



JSC Bank TuranAlem
(a joint stock company organised in the Republic of Kazakhstan)
TuranAlem Finance B.V.
(incorporated with limited liability in The Netherlands)

U.S.\$3,000,000,000 Global Medium Term Note Programme

JSC Bank TuranAlem, a joint stock company organised in the Republic of Kazakhstan (the “Bank” or “BTA”), and TuranAlem Finance B.V., a company incorporated with limited liability in The Netherlands (“TuranAlem Finance”), have established this U.S.\$3,000,000,000 Global Medium Term Note Programme (the “Programme”), pursuant to which TuranAlem Finance or the Bank, as the case may be (in such capacity, each an “Issuer”), may from time to time issue notes (“Notes”), which may constitute either senior or subordinated obligations of the relevant Issuer (“Senior Notes” or “Subordinated Notes”, respectively). A9
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Where TuranAlem Finance acts as the Issuer of Senior Notes, the payment of all amounts owing by TuranAlem Finance in respect of such Senior Notes will be unconditionally and irrevocably guaranteed by the Bank pursuant to the Trust Deed dated 4 November 2005 between TuranAlem Finance, the Bank and The Bank of New York, as trustee (the “Trustee”). Where TuranAlem Finance acts as the Issuer of Subordinated Notes, the net proceeds to TuranAlem Finance from the issue of such Subordinated Notes will be on-lent to the Bank pursuant to a master Subordinated Loan Agreement and such Subordinated Notes will constitute limited recourse obligations of TuranAlem Finance. A12
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Notes issued under the Programme may be denominated in any currency agreed between the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase in accordance with the listing rules of the UK Listing Authority (as defined below).

The final offer price and amount of any Notes to be issued under the Programme will be determined by the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and will be set out in the relevant Final Terms (as defined below).

Notes issued under the Programme may from time to time be offered and sold in the United States to “qualified institutional buyers” (as defined in Rule 144A (“Rule 144A” and such Notes, “Rule 144A Notes”) under the U.S. Securities Act of 1933, as amended (the “Securities Act”), in reliance on Rule 144A and in offshore transactions outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”, and such Notes “Regulation S Notes”). Notes offered otherwise than in reliance on Regulation S may be offered by the Dealers (as defined in “Subscription and Sale”) through their agents in the United States. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See “Subscription and Sale” and “Form of Notes and Transfer Restrictions”. A12
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Applications have been made (i) to the Financial Services Authority, in its capacity as competent authority (the “UK Listing Authority”) under the Financial Services and Markets Act 2000 (the “FSMA”), for the Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the “Official List”) and (ii) 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 (the “Regulated Market”). References in this Base Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s Gilt Edged and Fixed Interest Market and have been admitted to the Official List. The London Stock Exchange’s Gilt Edged and Fixed Interest Market is a regulated market for the purposes of the Investment Services Directive 93/22/EC. In addition, unless otherwise agreed with the relevant Dealer(s) and provided for in the Final Terms, the Bank will cause all Notes issued by the Bank under the Programme to be listed on the Kazakhstan Stock Exchange (the “KASE”) within sixty days from the date of their issue and the Bank will use its best endeavours to cause the Notes issued by TuranAlem Finance to be listed on the KASE. Neither TuranAlem Finance nor the Bank can give any assurance that any such listing will be obtained. The Programme also allows Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. A13
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The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the London Stock Exchange and the KASE (or any other stock exchange). Application may also be made to have Rule 144A Notes designated as eligible for trading in the Private Offering, Resales and Trading through Automated Linkages (“PORTAL”) System of the National Association of Securities Dealers, Inc., as specified in the relevant Final Terms.

This document constitutes a base prospectus (the “Base Prospectus”) in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 and within the meaning of non-equity securities issued under an offering programme of Article 8.4(a) of the Law on Prospectus for Securities transposing the Directive 2003/71/EC of 4 November 2003. This Base Prospectus supercedes the Base Prospectus dated 15 November 2005 related to the Programme. Any Notes issued after the date hereof under the Programme are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in final terms (the “Final Terms”) which, with respect to Notes to be admitted to the Official List and admitted to trading/listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

Notes will be in denominations, for Rule 144A Notes, of at least U.S.\$100,000 (or the equivalent in other currencies) and integral multiples of U.S.\$1,000 (or the equivalent in other currencies) in excess thereof, and for, Regulation S Notes, of at least €50,000 (or the equivalent in other currencies) and integral multiples of €1,000 (or the equivalent in other currencies) in excess thereof, save that unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the Financial Services and Markets Act 2000 will have minimum denominations of €100,000 (or its equivalent in other currencies) and further provided that Subordinated Notes will in any event have minimum denominations of €100,000 (or its equivalent in other currencies). A9
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Factors which may affect the ability of TuranAlem Finance or the Bank, as the case may be, to fulfill their obligations under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out on pages 14 to 24. A13
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THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Arranger:
Credit Suisse

Dealers:

ABN AMRO
Credit Suisse
Dresdner Kleinwort Wasserstein
ING Wholesale Banking
Merrill Lynch International
Standard Bank

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Deutsche Bank A13
HSBC 4.13
JPMorgan
Nomura International
TuranAlem Securities

The date of this Base Prospectus is 7 April 2006.

Each of TuranAlem Finance and the Bank (each, a “**Responsible Person**”), accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of each TuranAlem Finance and the Bank (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. As set forth under “Market Share and Industry Data”, the information relating to the Kazakhstan banking industry, which appears under the heading “The Banking Sector in Kazakhstan”, and related market and competitive data which appears elsewhere in this Base Prospectus, all of which has been reproduced from publicly available information and is given as general information only and, except that each of TuranAlem Finance and the Bank confirms that, as far as it is aware and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading, each of TuranAlem Finance and the Bank accepts responsibility for the accurate extraction of such information from publicly available sources.

