September 2005, the Bank had received and on-lent U.S.$12.6 million as to its small-scale customers under this Programme.

In 2003, EBRD also extended three credit lines to the Bank for an aggregate amount of U.S.$18 million under its Grain Receipts, Trade Finance and Kazakhstan Small Business Programmes. Under the Trade Finance Programme and the Grain Receipts Programme, the loans were extended to certain grain producers/dealers secured by grain receipts. In December 2003, the Bank entered into a loan agreement with DEG and FMO in the amount of U.S.$8 million. In 2004, the EBRD increased its Grain Receipts 2003 credit line from U.S.$3 million to U.S.$6 million. During November and December 2004, the EBRD provided a U.S.$6 million credit line to the Bank to finance the agricultural sector, in particular, for purchasing and leasing agricultural equipment, and a credit line in the additional amount of U.S.$10 million under the Kazakhstan Small Business Programme. In November 2005, Bank concluded another loan agreement with the EBRD that aims to finance grain producers in Kazakhstan thus facilitating the development of the Kazakhstan agricultural sector. The loan is a U.S.$24 million facility secured by warehouse receipts.

In May 2005 the Bank attracted a U.S.$10 million credit facility from the IFC under the IFC Central Asia Leasing facility.

In December 2005, Wachovia Bank extended a U.S.$9 million bilateral loan to the Bank to finance its SME and retail customers.

Retail Programme. In November 2005, the Bank entered into a loan agreement with the EBRD in the amount of U.S.$10 million to finance the Bank's long-term residential mortgage sub-loans to its customers.

Subordinated Loans and Notes. In December 2004, the Bank received a subordinated loan from DEG in the amount of U.S.$10 million.

In 2000, the Bank issued U.S.$4.5 million in five-year subordinated debt due 2005 and between 2002 and 2005, the Bank issued an additional KZT12.5 billion in six separate subordinated debt issuances with terms ranging from five to ten years. In September 2004, the Bank issued its debut mortgage bonds in the amount of KZT500 million due 2007 and in December 2004, the Bank issued an additional KZT1.3 billion in mortgage bonds due 2014. In 2005 the Bank issued mortgage bonds in the amount of KZT4.5 billion due 2015. Starting in 2006 with an issuance of KZT10 billion, the Bank intends to raise up to KZT90 billion in subordinated debt over the course of the next three years.

Eurobonds. In February 2005, the Bank issued U.S.$200 million 8.0 per cent. notes due 2008 and in February 2006, issued U.S.$300,000,000 8.0 per cent. senior notes due 2011.

The Bank believes that it will be able to meet its funding obligations under these facilities through an increase in borrowings, including the issue of the Notes and through increases in time deposits.

Foreign Currency Management

The Tenge was generally stable against the Dollar in 2001 and 2002, depreciating by 3.9 per cent. in 2001 and 3.8 per cent. in 2002. In 2003 and 2004, the Tenge strengthened against the U.S. dollar and appreciated by 7.5 per cent. and 9.9 per cent., respectively. According to NBK, during the first half of 2005, the Tenge depreciated by 3.0 per cent. against the U.S. dollar.

The Bank's long position is less than the limit set by the NBK. The details of the Bank's net foreign currency position are set out in a table below.

The ALCO monitors the net open foreign currency position in relation to prevailing market conditions and outlook and advises on the Bank's position and implements the Bank's strategy accordingly.

Regulation and monitoring of the net foreign currency positions of banks is carried out by the NBK. According to current NBK regulations, the ratio of a bank's net open foreign currency position relative to its own capital must not exceed 50 per cent. and the net open foreign currency position for any currency of a country rated "A" or higher or the Euro must not exceed 30 per cent. of its own capital. The open long and short positions for any currency of a country rated from "B" to "A" are limited to 5 per cent. and 15 per cent. of own capital, respectively. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition as at 30 September 2005 and as at 31 December 2004 and 2003—Capital". In addition, the Bank has its own internal policy to limit any long aggregate foreign exchange position to no more than 100 per cent. of the Bank's equity.

The following table shows the net foreign currency position of the Bank (calculated in accordance with IFRS) as at 30 September 2005, 31 December 2004 and 31 December 2003:

	30 September	31 December	
	2005	2004	2003
Net short position (in KZT millions)	1,555	(1,062)	159
Net position as a percentage of own capital	7.3	(8.7)	2.1
Net position as a percentage of foreign currency liabilities	0.6	(1.5)	0.4

Treasury Operations

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

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

Trading and Investment Portfolio

The Bank structures its securities portfolio based on a number of factors, including the liquidity, diversification and yield-to-maturity of the securities held. The Bank has a general policy that its governmental and municipal securities shall constitute the major part of its total securities portfolio, with the remainder of the portfolio allocated to non-government securities (mainly Kazakhstan corporations). As at 30 September 2005, government securities accounted for 78.6 per cent. of the Bank's securities portfolio, compared to 73.1 per cent. and 60.7 per cent., as at 31 December 2004 and 31 December 2003, respectively.

The following table shows the composition of securities held by the Bank and its investments in associated companies as at 30 September 2005, 31 December 2004 and 31 December 2003:

	30 September	31 December	
	2005	2004	2003
		(KZT millions)	
Assets held-for-trading	5,562	2,911	1,413
Investments available-for-sale	36,624	21,479	9,000
Investments held-to-maturity	92	55	—
Total	**42,278**	**24,445**	**10,413**

The Bank's total securities portfolio increased by 134.8 per cent. from KZT10,413 million as at 31 December 2003 to KZT24,445 million as at 31 December 2004. In the first nine months of 2005, the Bank's total securities portfolio increased by a further 73.0 per cent. to KZT42,278 million.

The Bank's investments available-for-sale comprise mostly US Treasury Bonds, notes of the NBK, and other Kazakhstan entities. Whilst its holding of the Government of Kazakhstan's eurobonds remained relatively unchanged in 2005 compared to 2004, securities issued by companies increased to KZT9,033.0 million as at 30 September 2005 compared to KZT6,575.2 million as at 31 December 2004. This increase reflects the Bank's decision to broaden its securities portfolio and diversify its risk profile. The Bank has written off its holding in CJSC Astana Hotel as a result of the Kazakhstan Stock Exchange suspending trading of those shares. As at 30 September 2005, the investments held-to-maturity amounted to KZT92 million.

Loan Portfolio

Introduction

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

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

Loans and advances to banks

As at 30 September 2005, loans and advances to banks had reached KZT9,693.2 million compared to KZT9,745 million as at 31 December 2004. In general, loans and advances to banks were represented by short-term U.S. dollar deposits placed for liquidity management. The Bank undertakes a conservative approach in its deposit funding activities. Funds are usually placed for a short-term period with a maximum limit on the amount deposited, unless such loans are backed by state securities or cash deposits. As such, as at 30 September 2005, nearly all loans and advances to banks had maturities of less than one month.

Loans, guarantees and letters of credit

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

	30 September 2005	31 December 2004	31 December 2003
	(KZT millions)		
Loans			
Loans and advances to customers	190,030	95,550	54,356
Provision for impairment losses	(7,552)	(4,083)	(2,287)
Loans and advances to customers, net	182,478	91,467	52,069
Contingent Liabilities			
Guarantees	21,359	9,063	3,908
Letters of credit	8,191	5,361	831
Total contingent liabilities	29,550	14,424	4,739
Total loans and contingent liabilities	**212,028**	**105,891**	**56,808**

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

The Bank's loan portfolio, net of provisions, grew by 99.5 per cent. from KZT91,467.4 million as at 31 December 2004 to KZT182,477.8 million as at 30 September 2005.

As at 30 September 2005, the top 20 largest borrowers comprised 25.7 per cent. of the Bank's gross loan portfolio, compared to 35.3 per cent. as at 31 December 2004 and 37.1 per cent. as at 31 December 2003.

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

	30 September 2005		31 December 2004		31 December 2003	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Up to $50,000	44,052	23.2	16,134	16.9	10,468	19.3
$50,001-$200,000	26,620	14.0	8,300	8.7	4,581	8.4
$200,001-$1,000,000	38,648	20.4	15,419	16.1	11,177	20.6
$1,000,001-$3,000,000	34,229	18.0	20,325	21.3	11,200	20.6
$3,000,001-$5,000,000	13,948	7.44	10,447	10.9	5,055	9.3
Over $5,000,000	32,533	17.1	24,924	26.1	11,875	21.8
Total	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

Loan portfolio structure by maturity

The following table sets out the breakdown of the Bank's gross commercial loans and advances (before allowances) by maturity:

	30 September 2005		31 December 2004		31 December 2003	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Up to 1 month	2,468	1.3	1,122	1.2	1,189	2.2
1-3 months	9,100	4.8	2,956	3.1	2,287	4.2
3-6 months	14,044	7.4	9,957	10.4	6,998	12.9
6-12 months	26,948	14.2	14,895	15.6	13,161	24.2
1-2 years	26,181	13.8	18,231	19.1	11,904	21.9
2-3 years	30,879	16.2	13,144	13.7	5,914	10.9
3-5 years	46,851	24.6	25,318	26.5	7,651	14.1
Over 5 years	33,000	17.4	9,338	9.8	4,762	8.8
Overdue	559	0.3	589	0.6	490	0.9
Total	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

Loan portfolio structure by sector

The Bank's Credit Committee of the Head Office sets limits on the Bank's total exposure to economic sectors as a percentage of the Bank's total loan portfolio, based on its review of macro-economic data prepared by the Analysis, Monitoring and Methodology Division of the Credit Department. Current limits include a maximum exposure to trade companies of 30 per cent., retail and housing of 30 per cent. and manufacturing of 20 per cent., in each case of the Bank's total loan portfolio. The Bank limits its exposure to high risk sectors of the economy.

As at 30 September 2005, retail loans and mortgages included approximately KZT728 million of mortgage loans extended by CJSC Zhilstroibank prior to its merger with the Bank in 1998 as part of a Government-led initiative to provide low-cost loans to fund house purchases by individuals. At the time of the merger, such loans represented approximately 12 per cent. of the Bank's total loan portfolio. The Bank's loan portfolio has grown since the merger, however, and as at 30 September 2004, the percentage had fallen to less than 1 per cent. The loans were initially extended by CJSC Zhilstroibank for 25 years at a low rate of interest (usually 5 per cent.), fixed until maturity. All loans were linked to the U.S. dollar. Following the flotation and subsequent devaluation of the Tenge in April 1999, the borrowers became unable to meet the repayment obligations which increased rapidly as the Tenge continued to devalue. Following a petition by the Bank, the Government agreed in February 2001 to meet the increased costs of such loans caused by the devaluation of the Tenge and to pay the Bank the difference between the Tenge amount paid by the borrowers (fixed at an exchange rate of KZT88.3: U.S.$1.00) and the exchange rate applicable as at the end of the relevant year.

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

	30 September		31 December			
	2005		2004		2003	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Retail loans and mortgages	52,594	27.7	19,299	20.2	8,386	15.4
Trade	38,645	20.3	21,704	22.7	14,366	26.4
Construction	20,632	10.8	6,685	7.0	2,361	4.3
Agriculture	17,739	9.3	6,485	6.8	2,619	4.8
Manufacturing	14,810	7.8	11,699	12.3	6,161	11.3
Food industry	14,556	7.7	10,430	10.9	7,445	13.7
Oil and gas industry	7,676	4.0	4,689	4.9	1,487	2.7
Vehicle and equipment maintenance services	7,548	4.0	4,123	4.3	2,387	4.4
Mining of precious metals	3,562	1.9	3,090	3.2	3,726	6.9
Real estate	2,236	1.2	3,052	3.2	1,523	2.8
Machinery makers	1,351	0.7	168	0.2	74	0.1
Mass media	1,187	0.6	981	1.0	466	0.9
Telecommunications and transport	1,069	0.6	998	1.1	1,554	3.0
Energy	139	0.1	125	0.1	365	0.7
Financial sector	596	0.3	31	—	71	0.1
Metallurgy	—	—	256	0.3	324	0.6
Other	5,690	3.0	1,735	1.8	1,041	1.9
Total	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

Retail loans and mortgages increased from KZT19,299 million as at 31 December 2004 to KZT52,594 million as at 30 September 2005, representing an increase of 172.5 per cent., and, as a percentage of the loan portfolio, increased from 20.2 per cent. to 27.7 per cent. This increase was a result of the Bank's strategy to increase its presence in the high margin retail sector which resulted in a large increase in the volume of the Bank's mortgage loans. In 2005, lending to the trading sector increased due to an increase in the number of borrowers among companies which focus on trading, mainly in the agriculture, manufacturing and food industries. Loans to trading companies increased by 78.5 per cent. in the first nine months of 2005, from KZT21,704 million as at 31 December 2004 to KZT38,645 million as at 30 September 2005, however, the share of the trading sector in the total loan portfolio decreased in the period ended 30 September 2005 to 20.3 per cent. as compared to 22.7 per cent. of the Bank's total loan portfolio as at 31 December 2004. Loans to the construction sector increased substantially (208.6 per cent.) during the nine months ending 30 September 2005, reflecting an improvement in the Kazakhstan economy and increased activity in the construction sector. Loans to companies in the agriculture sector increased by 147.6 per cent. in 2004 and by 173.5 per cent. in the first nine months of 2005. Such loans include the EBRD funded grain receipts programme. See "—Funding and Liquidity".

Loans to manufacturing companies increased by 26.6 per cent. in the first nine months of 2005, representing 7.8 per cent. of the Bank's total loan portfolio as at 30 September 2005 (a decrease of 4.5 per cent. compared to 31 December 2004). Loans to the food industry increased marginally and, as a percentage of the total loan portfolio, decreased by 3.2 per cent to 7.7 per cent. as a 30 September 2005.

In 2005, loans to the oil, gas and energy sectors also increased, although overall, their share of the Bank's total loan portfolio decreased to 4.0 per cent as at 30 September 2005 from 4.9 per cent. as at 31 December 2004.

Loan portfolio structure by currencies

Historically, non-Tenge loans comprised the major part of the Bank's loan portfolio, accounting for 76.0 per cent. of total loans as at 31 December 1999 then decreasing thereafter. After the flotation of the Tenge in 1999 and following the subsequent stabilisation of the Tenge against the U.S. dollar, the structure of the Bank's loan portfolio by currency has changed. Following domestic demand and as a result of a significant portion of the Bank's deposits (time and demand) being in Tenge, the level of Tenge loans has increased, representing 49.7 per cent. of the Bank's total loan portfolio as at 30 September 2005, 42.1 per cent. as at 31 December 2004 and 54.0 per cent as at 31 December 2003. Such loans generally have a shorter-term maturity profile and usually contain provisions that allow the Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

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

	30 September		31 December			
	2005		2004		2003	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Tenge	94,467	49.7	40,267	42.1	29,325	54.0
U.S. dollars	93,490	49.2	54,607	57.2	24,581	45.2
Euro	2,071	1.1	676	0.7	450	0.8
Other currency	2	—	—	—	—	—
Total loan portfolio (gross)	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

Lending Policies and Procedures

General

The FMSA sets strict guidelines in relation to the credit approval process of banks and the terms, credit levels and interest rates of the loans given. NBK regulations limit the exposure to any single borrower or group of borrowers to 10 per cent. of a bank's equity for parties related to the bank and to 25 per cent. of a bank's equity for parties not related to the bank. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition as at 30 September 2005 and as at 31 December 2004 and 2003—Capital". The Bank's own credit approval process is based on FMSA regulations and its own internal procedures are established by the Management Board and the Board of Directors.

The Bank has three main credit committees located within its head office which are responsible for approving credit decisions within the Bank; the Credit Committee of the Credit Risk Division and the Small Credit Committee of the Head Office. The Credit Committee of the Credit Risk Division is responsible for the implementation of the Bank's credit policy in respect of small- and medium-sized enterprises and for approving the terms of credit facilities and/or guarantees extended by the Bank for amounts of up to U.S.$100,000. The Small Credit Committee of the Head Office is responsible for the implementation of the Bank's credit policy in respect of medium to large corporate customers and for approving the terms of credit facilities and/or guarantees extended by the Bank for amounts of between U.S.$100,000 and U.S.$1 million. The Credit Committee of the Head Office is responsible for the implementation of the Bank's credit policy in respect of large corporate customers and for approving the terms of credit facilities and/or guarantees extended by the Bank for amounts of between U.S.$1 million and U.S.$3 million. Any loan of between U.S.$3 million and U.S.$10 million must be approved by the Management Board and loans in excess of U.S.$10 million must be approved by the Board of Directors.

Within each full service branch, credit decisions for loans below the credit level set for that branch are approved by the credit committee within the branch, including the credit officers who review the loan applications and led by the Credit Risk Manager of the branch who opines on the credit risks involved and who also monitors the branch's loan portfolio. The levels for each branch are set by the Credit Committee of the Credit Risk Department and range from U.S.$50,000 to U.S.$400,000 per loan. The Credit Committee of the Credit Risk Department monitors loans approved by individual branches and individual branch lending limits can be increased up to the maximum limit approved for branches, or revoked, depending on the individual branch's compliance with the Bank's credit policies. One branch had its lending limit revoked in 2004. Lending limits are reviewed on a quarterly basis.

All applications for credit by corporate and retail customers must be submitted to the Bank on its standard forms. The Bank's branches conduct an initial compliance review of each application. After such review, depending on the type of the borrower and the credit, the application is sent for review and analysis by the Credit Department for loans of up to U.S.$1 million or by the Corporate Finance Department for loans exceeding U.S.$1 million. The relevant department undertakes a thorough review and analysis of the application, including carrying out feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower and then prepares a credit dossier based upon the results of such analysis. If applicable, the Problem Loan Division of the Credit Department obtains references on the potential borrower from third parties including other banks and various governmental authorities, such as taxation bodies, the NBK and the Interior Ministry. If the loan is collateralised, the Bank's associate LLP BCC makes an appraisal of the collateral being offered, including as to valuation, title and prior encumbrances. The Bank also employs independent legal advisers to review the loan agreements and other legal documentation involved in the lending process. A central credit bureau was established by the NBK in 2005.

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

Maturity Limit

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

	Maximum Maturity
Financing of working capital	Up to 12 months
Consumer credit to individuals	Up to 24 months
Loans to employees	Up to 37 months
Payroll	Up to 1 month
Investments	Up to 5 years
Inter-bank credit:	
Short term	Up to 1 year
Medium term	1 to 3 years
Long term	3 years and above
Mortgage loans	Up to 15 years
Leasing	Up to 5 years

Collateralisation

To reduce its credit risks, the Bank requires collateral from borrowers. Collateral includes but is not limited to real estate, machinery and motor vehicles, industrial equipment, industrial goods and food stocks and medicine and other commercial goods, as well as cash deposits, domestic securities and personal or financial institution guarantees. The Bank regularly monitors the quality of the collateral taken as security. In certain cases when existing collateral declines in value, additional collateral might be requested. In addition, the terms of the Bank's loan agreements usually provide the Bank with the flexibility to adjust interest rates or request a prepayment of the loan or a portion thereof upon changes in circumstances, including a decline in the value of collateral.