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In making an investment decision, investors must rely on their own examination of the Issuer, the Bank, the Republic of Kazakhstan, the Notes, (if applicable) the Guarantee or the Subordinated Loan Agreement and the terms of the offering, including the merits and risks involved. See “Risk Factors”. The Notes and (if applicable) the Guarantee have not been recommended by any U.S. federal or state securities commission or regulatory authority. In addition, no U.S. federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

None of the Arranger nor the Dealers nor any of their respective directors, affiliates, advisers or agents has made an independent verification of the information contained in this Base Prospectus and no representation or warranty, expressed or implied, is made by the Arranger or the Dealers or any of their respective directors, affiliates, advisers or agents, or such counsel, with respect to the accuracy or completeness of such information. Nothing contained in this Base Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Arranger or the Dealers or any of their respective directors, affiliates, advisers or agents in any respect. Furthermore, none of the Arranger nor the Dealers makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability of any Notes or (if applicable) the Guarantee or the Subordinated Loan Agreement, the performance and observance by TuranAlem Finance or the Bank of their respective obligations in respect of any Notes or (if applicable) the Guarantee or the Subordinated Loan Agreement, as the case may be, or the recoverability of any sums due or to become due from TuranAlem Finance or the Bank under any Notes or (if applicable) the Guarantee or the Subordinated Loan Agreement.

No person is authorised to give any information or make any representation not contained in this Base Prospectus in connection with the issue and offering of any 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 or any Arranger or Dealer or any of their respective directors, affiliates, advisers or agents. The delivery of this Base Prospectus does not imply that there has been no change in the business and affairs of TuranAlem Finance or the Bank since the date hereof or that the information herein is correct as of any time subsequent to its date.

Each Tranche of Bearer Notes will initially be represented by a temporary Global Note, without interest coupons (each a “**Temporary Global Note**”), which will be deposited on the relevant issue date with The Bank of New York as common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”), and Clearstream Bank, société anonyme (“**Clearstream, Luxembourg**”) or otherwise delivered as agreed between the relevant Issuer and the relevant Dealer(s). Registered Notes will be represented by a Global Note, one or more Global Notes being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Regulation S Notes in registered form will initially be represented by a Global Note (a “**Regulation S Global Note**”), and Rule 144A Notes in registered form will initially be represented by a Global Note (a “**Rule 144A Global Note**”), in each case without interest coupons, which may be deposited on or about the Issue Date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through DTC, with a custodian for Depository Trust Company (“**DTC**”, together with Euroclear and Clearstream, Luxembourg, the “**Clearing Systems**”).

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Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed between the Issuer, the Bank, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Notes that are to be credited to one or more clearing systems on issue will be registered in the name of a nominee or nominees for such clearing systems. Beneficial interests in Global Notes held by Euroclear, Clearstream, Luxembourg and/or DTC will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC and their participants. See “Summary of the Notes While in Global Form” and “Form of Notes and Transfer Restrictions”.

This Base Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or any solicitation of an offer to purchase, Notes to or by any person in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. The distribution of this Base Prospectus and the offer or sale of Notes in certain jurisdictions is restricted by law. Without limiting the foregoing, there are restrictions on the offer and sale of Notes and/or the distribution of this Base Prospectus and any other documents relating to the offering of Notes in the United States, the United Kingdom, The Netherlands and Kazakhstan. Persons into whose possession this Base Prospectus may come are required by TuranAlem Finance, the Bank, the Arranger and the Dealers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers and sales of Notes and the distribution of this Base Prospectus is set out under “Subscription and Sale” and “Form of Notes and Transfer Restrictions”.

IN CONNECTION WITH THE ISSUE OF NOTES IN ANY TRANCHE UNDER THE PROGRAMME, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (EACH, A “**STABILISING MANAGER**”) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES (PROVIDED THAT, IN THE CASE OF ANY TRANCHE OF NOTES TO BE ADMITTED TO TRADING ON THE LONDON STOCK EXCHANGE, THE AGGREGATE PRINCIPAL AMOUNT OF SUCH NOTES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE PRINCIPAL AMOUNT OF SUCH NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES IN SUCH TRANCHE AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT NOTES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as “estimates”, “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would be”, “seeks”, “approximately”, or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Such forward-looking statements include, but are not limited to, statements relating to the Bank’s strategic objectives, including the anticipated expansion of the Bank’s corporate regional business, retail and investment banking business and, in particular, diversification of its deposit base, expectations as to the impact of projects undertaken to improve cost efficiencies and enhance revenue growth, statements relating to a possible sale of an equity interest in the Bank, estimates and financial targets for increasing and diversifying the composition of the loan portfolio and statements regarding planned capital expenditures. Factors that might affect such forward-looking statements include, among other things, overall economic and business conditions; the demand for the Bank’s services; competitive factors in the industries in which the Bank competes; changes in government regulation; changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); results of litigation or arbitration; interest rate fluctuations and other capital 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”.

Neither TuranAlem Finance nor the Bank is obliged to, and neither intends to, update or revise any forward-looking statements made in this Base Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributed to TuranAlem Finance the Bank, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

MARKET SHARE AND INDUSTRY DATA

It is difficult to obtain precise industry and market information in the Kazakhstan banking industry. Generally, information as to the market and competitive position data included in this Base Prospectus have been obtained from the National Bank of Kazakhstan (the “**NBK**”), Kazakhstan’s National Statistics Agency (the “**NSA**”), published financial information and surveys or studies conducted by third-party sources that are believed to be reliable. No assurance can be given, however, as to the accuracy and completeness of such information and such market and position data has not been independently verified; each of TuranAlem Finance and the Bank accepts responsibility only for the correct reproduction of this information.