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

	Loan/Collateral Value
	(per cent.)
Cash	100
Guarantees from financial institutions	100
Government debt securities	100
Real estate	30-70
Goods in turnover	50
Equipment	40-60
Precious metals	70
Corporate guarantees	40-60
Corporate securities	10-50

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

	30 September		31 December			
	2005		2004		2003	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Collateralised	187,980	98.9	94,739	99.2	53,551	98.5
Uncollateralised	2,050	1.1	811	0.8	805	1.5
Total	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

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

	30 September		31 December			
	2005		2004		2003	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
Real estate	134,236	70.6	60,405	63.2	33,931	62.4
Goods in turnover	25,675	13.5	13,793	14.4	7,327	13.5
Equipment	17,197	9.1	9,567	10.0	5,286	9.7
Other assets	5,381	2.8	4,925	5.2	3,317	6.1
Corporate guarantees	3,826	2.0	2,772	2.9	1,758	3.2
Cash	1,397	0.8	2,383	2.5	1,115	2.1
Precious metals	268	0.1	894	1.0	817	1.5
Unsecured	2,050	1.1	811	0.8	805	1.5
Total	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

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

The laws of Kazakhstan allow a secured creditor to foreclose on collateral upon the occurrence of an event of default through both judicial and non-judicial procedures. Non-judicial foreclosure allows the secured creditor to seize collateral in the event of a default and to hold an auction, if necessary, to dispose of such collateral after 60 days' notice. The Bank's security documents provide for both non-judicial and judicial foreclosure. To be enforceable, a pledge over immovable property is required to be registered with local departments of the Ministry of Justice. No such registration is required for the pledges over certain types of movable property. However, registration of a pledge over either immovable or movable property establishes priority of that pledge over an unregistered pledge. The Bank requires all of its pledges to be registered.

Portfolio Supervision

The Bank classifies its loans in accordance with requirements established by the NBK. Within each full service branch, the branch's loan portfolio is also monitored by credit officers and the Credit Risk Manager of the branch. The Credit Committee of the Credit Risk Division is responsible for monitoring the total loan portfolio of the Bank and reviewing the loan portfolios of each branch. The Credit Risk Division monitors the Bank's loan portfolio using the Credit Module (See "Asset and Liability Management — Introduction"). Using this system, the Credit Risk Division is able to evaluate the quality of the loan portfolio and the requirements for loan loss provisions in relation to it. Loans are monitored on a daily basis, which allows the Credit Risk Division to identify problem credits or loans at an early stage. In addition, an in-depth review of each borrower is carried out on site on a quarterly basis where the financial state of the borrower and the status of any pledged collateral is assessed.

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

Criteria	Grade
Financial Performance	
Stable	0
Satisfactory	+1
Unstable	+2
Critical	+4
Timeliness of Repayment of the Loan	
On time payments	0
Overdue by 1-30 days	+1.5
Overdue by 31-60 days	+2.5
Overdue by 61-90 days	+3.5
Overdue by more than 90 days	+4.5
Quality of Collateral	
Reliable	-3
Good	-2
Satisfactory	0
Unsatisfactory	+1
No collateral	+2
Extensions	
None	0
Some	+ (no. of extensions)

Criteria	Grade
Timeliness of Repayment on Other Loans	
On time payments	0
Payments overdue	+1
Unauthorised Use of the Loan	
Up to 25 per cent.	0
25 to 50 per cent. (non-inclusive)	1
50 to 75 per cent. (non-inclusive)	2
75 to 100 per cent. (non-inclusive)	3
100 per cent. and more	4
Write-offs	
None	0
Some	+2
International Rating	
"A" and above	-3
Above Kazakhstan sovereign to "A"	-2
Kazakhstan sovereign	-1
Below Kazakhstan sovereign/No rating	0

In relation to the Financial Performance criteria:

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

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

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

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

In relation to the Quality of Collateral criteria:

“Reliable” means highly liquid collateral, in the form of Kazakhstan governmental guarantees, guarantees from banks having an international rating not less than “AA”, cash collateral and pledges over Kazakhstan sovereign securities, securities issued by foreign governments having an international rating of not less than “A” or monetary precious metals securing all of the credit.

“Good” means highly liquid collateral as in Reliable Collateral securing not less than 90 per cent. of the credit.

“Satisfactory” means non-highly liquid collateral securing all of the credit or highly liquid collateral as in Reliable Collateral securing not less than 70 per cent. of the credit.

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

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

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

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

Total classified loans under the NBK’s classification comprise doubtful loans and bad debt. Total classified loans under IFRS comprise unsatisfactory loans, doubtful loans and bad debt.

The Credit Committee of the Head Office produces a monthly report which covers all aspects of the Bank’s credit activity. The Bank’s Management Board pays strict attention to the timeliness of debt repayments and the classified loans and contingent liabilities are included in such monthly reports. Immediate action is taken by the appropriate departments, which have responsibility for supervising and monitoring loan repayment if any principal or accrued interest repayment problems arise. Any deterioration in the quality of the assets and contingent liabilities of the entire loan portfolio is brought to the attention of the Bank’s Management Board. The Bank’s determination as to whether a repayment problem has arisen is based on a number of objective and subjective criteria including the credit’s classification as described above; sudden changes in volumes in the customer’s accounts with the Bank; as to retail customers, sudden changes in the standard of living of the customer which imply improper use of credit facilities; applications to change credit terms; failure of the customer or a counterparty to fulfil terms under a contract relating to the credit; refusal of a customer to co-operate in supplying documentation and evasion of the Bank’s officers by the customer. Once any repayment problem arises, the Bank’s Problem Loans Division is immediately notified. The Bank believes that it has a good record in enforcing its security and attempts to resolve security enforcement without resort to court action or arbitration. In particular, the Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any pledged collateral either in reliance on non-judicial foreclosure or with the co-operation of the customer.

In addition, the Bank established its own internal customer rating system in 2002 pursuant to which each of the Bank’s large corporate customers are assigned an internal credit rating. The Bank currently classifies its corporate clients based on the amounts of such clients’ annual sales. Corporate clients with annual sales of U.S.$700,000 or less are classified as “small-sized”, corporate clients with annual sales of between U.S.$700,000 and U.S.$7 million as “medium-sized”, corporate clients with annual sales of between U.S.$7 million and U.S.$70 million as “large-sized” and in excess of U.S.$70 million as “largest companies”. The ratings assigned are based on criteria such as the customer’s management, operational potential, credit history, quality of collateral and financial performance. The assigned ratings determine, to a large extent, the applicable interest rate, other terms and conditions of the credit extended to the customer and the frequency and level of monitoring.

Provisioning Policy

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

The Bank may make specific provisions for possible loan losses on a case-by-case basis and actual provisions established take into account the value of any collateral or third party guarantees. For this reason, the actual provision levels may differ from the normal provisioning rate. The Bank considers a loan to be non-performing when either interest or principal payments are past their due date by 30 days. At such time, the accrual of interest is suspended. The Bank fully provisions a loan if interest and principal have not been paid for more than 90 days or if management is of the opinion that the loan is uncollectible because the Bank has been unable to collect the loan or to enforce its security. The Bank writes off loans that are past their due date by 180 days or more although under IFRS such loans do not have to be written off but are treated as non performed loans. Once a loan has been fully provisioned by the Bank, the Problem Loan Division continues to monitor the loan and related collateral for a five-year period in order to assess the possibility of making a subsequent recovery.

The Bank's provisioning policy under IFRS differs from its provisioning policy under relevant laws in Kazakhstan and regulations of the NBK (collectively, "Kazakhstan Practices"). No general provision is created for unclassified loans under Kazakhstan Practices whereas under IFRS, there is a general provision of 2 per cent. of each credit exposure.

Until 2002, under Kazakhstan Practices, banks were required to create provisions for potential loans and advances to customers based primarily on the borrower's debt service performance. In 2002, the NBK introduced its current requirements as to classification of and provisions in relation to loans and advances to customers not only on the basis of borrower's debt service performance but also on the basis of such criteria as the borrower's financial performance, quality of collateral and credit history. See "Portfolio Supervision".

The table below sets forth certain information relating to the Bank's gross loans and the credit classifications and provisions in relation to them in accordance with IFRS on the basis of discounted expected cash flows as at 30 September 2005, 31 December 2004 and 31 December 2003:

	30 September		31 December			
	2005		2004		2003	
	(KZT millions)	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*	*(KZT millions)*	*(Share, per cent.)*
IFRS Risk Category						
Standard	124,026	65.3	63,474	66.4	36,940	68.0
Substandard	49,923	26.3	21,668	22.7	11,284	20.8
Unsatisfactory	13,533	7.1	8,986	9.4	5,399	9.9
Doubtful	591	0.3	384	0.4	159	0.3
Loss	1,957	1.0	1,038	1.1	574	1.0
Total	**190,030**	**100.0**	**95,550**	**100.0**	**54,356**	**100.0**

The effective level of provisions was 4.0 per cent. in the first nine months of 2005 and 4.3 per cent and 4.2 per cent. in the years ended 2004 and 2003, respectively. Total classified loans as a share of total loan portfolio decreased by 2.5 per cent. over the first nine months of 2005 compared to the first nine months of 2004. In 2004, the amount of total classified loans decreased compared to 2003 and comprised only 10.9 per cent. of the total loan portfolio at the end of 2004, compared to 11.2 per cent. of the Bank's total loan portfolio at the end of 2003.

Non-performing loans, determined in accordance with IFRS, which include loans on which interest has ceased to accrue, amounted to KZT499.7 million or 0.3 per cent. of the Bank's gross loan portfolio as at 30 September 2005 as compared with KZT518.6 million or 0.5 per cent. as at 31 December 2004.

MANAGEMENT AND SHARE OWNERSHIP

Management

In May 2004, the Bank was re-registered as a Joint Stock Company to comply with the requirements of the 13 May 2003 Law on Joint Stock Companies. The revised Charter was approved by the FMSA on 13 May 2004.

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

The shareholders elect 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 and is responsible for 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. In accordance with Kazakhstan legislation, the members of the Board of Directors and the Chairman and Deputy Chairmen of the Management Board are appointed only with the consent of the FMSA. The FMSA does not have a representative on the Board of Directors or the Management Board.

Board of Directors

The Board of Directors is not directly involved in management and has no authority to act on its own behalf or to perform any executive functions. The Board of Directors supervises the Management Board's activities to protect shareholders' interests. The authorities of the Board of Directors include defining the investment, credit and other policies of the Bank; nominating the Chairman and members of the Management Board; approving material contracts (major transactions); approving all loans to customers in excess of U.S.$10 million; calling General Shareholders' Meetings and approving the Bank's budget.

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

Name	Position
Bakhytbek R. Bayseitov	Chairman of the Board of Directors, President of LLP Financial Industrial Group Atameken
Jumageldi R. Amankulov	Advisor to the Chairman of the Board of Directors of the Bank
Kuanish D. Muldagaliyev	President of LLP ILM
Mirgali S. Kunayev	Vice-President of Caspian Services Group
Sergei A. Tereshenko	President of JSC International Fund Integration
Yerlik S. Sharipov	President of LLP Bel
Samat S. Chukubayev	Executive Director of Association Kazakhstan Australia, General Director of LLP Syrymbet
Vladislav S. Lee	Chairman of the Management Board of the Bank

All members of the Board of Directors were elected in April 2003 for a period of five years. The business address of the Board of Directors is the Bank's registered office.

Management Board

The Management Board is responsible for the day-to-day management and administration of the Bank activities. The Bank's Management Board has all executive powers, while the Board of Directors plays a supervisory role The Bank's Management Board's responsibilities include making executive business decisions; implementing the Bank's business strategy; appointing senior management and branch representatives of the Bank; approving all loans and advances to customers between U.S.$3 million and U.S.$10 million; and dealing with all other matters not reserved to the Board of Directors or the General Meeting of Shareholders.

Conflict of Interest

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

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

Vladislav S. Lee (48), Chairman, graduated from the Almaty Institute of the National Economy in 1982 with a degree in Finance and Credit. He commenced his career in 1982 as Chief Economist of Economic Planning Division of the Kazakhstan State Bank of the former USSR. In 1988, Mr. Lee joined KazZhilSotsBank as Head of the Credit and Finance Division. In 1997 he moved to CJSC Zhilstroibank and took a position as First Deputy Chairman of the Board. He has been in his current position since June 1998.

Magaz N. Yerdessov (48), Deputy Chairman, graduated from Leningrad Institute of Finance and Economics in 1979 and worked as a Senior Economist in the Ministry of Finance of the former Kazakhstan Soviet Socialist Republic until 1991. From 1991 to 1993, he was Head of the Financial and International Division Department of Taim Bank. He also worked at Ilan Bank from 1993 to 1997, before joining Kazakhstan International Bank as Vice-President, a position he held until 2000. In March 2000, he became Deputy Chairman of the Bank.

Bulan A. Adilkhanov (47), Deputy Chairman, graduated from Kazakhstan Teachers' Training College in 1980. In 1996, he graduated from Kazakhstan State University of Management with a degree in Economics. He began working in 1983 as Chief Co-ordinator of the construction company AlmaAtaOblKolkhozStroy. In 1986, he joined the Ministry of Education as an adviser to the Minister. He joined the Bank in 1993 and has been in his current position since June 1997.

Medet I. Rakhimbayev (42), Deputy Chairman, graduated from Kazakhstan Polytechnics Institute in 1985. He also has an economics degree from Eurasian Institute of Market. He started to work as an Engineer of Technical Production at Corporation Granit; from 1991 to 1994, he worked as Head of IT at CenterBank. In 1995, Mr. Rakhimbayev became Head of the Payment Systems Division of the Bank and in January 1998 was appointed Deputy Chairman of the Bank.

Maksat K. Alzhanov (43), Deputy Chairman, graduated from Ust-Kamenogorsk Road Construction Institute in 1985. In 1996, he graduated from Kazakhstan State University of Management with a degree in Finance and Credit. From 1988 to 1994, he worked at the National Security Committee. He joined the Bank in 1994 and has been in his current position since December 1996.

The business address of each of the members of the Management Board is the Bank's registered office. There are no potential conflicts of interest between any duties of the managing directors towards the Bank and their private interests and/or other duties.

Internal Audit Division

The internal audit division oversees the financial control of the Bank's activities. Members of the internal audit division have the right to attend meetings of the Management Board and to participate in discussions. However, they do not have the right to vote at such meetings. The current Head of the internal audit division is Gulsara K. Besbayeva.

Management Remuneration

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

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

Name	Principal amount outstanding (*KZT thousands*)
Bakhytbek R. Bayseitov	140,000
Bulan A. Adilkhanov	92,062
Maksat K. Alzhanov	63,842
Medet I. Rakhimbayev	126,172
Jumageldi R. Amankulov	115,000
Magaz N. Yerdessov	126,172
Vladislav S. Lee	107,000
Total	**770,248**

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

The aggregate direct shareholdings of the Bank's senior and middle management is 6.8 per cent. The following table sets out information on the direct ownership of common shares by the directors and senior and middle management of the Bank as at 31 December 2005:

Name	Shareholding per cent.
Bakhytbek R. Bayseitov	1.2
Sergei A. Tereshenko	0.4
Jumageldi R. Amankulov	1.0
Yerlik S. Sharipov	0.1
Vladislav S. Lee	1.0
Bulan A. Adilkhanov	0.7
Maksat K. Alzhanov	0.7
Medet I. Rakhimbayev	0.7
Magaz N. Yerdessov	1.0
Total	**6.8**

Principal Shareholders

The Bank's common shares are listed on the "A" List of the Kazakhstan Stock Exchange. The Bank has more than 700 shareholders. The following table sets out information as to all registered direct holders of more than 5 per cent. of the Bank's common shares as at 31 December 2005:

Name	Shareholding per cent.
JSC Non State Pension Fund BTA KURMET-KAZAKHSTAN	5.4
JSC Transkazkominvest	6.6
Others[(1)]	88.0
Total	**100.0**

(1) Management's consolidated direct shareholding of 6.6 per cent. is included in the Others category. Bakhytbek Bayseitov controls, in aggregate, 21.2 per cent. of the Bank's shares via affiliated entities, including LLP Financial Industrial Group Atameken, and his direct personal shareholding referred to in the previous table. A majority of shareholders have, historically, voted in conjunction with Mr. Bayseitov.

TRANSACTIONS WITH RELATED PARTIES

Related parties, defined in accordance with IAS 24, include entities and natural persons that are shareholders, affiliates or entities under common management or control of the Bank.

The following table sets forth the total outstanding related party transactions of the Bank as at the dates indicated:

	As at 30 September 2005		As at 31 December 2004		As at 31 December 2003	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(KZT thousands)					
	(unaudited)		(audited)		(audited)	
Loans to customers, gross	3,180,389	190,029,595	1,294,523	95,550,105	450,958	54,356,251
Allowance for impairment losses	(206,994)	(7,551,758)	(22,294)	(4,082,689)	(68,872)	(2,287,490)
Investments: available-for-sale	233,940	36,624,058	114,275	21,478,739	71,800	8,999,865
Issued security	37,425	33,052,953	22,399	1,510,157	9,054	4,160,537
Customer accounts	367,862	127,909,761	338,626	91,367,688	—	47,705,089
Guarantees given	9,353	21,358,727	5,040	9,062,886	5,913	3,907,898

Included in interest income and expense for the nine months ended 30 September 2005 and 2004 are the following amounts arising from transactions with related parties:

	As at 30 September 2005		As at 30 September 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(KZT thousands) (unaudited)			
Interest income		17,216,823		8,989,114
Related companies	153,598		38,047	
Directors	22,075		7,570	
Interest expense		(9,491,624)		(4,343,847)
Related companies	(5,576)		(21,192)	

Transactions with related parties entered by the Group during the nine months ended 30 September 2005 and 2004 and outstanding as at 30 September 2005 and 2004 were made in the normal course of business and under arms-length conditions.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

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

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

The National Bank of Kazakhstan and the FMSA

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

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

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

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

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

Banking

Structure of the Banking System of Kazakhstan

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

Banking Reform and Supervision

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

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

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

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

The FMSA, which currently includes what was the NBK's Banking Supervision Department, will continue to focus on ensuring financial solvency and protection of depositors while encouraging banks to diversify their activities in the financial services sector (for example, by managing pension and investment funds and establishing leasing and insurance companies).

In September 1995, the NBK introduced international prudential standards such as capital adequacy requirements and liquidity ratios to regulate and protect the banking system. On 3 June 2002, the NBK adopted a resolution, "On approval of rules on prudential norms for the second tier banks", which was amended by the NBK in November 2002, March 2003 and May 2003, and by the Association of Kazakhstan Financiers in February 2004 and June 2004. The resolution set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions amongst other matters. Currently, the approval of prudential rules as well as supervision of their fulfilment is the responsibility of the FMSA.

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

In December 1999, a self-funded domestic deposit insurance scheme was established and as at 30 June 2005, 34 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 and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. As of 2004, only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

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

On 22 November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel 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 per cent. for the K1 ratio (compared to a generally applicable ratio of 6 per cent.) and 10 per cent. for the K2 ratio (compared to a generally applicable ratio of 12 per cent.). A bank holding company is an entity, whether domestic or foreign, that owns more than 25 per cent. of the voting shares of a 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).

Commercial Banks

According to the NBK, as at 31 October 2005, there were 34 banks in Kazakhstan, excluding the DBK and NBK, compared to 44 as at the end of 2001 and 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In November 2001, the Government divested its remaining 33 per cent. stake in Halyk Savings Bank, by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT 2.1 billion. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the FMSA, and currently JSC Nauryz Bank is in the process of liquidation as required by a court ruling in November 2005. On 24 December 2005, the FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards.

As of 30 June 2005, all of the commercial banks licensed in Kazakhstan were in compliance with prudential regulatory requirements as to capital adequacy, single borrower limits, liquidity ratios, foreign currency limits and reserve requirements.