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SUMMARY

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) (including any relevant implementing measures, the “**Prospectus Directive**”) in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Capitalised terms used herein have the same meanings given to them in “Terms and Conditions of the Notes”.*

GENERAL DESCRIPTION OF TURANALEM FINANCE AND THE BANK

TuranAlem Finance

TuranAlem Finance is a wholly owned subsidiary of the Bank incorporated on 22 May 2001 under the laws of The Netherlands for the purpose of, amongst other things, raising funds in the international capital markets and lending such funds to the Bank.

The Bank

The Bank was formed in 1997 following the restructuring and merger of two state-owned banks, JSC Alem Bank Kazakhstan (“**Alem Bank**”) established in 1991 and JSC Turan Bank (“**Turan Bank**”) established in 1925. Following a recapitalisation by the Government, the Bank was fully privatised at a competitive auction in March 1998 and sold to a group of domestic companies.

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The Bank’s head office is in Almaty. As at 31 December 2005, the Bank had 22 regional branches and 197 retail units throughout Kazakhstan which are expected to be converted into branches or units of existing branches by year end 2006 as required by new banking legislation. In addition, as at the same date, the Bank also had representative offices in Moscow, Russia; Kiev, Ukraine; Minsk, Belarus; Bishkek, Kyrgyz Republic; Dushanbe, Tajikistan; Tbilisi, Georgia; Yerevan, Armenia; Shanghai, China; and Baku, Azerbaijan and, in February 2006, the Bank opened a further representative office in Ekaterinburg, Russia. The Bank’s representative office in Baku, Azerbaijan is not yet fully operational, pending the receipt of the required approval from the local state agency, which the Bank expects to obtain by the end of 2006. The Bank plans to open further representative offices in St. Petersburg, Russia and Beijing, China. The Bank expects these representative offices to become fully operational in 2006 once the required local state approvals have been obtained.

All branches of the Bank provide a wide spectrum of bank products and services. As at the date of this Base Prospectus, the Bank had eight (8) subsidiaries: TuranAlem Finance, JSC TuranAlem Securities, BTA Finance Luxembourg S.A., LLP TuranAlem Finance (Russia), JSC BTA Life Insurance, JSC Insurance Company BTA Zabota, JSC Pension Fund BTA Kazakhstan and JSC BTA Ipoteka; and one affiliated company, which in accordance with International Financial Reporting Standards (“IFRS”) is treated as a subsidiary: LLP Force Technology. Until mid-2005, the Bank had an additional subsidiary, LLP TuranAlem Capital, which was wholly owned by the Bank. The Bank sold 25.00% of the share capital of LLP TuranAlem Capital to “Kazinvestcapital” on 22 October 2005 and subsequently sold a further 65.01% interest in the share capital of such subsidiary to Solent Management Ltd. on 10 November 2005. As at the date of the Base Prospectus, the Bank retained a 9.99% interest in LLP TuranAlem Capital. The Bank together with its subsidiaries and affiliated company, taken as a whole, is hereinafter referred to as the “Group”. Although the Bank does not own any shares in LLP Force Technology, in accordance with IFRS, this entity is treated as a subsidiary because the Bank manages its operations and, accordingly, the consolidated financial statements of the Group include its results.

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As at and for the years ended 31 December 2004 and 2003, the Group’s consolidated financial statements also included the results of BTA Leasing and Insurance Company BTA. As at 31 December 2005, the Group no longer consolidates the results of BTA Leasing because a sale of shares reduced the

Group’s ownership interest below 50% and no longer consolidates the results of Insurance Company BTA because a reduction of its ownership interest to 49.00% resulted in a loss of its majority-control of the Board of Directors. See “Presentation of Financial Information” and “Business – Subsidiaries and Affiliates”.

As at 31 December 2005, the Bank owned a 15.63% ownership interest in Slavinvestbank Ltd., a small Russian bank based in Moscow; a 49.20% ownership interest in CJSC Astanaeximbank, a small Belarus bank based in Minsk; a 16.64% ownership interest in JSCB Omsk Bank, a small bank based in Omsk, Russia, in which Slavinvestbank Ltd. also then owned a 16.26% ownership interest; a 48.87% ownership interest in CJSC BTA Invest Bank, a small Armenian bank based in Yerevan; and a 49.00% ownership interest in JSC BTA SilkRoadBank, a small Georgian bank based in Tbilisi. In addition, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of JSC AgroIncomBank (Astrakhan, Russia) through LLP TuranAlem Capital (Russia), Slavinvestbank Ltd. and Omsk Bank, each of which then owned a 19.00% ownership interest in JSC AgroIncomBank. Furthermore, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of OJSC Aktsionernyi Kommercheskyi Bank BTA-Kazan, which is a small retail bank based in the city of Kazan in the Tatarstan region of Russia, through LLP TuranAlem Capital (Russia), which then owned a 19.45% ownership interest in OJSC Aktsionernyi Kommercheskyi Bank BTA-Kazan.