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

Kazkommertsbank was established in July 1990 and is the largest bank in Kazakhstan in terms of assets and shareholders' equity, with a focus on the corporate and retail banking sectors. As at 30 September 2004, Kazkommertsbank had 96 branches and retail outlets, a subsidiary in Kyrgyzstan, a representative office in London and exercised control over a Moscow bank. Kazkommertsbank is part of a group which includes a number of banks, joint ventures and investment companies and has a number of substantial investments in industrial companies.

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

The extensive branch network of Halyk Savings Bank (526 retail outlets as at 30 September 2004) makes it one of the Bank's major competitors in the retail banking market. As at 30 September 2003, Halyk Savings Bank was the third largest bank in Kazakhstan in terms of total assets and is also a leading participant in the primary domestic securities market.

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

Whilst 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 best corporate customers of the Kazakhstan 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 second largest bank under foreign ownership in terms of equity. The Bank believes that ABN Amro Kazakhstan will be a major competitor of the Bank's in the future, particularly with respect to corporate banking and capital markets activities.

Foreign Capital in the Banking Sector

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

As at 31 October 2005, there were 14 banks with foreign participation operating in Kazakhstan, including ABN Amro Bank Kazakhstan, Citibank Kazakhstan and HSBC 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 and Société Générale.

Industry Trends

According to the NBK, the total capital of commercial banks increased 44.9 per cent. in 2003, 62.4 per cent. in 2004 and, as at 1 January 2005, amounted to approximately U.S.$2.1 billion. During such period, the total assets of such banks increased by 77.7 per cent. and, as at 1 January 2005, amounted to approximately U.S.$20.7 billion. In 2004, the aggregate liabilities of such banks increased by 79.6 per cent. and amounted to approximately U.S.$18.6 billion as at 1 January 2005 and their aggregate net income increased 38.6 per cent. The share of total assets of the second-tier banks in Kazakhstan's GDP as at 31 December 2004 amounted to 48.5 per cent. as compared to 37.7 per cent. at the end of 2003. As at 31 October 2005, the total capital of commercial banks amounted to approximately U.S.$3.6 billion, the total assets of such banks amounted to U.S.$28.9 billion, the aggregate liabilities of such banks amounted to U.S.$25.9 billion and the aggregate net income of such banks amounted to U.S.$464.0 million.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Kazakhstan Taxation

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

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

Payments of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20 per cent., unless reduced by an applicable double taxation treaty. The Bank will agree in the Subordinated Loan Agreement to pay Additional Amounts (as defined in the Subordinated Loan Agreement) in respect of any such withholding, subject to certain exceptions set out in full in Condition 10. See "Terms and Conditions of the Notes". Payments to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax.

The Netherlands Taxation

General

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

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

Withholding tax

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

Corporate Income Tax and Individual Income Tax

Residents of The Netherlands

If the holder of a Note is a resident or deemed to be resident of The Netherlands for Dutch corporate income tax purposes, income derived from Notes held by it and gains realised upon the disposal of Notes held by it are subject to a 29.6 per cent. corporate income tax rate (a corporate income rate of 25.5 per cent. applies with respect to taxable profits up to €22,689).

If the holder of a Note is an individual, resident or deemed to be resident of The Netherlands for Dutch income tax purposes (including the non resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands), the income derived from Notes held by it and the gains realised upon the disposal of Notes held by it are taxable at the progressive income tax rates (with a maximum of 52 per cent.), if:

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

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

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

Non-residents of The Netherlands

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

(i) such holder is neither resident nor deemed to be resident in The Netherlands nor, in case of an individual, has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of The Netherlands; and

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

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

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

A holder of a Note will not become subject to taxation in The Netherlands by reason only of the execution, delivery and /or enforcement of the Notes or the performance by the Issuer of its obligations under the Notes.

Gift, Estate or Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the acquisition of a Note by way of gift by, or on the death of, a holder of a Note, unless:

(i) the holder is, or is deemed to be, resident in The Netherlands; or

(ii) such holder at the time of the gift has or at the time of his/her death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or

(iii) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Dutch gift and inheritance tax, an individual who holds Dutch nationality will be deemed to be resident in The Netherlands, if he/she has been resident in The Netherlands at any time during the 10 years preceding the date of the gift or his/her death.

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

Other Taxes and Duties

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

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

EU Directive on the Taxation of Savings Income

For a summary of the EU Council Directive 2003/48/EC on the Taxation of Savings Income can be found under "Risk Factors—Payments of interest to individuals within a Member State of the EU could be subject to taxation under EC Council Directive 2003/48/EC".

SUBSCRIPTION AND SALE

ING Bank N.V., London Branch (the "Lead Manager") has, in a subscription agreement dated 2 March 2006 (the "Subscription Agreement") and made between the Issuer, the Bank and the Lead Manager upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100.00 per cent. of their principal amount less a combined management, underwriting and selling commission of 1.25 per cent. of their principal amount. The Issuer and the Bank have also agreed to reimburse the Lead Manager for certain of its expenses incurred in connection with the management of the issue of the Notes. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

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

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

United Kingdom

The Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Bank; and

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

Republic of Kazakhstan

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

Hong Kong

This Prospectus has not been approved by the Securities and Futures Commission of Hong Kong nor has a copy of it been registered by the Registrar of Companies in Hong Kong.

Accordingly, the Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of this Prospectus or any other document, any Notes other than (a) to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or (b) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Notes in Hong Kong (except to the extent if permitted under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as defined in the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong).

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or be subject to an invitation for subscription or purchase, nor may this Prospectus or any other offering document or material relating to the Notes be circulated or distributed, directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act (Chapter 289), (ii) to a sophisticated investor as defined in Section 275 of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other provision of the Securities and Futures Act.

Russian Federation

The Lead Manager has represented and agreed that it has not offered and sold or otherwise transferred and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter any Notes to or for the benefit of any person (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation, unless to the extent otherwise permitted by Russian law.

General

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

GENERAL INFORMATION

1. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange plc for such Notes to be admitted to trading on the London Stock Exchange plc's Gilt Edged and Fixed Interest Market.

2. The Notes have been accepted for clearance through the Euroclear Operator and Clearstream, Luxembourg. The common code is 24558690 and the International Securities Identification Number is XS0245586903.

3. The Issuer and the Bank have obtained all necessary consents, approvals and authorisations in connection with the issue, offer and sale of, and the performance of, the Notes and in connection with the Subordinated Loan Agreement.

4. The creation and issue of the Notes and the entering into of the Subordinated Loan Agreement was authorised by resolution of the Managing Board of the Issuer dated 24 February 2006 and by a resolution of the Bank as Sole Shareholders Meeting of the Issuer held on 24 February 2006.

5. The entering into of the Subordinated Loan Agreement was authorised by the Bank by a decision of its Board of Directors on 27 February 2006.

6. There are no and have been no governmental, legal or arbitration proceedings against the Issuer (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability, nor is the Issuer or the Bank aware of any pending or threatened proceedings of such kind.

7. There are no and have been no governmental, legal or arbitration proceedings against the Bank and or the Group (including any such proceedings which are pending or threatened of which the Bank and or the Group is aware), during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the Bank's and/or the Group's financial position or profitability, nor is the Bank aware of any pending or threatened proceedings of such kind.

8. Save as disclosed in the footnotes to the capitalisation table appearing on page 59 of this Prospectus, since the date of its last published audited financial statements (including from 30 September 2005, the date of its last interim financial information), there has been (a) no significant change in the financial or trading position of the Bank or the Group, and (b) no material adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) position, prospects or general affairs of the Bank or the Bank's subsidiaries.

9. The Issuer has not prepared financial statements. Since 4 January 2006 (the date of its incorporation), there has been (a) no significant change in the financial or trading position of the Issuer and (b) no material adverse change, or any development reasonably likely to involve an adverse change, in the financial position or prospects of the Issuer nor in the condition (financial or otherwise) or general affairs of the Issuer.

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

11. For so long as any of the Notes is outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of the Principal Paying and Transfer Agent, namely:

    (a) the Trust Deed (which contains the forms of the Notes in global and definitive form);

    (b) the Paying Agency Agreement;

    (c) the Subordinated Loan Agreement;

    (d) the Subscription Agreement;

    (e) the statutory documents of the Bank; and

    (f) the deed of incorporation of the Issuer.

12. For so long as any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Principal Paying and Transfer Agent, namely:

(a) the reports of the Independent Auditors as of 31 December 2004 and 31 December 2003;

(b) the audited consolidated financial statements of the Bank for the years ended 31 December 2004 and 2003, prepared in accordance with IFRS;

(c) the unaudited interim condensed consolidated financial statements of the Bank for the nine months ended 30 September 2005, prepared in accordance with IFRS;

(d) the latest publicly available audited consolidated annual and unaudited interim financial statements (if any) of the Bank, prepared in accordance with IFRS; and

(e) the memorandum and articles of association of the Issuer and the Borrower.

The Bank does not publish unconsolidated financial statements prepared in accordance with IFRS. The Bank is not required to publish interim financial statements in accordance with IFRS, although solely for the purpose of the issue of the Notes, the Bank published the financial statements referred to in paragraph (b) above. The Bank does not intend to publish interim financial statements in the future, although to the extent that it does, such interim financial statements will be made available at the specified office of the Principal Paying and Transfer Agent.

INDEX TO FINANCIAL STATEMENTS OF THE BANK

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC Bank CenterCredit:

We have audited the accompanying consolidated balance sheets of JSC Bank CenterCredit and its subsidiaries (the "Group") as of 31 December 2004 and 2003 and the related consolidated profit and loss accounts and statements of cash flows and changes in equity for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2004 and 2003, and the consolidated results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

As discussed in Note 33, the accompanying 2004 and 2003 consolidated financial statements have been retroactively restated for change in the Group's method of accounting for investments available-for-sale to conform to the revised IAS 39 "Financial Instruments: Recognition and Measurement".

Deloitte & Touche

18 February 2005

(21 December 2005 as to the effect of the restatement disclosed in Note 33)

Almaty

JSC BANK CENTERCREDIT

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (restated)
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	NOTES	Year ended 31 December 2004 (restated)	Year ended 31 December 2003 (restated)
		KZT'000	*KZT'000*
Interest income	4, 29	12,396,971	6,962,144
Interest expense	4, 29	(6,355,305)	(3,333,540)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		6,041,666	3,628,604
Provision for impairment losses on interest bearing assets	5	(2,418,052)	(1,434,198)
NET INTEREST INCOME		3,623,614	2,194,406
Fees and commissions income	9	3,327,522	2,209,659
Fees and commissions expense	9	(339,886)	(207,398)
Net gain on assets held-for-trading	6	92,756	111,886
Net gain/(loss) on investments available-for-sale	7	28,079	(16,034)
Net gain on foreign exchange operations	8	783,277	452,529
Other income	10	287,138	173,359
NET NON-INTEREST INCOME		4,178,886	2,724,001
OPERATING INCOME		7,802,500	4,918,407
OPERATING EXPENSES	11, 29	(4,963,739)	(3,540,043)
OPERATING PROFIT		2,838,761	1,378,364
Provision for impairment losses on other transactions	5	(118,662)	(5,143)
Share of results of associates		4,100	871
PROFIT BEFORE TAXATION		2,724,199	1,374,092
Income tax expense	12	(284,585)	(121,076)
NET PROFIT		**2,439,614**	**1,253,016**
Attributable to:			
Equity holders of the parent		2,424,024	1,281,656
Minority interest		15,590	(28,640)
		2,439,614	**1,253,016**
Earnings per share (tenge)	13	**80.6**	**63.0**

On behalf of the Board of Directors:

Li V. S.
Chairman

18 February 2005
(21 December 2005 for Note 33)
Almaty

Yerdessov M. N.
Chief Accountant

18 February 2005
(21 December 2005 for Note 33)
Almaty

The notes on pages F-8 to F-40 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page F-2.

JSC BANK CENTERCREDIT

CONSOLIDATED BALANCE SHEETS (restated)
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	NOTES	31 December 2004 (restated)	31 December 2003 (restated)
		KZT'000	*KZT'000*
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	14	8,739,070	5,648,630
Loans and advances to banks	15	9,745,108	9,494,053
Assets held-for-trading	16	2,911,382	1,412,897
Securities purchased under agreement to resell	17	7,843,313	68,182
Loans to customers, less allowance for impairment losses	18, 29	91,467,416	52,068,761
Investments available-for-sale	19, 29	21,478,739	8,999,865
Investments held-to-maturity	19	54,973	—
Fixed and intangible assets, less accumulated depreciation	20	3,887,790	2,688,497
Income tax assets	12	38,289	—
Other assets, less allowance for impairment losses	21	2,317,586	1,532,133
TOTAL ASSETS		**148,483,666**	**81,913,018**
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	22	34,963,481	20,728,383
Securities sold under agreements to repurchase		—	1,332,711
Customer accounts	23, 29	91,367,688	47,705,089
Debt secutities issued	24	1,510,157	—
Income tax liabilities	12	—	62,403
Other liabilities	25	891,625	436,811
		128,732,951	70,265,397
Subordinated debt	26, 29	7,475,295	4,160,537
Total liabilities		136,208,246	74,425,934
EQUITY:			
Share capital	27	7,466,920	5,168,010
Investments available-for-sale fair value reserve		426,252	378,355
Fixed assets revaluation reserve		275,527	277,182
Revenue reserve		4,042,724	1,617,045
		12,211,423	7,440,592
Minority interest		63,997	46,492
Total equity		12,275,420	7,487,084
TOTAL LIABILITIES AND EQUITY		**148,483,666**	**81,913,018**

On behalf of the Board of Directors:

Li V. S.
Chairman

18 February 2005
(21 December 2005 for Note 33)
Almaty

Yerdessov M. N.
Chief Accountant

18 February 2005
(21 December 2005 for Note 33)
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JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (restated)
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Share capital	Fixed assets revaluation reserve	Investments available-for-sale fair value reserve	Revenue reserve	Total	Minority interest	Total equity
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
31 December 2002 (as previously reported)	**3,168,010**	**284,219**	**—**	**694,462**	**4,146,691**	**2,083**	**4,148,774**
31 December 2002 (as restated)	**3,168,010**	**282,779**	**366,110**	**329,792**	**4,146,691**	**2,083**	**4,148,774**
Share capital increase	2,000,000	—	—	—	2,000,000	—	2,000,000
Gains on revaluation of investments available-for-sale	—	—	12,245	—	12,245	—	12,245
Depreciation of fixed assets revaluation reserve	—	(5,597)	—	5,597	—	—	—
Change of minority interest	—	—	—	—	—	73,049	73,049
Net profit	—	—	—	1,281,656	1,281,656	(28,640)	1,253,016
31 December 2003 (as previously reported)	**5,168,010**	**278,622**	**—**	**1,993,960**	**7,440,592**	**46,492**	**7,487,084**
31 December 2003 (as restated)	**5,168,010**	**277,182**	**378,355**	**1,617,045**	**7,440,592**	**46,492**	**7,487,084**
Share capital increase	2,298,910	—	—	—	2,298,910	—	2,298,910
Gains on revaluation of investments available-for-sale	—	—	47,897	—	47,897	—	47,897
Depreciation of fixed assets revaluation reserve	—	(1,655)	—	1,655	—	—	—
Change of minority interest	—	—	—	—	—	1,915	1,915
Net profit	—	—	—	2,424,024	2,424,024	15,590	2,439,614
31 December 2004 (as previously reported)	**7,466,920**	**276,967**	**—**	**4,467,536**	**12,211,423**	**63,997**	**12,275,420**
31 December 2004 (as restated)	**7,466,920**	**275,527**	**426,252**	**4,042,724**	**12,211,423**	**63,997**	**12,275,420**

On behalf of the Board of Directors:

Li V. S.
Chairman

18 February 2005
(21 December 2005 for Note 33)
Almaty

Yerdessov M. N.
Chief Accountant

18 February 2005
(21 December 2005 for Note 33)
Almaty

The notes on pages F-8 to F-40 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page F-2.

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENTS OF CASH FLOWS (restated) FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

	Year ended 31 December 2004 (restated)	Year ended 31 December 2003 (restated)
	KZT'000	*KZT'000*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	2,724,199	1,374,092
Adjustments for:		
Provision for impairment losses	2,418,052	1,434,198
Provision for impairment losses on other transactions	118,662	5,143
Investments available-for-sale fair value reserve	47,897	12,245
Depreciation of fixed and intangible assets	315,947	345,342
Loss on sale of fixed and intangible assets	9,779	40,234
Loss on equity investments	—	(871)
Change in interest accruals, net	153,471	(26,171)
Cash flow from operating activities before changes in operating assets and liabilities	5,788,007	3,184,212
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Loans and advances to banks and other financial institutions	(36,949)	(2,879,780)
Assets held-for-trading	(1,483,066)	(1,412,897)
Loans to customers	(41,389,381)	(18,432,782)
Securities purchased under repurchase agreements	(7,773,574)	32,241
Other assets	(839,259)	(710,230)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	14,075,648	11,759,480
Customer accounts	43,183,156	12,529,665
Securities sold under repurchase agreements	(1,332,711)	1,257,040
Other liabilities	389,958	193,648
Cash inflow from operating activities before taxation	10,581,829	5,520,597
Income tax paid	(385,277)	(71,907)
Net cash inflows from operating activities	10,196,552	5,448,690
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(1,945,239)	(1,294,207)
Proceeds on sale of fixed and intangible assets	420,220	204,728
Acquisition of subsidiaries, net of cash acquired	1,915	174,054
Purchase of investments available-for-sale, net	(12,404,535)	(3,634,440)
Purchase of investments held-to-maturity	(54,973)	—
Net cash outflows from investing activities	(13,982,612)	(4,549,865)

The notes on pages F-8 to F-40 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page F-2.

JSC BANK CENTERCREDIT

CONSOLIDATED STATEMENTS OF CASH FLOWS (restated)
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003 (CONTINUED)

	NOTES	Year ended 2004 (restated)	Year ended 2003 (restated)
		KZT'000	*KZT'000*
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		2,298,910	2,000,000
Debt securities issued		1,502,155	—
Proceeds from subordinated debt		3,260,412	1,927,268
Net cash inflows from financing activities		7,061,477	3,927,268
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,275,417	4,826,093
CASH AND CASH EQUIVALENTS, beginning of the period	15	11,244,376	6,418,283
CASH AND CASH EQUIVALENTS, end of the period	15	**14,519,793**	**11,244,376**

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 5,654,064 thousand and KZT 11,848,307 thousand, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to KZT 3,286,232 thousand and KZT 6,900,724 thousand, respectively.

On behalf of the Board of Directors:

Li V. S.
Chairman

18 February 2005
(21 December 2005 for Note 33)
Almaty

Yerdessov M. N.
Chief Accountant

18 February 2005
(21 December 2005 for Note 33)
Almaty

The notes on pages F-8 to F-40 form an integral part of these consolidated financial statements.
The Independent Auditors' Report is presented on page F-2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (restated)
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

1. ORGANISATION

JSC Bank CenterCredit (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and conducts its business under license number 248 dated 9 June 2004 given by the Agency of the Republic of Kazakhstan on financial market and financial institutions regulation and inspectorate. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The address of its registered office is as follows: 100, Shevchenko Street, Almaty, Kazakhstan.

The Bank has 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of the Banking Group (the "Group"), consisting of the following subsidiaries, which are consolidated in the financial statements as of 31 December 2004 and 2003:

Name	Country of operation	The Bank ownership interest 2004	The Bank ownership interest 2003	Type of operation
Capital	Republic of Kazakhstan	85%	50%	Pension Fund
Center Leasing	Republic of Kazakhstan	100%	100%	Finance lease of property
KIB ASSET MANAGEMENT	Republic of Kazakhstan	100%	100%	Securities trading

Capital was established as a closed joint stock company on 15 October 2001 in accordance with legislation of the Republic of Kazakhstan. On 24 December 2003 Capital was reregistered as a joint stock company, with certificate of state reregistration #43348 1910-AO. The main activity of the company is the attraction of pension contributions and performance of pension payments. Capital manages pension contributions inflow and accumulation on individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan. Capital has a state general license # 0000021 for the attraction of pension funds and performance of pension payments, dated 19 January 2004.