Credit Ratings

Moody’s

Long-term foreign currency:	Ba1
Outlook:	Positive
Short-term:	NP
Senior debt:	Baa2
Financial strength:	D-
Outlook:	Stable

Standard & Poor’s

Long-term foreign currency:	BB
Short-term foreign currency:	B
Senior debt:	BB
Outlook:	Stable

Fitch

Long-term foreign/local currency:	BB+/BBB-
Short-term foreign/local currency:	B/F3
Senior debt:	BB+
Outlook:	Stable

Notes issued under the Programme in a particular Series may be rated or unrated. Where a Series of Notes is rated, such rating will be indicated in the relevant Final Terms, but will not necessarily be the same as the rating assigned to the Bank as set out in this Base Prospectus. A security credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Bank’s Business

The Bank is one of the leading commercial banks in Kazakhstan servicing private commercial enterprises, state-owned enterprises and individual customers. Its principal business areas include corporate banking, retail banking, trade finance, credit and debit card services and currency and securities trading. The Bank is expanding its business lines to other services such as payroll management and corporate cards.

As at 31 December 2005, based on published audited financial statements of the Bank and its principal competitors, the Bank was the largest bank in Kazakhstan in terms of shareholders’ equity (KZT 87,108 million) (U.S.\$ 650 million), and the second largest Bank in Kazakhstan in terms of total

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assets (KZT 997,805 million) (U.S.\$7,447) total loans (KZT 680,385 million) (U.S.\$ 5,078 million), less impairment charges of (KZT 40,311 million), and total deposits (KZT 306,714 million) (U.S.\$ 2,289 million). The Bank has a wide range of corporate customers, including many of the country's leading industrial companies. As at 31 December 2005, the Bank had a 24.5% share of the corporate lending market with over 50,138 corporate accounts, mostly in trade finance and medium-to-long term loans, and a 18.5% share of all corporate deposits.

As at 31 December 2005, the Bank had approximately 1,294,190 individual customer accounts, representing a 20% share of the market for term and demand retail deposits, as well as a leading market position in offering a wide range of card products, representing a 13.3% share of the market for these cards.

As at 31 December 2005, JSC TuranAlem Securities, a subsidiary of the Bank, had the highest market share (22.2%) of the aggregate trading volume of non-government securities on the KASE. JSC TuranAlem Securities has also acted as an adviser for a number of corporate and municipal securities issues.

The Bank provides international trade services to many of Kazakhstan's leading exporters, such as Petrokazakhstan, Aktobemunaigas, Kazakhmys, Mittal Steel and Kazatomprom. In addition, the Bank is a leading provider of foreign exchange services and an active trader in the inter-bank OTC and official currency markets on behalf of customers. The Bank maintains correspondent banking relationships with many of the world's leading banks. As at 31 December 2005, the Bank's market share of off-balance sheet operations (letters of credit, guarantees), including both local operations and international operations conducted through TuranAlem Finance accounted for 44.1% in terms of volume.

Strategy

In the spring of 2005, the Bank's Chairman of the Board of Directors established a new Strategy Committee comprised of the Bank's senior and middle managers. In addition, the Bank engaged Deloitte & Touche to assist it in defining a business development strategy. The Bank has determined the broad principles of its business development strategy and the methods to help implement that strategy going forward. In addition, a system of key performance indicators (KPIs) is being developed contemporaneously with the Bank's strategy. The KPIs comprise monthly, quarterly and annual targets designed to facilitate the efficient implementation of the Bank's business development strategy.

Although the Strategy Committee is continuing to refine the Bank's strategy, the Bank has approved the primary direction of its platform for the future and the Bank expects to complete the definition of its strategy and to commence execution of the first stage of that strategy, which involves the implementation of a part of the KPI system entitled a "Balance Score Card", during the first quarter of 2006. As the Kazakhstan economy continues to grow and the private sector expands, the Bank expects that there will be continued strong demand for financial resources and services, especially from the retail sector and small and medium-sized businesses ("SMEs") and that, as SMEs expand and prospective investors enter the Kazakhstan market, the demand for banking services from the corporate sector will also increase.

The Management plans to target future growth where it believes there is significant demand. More specifically, the Bank plans to expand its operations and increase its profitability by:

- expanding its retail services;
- expanding its corporate banking activities;
- further developing its credit card business;
- further developing its securities, insurance and pensions operations;
- enhancing its management; and
- improving its funding base.

Accordingly, while maintaining its profile as a leading full-service bank in the retail sector, the Bank plans to focus on increasing its SME and retail market shares in Kazakhstan, while, in the corporate

sector, the Bank intends to continue to develop its traditionally strong trade financing activities, as well as offer its corporate clients syndicated loans in cooperation with foreign banks, asset management and investment banking services. A client-orientated provision of high quality services will continue to be a key part of the Bank's development strategy. In addition, the Bank plans to increase its non-interest income through the provision of new fee-based services and increased revenue from its existing subsidiaries.

To develop its funding base, the Bank plans to increase its retail deposit market share by expanding its range of products and to expand its international funding base through the issuance of new instruments. In addition, in order to increase its assets, the Bank aims to maintain an adequate level of capital through the placement of hybrid capital instruments and continued capitalisation of profits. One of the Bank's strategic goals is to prepare in the medium-term for an international initial public offering.

The Bank has completed its current program for geographical diversification and has no medium-term plans to expand its geographical presence further, either domestically or abroad. In Kazakhstan, the Bank will instead focus on increasing access for its customers through optimisation and expansion of its retail units and ATMs and through the development of internet banking services and the establishment of a call centre for customer service, which will supplement the existing access through the Bank's current regional subsidiaries. Outside Kazakhstan, the Bank will further develop its policy of attracting strategic investors to participate in joint projects to mitigate the risks resulting from foreign operations outside of the Bank's primary banking activities in Kazakhstan. In particular, in the CIS, the Bank will continue to transfer its know-how and business technologies to its foreign partner banks with a view to providing high quality services to its existing foreign corporate clients and attracting new clients; however, the Bank will remain a minority shareholder in such partner banks.

One of the key elements of implementing the Bank's strategy will be the introduction of international best practices in relation to corporate governance and the development of back office and business support units. BTA plans to increase its investment in IT systems and to establish a processing centre for debit and credit cards. The Bank will continue to strengthen its risk management systems in preparation for the implementation of the norms and recommendations under the Basel II Accord. The Bank has established a new compliance control management system and will continue to develop a responsibility sharing system among different management levels of the Bank. The Bank also plans to enhance its personnel management services with a view to increasing the motivation of existing staff and attracting, where needed, additional qualified staff.

Overall, the development and implementation of the Bank's strategy is aimed at maintaining its status as a leading bank in Kazakhstan as competition increases from the domestic banks and new international participants enter the market. Management believes that it has identified the demands of Kazakhstan's dynamically developing financial sector and is, accordingly, able to target the Bank's future growth in line with the perceived demands.

Management

On 19 December 2004, a fatal hunting accident resulted in the untimely death of Mr. Yerzhan Tatishev, the former Chairman of the Management Board of the Bank. Mr. Saduakas Mameshtegi, at the time a Deputy Chairman of the Bank, was promptly appointed as acting Chairman of the Management Board of the Bank pursuant to a unanimous resolution adopted at an extraordinary meeting of the Board of Directors of the Bank. Mr. Mameshtegi has announced that he will continue to follow the policies and strategic objectives promoted by the late Mr. Yerzhan Tatishev and the Bank's management believes that the transition in management will not adversely affect the on-going operations of the Bank.

Mr. Mameshtegi's appointment as the Chairman of the Bank was approved at the meeting of the Board of Directors of the Bank held on 21 January 2005. At the same meeting members of the Board of Directors of the Bank confirmed the appointment of Mr. Yerkin Tatishev (the late Mr. Yerzhan Tatishev's younger brother) as First Deputy Chairman of the Management Board in charge of investment activities.

Following the death of Mr. Yerzhan Tatishev, his shares in the Bank were placed in trust for the members of his family, with his brother, Mr. Yerkin Tatishev, managing the trust. The trust did not

participate in the eighth issue of shares by the Bank due to the application of Kazakhstan inheritance laws, which restricted the ability of Mr. Tatishev's estate to subscribe for additional shares in the Bank for the six month period following his death. Although this has resulted in a temporary decrease in the percentage share of the trust in the capital of the Bank, the trust has regained its pro-rata share of the total capital of the Bank by participating in the ninth issue of shares by the Bank at the end of December 2005.

Mr. M. Ablyazov was elected as the Chairman of the Board of Directors of the Bank at the meeting of the Board of Directors held on 20 May 2005.

Summary of Risk Factors

There are certain factors that may affect the ability of TuranAlem Finance and/or the Bank, as the case may be, to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme.

Certain risk factors relating to the Notes may include, (among others) (i) risk factors relating to Kazakhstan, such as political and regional considerations, macroeconomic considerations and exchange rate policies, Kazakhstan's implementation of further market-based economic reforms, the underdevelopment and evolution of Kazakhstan's legislative and regulatory framework and Kazakhstan's lesser developed securities market in comparison with the United States and Western Europe; (ii) risk factors relating to the Bank, such as loan portfolio growth considerations, capital adequacy and liquidity considerations, risk management considerations, interest rate and foreign currency risks, high industry and borrower concentrations, information and risk assessment considerations, a shortage of qualified personnel, competition, regional expansion considerations, banking industry regulation considerations, reform of the international capital adequacy framework and change of control considerations; and (iii) risk factors relating to the Notes, such as taxation risks, emerging market risks, credit rating considerations, an absence of a trading market for the Notes, limitations on recourse to the Bank in respect of Subordinated Notes, subordination of the right of payment under claims on Subordinated Notes, new EU Directive considerations, trading considerations and enforcement risks. For a fuller discussion of applicable risk factors, see "Risk Factors".

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GENERAL DESCRIPTION OF THE PROGRAMME, THE NOTES AND THE GUARANTEE

Description:	U.S.\$3,000,000,000	
Issuer:	TuranAlem Finance B.V., a company incorporated with limited liability in The Netherlands, or, as specified in the relevant Final Terms, JSC Bank TuranAlem, a joint stock company organised in the Republic of Kazakhstan.	
Guarantor:	JSC Bank TuranAlem, a joint stock company organised in the Republic of Kazakhstan.	
Programme Size:	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. TuranAlem Finance and the Bank may increase the amount of the Programme in accordance with the Programme Agreement (as defined herein). In this respect, for the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium shall be treated as having been issued at the amount of net proceeds received in respect thereof by the relevant Issuer.	A13 4.1
Use of Proceeds:	The net proceeds to the relevant Issuer from the sale of Senior Notes in each Series will, if TuranAlem Finance acts as the Issuer, be deposited by TuranAlem Finance with the Bank and, in any event, be used by the Bank to fund the Bank’s loan portfolio and for its general corporate purposes. The net proceeds to the relevant Issuer from the sale of Subordinated Notes in each Series will, if TuranAlem Finance acts as the Issuer, be on-lent by TuranAlem Finance to the Bank under a loan agreement (the “ Subordinated Loan Agreement ”) and, in any event, be used by the Bank to fund the Bank’s loan portfolio and for its general corporate purposes. See “Use of Proceeds”.	
Arranger:	Credit Suisse Securities (Europe) Limited	A13 7.1
Dealers:	<p>ABN AMRO Bank N.V. BNP PARIBAS Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Dresdner Bank Aktiengesellschaft HSBC Bank plc ING Bank N.V., London Branch J.P. Morgan Securities Ltd. Merrill Lynch International Nomura International plc Standard Bank plc TuranAlem Securities JSC</p> <p>Pursuant to the terms of the Programme Agreement, TuranAlem Finance and the Bank may, from time to time, terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Series of Notes or in respect of the whole Programme. References in this Base Prospectus to “Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to all persons appointed as dealers in respect of one or more Series of Notes.</p>	
Trustee:	The Bank of New York	