CenterLeasing was established on 15 January 2002 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, with certificate of state registration #45222-1910-TOO. The main activity of CenterLeasing is leasing operations. In accordance with article 10 of the Law of the Republic of Kazakhstan «Financial leases» CenterLeasing operates without a licence.

KIB ASSET MANAGEMENT was established on 7 May 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan. On 18 June 2003 KIB ASSET MANAGEMENT was reregistered as a joint stock company, certificate of state reregistration #56185 –1910 -AO. The main activity of KIB ASSET MANAGEMENT is operations with securities. The Company has a license # 20030154 dated 5 June 1998 for brokerage and dealer activity on the Kazakhstan stock exchange with the right to maintain customer accounts as a nominal holder.

The Bank does not own any shares in "BCC" LLP and "Aktas-Zhol" LLP, but they are consolidated in the Group's financial statements as special purpose entities (the "SPEs").

Aktas Zhol was established on 3 April 2001 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration #7802-1907-TOO. The main activities of Aktas Zhol are production of construction materials and the rent of buildings. Aktas Zhol has a license for the production of construction materials # 006377-GSL, dated 16 August 2001.

BCC was established on 22 December 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration # 23270-1910-TOO. The main activity of BCC is the rent of buildings and property valuation. BCC has a license for real estate valuation # 0000098 UL-001, dated 14 February 2002.

The number of employees of the Group at 31 December 2004 and 2003 was 2,106 and 1,746, respectively.

As of 31 December 2004, the following shareholders owned more than 5% of the outstanding shares.

Shareholder	%
JSC KIB ASSET MANAGEMENT (PORTFOLIO MANAGER)	6.58
JSC Interexport	6.30
JSC «NPF Kazakhmys»	6.11
JSC NPF «Valut-Transit Fund»	5.91
JSC NPF Senim	5.81
Dorra LLC	5.55
Canterburry Valley LTD	5.51
Other (each individually holding less than 5%)	58.23
Total	**100.00**

These consolidated financial statements were authorized for issue by the Board of Directors on 18 February 2005.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), except for earning per share amounts and unless otherwise indicated. These consolidated financial statements are prepared on an accrual basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities and financial assets and financial liabilities held for trading.

The Group maintains its accounting records in accordance with the Accounting policy authorized by the Resolution of the Board of Directors of the Group. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

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

Functional currency

The functional currency of these financial statements is Kazakhstan tenge ("KZT").

Adoption of amended IAS 39

According to IAS 39 "Financial Instruments: Recognition and Measurement" (applied for annual periods beginning on or after 1 January 2005) unrealized gains or losses on investments available-for-sale are recognized directly in equity except for impairment losses and foreign exchange gains and losses. Furthermore, this Standard is applied retrospectively. Therefore the opening balances of equity as of 31 December 2002, the profit and loss account for the years ended 31 December 2004 and 2003 and the respective comparative information presented in these consolidated financial statements were restated by the Group as if this Standard had always been in use. The effect of the adoption of amended IAS 39 is disclosed in Note 33 and in the statement of changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries made up to 31 December each year. The entity is consolidated, when the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Consolidated financial statements also include statements of SPEs.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group.

All significant intercompany transactions and balances have been eliminated. The ownership interest of JSC Bank CenterCredit and proportion of voting power of the Group in the significant subsidiaries as of 31 December 2004 and 2003 is presented in Note 1.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. For regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date is 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 the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the NBRK and central banks of other countries and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD").

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the fixing of the London Bullion Market rates using the Tenge/USD exchange rate effective at the date. Changes in the bid prices are recorded in other income.

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 method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Assets held-for-trading

Assets held-for-trading represent debt securities held-for-trading that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Assets held-for-trading are initially recorded at cost which approximates fair value of the consideration given and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's securities held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Derivative financial instruments

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Group include forwards, swaps and foreign currency options.

Derivative financial instruments are initially recorded and subsequently measured at fair value which approximates the fair value of the consideration given, with their subsequent re-measurement to fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Group enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss for the year in which they arise.

Originated loans

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Group with fixed maturities are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for loan losses.

Write off of loans and advances

Loans are written off against allowance for loan 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 received all available collateral. The decision on writing off bad debt to loan loss allowance 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 as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discontinued 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 the allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

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

It should be understood that estimates of impairment 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 losses incurred on the risk assets.

Finance leases

Leases that transfers 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 a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and,
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Group as lessor

The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

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. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Interest earned on investments available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognized in profit and loss.

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.

Fixed and intangible assets

Fixed and intangible assets are carried at historical cost less accumulated depreciation and any accumulated impairment loss. Depreciation of fixed and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2-4%
Furniture and equipment	20-50%
Intangible assets	10-30%

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

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

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 consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deposits from banks and customers

Customers and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent debentures issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Subordinated debt

Subordinated debt represent bonds issued by the Group to customers. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

Provisions

Provisions are recognized when the Group has a present obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital and share premium

Share capital is recognized at restated cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

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 shareholders' 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 IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Retirement and other benefit obligations

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

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using effective interest rate method. Interest income also includes income earned on investments and securities held-for-trading. Other income is credited to profit and loss account when the related transactions are completed. Commission income/expenses are recognized on an accrual basis.

Foreign currency translation

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

Rates of exchange

The exchange rates at year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2004	31 December 2003
KZT/USD	130.00	144.22
KZT/EUR	177.10	180.23

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the trustee activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Reclassifications and restatements

Certain reclassifications have been made to the consolidated balance sheet as at 31 December 2003 and consolidated profit and loss account for the year ended 31 December 2003 to conform to the presentation for the year ended 31 December 2004. The opening balances of equity as at 31 December 2002 were also restated due to the adoption of amended IAS 39 "Financial Instruments: Recognition and Measurement". See Note 33 for details.

4. NET INTEREST INCOME

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Interest income		
Interest on loans and advances to customers	10,897,119	6,229,448
Interest on debt securities	1,024,146	617,996
Interest on loans and advances to banks	390,352	82,054
Interest on reverse repurchase transactions	85,354	32,646
Total interest income	**12,396,971**	**6,962,144**
Interest expense		
Interest on customer accounts	4,254,115	2,371,351
Interest on loans and advances from banks	1,465,663	604,602
Interest on subordinated debt	612,559	342,047
Interest on reverse repurchase transactions	22,968	15,540
Total interest expense	**6,355,305**	**3,333,540**
Net interest income before provision for impairment losses on interest bearing asset	**6,041,666**	**3,628,604**

5. ALLOWANCE FOR LOSSES AND IMPAIRMENT, AND OTHER PROVISIONS

The movements in allowance for impairment losses on loans and advances to customers were as follows:

	2004	2003
	KZT'000	*KZT'000*
At beginning of the year	2,287,490	1,536,632
Provision	2,418,052	1,434,198
Write-off of assets	(1,137,494)	(631,903)
Transfer to other assets	—	(51,437)
Recoveries of assets previously written off	514,641	—
At the end of the year	**4,082,689**	**2,287,490**

The movements in allowances for impairment losses on other transactions were as follows:

	Investment securities	Other Assets	Guarantees and other commitments	Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*
31 December 2002	(44,000)	(63,581)	(67,622)	(175,203)
(Provision)/recovery	—	(31,144)	26,001	(5,143)
Write-off of assets	—	145,639	2,998	148,637
Transfer from loans and advances to customers	—	(51,437)	—	(51,437)
31 December 2003	(44,000)	(523)	(38,623)	(83,146)
Provision	—	(68,148)	(50,514)	(118,662)
Write-off of assets	44,000	49,711	—	93,711
Transfer from guarantees and other commitments	—	14,342	(14,342)	—
31 December 2004	**—**	**(4,618)**	**(103,479)**	**(108,097)**

6. NET GAIN ON ASSETS HELD-FOR-TRADING

Net gain on securities held-for-trading comprise from gain on trading of debt securities.

7. NET GAIN/(LOSS) ON INVESTMENT SECURITIES

Restated net gain/(loss) on investments securities include net gain on derecognition of securities available-for-sale.

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Dealing, net	889,116	485,201
Translation differences, net	(105,839)	(32,672)
Total net gain on foreign exchange operations	**783,277**	**452,529**

9. FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income and expense comprise:

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Fees and commissions income:		
Cash operations	1,101,622	815,637
Settlements	1,063,609	681,450
Documentary operations	383,319	336,897
Trust operations	281,371	38,514
Foreign exchange operations	197,046	171,309
Loans operations	161,810	40,892
Internet – banking operations	29,678	15,876
Safe operations	13,830	38,601
Other operations	95,237	70,483
Total fees and commissions income	**3,327,522**	**2,209,659**
Fees and commissions expense:		
Settlements	183,518	100,492
Brokerage services	44,667	20,233
Documentary operations	36,817	7,821
Foreign exchange operations	25,847	11,576
Cash operations	4,789	30,061
Other operations	44,248	37,215
Total fees and commissions expense	**339,886**	**207,398**

10. OTHER INCOME

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Penalties received	191,598	132,940
Income from sales of fixed and intangible assets and finished goods	95,540	40,419
	287,138	**173,359**

11. OPERATING EXPENSES

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Salary and bonuses	1,743,103	1,160,840
Other employees' benefits	492,560	176,488
Administrative services	368,153	218,702
Taxes, other than income tax	317,730	197,687
Depreciation of fixed and intangible assets	315,947	345,342
Advertising expenses	303,591	290,480
Social security costs	261,725	251,215
Lease expenses	238,938	108,569
Communication expenses	181,111	155,699
Repairs and maintenance expense	168,912	126,598
Obligatory guarantee payment to Deposit Insurance Fund	134,499	125,410
Business trip expenses	100,544	75,515
Entertainment expenses	83,442	48,570
Sponsorship	41,942	10,071
Presentation expense	36,336	33,788
Professional services fees	26,709	96,473
Other	148,497	118,596
	4,963,739	**3,540,043**

12. INCOME TAXES

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

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax assets/liabilities consist of the following as of 31 December 2004 and 2003:

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Deferred assets:		
Loans and advances to banks and customers	799,000	155,761
Total deferred assets	799,000	155,761
Deferred liabilities:		
Fixed assets	(671,370)	(513,517)
Total deferred liabilities	**(671,370)**	**(513,517)**
Net deferred assets/(liabilities)	**127,630**	**(357,756)**
Deferred tax assets/(liabilities) at the statutory rate (30%)	38,289	(107,327)
Valuation allowance	—	—
Net deferred tax assets/(liabilities)	**38,289**	**(107,327)**
Loss carry forward at the statutory tax rate (30%)	—	44,924
Net deferred tax assets/(liabilities)	**38,289**	**(62,403)**

Relationships between tax expenses and accounting profit for the years ended 31 December 2004 and 2003 are explained as follows:

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Profit before income tax	2,724,199	1,374,092
Statutory tax rate	30%	30%
Tax at the statutory tax rate	817,260	412,228
Tax effect of permanent differences	(431,983)	110,278
Loss carry forward	—	(29,973)
Change in deferred tax asset liabilities	(100,692)	(371,457)
Income tax expense	**284,585**	**121,076**
Current income tax expense	385,277	58,673
Deferred tax (benefit)/expenses	(100,692)	62,403
Income tax expense	**284,585**	**121,076**

	2004	2003
	KZT'000	*KZT'000*
Deferred income tax assets/(liabilities)		
At beginning of the year	(62,403)	—
Change of the deferred income tax for the year	100,692	(62,403)
At end of the year	**38,289**	**(62,403)**

13. EARNINGS PER SHARE

	Year ended 31 December 2004	Year ended 31 December 2003
	KZT'000	*KZT'000*
Net income	2,424,024	1,281,656
Weighted average number of shares	30,085,051	20,340,124
Earnings per share in KZT	**80.6**	**63.0**

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

	2004	2003
	KZT'000	*KZT'000*
Cash on hand	3,487,158	2,953,350
Time deposit with the National Bank of the Republic of Kazakhstan	3,000,000	300,000
Balance with the National Bank of the Republic of Kazakhstan	2,250,133	2,394,391
Precious metals	885	889
Interest accrued	894	—
Total cash and balances with the National Bank of the Republic of Kazakhstan	**8,739,070**	**5,648,630**

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

	2004	2003
	KZT'000	*KZT'000*
Cash and balance with the National Bank of the Republic of Kazakhstan	8,739,070	5,648,630
Loans and advances to banks of OECD countries	5,780,723	5,595,746
Total cash and cash equivalents	**14,519,793**	**11,244,376**

15. LOANS AND ADVANCES TO BANKS

	2004	2003
	KZT'000	*KZT'000*
Loans and advances to banks	8,986,069	6,513,721
Correspondent accounts with other banks	729,305	2,979,727
Accrued interest income on loans and advances to banks	29,734	605
Total loans and advances to banks	**9,745,108**	**9,494,053**

As of 31 December 2004 and 2003 the Group had loans and advances to 3 banks totaling KZT 4,830,700 thousand and 3,341,112 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

16. ASSETS HELD-FOR-TRADING

	Interest to nominal	2004	Interest to nominal	2003
	%	*KZT'000*	*%*	*KZT'000*
Debt securities issued:				
Bank of Development of the Republic of Kazakhstan bonds	4.24-6.17	1,528,245	7.13-7.38	878,903
US treasury bonds	3.66-4.37	516,046	3.38-4.25	288,974
TuranAlem Finance B.V. Bonds	5.93-5.97	299,240	—	—
Kazkommerts International B.V. Bonds	5.66-15.69	287,020	—	—
JSC Alliance Bank Bonds	9.37-10.03	100,318	—	—
JSC Halyk Saving Bank Bonds	7.35-11.04	68,760	—	—
JSC KazTransOil Bonds	—	—	8.50	123,366
JSC BankTuranAlem Bonds	—	—	10-11.5	121,654
Other	—	111,753	—	—
Total assets held-for-trading		**2,911,382**		**1,412,897**

As of 31 December 2004 and 2003 included in trading securities is accrued interest income on debt securities amounting to KZT 30,771 thousand and KZT 15,352 thousand, respectively.

Corporate bonds represent bonds of prime Kazakhstani corporations with maturities between 3 and 10 years.

US State Treasury Bonds are USD denominated government securities with maturities between 5 and 10 years.

As of 31 December 2003 trading securities included corporate bonds and bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreement with other banks amounting to KZT 1,690,766 thousand. All agreements have maturity within one month.

17. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

As of 31 December 2004 and 2003 the Group purchased fixed income debt securities amounting to KZT 7,843,313 thousand and 68,182 thousand, respectively, under agreements to resell them in 6 and 14 month period, respectively. In 2004 interest rates from 1.3% to 15% (2003: 2.5%) are accrued as income on the above securities. The carrying amount of securities approximates to the market value. The interest accued comprises KZT 5,730 thousand and KZT 4,173 thousand as of 31 December 2004 and 31 December 2003, respectively.

18. LOANS TO CUSTOMERS

	2004	2003
	KZT'000	*KZT'000*
Originated loans	92,597,030	52,450,179
Net investment in finance lease	817,789	198,112
Accrued interest income on loans to customers	2,135,286	1,707,960
	95,550,105	54,356,251
Less allowance for impairment losses	(4,082,689)	(2,287,490)
Total loans to customers, net	**91,467,416**	**52,068,761**

	2004	2003
	KZT'000	*KZT'000*
Loans collateralized by real estate	60,405,118	33,931,368
Loans collateralized by goods in turnover	13,793,562	7,326,880
Loans collateralized by equipment	9,566,935	5,285,867
Loans collateralized by other assets	4,924,723	3,317,036
Loans collateralized by corporate guarantees	2,772,578	1,758,141
Loans collateralized by cash	2,382,910	1,115,362
Loans collateralized by precious metals	893,637	817,023
Unsecured loans	810,642	804,574
	95,550,105	54,356,251
Less allowance for impairment losses	(4,082,689)	(2,287,490)
Total loans and advances to customers, net	**91,467,416**	**52,068,761**

Movements in allowances for loan losses for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

	2004	2003
	KZT'000	*KZT'000*
Analysis by sector:		
Trading	21,703,923	14,366,127
Retail loans and mortgage	19,298,577	8,386,031
Manufacturing	11,698,719	6,160,992
Food industry	10,430,436	7,445,442
Construction	6,685,046	2,360,533
Agriculture	6,485,437	2,619,504
Oil and gas	4,689,029	1,486,922
Transportation and equipment maintenance services, rendered to enterprises	4,122,654	2,386,916
Mining of precious metals	3,090,033	3,725,974
Real estate	3,051,981	1,523,321
Telecommunications and transport	998,126	1,554,075
Mass media	981,140	466,034
Metallurgy	255,765	323,877
Machinery	168,384	74,377
Energy	124,748	364,592
Financial sector	30,798	70,537
Other	1,735,309	1,040,997
	95,550,105	54,356,251
Less allowance for impairment losses	(4,082,689)	(2,287,490)
Total loans to customers, net	**91,467,416**	**52,068,761**

The components of net investment in finance lease as of 31 December 2004 and 2003 are as follows:

	2004	2003
	KZT'000	*KZT'000*
Total minimum lease and maintenance payments	817,789	198,112
Less: executory costs	—	—
Net minimum lease payments	817,789	198,112
Less: unearned finance income	—	—
Net investment in finance lease	**817,789**	**198,112**
Current portion	269,821	65,377
Long-term portion	547,968	132,735
Net investment in finance lease	**817,789**	**198,112**

The present value of future minimum lease payments due from customer under finance lease as of 31 December 2004 are as follows:

	2004	2003
	KZT'000	*KZT'000*
Not later than one year	269,821	65,377
Later than one year not later than five years	547,968	132,735
Total future minimum lease payments	**817,789**	**198,112**

As of 31 December 2004 and 2003 included in loans and advances to customers are non-accrual loans amounting to KZT 518,578 thousand and KZT 489,888 thousand, respectively, on which interest was not accrued.

As of 31 December 2004 and 2003 the Group had 8 and 13 loans to customers totaling KZT 18,704,097 thousand and KZT 14,760,011 thousand, respectively, balances of which individually exceeded 10% of the Group's equity.

19. INVESTMENT SECURITIES

Investments available-for-sale

	Interest to nominal	2004	Interest to nominal	2003
	%	KZT'000	%	KZT'000
Debt securities				
NBRK notes	—	9,787,145	—	2,348,494
Bonds of the Ministry of Finance of the RK	2.86-5.72	6,145,628	4-16.3	1,911,943
Kazakhstan Mortgage Company	6.2-7.8	2,738,117	9	1,114,287
Eurobonds, issued by the Republic of Kazakhstan	3.49-3.72	1,267,458	11.13-13.63	1,769,905
JSC Halyk Saving Bank Bonds	7.35-11.04	753,565	7.7-11.45	469,856
JSC Bank Caspian Bonds	8.37	293,401	—	—
Municipal bonds of state local authorities	11.21	146,972	—	—
JSC Astana Finance Bonds	8.21-11.16	126,251	9	15,489
JSC Valut Transit Bank Bonds	12.35	88,809	10	227,471
Kazkommerts International Euro BondsB.V.	5.66-15.69	5,155	—	—
JSC Alliance Bank	9.37-10.03	1,306	—	—
Kustanai Asbest	—	—	12	123,221
Almaty Kys	—	—	10	267,445
Development bank of Kazakhstan	—	—	7.38	301,750
Other	—	367		4,159
		21,354,174		**8,554,020**

Movements in allowances are shown in Note 5.

	Share	2004	Share	2003
	%	KZT'000	%	KZT'000
Equity securities				
JSC Oil Insurance Company	5.7	41,091	5.45	37,606
JSC Halyk Pension Fund	12.47	36,700	6.57	17,400
JSC Pension Fund Korgau	9.44	28,328	5.58	17,000
JSC Processing Center	1.37	10,000	1.37	10,000
First Credit Bureau LLP	14.29	4,050	—	—
KASE	2.28	2,200	—	—
Association of Financiers of Kazakhstan	16.6	675	—	—
JSC Central Depositary of Securities	2.5	200	—	—
JSC Alliance Bank	—	—	6.9	250,000
JSC ValutTransitBank	—	—	2.9	91,429
JSC Halyk Saving Bank	—	—	—	6,378
JSC Kazakhtelecom	—	—	—	1,792
Other	—	1,321	—	14,240
		124,565		445,845
Total investments available for sale		**21,478,739**		**8,999,865**

As of 31 December and 2003 investments available-for-sale included shares of JSC Astana Hotel amounting to KZT 44,000 thousand which were 100% provided and they were written off in 2004.

Investments held-to-maturity

	Interest to nominal	2004	Interest to nominal	2003
	%	KZT'000	%	KZT'000
JSC Texaka Bank Bonds	11	40,044	—	—
NBRK notes	—	6,653	—	—
Bonds of Kazkahstan Mortgage Company	8.09-11.25	3,909	—	—
JSC Astana Finance Bonds	9	2,572	—	—
JSC Bank of Development of Kazakhstan Bonds	9.5	1,795	—	—
Total investments held-to-maturity		**54,973**		**—**

The interest accrued as of 31 December 2004 and 31 December 2003 was KZT 181,600 thousand and KZT 107,261 thousand, respectively.

20. FIXED AND INTANGIBLE ASSETS

	Building	Furniture and equipment	Construction in progress	Intangible assets	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
At cost					
31 December 2003	1,225,546	1,966,061	63,292	235,361	3,490,260
Additions	137,425	1,185,414	531,031	91,369	1,945,239
Transfers	—	—	—	2,063	2,063
Disposals	(1,705)	(453,958)	(29,591)	—	(485,254)
31 December 2004	1,361,266	2,697,517	564,732	328,793	4,952,308
Accumulated depreciation					
31 December 2003	(126,284)	(590,101)	—	(85,378)	(801,763)
Charge for the year	(20,414)	(246,140)		(49,393)	(315,947)
Transfers	—	(2,063)	—	—	(2,063)
Disposals	27	55,228	—	—	55,255
31 December 2004	(146,671)	(783,076)	—	(134,771)	(1,064,518)
Net book value					
31 December 2004	**1,214,595**	**1,914,441**	**564,732**	**194,022**	**3,887,790**
31 December 2003	**1,099,262**	**1,375,960**	**63,292**	**149,983**	**2,688,497**

21. OTHER ASSETS

	2004	2003
	KZT'000	*KZT'000*
Debtors on capital investments	1,019,046	82,691
Prepayments and receivables on other transactions	616,264	452,135
Taxes receivable (other than income tax)	155,870	79,008
Inventory	140,562	118,432
Receivable from sale of collateral repossessed	134,717	472,322
Western Union and other wireless transfers	92,433	122,055
Accrued commission	85,529	41,603
Due from the Government on foreign exchange losses for long term mortgage loans	51,833	49,782
Travelers cheques	23,437	17,351
Advances to employees	2,513	3,334
Other	—	93,943
	2,322,204	1,532,656
Less allowance for impairment losses on other assets	(4,618)	(523)
Total other assets, net	**2,317,586**	**1,532,133**

Movements in allowances for impairment losses on other assets for the years ended 31 December 2004 and 2003 are disclosed in Note 5.

22. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2004	2003
	KZT'000	*KZT'000*
Correspondent accounts of other banks	525,172	605,231
Loans from banks and financial institutions, including:		
Syndicated loan from a group of banks *(Bank Austria, Austria, maturity – March 9, 2005, 5.3%)*	910,000	—
Syndicated loan from a group of banks *(Bayerische Hypo-und Vereinsbank AG, Germany, maturity – November 25, 2005, 5.4%)*	9,100,000	5,191,920
Syndicated loan from a group of banks *(ING Bank, the Netherlands, maturity – June 18, 2005 , 5.2%)*	5,850,000	—
Short-term loans from other banks	7,848,093	6,685,869
Overnight deposits of other banks	—	4,802,129
Loans from international credit organizations	7,526,390	2,670,569
Short-term deposits of other banks	2,500,000	—
Loans received from Government of the Republic of Kazakhstan and NBRK	357,320	585,609
Accrued interest expenses	346,506	187,056
Total loans and advances from banks	**34,963,481**	**20,728,383**

23. CUSTOMER ACCOUNTS

Customer accounts comprise:

	2004	2003
	KZT'000	*KZT'000*
Time deposits	68,478,191	31,505,738
Repayable on demand	22,045,058	15,834,355
Accrued interest expense on customer accounts	844,439	364,996
Total customer accounts	**91,367,688**	**47,705,089**

As of 31 December 2004 and 2003 customer accounts amounting to KZT 13,751,313 thousand and KZT 6,018,197 thousand were due to 5 and 4 customers, respectively, which represents significant concentration.

	2004	2003
	KZT'000	*KZT'000*
Analysis by sector		
Individuals	41,382,592	20,962,386
Social services	12,140,670	5,749,898
Fuel	11,230,573	4,120,043
Insurance	5,081,727	4,906,777
Trade	3,967,914	3,205,719
Real estate constructions	2,750,058	162,358
Metallurgy	2,488,568	325
Agriculture	2,454,799	1,617,939
Transportation and communication	2,266,321	1,668,926
Manufacturing	2,124,550	695,846
Machinery	199,946	169,808
Energy	189,312	142,656
Chemical	23,728	40,950
Other	4,222,491	3,896,462
Accrued interest expense on customer accounts	844,439	364,996
Total customer accounts	**91,367,688**	**47,705,089**

24. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Currency	Maturity date	Interest Rate	31 December 2004	31 December 2003
		year	*%*	*KZT'000*	*KZT'000*
Bonds	KZT	09/24/2007-08/16/2015	8.5%-9%	1,502,155	—
Accrued interest expenses				8,002	—
Total debt securities issued				**1,510,157**	**—**

25. OTHER LIABILITIES

	2004	2003
	KZT'000	*KZT'000*
Settlement on other transactions	480,973	314,708
Advances received	162,101	9,075
Taxes payable, other than income tax	138,270	35,064
Allowance for losses on guarantees and other commitments	103,479	38,623
Other	23	39,341
Accrued commission expense	6,779	—
Total other liabilities	**891,625**	**436,811**

Movements on allowance for impairment losses and guarantees and other commitments are disclosed in the Note 5.

26. SUBORDINATED DEBT

	Currency	Maturity date	Interest Rate	31 December 2004	31 December 2003
		year	*%*	*KZT'000*	*KZT'000*
Subordinated bonds	KZT	12/17/2005-08/16/2015	9%-13.3%	6,062,491	4,102,079
Subordinated loan	USD	09/24/2007-08/16/2015	6.3%+LIBOR	1,300,000	—
Accrued interest expenses				112,804	58,458
				7,475,295	**4,160,537**

Discount on the interest bearing notes is amortized over the life of the note and is recorded in interest expense on debt securities issued using the effective interest rate method.

27. SHARE CAPITAL

As of 31 December 2004 and 2003 share capital authorized, issued and fully paid comprised of 36,811,244 and 25,316,695 ordinary shares. All ordinary shares are ranked equally and carry one vote. Share premium represents the excess of contributions received over the nominal value of shares issued.

During the years ended 31 December 2004 and 2003 the Group issued 11,494,549 and 10,000,000 ordinary shares, respectively.

28. 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 consolidated balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

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

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As of 31 December 2004 and 2003, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	2004		2003	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*
Contingent liabilities and credit commitments				
Guarantees issued and other similar commitments	9,062,886	9,062,886	3,907,898	3,907,898
Letters of credit and other transaction related contingent liabilities	5,361,046	2,664,972	831,149	339,239
Total contingent liabilities and credit commitments	**14,423,932**	**11,727,858**	**4,739,047**	**4,247,137**

Capital commitments

The Group had no material commitments for capital expenditures outstanding as of 31 December 2004 and 2003.

Rental commitments

No material rental commitment was outstanding as of 31 December 2004 and 2003.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are returned to the client. These amounts are the average balance of the clients' funds under the management of the Group during 2004 and 2003, including assets under trusteeship as of 31 December 2004 and 2003 in the amount of KZT 13,773,403 thousand and KZT 5,572,000 thousand, respectively.

The Group renders depository services. As of 31 December 2004 the Group had 3,416,936,126 items of securities at nominal account for dealing operations of clients.

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

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As of 31 December 2004 and 2003, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. 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.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 (Related party disclosures), are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

(c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group′ and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 31 December 2004 and 31 December 2003:

	2004		2003	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*
Loans to customers, gross	1,294,523	95,550,105	450,958	54,356,251
Allowance for impairment losses on loans to customers	(22,294)	(4,082,689)	(68,872)	(2,287,490)
Investments available-for-sale	114,275	21,478,739	71,800	8,999,865
Subordinated debt	22,399	7,475,295	9,054	4,160,537
Customer accounts	338,626	91,367,688	—	47,705,089
Guarantees issued	5,040	9,062,886	5,913	3,907,898

During the years ended 31 December 2004 and 2003 the Group originated loans to customers—related parties amounting to KZT 977,179 thousand and KZT 335,580 thousand, respectively, and received loans repaid of KZT 133,614 thousand and KZT 256,699 thousand, respectively. The Group has interest income accrued in respect of loans granted to related parties totaling KZT 65,348 thousand and KZT 67,845 thousand, respectively, as of 31 December 2004 and 2003.

During the year ended 31 December 2004 and 2003 the Group received advances from customers—related parties of KZT 589,789 and KZT nil, respectively and deposits and advances repaid totaling KZT 251,163 and KZT nil, respectively.

As of 31 December 2004 and 2003 the Group purchased securities under repos agreements from related parties for the total of KZT 114,275 thousand and KZT 71,800 thousand, respectively.

During the years ended 31 December 2004 and 2003 the Group issued guarantees and standby letters of credit on behalf of related parties of KZT 646,225 thousand and KZT 123,511 thousand, respectively.

During the years ended 31 December 2004 and 2003 the Group issued on the KASE (Kazakhstani exchange) the debt securities for amount KZT 4,883,373 thousand and KZT 1,927,268 thousand, respectively.

Included in the consolidated profit and loss account for the years ended 31 December 2004 and 2003 are the following amounts which arose due to transactions with relared parties:

	2004		2003	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*
Interest income		12,396,971		6,962,144
—related companies	135,143		40,768	
—directors	12,383		5,006	
Interest expense		6,355,305		3,333,540
—related companies	1,514		226	
Salary for key management personnel	49,423	1,743,103	31,592	1,160,840

Transactions with related parties entered by the Group during the years ended 31 December 2004 and 2003 and outstanding as of 31 December 2004 and 2003 were made in the normal course of business and mostly under arm-length conditions.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2004 and 2003 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the National Bank of the Republic of Kazakhstan

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Loans and advances to bank

As of 31 December 2004 and 2003, the carrying amount of loans and advances given is a reasonable estimate of their fair value.

Assets held-for-trading

As of 31 December 2004 and 2003 assets held-for-trading are stated at fair value. The fair value of assets held-for-trading was determined with reference to an active market.

Securities purchased under repurchase agreements

As of 31 December 2004 and 2003, the carrying amount of securities purchased under repurchase agreements is a reasonable estimate of the fair value.

Loans to customers

The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for impairment losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for impairment losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Investments available-for-sale

As of 31 December 2004 and 2003 debt securities available-for-sale are stated at fair value amounting to KZT 21,172,574 thousand and KZT 8,446,759 thousand, respectively, plus accrued coupon income totaling KZT 181,600 thousand and KZT 107,261, respectively. Fair value of investments available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market.

As of 31 December 2003 securities for the amount KZT 44,000 thousands were accounted at cost and 100% allowance for impairment was created.

For unquoted securities fair value was determined by reference to market prices of securities with similar credit risk and/or maturity, in other cases – by reference to the share in estimated equity capital of investee. If such quotes do not exist, management estimation is used.

Investments held-to-maturity

Investments held-to-maturity are stated at cost and adjusted for accretion and amortization of premiums and discounts, respectively. The fair value of investments held-to-maturity as of 31 December 2004 was KZT 45,422 thousand. The fair value of securities held-to-maturity was determined with reference to an active market for those securities quoted publicly or at over-the-counter market. For unquoted securities the fair value was determined by reference to market prices of securities with similar credit risk and/or maturity.

Loans and advances from banks

As of 31 December 2004 and 2003 the carrying amount is a reasonable estimate of their fair value.

Customer accounts

As of 31 December 2004 and 2003, the carrying amount of customer deposits and current customer accounts is a reasonable estimate of their fair value.

Securities purchased under repurchase agreements

As of 31 December 2003 the carrying value of securities sold under repos agreement is a reasonable estimate of their fair value.

Subordinated debt

As of 31 December 2004 and 2003 the carrying amount of subordinated debt is a reasonable estimate of its fair value.

31. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Group's provisions for the principal risks.

The ratio was calculated according to the principles employed by the Basel Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the NBRK
0%	State debt securities in KZT
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
100%	Other assets

The Group's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual amount	For Capital Adequacy purposes	Ratio For Capital Adequacy purposes	Minimum Required Ratio
	KZT'000	*KZT'000*	%	%
At 31 December 2004				
Total capital	12,275,420	18,775,420	16.74	8
Tier 1 capital	7,466,920	11,573,641	10.32	4
At 31 December 2003				
Total capital	7,487,084	10,902,858	15.82	8
Tier 1 capital	5,168,010	6,831,547	9.91	4

During computation of total capital for capital adequacy purposes as of 31 December 2003 the Group included the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

32. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit 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 Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimisation. Risk Analysis and Management Department performs determination of the optimim structure of balance, limitis on ligudity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liguidity ratios.

Cash flow interest rate risk

Cash flow interest rate risk – the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate and market risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Group to avoid negative interest margin. Risk Analysis and Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

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.

	2004				2003			
	KZT	USD	EURO	Other currency	KZT	USD	EURO	Other currency
ASSETS								
Loans and advances to banks	5.9%	2.3%	2.3%	2%	5.5%	2.5%	—	2.5%
Assets held-for-trading	5.7%	5.6%	—	—	5.5%	4.5%	—	—
Securities purchased under agreement to resell	1.5%	3.1%	—	—	2.5%	1.5%	—	—
Loans to customers	15.18%	14.5%	9.8%	—	16%	15.2%	13.2%	—
Investments available-for-sale	4.5%	4.9%	—	—	5.5%	4.5%	—	—
Investments held-to-maturity	—	—	—	—	—	—	—	—
LIABILITIES								
Loans and advances from banks	6%	4.9%	3.9%	—	—	—	—	—
Securities sold under agreement to repurchase	—	—	—	—	2.5%	—	—	—
Customer accounts	10.3%	6.6%	7.1%	—	10%	6.2%	6%	—
Subordinated debt	10.9%	9.11%	—	—	11.83%	—	—	—
Debt securities issued	8.75%	—	—	—	—	—	—	—

	2004						
	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Allowance for losses	Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
ASSETS							
Interest rate bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	3,000,000	—	—	—	—	—	3,000,000
Loans and advances to banks	8,193,289	120,000	672,780	—	—	—	8,986,069
Asets held-for-trading	2,880,611	—	—	—	—	—	2,880,611
Securities purchased under agreement to resell	7,645,278	35,009	157,296	—	—	—	7,837,583
Loans to customers, less allowance for impairment losses	4,375,695	7,490,253	41,575,934	39,229,882	224,477	(3,564,111)	89,332,130
Investment securities	19,764,021	—	10,210	1,408,996	44,320	—	21,227,547
Total interest bearing assets	45,858,894	7,645,262	42,416,220	40,638,878	268,797	(3,564,111)	133,263,940
Cash and balances with the National Bank of the Republic of Kazakhstan	5,738,176	—	—	—	—	—	5,738,176
Fixed and intangible assets, less accumulated depreciation	—	—	—	2,673,195	1,214,595	—	3,887,790
Income tax asset	38,289	—	—	—	—	—	38,289
Overdue loans to customers, less allowance for impairment losses	518,578	—	—	—	—	(518,578)	—
Loans and advances to banks	729,305	—	—	—	—	—	729,305
Investments securities	124,565	—	—	—	—	—	124,565
Other assets, less allowance for impairment losses	1,134,926	5,182	23,096	1,158,754	246	(4,618)	2,317,586
Interest accrued on interest bearing assets	2,384,015	—	—	—	—	—	2,384,015
TOTAL ASSETS	**56,526,748**	**7,650,444**	**42,439,316**	**44,470,827**	**1,483,638**	**(4,087,307)**	**148,483,666**
LIABILITIES							
Loans and advances from banks and other financial institutions	10,954,076	3,066,618	13,818,438	5,966,480	286,191	—	34,091,803
Customer accounts	10,703,568	9,565,178	15,941,693	31,234,430	—	—	67,444,869
Debt securities issued	—	—	586,631	915,524	—	—	1,502,155
Subordinated debt	—	—	—	—	7,362,491	—	7,362,491
Total interest bearing liabilities	21,657,644	12,631,796	30,346,762	38,116,434	7,648,682	—	110,401,318
Loans and advances from banks and other financial institutions	525,172	—	—	—	—	—	525,172
Customer accounts	23,078,380	—	—	—	—	—	23,078,380
Other liabilities	749,199	3,603	7,873	—	27,471	103,479	891,625
Interest accrued on interest bearing liabilities	1,311,751	—	—	—	—	—	1,311,751
TOTAL LIABILITIES	**47,322,146**	**12,635,399**	**30,354,635**	**38,116,434**	**7,676,153**	**103,479**	**136,208,246**
Liquidity gap	9,204,602	(4,984,955)	12,084,681	6,354,393	(6,192,515)		
Interest sensitivity gap	24,201,250	(4,986,534)	12,069,458	2,522,444	(7,379,885)		
Cumulative interest sensitivity gap	**24,201,250**	**19,214,716**	**31,284,174**	**33,806,618**	**26,426,733**		
Cumulative interest sensitivity gap as a percentage of total assets	**16.30%**	**12.94%**	**21.07%**	**22.77%**	**17.80%**		