Principal Paying Agent:	The Bank of New York
Registrar:	The Bank of New York
	A register of the Registered Notes shall also be kept at the registered office of the relevant Issuer.
Transfer Agent:	The Bank of New York
Calculation Agent:	The Bank of New York (unless otherwise stated in the Final Terms relating to a particular Series).
Issuance in Series:	Notes will be issued under the Programme in series (each, a “ Series ”), with all Notes in a Series having the same maturity date and identical terms (except that the issue dates, interest commencement dates, amounts of the first interest payment and related matters may be different and except that a Series may comprise Notes in bearer form and in registered form and Notes in different denominations). Notes in each Series may be issued in one or more tranches (each, a “ Tranche ”) on different issue dates, with the Notes in each Tranche having identical terms in all respects. Details applicable to each Tranche and Series will be specified in the relevant final terms to this Base Prospectus (with respect to the Notes in a particular Tranche or Series, the “ Final Terms ”).
Issue Price:	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Maturities:	Such maturities as may be agreed between the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Specified Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s) and set forth in the relevant Final Terms.
Interest and Interest Payment Dates:	The length of the interest periods for the Notes and the applicable interest rate may differ from time to time between Series or be constant. Notes may be issued on a fixed rate or floating rate basis and may have a maximum interest rate, a minimum interest rate or both or Notes may be issued at a discount to their principal amount and not bear interest (all as further described below). The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. Detailed information in this respect for the Notes in a particular Series will be set out in the relevant Final Terms.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer.

<p>Floating Rate Notes:.....</p>	<p>Each Floating Rate Note will bear interest on its outstanding principal amount from (and including) the Interest Commencement Date (as defined in the Trust Deed) at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified on or determined pursuant to such Note. Interest on Floating Rate Notes will be calculated separately for the Notes in each Series by reference to LIBOR, LIBID, LIMEAN or EURIBOR or such other benchmark as may be agreed among the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s) (as specified in the relevant Final Terms and as adjusted for any applicable margin). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes will be payable on the payment dates specified in, for the interest periods specified in, or determined as described in, the relevant Final Terms, and at maturity and unless calculated on the basis specified in the relevant Final Terms.</p>
<p>Original Issue Discount Notes (including Zero Coupon Notes):</p>	<p>Original Issue Discount Notes may be issued at their nominal amount or at a discount and may or may not bear interest.</p>
<p>Dual Currency Notes:.....</p>	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.</p>
<p>Index Linked Notes:</p>	<p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or such other factors as may be specified in the relevant Final Terms.</p>
<p>Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:</p>	<p>Floating Rate Notes and Index Linked Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed among the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s).</p>
<p>Original Issue Discount Notes (including Zero Coupon Notes):</p>	<p>Original Issue Discount Notes may be issued at their nominal amount or at a discount and may or may not bear interest.</p>
<p>Dual Currency Notes:.....</p>	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.</p>
<p>Other Notes:.....</p>	<p>Terms applicable to high-interest Notes, low-interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes or any other type of Notes that TuranAlem Finance, the Bank and any Dealer(s) may agree to issue under the Programme will be set out in the relevant Final Terms.</p>

Redemption:	<p>The relevant Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed among the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s).</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “Subscription and Sale”.</p>
Redemption by Instalments:	<p>The Final Terms in respect of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.</p>
Optional Redemption:	<p>The Final Terms in respect of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.</p>
Early Redemption:	<p>Except as provided under “Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Condition 7”.</p>
Senior or Subordinated Notes	<p>Notes to be issued under the Programme may be Senior Notes or Subordinated Notes as stipulated in the relevant Final Terms.</p>
Status of Senior Notes:	<p>Senior Notes issued under the Programme will constitute direct, general, unconditional and, subject to the negative pledge contained therein, unsecured obligations of the relevant Issuer. See “Terms and Conditions of the Notes – Condition 3”.</p>
Guarantee of Senior Notes:	<p>Where TuranAlem Finance acts as the Issuer of Senior Notes, the Bank will, pursuant to a Deed of Guarantee dated 4 November 2005 issued by the Bank in favor of the Trustee for the benefit of holders of Notes, unconditionally and irrevocably guarantee the due and punctual payment of all sums payable by TuranAlem Finance in respect of such Senior Notes and under the Trust Deed. The obligations of the Bank under the Guarantee in respect of Senior Notes issued by TuranAlem Finance will constitute direct, general, unconditional and, except as provided therein, unsecured obligations of the Bank, which will at all times rank at least <i>pari passu</i> with all other present and future (except as provided therein) unsecured obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law.</p>
Status of Subordinated Notes and the Obligations of the Bank under the Subordinated Loan Agreement:	<p>Subordinated Notes issued under the Programme will constitute direct, unconditional and unsecured obligations of the relevant Issuer and will at all times rank <i>pari passu</i> among themselves. See “Terms and Conditions of the Notes – Condition 3”. Where TuranAlem acts as the relevant Issuer of Subordinated Notes, the net proceeds to TuranAlem Finance from the issue of such Subordinated Notes will be on-lent to the Bank pursuant to a master Subordinated Loan Agreement and such Subordinated Notes will constitute limited recourse obligations of TuranAlem Finance. The obligations of the</p>