	2003						
	Up to 1 month	**1 month to 3 months**	**3 month to 1 year**	**1 year to 5 years**	**Over 5 years**	**Allowance for losses**	**Total**
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
ASSETS							
Cash and balances with the National Bank of the Republic of Kazakhstan	300,000	—	—	—	—	—	300,000
Loans and advances to banks	6,209,355	—	246,678	57,688	—	—	6,513,721
Assets held-for-trading	1,397,545	—	—	—	—	—	1,397,545
Securities purchased under agreement to resell	29,000	—	35,009	—	—	—	64,009
Loans to customers, less allowance for impairment losses	3,603,083	7,186,415	23,947,456	16,477,950	943,499	(1,797,602)	50,360,801
Investments securities	6,863,213	117,539	—	1,466,007	—	—	8,446,759
Total interest bearing assets	18,402,196	7,303,954	24,229,143	18,001,645	943,499	(1,797,602)	67,082,835
Cash and balances with the National Bank of the Republic of Kazakhstan	5,348,630	—	—	—	—	—	5,348,630
Overdue loans to customers, less allowance for impairment losses	489,888	—	—	—	—	(489,888)	—
Loans and advances to banks	2,979,727	—	—	—	—	—	2,979,727
Investments securitites	489,845	—	—	—	—	(44,000)	445,845
Fixed and intangible assets, less accumulated depreciation	—	—	—	1,589,235	1,099,262	—	2,688,497
Interest accrued on interest bearing assets	1,835,351	—	—	—	—	—	1,835,351
Other assets, less allowance for impairment losses	1,454,010	—	—	78,646	—	(523)	1,532,133
TOTAL ASSETS	**30,999,647**	**7,303,954**	**24,229,143**	**19,669,526**	**2,042,761**	**(2,332,013)**	**81,913,018**
LIABILITIES							
Loans and advances from banks and other financial institutions	1,581,863	1,939,648	11,808,830	4,605,755	—	—	19,936,096
Securities sold under agreement to repurchase	1,332,711	—	—	—	—	—	1,332,711
Customer accounts	4,143,038	7,894,518	11,651,045	7,817,137	—	—	31,505,738
Subordinated debt	—	—	—	644,985	3,457,094	—	4,102,079
Total interest bearing liabilities	7,057,612	9,834,166	23,459,875	13,067,877	3,457,094	—	56,876,624
Loans and advances from banks and other financial institutions	605,231	—	—	—	—	—	605,231
Customer accounts	15,834,355	—	—	—	—	—	15,834,355
Income tax liabilities	—	—	62,403	—	—	—	62,403
Other liabilities	284,772	65,153	12,303	35,960	—	38,623	436,811
Interest accrued on interest bearing liabilities	610,510	—	—	—	—	—	610,510
TOTAL LIABILITIES	**24,392,480**	**9,899,319**	**23,534,581**	**13,103,837**	**3,457,094**	**38,623**	**74,425,934**
Liquidity gap	6,607,167	(2,595,365)	694,562	6,565,689	(1,414,333)		
Interest sensitivity gap	11,344,584	(2,530,212)	769,268	4,933,768	(2,513,595)		
Cumulative interest sensitivity gap	**11,344,584**	**8,814,372**	**9,583,640**	**14,517,408**	**12,003,813**		
Cumulative interest sensitivity gap as a percentage of total assets	**13.85%**	**10.76%**	**11.70%**	**17.72%**	**14.65%**		

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

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	2004					
	KZT	**USD**	**EUR**	**Other currency**	**Allowance for losses**	**Total**
		1USD = KZT 130.00	*1EUR = KZT 177.10*			*KZT'000*
ASSETS:						
Cash and balances with the National Bank of the Republic of Kazakhstan	7,634,212	834,566	246,735	23,557	—	8,739,070
Loans and advances to banks	2,633,373	3,681,283	3,296,246	134,206	—	9,745,108
Assets held-for-trading	212,070	2,699,312	—	—	—	2,911,382
Securities purchased under agreement to resell	7,843,313	—	—	—	—	7,843,313
Loans to customers, less allowance for impairment losses	40,266,753	54,606,770	676,582	(4,082,689)	91,467,416	
Investments securities	20,261,099	1,272,613	—	—	—	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	—	—	—	—	3,887,790
Income tax assets	38,289	—	—	—	—	38,289
Other assets, less allowance for impairment losses	2,220,989	93,278	7,937	—	(4,618)	2,317,586
TOTAL ASSETS	**84,997,888**	**63,187,822**	**4,227,500**	**157,763**	**(4,087,307)**	**148,483,666**
LIABILITIES:						
Loans and advances from banks and other financial institutions	3,310,267	28,997,978	2,654,933	303	—	34,963,481
Customer accounts	56,167,874	33,101,376	1,983,109	115,329	—	91,367,688
Debt securities issued	1,510,157	—	—	—	—	1,510,157
Subordinated debt	6,171,639	1,303,656	—	—	—	7,475,295
Other liabilities	618,428	106,162	57,843	5,713	103,479	891,625
TOTAL LIABILITIES	**67,778,365**	**63,509,172**	**4,695,885**	**121,345**	**103,479**	**136,208,246**
OPEN BALANCE SHEET POSITION	**17,219,523**	**(321,350)**	**(468,385)**	**36,418**		

	2003					
	KZT	USD	EUR	Other currency	Allowance for losses	Total
		1USD = KZT 144.22	*1EUR = KZT 180.23*			*KZT'000*
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	3,700,222	1,685,532	247,474	15,402	—	5,648,630
Loans and advances to banks	1,006,301	7,657,314	623,724	206,714	—	9,494,053
Assets held-for-trading	—	1,412,897	—	—	—	1,412,897
Securities purchased under agreement to resell	68,182	—	—	—	—	68,182
Loans to customers, less allowance for impairment losses	29,324,757	24,581,177	450,317	—	(2,287,490)	52,068,761
Investments securities	6,972,210	2,071,655	—	—	(44,000)	8,999,865
Fixed and intangible assets, less accumulated depreciation	2,688,497	—	—	—	—	2,688,497
Other assets, less allowance for impairments losses	1,302,480	225,757	4,391	28	(523)	1,532,133
TOTAL ASSETS	**45,062,649**	**37,634,332**	**1,325,906**	**222,144**	**(2,332,013)**	**81,913,018**
LIABILITIES						
Loans and advances from banks and other financial institutions	1,494,441	18,653,546	580,396	—	—	20,728,383
Securities sold under agreements to repurchase	321,010	1,011,701	—	—	—	1,332,711
Customer accounts	28,935,561	17,776,266	863,015	130,247	—	47,705,089
Subordinated debt	4,160,537	—	—	—	—	4,160,537
Income tax liabilities	62,403	—	—	—	—	62,403
Other liabilities	317,855	69,555	10,003	775	38,623	436,811
TOTAL LIABILITIES	**35,291,807**	**37,511,068**	**1,453,414**	**131,022**	**38,623**	**74,425,934**
OPEN BALANCE SHEET POSITION	**9,770,842**	**123,264**	**(127,508)**	**91,122**		

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.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by borrower and product (by industry sector, by region) are approved by the Credit Committee. 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 guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the 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 loss in an amount equal to the total unused commitments. However, the likely amount of 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 credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	2004				
	Kazakhstan	**Other non OECD countries**	**OECD Countries**	**Allowance for losses**	**Total**
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
Cash and balances with the National Bank of the Republic of Kazakhstan	8,739,070	—	—	—	8,739,070
Loans and advances to banks	3,829,796	134,589	5,780,723	—	9,745,108
Assets held-for-trading	2,395,336	—	516,046	—	2,911,382
Securities purchased under agreement to resell	7,843,313	—	—	—	7,843,313
Loans to customers, less allowance for impairment losses	95,013,152	533,257	3,696	(4,082,689)	91,467,416
Investments securities	21,533,712	—	—	—	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	—	—	—	3,887,790
Income tax assets	38,289	—	—	—	38,289
Other assets, less allowance for impairment losses	2,322,204	—	—	(4,618)	2,317,586
TOTAL ASSETS	**145,602,662**	**667,846**	**6,300,465**	**(4,087,307)**	**148,483,666**
LIABILITIES					
Loans and advances from banks and other financial institutions	9,144,018	356,680	25,462,783	—	34,963,481
Customer accounts	91,367,688	—	—	—	91,367,688
Debt securities issued	1,510,157	—	—	—	1,510,157
Subordinated debt	6,171,639	—	1,303,656	—	7,475,295
Other liabilities	788,146	—	—	103,479	891,625
TOTAL LIABILITIES	**108,981,648**	**356,680**	**26,766,439**	**103,479**	**136,208,246**
NET BALANCE SHEET POSITION	**36,621,014**	**311,166**	**(20,465,974)**		

	2003				
	Kazakhstan	**Other non OECD countries**	**OECD Countries**	**Allowance for losses**	**Total**
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
Cash and balances with the National Bank of the Republic of Kazakhstan	5,648,630	—	—	—	5,648,630
Loans and advances to banks	2,176,328	1,721,979	5,595,746	—	9,494,053
Trading securities	1,123,923	—	288,974	—	1,412,897
Securities purchased under agreement to resell	68,182	—	—	—	68,182
Loans to customers, less allowance for impairment losses	54,356,251	—	—	(2,287,490)	52,068,761
Investments securities	9,043,865	—	—	(44,000)	8,999,865
Fixed and intangible assets, less accumulated depreciation	2,688,497	—	—	—	2,688,497
Other assets, less allowance for impairment losses	1,532,656	—	—	(523)	1,532,133
TOTAL ASSETS	**76,638,332**	**1,721,979**	**5,884,720**	**(2,332,013)**	**81,913,018**
LIABILITIES					
Loans and advances from banks and other financial institutions	4,188,187	721,617	15,818,579	—	20,728,383
Securities sold under agreements to repurchase	1,332,711	—	—	—	1,332,711
Customer accounts	47,705,089	—	—	—	47,705,089
Subordinated debt	4,160,537	—	—	—	4,160,537
Income tax liabilities	62,403	—	—	—	62,403
Other liabilities	398,188	—	—	38,623	436,811
TOTAL LIABILITIES	**57,847,115**	**721,617**	**15,818,579**	**38,623**	**74,425,934**
NET BALANCE SHEET POSITION	**18,791,217**	**1,000,362**	**(9,933,859)**		

33. RESTATEMENTS DUE TO CHANGES IN IFRS

Due to adoption IFRS 39 "Financial instrumemts: recognition and measurement" net profit for the years ended 31 December 2004 and 2003 was restated and disclosed as follows:

	Year ended 31 December 2004	**Year ended 31 December 2003**
	KZT'000	*KZT'000*
Net profit as previously reported	2,471,921	1,293,901
Unrealized gains on revaluation of investments available-for-sale	(47,897)	(12,245)
Net profit as restated	**2,424,024**	**1,281,656**

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2005

	Notes	Nine months ended 30 September 2005 (unaudited)	Nine months ended 30 September 2004 (unaudited, restated)
		KZT'000	*KZT'000*
Interest income	4	17,216,823	8,989,114
Interest expense	4	(9,491,624)	(4,343,847)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		7,725,199	4,645,267
Provision for impairment losses on interest bearing assets		(3,726,321)	(1,841,577)
NET INTEREST INCOME		3,998,878	2,803,690
Fee and commissions income		3,803,765	2,341,188
Fee and commissions expense		(403,991)	(220,379)
Net (loss)/gain on assets held-for-trading		(30,064)	639
Net gain on investments available-for-sale		17,212	48,239
Net gain on foreign exchange operations		836,087	523,296
Other income/(expense)		468,826	(409,580)
NET NON-INTEREST INCOME		4,691,835	2,283,403
OPERATING INCOME		8,690,713	5,087,093
OPERATING EXPENSES		(4,874,020)	(3,143,509)
OPERATING PROFIT		3,816,693	1,943,584
Provision for impairment losses on other transactions		(80,728)	(48,724)
Share of results of associates		—	4,100
PROFIT BEFORE INCOME TAX AND MINORITY INTEREST		3,735,965	1,898,960
Income tax expense	5	(208,380)	(115,732)
NET PROFIT		3,527,585	1,783,228
Attributable to:			
Equity holders of the parent		3,531,049	1,746,670
Minority interest		(3,464)	36,558
		3,527,585	1,783,228
Earnings per share (tenge)	6	**80.24**	**61.96**

On behalf of the Board of Directors:

Chairman

4 November 2005
Almaty

Chief Accountant

4 November 2005
Almaty

The notes on pages F-46 to F-69 form an integral part of these interim condensed consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2005

	Notes	30 September 2005 (unaudited)	31 December 2004 (restated)
		KZT'000	*KZT'000*
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan		10,793,579	8,739,070
Loans and advances to banks		9,693,186	9,745,108
Assets held-for-trading	7	5,561,841	2,911,382
Securities purchased under agreement to resell		3,401,857	7,843,313
Loans to customers, less allowance for impairment losses	8	182,477,837	91,467,416
Investments available-for-sale	9	36,624,058	21,478,739
Investments held-to-maturity	10	92,348	54,973
Fixed and intangible assets, less accumulated depreciation		5,200,508	3,887,790
Income tax assets		123,615	38,289
Other assets, less allowance for impairment losses	11	3,966,018	2,317,586
TOTAL ASSETS		**257,934,847**	**148,483,666**
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions		57,422,473	34,963,481
Securities sold under agreements to repurchase		4,407,787	—
Customer accounts	12	127,909,761	91,367,688
Debt securities issued	13	33,052,953	1,510,157
Other liabilities	14	2,424,140	891,625
		225,217,114	128,732,951
Subordinated debt	15	11,327,981	7,475,295
TOTAL LIABILITIES		236,545,095	136,208,246
EQUITY:			
Share capital		12,877,492	7,466,920
Investments available-for-sale fair value reserve		602,427	426,252
Fixed assets revaluation reserve		274,561	275,527
Revenue reserve		7,574,739	4,042,724
		21,329,219	12,211,423
Minority interest		60,533	63,997
Total equity		21,389,752	12,275,420
TOTAL LIABILITIES AND EQUITY		**257,934,847**	**148,483,666**

On behalf of the Board of Directors:

Chairman

4 November 2005
Almaty

Chief Accountant

4 November 2005
Almaty

The notes on pages F-46 to F-69 form an integral part of these interim condensed consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2005

	Share capital	Fixed assets revaluation reserve	Investments available-for-sale fair value reserve	Revenue reserve	Total	Minority interest	Total equity
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
31 December 2003 (as previously reported)	5,168,010	278,622	—	1,993,960	7,440,592	46,492	7,487,084
31 December 2003 (as restated)	5,168,010	277,182	378,355	1,617,045	7,440,592	46,492	7,487,084
Share capital increase	2,000,000	—		—	2,000,000	—	2,000,000
Losses transferred to profit and loss accounts on sale of available-for-sale investments	—	—	(114,443)	—	(114,443)	—	(114,443)
Fixed assets revaluation	—	—	—	2,420	2,420	—	2,420
Depreciation of fixed assets revaluation reserve	—	(1,294)	—	1,294	—	—	—
Change of minority interest	—	—	—	—	—	71,399	71,399
Net profit	—	—	—	1,746,670	1,746,670	36,558	1,783,228
30 September 2004 (as previously reported, unaudited)	**7,168,010**	**277,328**	**—**	**3,629,901**	**11,075,239**	**154,449**	**11,229,688**
30 September 2004 (as restated, unaudited)	**7,168,010**	**275,888**	**263,912**	**3,367,429**	**11,075,239**	**154,449**	**11,229,688**
Share capital increase	298,910	—	—	—	298,910	—	298,910
Gains on revaluation of available-for-sale investments	—	—	162,340	—	162,340	—	162,340
Depreciation of fixed assets revaluation reserve	—	(361)	—	361	—	—	—
Change of minority interest	—	—	—	—	—	(69,484)	(69,484)
Net profit	—	—	—	674,934	674,934	(20,968)	653,966
31 December 2004 (as previously reported)	**7,466,920**	**276,967**	**—**	**4,467,536**	**12,211,423**	**63,997**	**12,275,420**
31 December 2004 (as restated)	**7,466,920**	**275,527**	**426,252**	**4,042,724**	**12,211,423**	**63,997**	**12,275,420**
Share capital increase							
—ordinary shares	4,411,736	—	—	—	4,411,736	—	4,411,736
—preference shares	998,836	—	—	—	998,836	—	998,836
Gains on revaluation of available-for-sale investments	—	—	176,175	—	176,175	—	176,175
Depreciation of fixed assets revaluation reserve	—	(966)	—	966	—	—	—
Net profit	—	—	—	3,531,049	3,531,049	(3,464)	3,527,585
30 September 2005	**12,877,492**	**274,561**	**602,427**	**7,574,739**	**21,329,219**	**60,533**	**21,389,752**

On behalf of the Board of Directors:

Chairman

4 November 2005
Almaty

Chief Accountant

4 November 2005
Almaty

The notes on pages F-46 to F-69 form an integral part of these interim condensed consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2005

	Nine months ended 30 September 2005 (unaudited)	Nine months ended 30 September 2004 (unaudited, restated)
	KZT'000	*KZT'000*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax and minority interest	3,735,965	1,898,960
Adjustments for:		
Provision for impairment losses	3,726,321	1,841,577
Provision for impairment losses on other transactions	80,728	48,724
Investments available-for-sale fair value reserve	176,175	(114,443)
Depreciation and amortization	371,019	295,490
Loss on sale of fixed and intangible assets	1,633	(39,839)
Loss on equity investments	427,807	(146,675)
Change in interest accruals, net		
Cash flow from operating activities before changes in operating assets and liabilities	8,519,648	3,783,794
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Loans and advances to banks	2,012,243	(819,825)
Assets held-for-trading	(2,590,193)	(1,310,413)
Loans to customers	(93,676,023)	(37,894,797)
Securities purchased under repurchase agreements	4,453,994	(5,430,014)
Other assets	(1,740,731)	(998,988)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks	21,962,607	10,708,548
Customer accounts	35,905,008	37,094,740
Securities sold under repurchase agreements	4,407,787	1,194,097
Other liabilities	1,544,086	4,108,609
Cash (outflows)/inflows from operating activities before taxation	(19,201,574)	10,435,751
Income tax paid	(293,706)	(123,000)
Net cash (outflows)/inflows from operating activities	(19,495,280)	10,312,751
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(1,732,911)	(1,075,717)
Proceeds on sale of fixed and intangible assets	47,541	450,925
Acquisition of subsidiaries, net of cash acquired	—	107,957
Purchase of available-for-sale securities, net	(15,010,958)	(15,638,051)
Investment securities	(37,375)	(53,994)
Net cash outflows from investing activities	(16,733,703)	(16,208,880)

The notes on pages F-46 to F-69 form an integral part of these interim condensed consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2005

	Nine months ended 30 September 2005 (unaudited)	Nine months ended 30 September 2004 (unaudited)
	KZT'000	*KZT'000*
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of ordinary and preferred share capital	5,410,572	2,000,000
Proceeds from debt securities issued	31,165,132	(40,635)
Proceeds from subordinated debt	3,667,772	1,605,772
Net cash inflows from financing activities	40,243,476	3,565,137
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,014,493	(2,330,992)
CASH AND CASH EQUIVALENTS, beginning of the period	14,519,793	11,244,376
CASH AND CASH EQUIVALENTS, end of the period	**18,534,286**	**8,913,384**

Interest paid and received by the Group in cash during the nine-month year ended 30 September 2005 amounted to KZT 7,795,596 thousand and KZT 15,949,496 thousand, respectively.

Interest paid and received by the Group in cash during the nine-month year ended 30 September 2004 amounted to KZT 3,700,766 thousand and KZT 8,226,228 thousand, respectively.

On behalf of the Board of Directors:

Chairman

4 November 2005
Almaty

Chief Accountant

4 November 2005
Almaty

The notes on pages F-46 to F-69 form an integral part of these interim condensed consolidated financial statements.

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2005

1. ORGANISATION

JSC Bank CenterCredit (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and conducts its business under license number 248 dated 9 June 2004 given by the Agency of the Republic of Kazakhstan on financial market and financial institutions regulation and inspectorate. The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, originating loans and guarantees.

The registered address is: 100, Shevchenko Street, Almaty, Kazakhstan.

The Bank has 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of the Banking Group (the "Group"), consisting of the following enterprises consolidated in the financial statements:

Name	Country of operation	The Bank ownership interest 2005	2004	Type of operation
Capital	Republic of Kazakhstan	85%	85%	Pension Fund
Center Leasing	Republic of Kazakhstan	100%	100%	Finance lease of property
KIB ASSET MANAGEMENT	Republic of Kazakhstan	100%	100%	Securities trading

Capital was established as a closed joint stock company on 15 October 2001 in accordance with legislation of the Republic of Kazakhstan. On 24 December 2003 Capital was reregistered as a joint stock company, with certificate of state reregistration #43348 1910-AO. The main activity of the company is the attraction of pension contributions and performance of pension payments. Capital manages pension contributions inflow and accumulation on individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan. Capital has a state general license # 0000021 for the attraction of pension funds and performance of pension payments, dated 19 January 2004.

CenterLeasing was established on 15 January 2002 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, with certificate of state registration #45222-1910-TOO. The main activity of CenterLeasing is leasing operations.

KIB ASSET MANAGEMENT was established on 7 May 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan. On 18 June 2003 KIB ASSET MANAGEMENT was reregistered as a joint stock company, certificate of state reregistration #56185-1910-AO. The main activity of KIB ASSET MANAGEMENT is operations with securities. The Company has a license #20030154 dated 5 June 1998 for brokerage and dealer activity on the Kazakhstan stock exchange with the right to maintain customer accounts as a nominal holder.

The Bank does not own any shares in "BCC" LLP and "Aktas-Zhol" LLP, but they are consolidated in the Group's financial statements as special purpose entities (the "SPEs").

Aktas Zhol was established on 3 April 2001 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration #7802-1907-TOO. The main activities of Aktas Zhol are production of construction materials and the rent of buildings. Aktas Zhol has a license for the production of construction materials #006377-GSL, dated 16 August 2001.

BCC was established on 22 December 1998 as a limited liability partnership in accordance with legislation of the Republic of Kazakhstan, certificate of state registration #23270-1910-TOO. The main activity of BCC is the rent of buildings and property valuation. BCC has a license for real estate valuation #0000098 UL-001, dated 14 February 2002.

The number of employees of the Group at 30 September 2005 and 31 December 2004 was 2,642 and 2,106, respectively.

As at 30 September 2005, one shareholder—JSC BTA Kurmet—Kazakhstan Pension Fund owned more than 5% of the outstanding shares (5.72%).

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2005

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 4 November 2005.

2. BASIS OF PRESENTATION

Accounting basis—The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporitng". These interim condensed consolidated financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), except for earning per share amounts and unless otherwise indicated. These interim condensed consolidated financial statements have been prepared on an accruals basis under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities and financial assets and financial liabilities held for trading.

The Group maintains its accounting records in accordance with the Accounting policy authorized by the Resolution of the Board of Directors of the Group. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

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

Functional currency—The functional currency of these consolidated financial statements is Kazakhstan tenge ("KZT").

Adoption of amended IAS 39—According to IAS 39 "Financial Instruments: Recognition and Measurement" (applied for annual periods beginning on or after 1 January 2005) unrealized gains or losses on investments available-for-sale are recognized directly in equity except for impairment losses and foreign exchange gains and losses. Furthermore, this Standard is applied retrospectively. Therefore the opening balances of equity as of 31 December 2003, the profit and loss account for the nine months ended 30 September 2005 and the respective comparative information presented in these consolidated financial statements were restated by the Group as if this Standard had always been in use. The effect of the adoption of amended IAS 39 is disclosed in the statement of changes in equity.

Interim reporting—The condensed interim consolidated financial statements should be read in conjunction with the 2004 annual consolidated financial statements of the Group, which were authorized for issue on 18 February 2005.

Since the results of the Group's operation closely relate to and depend on changing market conditions, the results of the Group's operation for the interim period do not necessarily reflect a trend for the total year end results.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation—The consolidated financial statements incorporate the financial statements of the Bank and and its subsidiaries. The consolidated financial statements are prepared on a quarterly basis. 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. Consolidated financial statements also include statements of SPEs.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of consolidated entities to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. For regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date is 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 the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with NBRK—Cash and balances with NBRK include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazkahstan with original maturity within 90 days, and advances to banks in countries included in the Organization for Economic Cooperation and Development ("OECD").

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 method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Assets held-for-trading—Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative. Assets held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's assets held-for-trading. When reliable market prices are not available or if liquidating the Group's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements—The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Derivative financial instruments—The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. Derivatives entered into by the Group include forwards, swaps and foreign currency options.

Derivative financial instruments are initially recorded and subsequently measured at fair value which approximates the fair value of the consideration given, with their subsequent re-measurement to fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Group enters into are of a short-term and speculative nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the profit and loss for the year in which they arise.

Originated loans—Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Group with fixed maturities are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers that do not have fixed maturities are carried at cost. Loans to customers are carried net of any allowance for loan losses.

Write off of loans and advances—Loans and advances are written off against allowance for loan 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 to loan loss allowance 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 as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses—The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discontinued 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 the allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

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

It should be understood that estimates of losses involve an exercise of judgment. 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 losses incurred on the risk assets.

Finance leases—Leases that transfers 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 a finance lease if:

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

Group as lessor—The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as expenses when incurred.

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. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Interest earned on investments available-for-sale is reflected in the consolidated profit and loss account as interest income on investment securities. Dividends received are included in dividend income in the consolidated profit and loss account.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in profit and loss for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in profit and loss for the period. Reversals of such impairment losses on equity instruments are not recognized in profit and loss.

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.

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 consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Deposits from banks and customers—Customer and bank deposits are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued—Debt securities issued represent debentures issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Subordinated debt—Subordinated debt represent bonds issued by the Group to customers. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to the repayments of the Group's liabilities to all other creditors.

Provisions—Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital—Share capital is recognized at restated cost. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution.

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 shareholders' 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 IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

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

Recognition of income and expense—Interest income and expense are recognized on an accrual basis using effective interest rate method. Interest income also includes income earned on investments and securities held-for-trading. Other income is credited to profit and loss account when the related transactions are completed. Commission income/expenses are recognized on an accrual basis.

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

Rates of exchange—The exchange rates at the end of the period used by the Group in the preparation of the consolidated financial statements are as follows:

	30 September 2005	30 September 2004
KZT/USD	133.89	130.00
KZT/EUR	161.39	177.10

Offset of financial assets and liabilities—Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary activities—The Group provides trustee services to its customers. Also the Group provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the trustee 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.

Reclassifications and restatements—Certain reclassifications have been made to the consolidated balance sheet as at 31 December 2004 and consolidated profit and loss account for the nine-months ended 30 September 2004 to conform to the presentation for the nine-months ended 30 September 2005. The opening balances of equity as at 31 December 2003 and 2004 were also restated due to the adoption of amended IAS 39 "Financial Instruments: Recognition and Measurement". See Note 2 for details.

4. NET INTEREST INCOME

	Nine months ended 30 September 2005 (unaudited)	Nine months ended 30 September 2004 (unaudited)
	KZT'000	*KZT'000*
Interest income		
Interest on loans and advances to customers	15,334,282	7,981,239
Interest on debt securities	1,489,751	826,399
Interest on loans and advances to banks	340,419	113,106
Interest on reverse repurchase transactions	52,371	68,370
Total interest income	**17,216,823**	**8,989,114**
Interest expense		
Interest on customer accounts	(4,883,252)	(2,946,375)
Interest on loans and advances from banks	(2,353,362)	(970,264)
Interest on subordinated debt and debt securities issued	(2,250,015)	(414,452)
Interest on reverse repurchase transactions	(4,995)	(12,756)
Total interest expense	**(9,491,624)**	**(4,343,847)**
Net interest income before provision for impairment losses on interest bearing assets	7,725,199	4,645,267

5. INCOME TAXES

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

The Group is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

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

Temporary differences as at 30 September 2005 and 31 December 2004 comprise:

	30 September 2005 (unaudited)	**31 December 2004**
	KZT'000	*KZT'000*
Deferred assets:		
Loans and advances to banks and customers	1,075,343	799,000
Revaluation of securities	1,437,783	—
Total deferred assets	2,513,126	799,000
Deferred liabilities:		
Fixed assets	(750,179)	(671,370)
Revaluation of securities	(1,350,896)	—
Total deferred liabilities	(2,101,075)	(671,370)
Net deferred assets	**412,051**	**127,630**
Deferred tax assets at the statutory rate (30%)	123,615	38,289
Net deferred tax assets	**123,615**	**38,289**

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

	Nine months ended 30 September 2005 (unaudited)	**Nine months ended 30 September 2004 (unaudited)**
	KZT'000	*KZT'000*
Profit before income tax and minority interest	**3,735,965**	**1,898,960**
Statutory tax rate	30%	30%
Tax at the statutory tax rate	1,120,790	569,688
Tax effect of permanent differences	(1,414,496)	(453,956)
Change in deferred tax assets	85,326	—
Income tax expense	**208,380**	**115,732**
Current income tax expense	293,706	115,732
Deferred tax benefit	(85,326)	—
Income tax expense	**208,380**	**115,732**

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Deferred income tax assets		
At beginning of the period	38,289	(62,403)
Change of the deferred income tax for the period	85,326	100,692
At end of the period	**123,615**	**38,289**

6. EARNINGS PER SHARE

	Nine months ended 30 September 2005 (unaudited)	Nine months ended 30 September 2004 (unaudited)
	KZT'000	*KZT'000*
Net income	3,531,049	1,746,670
Weighted average number of shares	**44,004,608**	**28,191,453**
Earnings per share in KZT	**80.24**	**61.96**

7. ASSETS HELD-FOR-TRADING

	Interest to nominal	30 September 2005 (unaudited)	Interest to nominal	31 December 2004
	%	*KZT'000*	%	*KZT'000*
Debt securities				
US treasury bonds	2.63-4.00	2,368,339	3.66-4.37	516,046
Bank of Development of the Republic of Kazakhstan bonds	6.50-8.50	1,664,149	4.24-6.17	1,528,245
JSC BTA Ipoteca bonds	8.30-9.50	635,102	—	—
JSC Texaca Bank bonds	8.90	160,328	—	—
JSC Almaty Merchant Bank bonds	8.88-9.00	159,811	—	—
TuranAlem Finance B.V. bonds	10.00	154,890	5.93-5.97	299,240
Kazkommerts International B.V. bonds	10.13	149,414	5.66-15.69	287,020
JSC Alliance Bank bonds	8.50	103,239	9.37-10.03	100,318
JSC BankTuranAlem bonds	9.00	6,805	—	—
JSC Halyk Saving Bank bonds	—	—	7.35-11.04	68,760
Other	—	159,764	—	111,753
Total assets held-for-trading		**5,561,841**		**2,911,382**

As at 30 September 2005 and 31 December 2004 included in assets held-for-trading is accrued interest income on debt securities amounting to KZT 91,037 thousand and KZT 30,771 thousand, respectively.

As at 30 September 2005 assets held-for-trading included KZT 1,289,578 thousand pledged under repurchase agreements with other banks. All the agreements have maturity within 1 week.

8. LOANS TO CUSTOMERS

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Originated loans	184,759,693	92,597,030
Net investment in finance lease	2,132,817	817,789
Accrued interest income on loans to customers	3,137,085	2,135,286
	190,029,595	95,550,105
Less allowance for impairment losses	(7,551,758)	(4,082,689)
Total loans to customers, less allowance for impairment losses	**182,477,837**	**91,467,416**

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	**KZT'000**
Loans collateralized by real estate	134,235,833	60,405,118
Loans collateralized by goods in turnover	25,674,528	13,793,562
Loans collateralized by equipment	17,197,131	9,566,935
Loans collateralized by other assets	5,381,244	4,924,723
Loans collateralized by corporate guarantees	3,825,278	2,772,578
Loans collateralized by cash	1,397,099	2,382,910
Loans collateralized by precious metals	268,055	893,637
Unsecured loans	2,050,427	810,642
	190,029,595	95,550,105
Less allowance for impairment losses	(7,551,758)	(4,082,689)
Total loans to customers, less allowance for impairment losses	**182,477,837**	**91,467,416**

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Analysis by sector		
Retail loans and mortgage	52,593,710	19,298,577
Trading	38,644,875	21,703,923
Construction	20,632,229	6,685,046
Agriculture	17,738,954	6,485,437
Manufacturing	14,809,732	11,698,719
Food industry	14,556,432	10,430,436
Oil and gas	7,676,423	4,689,029
Transportation and equipment maintenance services, rendered to enterprises	7,548,088	4,122,654
Mining of precious metals	3,561,617	3,090,033
Real estate	2,235,531	3,051,981
Machinery	1,350,695	168,384
Mass media	1,186,849	981,140
Telecommunications and transport	1,069,271	998,126
Energy	138,808	124,748
Financial sector	595,995	30,798
Metallurgy	—	255,765
Other	5,690,386	1,735,309
	190,029,595	95,550,105
Less allowance for impairment losses	(7,551,758)	(4,082,689)
Total loans to customers, less allowance for impairment losses	**182,477,837**	**91,467,416**

The components of net investment in finance lease as at 30 September 2005 and 31 December 2004 are as follows:

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Total minimum lease and maintenance payments	2,132,817	817,789
Less: executory costs	—	—
Net minimum lease payments	2,132,817	817,789
Less: unear ned finance income	—	—
Net investment in finance lease	**2,132,817**	**817,789**
Current portion	19,185	269,821
Long-term portion	2,113,632	547,968
Net investment in finance lease	**2,132,817**	**817,789**

As at 30 September 2005 and 31 December 2004 the Group provided loans to 7 and 8 clients, respectively, which individually exceeded 10 % of the Group's equity.

As at 30 September 2005 and 31 December 2004 included in loans and advances to customers are non-accrual loans amounting to KZT 499,706 thousand and KZT 518,578 thousand, respectively, on which interest was not accrued.

9. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal	30 September 2005 (unaudited)	Interest to nominal	31 December 2004
	%	KZT'000	%	KZT'000
Debt securities				
US treasury bonds	—	11,362,026	—	—
NBRK notes	—	9,619,811	—	9,787,145
Bonds of the Ministry of Finance of the RK	3.78-8.35	6,650,618	2.86-5.72	6,145,628
Kazakhstan Mortgage Company bonds	7.49-12.05	2,929,774	6.2-7.8	2,738,117
Eurobonds, issued by the Republic of Kazakhstan	11.13	2,287,049	3.49-3.72	1,267,458
Germany treasury bonds	—	805,911	—	—
JSC Halyk Saving Bank of Kazakhstan bonds	5-11.8	768,347	7.35-11.04	753,565
JSC Bank TuranAlem bonds	9.1-12	532,379	—	—
NAC Kazatomprom bonds	8.5	466,511	—	—
JSC Almaty Merchant Bank bonds	8.5	405,390	—	—
JSC Bank Caspian bonds	7.9	283,788	8.37	293,401
Municipal bonds of state local authorities	8.6	151,458	11.21	146,972
JSC Astana Finance bonds	9.4	113,318	8.21-11.16	126,251
JSC Valut Transit Bank bonds	9.5	87,244	12.35	88,809
JSC Alliance Bank bonds	9	1,359	9.37-10.03	1,306
Kazkommerts International B.V. Eurobonds	—	—	5.66-15.69	5,155
Other	—	1,100	—	367
		36,466,083		21,354,174

	Share	30 September 2005 (unaudited)	Share	31 December 2004
	%	KZT'000	%	KZT'000
Equity securities				
JSC Oil Insurance Company	5.48	42,412	5.7	41,091
First Credit Bureau LLP	18.4	37,260	14.29	4,050
JSC Atameken Pension Fund	12.47	36,700	12.47	36,700
JSC Pension Fund Korgau	9.44	28,328	9.44	28,328
JSC Processing Center	1.37	10,000	1.37	10,000
KASE	2.14	2,200	2.28	2,200
Association of Financiers of Kazakhstan	16.6	675	16.6	675
JSC Central Depositary of Securities	1.5	400	2.5	200
Other	—	—	—	1,321
		157,975		124,565
Total investments available-for-sale		**36,624,058**		**21,478,739**

As at 30 September 2005 and 31 December 2004 included in investments available-for-sale is accrued interest income on debt securities amounting to KZT 315,961 thousand and KZT 181,600 thousand, respectively.

As at 30 September 2005 assets available-for-sale included KZT 1,019, 235 and 2,099,007 pledged under repurchase agreements with other banks and pledged under repurchase agreements with autorepo (KASE), repectively. All the agreements have maturity within 1 week.

10. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal	30 September 2005 (unaudited)	Interest to nominal	31 December 2004
	%	*KZT'000*	*%*	*KZT'000*
JSC Texaka Bank Bonds	11	38,999	11	40,044
Bonds of Kazkahstan Mortgage Company	7.49-11	24,975	8.09-11.25	3,909
JSC Astana Finance Bonds	9	16,221	9	2,572
JSC HSBC	7.5	10,353	—	—
JSC Bank of Development of Kazakhstan Bonds	8.5	1,800	9.5	1,795
NBRK notes	—	—	—	6,653
Total investments held-to-maturity		**92,348**		**54,973**

11. OTHER ASSETS

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Debtors on capital investments	1,656,578	1,019,046
Receivables from suppliers of goods and services	739,981	73,670
Prepayments and receivables on other transactions	599,535	532,740
Western Union and other wireless transfers	248,468	92,433
Accrued commission	149,749	85,529
Taxes receivable (other than income tax)	125,635	155,870
Inventory	110,055	140,562
Prepayment to Kazkahstan Mortgage Company	45,255	9,854
Due from the Government on foreign exchange losses for long term mortgage loans	26,956	51,833
Receivable from sale of collateral repossessed	19,939	134,717
Advances to employees	17,267	2,513
Debtor on hedging of interest rate risk	15,040	—
Travel cheques	1,187	23,437
Other	219,960	—
	3,975,605	2,322,204
Less allowance for impairment losses on other assets	(9,587)	(4,618)
Total other assets, less allowance for impairment losses	**3,966,018**	**2,317,586**

12. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Time deposits	90,737,209	68,478,191
Repayable on demand	35,691,048	22,045,058
Accrued interest expense on customer accounts	1,481,504	844,439
Total customer accounts	**127,909,761**	**91,367,688**

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Analysis of customer accounts by sector		
Individuals	55,830,220	41,382,592
Social services	14,515,773	12,140,670
Fuel	12,206,020	11,230,573
Insurance	11,310,954	5,081,727
Trade	7,804,008	3,967,914
Real estate constructions	5,491,972	2,750,058
Manufacturing	4,332,229	2,124,550
Transportation and communication	2,301,259	2,266,321
Agriculture	2,140,541	2,454,799
Metallurgy	2,128,465	2,488,568
Energy	238,748	189,312
Machinery	234,027	199,946
Chemical	34,593	23,728
Other	7,785,680	4,222,491
Accrued interest expense on customer accounts	1,555,272	844,439
Total customer accounts	**127,909,761**	**91,367,688**

13. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Currency	Maturity date year	Interest Rate	30 September 2005 (unaudited)	31 December 2004
			%	*KZT'000*	*KZT'000*
International bonds	USD	02/14/2008	8%	26,662,705	—
Bonds	KZT	09/24/2007-08/16/2015	7.5%-8.8%	6,004,582	1,502,155
Accrued interest expenses				385,666	8,002
Total debt securities issued				**33,052,953**	**1,510,157**

Discount on the interest bearing bonds is amortized over the life of the note and is recorded in interest expense on debt securities issued using the effective interest rate method.