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<p>Negative Pledge (Senior Notes):</p>	<p>Bank issued under the Subordinated Loan Agreement will constitute direct, unconditional and unsecured obligations of the Bank and will at all times rank <i>pari passu</i> with Subordinated Notes issued by the Bank.</p> <p>Each of the Issuer and the Bank will agree that, so long as any Senior Notes remain outstanding, it shall not create or permit to subsist any mortgage, charge, lien, pledge or other security interest (other than, in the case of the Bank, a Permitted Security Interest, as defined in Condition 4) upon or with respect to any of their respective undertakings, assets or revenues to secure any Financial Indebtedness (as defined in Condition 4) unless the Senior Notes or, if applicable, the Guarantee, as the case may be, are secured equally and rateably with such other Financial Indebtedness or are otherwise given the benefit of such other arrangements as shall be approved. See “Terms and Conditions of the Notes – Condition 4”.</p> <p>The terms of the Subordinated Notes will contain no negative pledge.</p>
<p>Certain Covenants (Senior Notes):.....</p>	<p>TuranAlem Finance and the Bank will agree to certain covenants, including, without limitation, covenants with respect to limitations on merger and consolidation and limitations on transfers of interests in TuranAlem Finance by the Bank. See “Terms and Conditions of the Notes – Condition 5”.</p>
<p>Events of Default:.....</p>	<p>Events of Default in respect of the Senior Notes include, but are not limited to, non-payment of the principal of the Notes when due; a breach under the Notes, the Guarantee (if applicable) or the Trust Deed; failure to pay any Financial Indebtedness (as defined in Condition 10) of the relevant Issuer, or, if applicable, the Bank or any Material Subsidiary of the Bank (as defined in Condition 10) when due, bankruptcy of the relevant Issuer, or, if applicable, the Bank or a Material Subsidiary of the Bank and any substantial change in the principal nature of the business of the Bank.</p> <p>Events of Default in respect of the Subordinated Notes include non-payment of the principal of the Notes or, if applicable, any amount due under the Subordinated Loan Agreement in respect of the Notes when due and bankruptcy of the relevant Issuer or, if applicable, the Bank in its capacity as borrower under the Subordinated Loan Agreement or a Material Subsidiary of the Bank. See “Terms and Conditions – Condition 10”.</p>
<p>Taxation:.....</p>	<p>TuranAlem Finance is a Dutch resident for tax purposes. The Bank is a resident of the Republic of Kazakhstan. For Dutch, Kazakhstan and United States tax consequences on the Noteholders see “Taxation”.</p> <p>All payments of principal and interest in respect of the Notes will be made free and clear of any taxes imposed by or within The Netherlands or Kazakhstan or any jurisdiction from or through which payment is made, unless withholding or deduction thereof is required by law. See “Terms and Conditions of the Notes – Condition 9”.</p> <p>In such an event, the Issuer or (as the case may be) the Bank shall, subject to certain exceptions and limitations, increase the amount payable to an amount which will result in the receipt by the holder of any Notes of the amount that would have been received by them had no such withholding or deduction been required. See “Terms and Conditions of the Notes – Condition 9”.</p>

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Where TuranAlem Finance acts as the Issuer of Senior Notes, in the event a demand is made under the Guarantee, payments in respect of such Senior Notes under the Guarantee will be subject to Kazakhstan withholding tax at a rate of 15% unless reduced or made exempt by an applicable double taxation treaty. Where the Bank acts as the Issuer of any notes, interest payable on such Notes to individuals and legal entities not resident in Kazakhstan, will be subject to Kazakhstan withholding tax at a rate of 15% unless reduced or made exempt by an applicable double taxation treaty. See “Taxation – Kazakhstan Taxation”.

Tax Redemption:.....

Unless otherwise provided in the relevant Final Terms, the Notes are subject to redemption in whole at their principal amount plus accrued interest (if any), at the option of the relevant Issuer, in the event of certain changes in taxation in The Netherlands or Kazakhstan. See “Terms and Conditions of the Notes – Condition 7.2”.

Form and Delivery of Notes:

The Notes may be issued in bearer form only (“**Bearer Notes**”) or in registered form only (“**Registered Notes**”).

Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note, without interest coupons, which will be deposited on the issue date with a common depositary for Euroclear or Clearstream, Luxembourg or otherwise delivered as agreed between the relevant Issuer and the relevant Dealer. No interest will be payable in respect of a Temporary Global Note except as described under “Summary of Provisions Relating to the Notes while in Global Form”. Interests in a Temporary Global Note will be exchangeable for interests in a permanent Global Note (a “**Permanent Global Note**”) or, if so stated in the relevant Final Terms, for Note Certificates in bearer form, after the date falling 40 days after the completion of the distribution of the Tranche as certified in writing by the relevant Dealer(s) upon certification as to non-U.S. beneficial ownership. Interests in a Permanent Global Note will be exchangeable for Note Certificates in bearer form as described under “Summary of Provisions Relating to the Notes while in Global Form”.

Bearer Notes are serially numbered and are issued with interest coupons (and, where appropriate, Talons) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), interest coupons and talons in the Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Regulation S Notes in registered form will initially be represented by a Regulation S Global Note and Rule 144A Notes in registered form will initially be represented by a Rule 144A Global Note, in each case without interest coupons, which may be deposited on or about the Issue Date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through DTC, with a custodian for DTC.

Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed between the relevant Issuer,

together, if applicable, with the Bank, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Notes that are to be credited to one or more clearing systems on issue will be registered in the name of a nominee or nominees for such clearing systems.