14. OTHER LIABILITIES

	30 September 2005 (unaudited)	31 December 2004
	KZT'000	*KZT'000*
Settlement on transfer transactions	1,943,919	480,973
Taxes payable, other than income tax	172,325	138,270
Allowance for losses on guarantees and other commitments	81,385	103,479
Administrative expenses accrued	50,296	—
Advances received	27,802	162,101
Accrued commission expense	9,689	6,779
Other	138,724	23
Total other liabilities	**2,424,140**	**891,625**

15. SUBORDINATED DEBT

Subordinated debt comprise:

	Currency	Maturity date year	Interest Rate	30 September 2005 (unaudited)	31 December 2004
			%	*KZT'000*	*KZT'000*
Subordinated bonds	KZT	12/17/2005-08/16/2015	7%-13.8%	9,691,363	6,062,491
Subordinated loan	USD	09/24/2007-08/16/2015	6.3%+LIBOR	1,338,900	1,300,000
Accrued interest expenses				297,718	112,804
Total subordinated debt				**11,327,981**	**7,475,295**

16. SHARE CAPITAL

As at 30 September 2005 and 31 December 2004 share capital authorized, issued and fully paid comprised of 58,867,872 and 36,811,244 ordinary shares. All ordinary shares are ranked equally, carry one vote and have no par value.

During the period ended 30 September 2005 and year ended 31 December 2004 the Group issued 22,058,681 ordinary and 5,000,000 preferred shares and 11,494,549 ordinary and nil preferred shares, respectively.

Each preferred share does not have a voting right but has a right to a fixed income, calculated as inflation rate (consumer price index), published by Agency of the Republic of Kazakhstan on Statistics plus 1.5%.

During 2005 the Group did not pay dividends on preferred shares. According to certain requirements of the legislation of the Republic of Kazakhstan if the Group delays to pay a guaranteed amount of dividends on preferred shares, these preferred shares are granted a voting right.

17. 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 consolidated balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

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

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 30 September 2005 and 31 December 2004, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	30 September 2005 (unaudited)		31 December 2004	
	KZT'000		*KZT'000*	
	Nominal amount	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Contingent liabilities and credit commitments				
Guarantees issued and other similar commitments	21,358,727	21,358,727	9,062,886	9,062,886
Letters of credit and other transaction related contingent liabilities	8,191,365	4,095,683	5,361,046	2,664,972
Total contingent liabilities and credit commitments	**29,550,092**	**25,454,410**	**14,423,932**	**11,727,858**

Capital commitments—The Group had no material commitments for capital expenditures outstanding as at 30 September 2005 and 31 December 2004.

Rental commitments—No material rental commitment was outstanding as at 30 September 2005 and 31 December 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 returned to the client. These amounts are the average balance of the clients' funds under the management of the Group during nine-month period ended 30 September 2005 and 2004, including assets under trusteeship as at 30 September 2005 and 31 December 2004 in the amount of KZT 15,869,559 thousand and KZT 13,773,403 thousand, 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—Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans—Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 30 September 2005 and 31 December 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 Kazakhstan. 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.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 (Related party disclosures), are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

(c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and,

(d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group′ and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as at 30 September 2005 and 31 December 2004:

	30 September 2005 (unaudited)		31 December 2004	
	KZT'000		*KZT'000*	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements Caption
Loans to customers, gross	3,180,389	190,029,595	1,294,523	95,550,105
Allowance for losses on loans to customers	(206,994)	(7,551,758)	(22,294)	(4,082,689)
Investments available-for-sale;	233,940	36,624,058	114,275	21,478,739
Debt securities issued	37,425	33,052,953	22,399	1,510,157
Customers accounts	367,862	127,909,761	338,626	91,367,688
Guarantees issued	9,353	21,358,727	5,040	9,062,886

Included in the consolidated profit and loss account for the periods ended 30 September 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	Nine-months ended 30 September 2005 (unaudited)		Nine-months ended 30 September 2004 (unaudited)	
	KZT'000		*KZT'000*	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements Caption
Interest income				
– related companies	153,598	17,216,823	38,047	8,989,114
– directors	22,075		7,570	
Interest expense		(9,491,624)		(4,343,847)
– related companies	(5,576)		(21,192)	

Transactions with related parties entered into by the Group during the period were made in the normal course of business and mostly under arm-length conditions.

19. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit 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 Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimisation. Risk Analysis and Management Department performs determination of the optimim structure of balance, limitis on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

Cash flow interest rate risk—Cash flow interest rate risk—the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate and market risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Group to avoid negative interest margin. Risk Analysis and Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

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.

	Nine months ended 30 September 2005 (unaudited)			2004			
	KZT	**USD**	**EURO**	**KZT**	**USD**	**EURO**	**Other currency**
ASSETS							
Loans and advances to banks	6.9%	3.9%	2.1%	5.9%	2.3%	2.3%	2%
Assets held-for-trading	8.7%	5.5%	—	5.7%	5.6%	—	—
Securities purchased under agreement to resell	1%	—	—	1.5%	3.1%	—	—
Loans to customers	15.58%	13.52%	11%	15.18%	14.5%	9.8%	—
Investments available-for-sale	4.6%	4.6%	2%	4.5%	4.9%	—	—
LIABILITIES							
Loans and advances from banks and other financial institutions	5.97%	3.95%	—	6%	4.9%	3.9%	—
Securities sold under agreement to repurchase	3.7%	4%	—	—	—	—	—
Customer accounts	9.5%	7.3%	6.9%	10.3%	6.6%	7.1%	—
Debt securitites issued	8.2%	8%	—	8.75%	—	—	—
Subordinated debt	9.5%	9.5%	—	10.9%	9.11%	—	—

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	Allowance for losses	30 September 2005 (unaudited) Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
ASSETS							
Interest bearing assets:							
Loans and advances to banks	7,050,191	796,615	666,210	—	—	—	8,513,016
Assets held-for-trading	5,470,804	—	—	—	—	—	5,470,804
Securities purchased under agreement to resell	3,383,589	—	—	—	—	—	3,383,589
Loans to customers, less allowance for impairment losses	6,847,118	15,160,640	61,237,750	82,445,648	20,642,728	(7,052,052)	179,281,832
Investment securities	30,076,194	470,434	847,943	1,377,288	3,378,263	—	36,150,122
Investments held-to-maturity	—	—	—	92,348	—	—	92,348
Total interest bearing assets	52,827,896	16,427,689	62,751,903	83,915,284	24,020,991	(7,052,052)	232,891,711
Cash and balances with the National Bank of the Republic of Kazakhstan	10,793,579	—	—	—	—	—	10,793,579
Loans and advances to banks	1,150,099	—	—	—	—	—	1,150,099
Overdue loans	499,706	—	—	—	—	(499,706)	—
Investment securitites	157,975	—	—	—	—	—	157,975
Fixed and intangible assets, less accumulated depreciation	—	—	—	3,940,578	1,259,930	—	5,200,508
Interest accrued on interest bearing assets	3,651,342	—	—	—	—	—	3,651,342
Income tax assets	—	—	—	123,615	—	—	123,615
Other assets, less allowance for impairment losses	2,319,027	—	—	1,656,578	—	(9,587)	3,966,018
TOTAL ASSETS	**71,399,624**	**16,427,689**	**62,751,903**	**89,636,055**	**25,280,921**	**(7,561,345)**	**257,934,847**
LIABILITIES							
Interest bearing liabilities:							
Loans and advances from banks and other financial institutions	1,705,865	30,076,592	16,774,158	4,353,897	2,142,240	—	55,052,752
Securities sold under agreement to repurchase	4,407,787	—	—	—	—	—	4,407,787
Customer accounts	7,833,563	5,358,320	32,676,532	47,990,246	—	—	93,858,661
Debt securitites issued	—	646,733	—	30,548,816	1,471,738	—	32,667,287
Subordinated debt	—	—	—	—	11,030,263	—	11,030,263
Total interest bearing liabilities	13,947,215	36,081,645	49,450,690	82,892,959	14,644,241	—	197,016,750
Loans and advances from banks and other financial institutions	1,526,830	—	—	—	—	—	1,526,830
Customer accounts	32,569,596	—	—	—	—	—	32,569,596
Other liabilities	2,342,755	—	—	—	—	81,385	2,424,140
Interest accrued on interest bearing liabilities	3,007,779	—	—	—	—	—	3,007,779
TOTAL LIABILITIES	**53,394,175**	**36,081,645**	**49,450,690**	**82,892,959**	**14,644,241**	**81,385**	**236,545,095**
Liquidity gap	18,005,449	(19,653,956)	13,301,213	6,743,096	10,636,680		
Interest sensitivity gap	38,880,681	(19,653,956)	13,301,213	1,022,325	9,376,750		
Cumulative interest sensitivity gap	**38,880,681**	**19,226,725**	**32,527,938**	**33,550,263**	**42,927,013**		
Cumulative interest sensitivity gap as a percentage of total assets	**15.07%**	**7.45%**	**12.61%**	**13.01%**	**16.64%**		

	2004						
	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Allowance for losses	Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
ASSETS							
Interest rate bearing assets:							
Cash and balances with the National Bank of the Republic of Kazakhstan	3,000,000	—	—	—	—	—	3,000,000
Loans and advances to banks	8,193,289	120,000	672,780	—	—	—	8,986,069
Asets held-for-trading	2,880,611	—	—	—	—	—	2,880,611
Securities purchased under agreement to resell	7,645,278	35,009	157,296	—	—	—	7,837,583
Loans to customers, less allowance for impairment losses	4,375,695	7,490,253	41,575,934	39,229,882	224,477	(3,564,111)	89,332,130
Investment securities	19,764,021	—	10,210	1,408,996	44,320	—	21,227,547
Total interest bearing assets	45,858,894	7,645,262	42,416,220	40,638,878	268,797	(3,564,111)	133,263,940
Cash and balances with the National Bank of the Republic of Kazakhstan	5,738,176	—	—	—	—	—	5,738,176
Fixed and intangible assets, less accumulated depreciation	—	—	—	2,673,195	1,214,595	—	3,887,790
Income tax asset	38,289	—	—	—	—	—	38,289
Overdue loans to customers, less allowance for impairment losses	518,578	—	—	—	—	(518,578)	—
Loans and advances to banks	729,305	—	—	—	—	—	729,305
Investments securities	124,565	—	—	—	—	—	124,565
Other assets, less allowance for impairment losses	1,134,926	5,182	23,096	1,158,754	246	(4,618)	2,317,586
Interest accrued on interest bearing assets	2,384,015	—	—	—	—	—	2,384,015
TOTAL ASSETS	**56,526,748**	**7,650,444**	**42,439,316**	**44,470,827**	**1,483,638**	**(4,087,307)**	**148,483,666**
LIABILITIES							
Loans and advances from banks and other financial institutions	10,954,076	3,066,618	13,818,438	5,966,480	286,191	—	34,091,803
Customer accounts	10,703,568	9,565,178	15,941,693	31,234,430	—	—	67,444,869
Debt securities issued	—	—	586,631	915,524	—	—	1,502,155
Subordinated debt	—	—	—	—	7,362,491	—	7,362,491
Total interest bearing liabilities	21,657,644	12,631,796	30,346,762	38,116,434	7,648,682	—	110,401,318
Loans and advances from banks and other financial institutions	525,172	—	—	—	—	—	525,172
Customer accounts	23,078,380	—	—	—	—	—	23,078,380
Other liabilities	749,199	3,603	7,873	—	27,471	103,479	891,625
Interest accrued on interest bearing liabilities	1,311,751	—	—	—	—	—	1,311,751
TOTAL LIABILITIES	**47,322,146**	**12,635,399**	**30,354,635**	**38,116,434**	**7,676,153**	**103,479**	**136,208,246**
Liquidity gap	9,204,602	(4,984,955)	12,084,681	6,354,393	(6,192,515)		
Interest sensitivity gap	24,201,250	(4,986,534)	12,069,458	2,522,444	(7,379,885)		
Cumulative interest sensitivity gap	**24,201,250**	**19,214,716**	**31,284,174**	**33,806,618**	**26,426,733**		
Cumulative interest sensitivity gap as a percentage of total assets	**16.30%**	**12.94%**	**21.07%**	**22.77%**	**17.80%**		

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

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	Other currency	Currency not identified, including allowance for impairment losses	Total
		1USD = KZT 133.89	*1EUR = KZT 161.39*			*KZT'000*
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	8,332,110	1,949,094	479,561	32,814	—	10,793,579
Loans and advances to banks	1,373,872	7,540,011	643,678	135,625	—	9,693,186
Assets held-for-trading	1,156,340	4,405,501	—	—	—	5,561,841
Securities purchased under agreement to resell	3,401,857	—	—	—	—	3,401,857
Loans to customers, less allowance for impairment losses	94,466,603	93,490,206	2,070,678	2,108	(7,551,758)	182,477,837
Investment securities	24,548,469	11,362,026	805,911	—	—	36,716,406
Fixed and intangible assets, less accumulated depreciation	5,200,508	—	—	—	—	5,200,508
Income tax assets	123,615	—	—	—	—	123,615
Other assets, less allowance for impairment losses	3,323,730	638,617	2,114	11,144	(9,587)	3,966,018
TOTAL ASSETS	**141,927,104**	**119,385,455**	**4,001,942**	**181,691**	**(7,561,345)**	**257,934,847**
LIABILITIES						
Loans and advances from banks and other financial institutions	5,334,287	48,282,034	3,806,152	—	—	57,422,473
Securities sold under agreements to repurchase	3,118,241	1,289,546	—	—	—	4,407,787
Customer accounts	88,066,161	37,680,136	1,997,453	166,011	—	127,909,761
Debt securities issued	6,075,458	26,977,495	—	—	—	33,052,953
Other liabilities	1,719,642	440,114	158,608	24,391	81,385	2,424,140
Subordinated debt	9,944,785	1,383,196	—	—	—	11,327,981
TOTAL LIABILITIES	**114,258,574**	**116,052,521**	**5,962,213**	**190,402**	**81,385**	**236,545,095**
OPEN BALANCE SHEET POSITION	**27,668,530**	**3,332,934**	**(1,960,271)**	**(8,711)**		

	2004					
	KZT	USD	EUR	Other currency	Allowance for losses	Total
		1USD = KZT 130.00	*1EUR = KZT 177.10*			*KZT'000*
ASSETS:						
Cash and balances with the National Bank of the Republic of Kazakhstan	7,634,212	834,566	246,735	23,557	—	8,739,070
Loans and advances to banks	2,633,373	3,681,283	3,296,246	134,206	—	9,745,108
Assets held-for-trading	212,070	2,699,312	—	—	—	2,911,382
Securities purchased under agreement to resell	7,843,313	—	—	—	—	7,843,313
Loans to customers, less allowance for impairment losses	40,266,753	54,606,770	676,582	—	(4,082,689)	91,467,416
Investments securities	20,261,099	1,272,613	—	—	—	21,533,712
Fixed and intangible assets, less accumulated depreciation	3,887,790	—	—	—	—	3,887,790
Income tax assets	38,289	—	—	—	—	38,289
Other assets, less allowance for impairment losses	2,220,989	93,278	7,937	—	(4,618)	2,317,586
TOTAL ASSETS	**84,997,888**	**63,187,822**	**4,227,500**	**157,763**	**(4,087,307)**	**148,483,666**
LIABILITIES:						
Loans and advances from banks and other financial institutions	3,310,267	28,997,978	2,654,933	303	—	34,963,481
Customer accounts	56,167,874	33,101,376	1,983,109	115,329	—	91,367,688
Debt securities issued	1,510,157	—	—	—	—	1,510,157
Subordinated debt	6,171,639	1,303,656	—	—	—	7,475,295
Other liabilities	618,428	106,162	57,843	5,713	103,479	891,625
TOTAL LIABILITIES	**67,778,365**	**63,509,172**	**4,695,885**	**121,345**	**103,479**	**136,208,246**
OPEN BALANCE SHEET POSITION	**17,219,523**	**(321,350)**	**(468,385)**	**36,418**		

C***redit 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.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, to industry and geographical segments. Limits on the level of credit risk by borrower, product, industry sectora and by region are approved by the Credit Committee. 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 guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the 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 loss in an amount equal to the total unused commitments. However, the likely amount of 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 credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

***Geographical concentration*—**The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non-OECD countries	OECD Countries	Allowance for impairment losses	30 September 2005 (unaudited) Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
Cash and balances with the National Bank of the Republic of Kazakhstan	10,793,579	—	—	—	10,793,579
Loans and advances to banks	1,812,124	140,355	7,740,707	—	9,693,186
Assets held-for-trading	5,561,841	—	—	—	5,561,841
Securities purchased under agreement to resell	3,401,857	—	—	—	3,401,857
Loans to customers, less allowance for impairment losses	188,164,487	1,665,876	199,232	(7,551,758)	182,477,837
Investment securities	24,548,469	—	12,167,937	—	36,716,406
Fixed and intangible assets, less accumulated depreciation	5,200,508	—	—	—	5,200,508
Income tax assets	123,615	—	—	—	123,615
Other assets, less allowance for impairment losses	3,975,605	—	—	(9,587)	3,966,018
TOTAL ASSETS	**243,582,085**	**1,806,231**	**20,107,876**	**(7,561,345)**	**257,934,847**
LIABILITIES					
Loans and advances from banks and other financial institutions	11,569,991	248,732	45,603,750	—	57,422,473
Securities sold under agreements to repurchase	3,118,241	—	1,289,546	—	4,407,787
Customer accounts	127,909,761	—	—	—	127,909,761
Debt securities issued	6,075,458	12,159,728	14,817,767	—	33,052,953
Other liabilities	2,342,755	—	—	81,385	2,424,140
Subordinated debt	9,944,785	—	1,383,196	—	11,327,981
TOTAL LIABILITIES	**160,960,991**	**12,408,460**	**63,094,259**	**81,385**	**236,545,095**
NET BALANCE SHEET POSITION	**82,621,094**	**(10,602,229)**	**(42,986,383)**		

	2004				
	Kazakhstan	Other non OECD countries	OECD Countries	Allowance for losses	Total
	KZT'000	*KZT'000*	*KZT'000*	*KZT'000*	*KZT'000*
Cash and balances with the National Bank of the Republic of Kazakhstan	8,739,070	—	—	—	8,739,070
Loans and advances to banks	3,829,796	134,589	5,780,723	—	9,745,108
Assets held-for-trading	2,395,336	—	516,046	—	2,911,382
Securities purchased under agreement to resell	7,843,313	—	—	—	7,843,313
Loans to customers, less allowance for impairment losses	95,013,152	533,257	3,696	(4,082,689)	91,467,416
Investments securities	21,533,712	—	—	21,533,712	
Fixed and intangible assets, less accumulated depreciation	3,887,790	—	—	—	3,887,790
Income tax assets	38,289	—	—	—	38,289
Other assets, less allowance for impairment losses	2,322,204	—	—	(4,618)	2,317,586
TOTAL ASSETS	**145,602,662**	**667,846**	**6,300,465**	**(4,087,307)**	**148,483,666**
LIABILITIES					
Loans and advances from banks and other financial institutions	9,144,018	356,680	25,462,783	—	34,963,481
Customer accounts	91,367,688	—	—	—	91,367,688
Debt securities issued	1,510,157	—	—	—	1,510,157
Subordinated debt	6,171,639	—	1,303,656	—	7,475,295
Other liabilities	788,146	—	—	103,479	891,625
TOTAL LIABILITIES	**108,981,648**	**356,680**	**26,766,439**	**103,479**	**136,208,246**
NET BALANCE SHEET POSITION	**36,621,014**	**311,166**	**(20,465,974)**		

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