Beneficial interests in Global Notes held by a Clearing System will be shown on, and transfers thereof will be effected only through, records maintained by the applicable Clearing System and their participants. See “Summary of Provisions Relating to the Notes While in Global Form” and “Form of Notes and Transfer Restrictions”.

The provisions governing the exchange of interests in a Global Note for another Global Note and for Note Certificates and the exchange of interests in each Global Note for individual Note Certificates are described in “Summary of Provisions Relating to the Notes while in Global Form”. Interests in Global Notes may be exchanged for individual Note Certificates in limited circumstances. See “Summary of Provisions Relating to the Notes while in Global Form” and “Clearing and Settlement”.

Denominations:.....

Notes will be issued in such denominations as may be agreed between the relevant Issuer, together, if applicable, with the Bank, and the relevant Dealer(s), save that the minimum denomination for Regulation S Notes and admitted to trading on a European Economic Area Exchange or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 and integral multiples of €1,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) and the minimum denomination of Notes issued in reliance upon Rule 144A (the “**Rule 144A Notes**”), will be U.S.\$100,000 (or the equivalent in other currencies) and integral multiples of U.S.\$1,000 (or the equivalent in other currencies) in excess thereof, save that, unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies), and further provided that Subordinated Notes will, in any event, have a minimum denomination of €100,000 (or its equivalent in other currencies).

Governing Law:.....

The Notes, the Guarantee, the Subordinated Loan Agreement and the Trust Deed will be governed by, and construed in accordance with, English law.

Rating:.....

As at the date of this Base Prospectus, the Bank is rated by three rating agencies: Moody’s Investors Service Limited (“**Moody’s**”), Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies Inc. (“**Standard & Poor’s**”) and Fitch Ratings (“**Fitch**”), which have issued the following credit ratings:

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Moody's

Long-term foreign currency: Ba1
 Outlook: Positive
 Short-term: NP
 Senior debt: Baa2
 Financial strength: D-
 Outlook: Stable

Standard & Poor's

Long-term foreign currency: BB
 Short-term foreign currency: B
 Senior debt: BB
 Outlook: Stable

Fitch

Long-term foreign/local currency: BB+/BBB-
 Short-term foreign/local currency: B/F3
 Senior debt: BB+
 Outlook: Stable

Notes issued under the Programme in a particular Series may be rated or unrated. Where a Series of Notes is rated, such rating will be indicated in the relevant Final Terms, but will not necessarily be the same as the rating assigned to the Bank as set out in this Base Prospectus.

Credit ratings assigned to Notes do not necessarily mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the marketability of any Notes or any market price. Any change in the credit ratings of Notes, or the Bank could adversely affect the price that a subsequent purchaser will be willing to pay for Notes. The significance of each rating should be analysed independently from any other rating.

Listing:.....

Applications have been made (i) to the UK Listing Authority under the FSMA, for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the Official List and (ii) to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and have been admitted to the Official List.

In addition, unless otherwise agreed with the relevant Dealer(s) and as provided for in the Final Terms, the Bank will use its best endeavours to cause Notes issued by TuranAlem Finance to be listed on the KASE. The Bank shall cause Notes issued by the Bank to be listed on the KASE within sixty days from the date of their issue.

Neither TuranAlem Finance nor the Bank can give any assurance that any such listing will be obtained.

Method of Issue:.....

Notes may be issued on a syndicated or non-syndicated basis.

Selling Restrictions:..... Neither the Notes nor the Guarantee has been or will be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person, except to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in the United Kingdom, Kazakhstan and The Netherlands. See “Subscription and Sale”.

For the purposes of Regulation S, category 2 selling restrictions shall apply.

In the case of Bearer Notes offered to non-U.S. persons, such Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) unless (i) the relevant Final Terms state that such Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or (ii) the Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. In the case of a distribution under Rule 144A, Notes will be issued in registered form, as defined in U.S. Treas. Reg. §5f.103-1(c).

Transfer Restrictions: There are restrictions on the transfer of Rule 144A Notes under the Securities Act. See “Form of Notes and Transfer Restrictions’ and “Subscription and Sale”.

RISK FACTORS

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The following factors may affect the ability of TuranAlem Finance and the Bank to fulfil their obligations under Notes issued under the Programme. Some of these factors are contingencies which may or may not occur and neither TuranAlem Finance nor the Bank is in a position to express a view on the likelihood of any such contingency occurring.

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In addition, prior to making an investment decision, prospective purchasers of the Notes should carefully consider, along with the other matters referred to in this Base Prospectus, the following risks associated with investment in Kazakhstan entities generally and in securities guaranteed by the Bank specifically, which (although not exhaustive) could be material for the purpose of assessing the market risks associated with Notes issued under the Programme. 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.

Prospective investors should note that the inability of TuranAlem Finance or the Bank to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons other than stated below and neither TuranAlem Finance nor the Bank represents that such statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Prospective investors should also consult their own financial and legal advisers about risks associated with an investment in any Notes issued under the Programme and the suitability of investing in such Notes in light of their particular circumstances.

General

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 markets such as Kazakhstan's are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Risk Factors relating to Kazakhstan

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

Political and Regional Considerations

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

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

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, steel, copper, ferro-alloys, iron ore, alumina, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. In addition to

taking various steps to promote regional economic integration among neighbouring countries, Kazakhstan signed an agreement in September 2003 with Ukraine, Russia and Belarus for the creation of a single economic zone, which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs. The aim of the single economic zone is to create a free customs area within which member countries would enjoy free movement of goods, services, capital and labour.

The member countries also intend to co-ordinate their fiscal, credit and currency policies. 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, the economy of Kazakhstan could be adversely affected.

Like other countries in Central Asia, Kazakhstan could be affected by any further military action taken by the United States and an international coalition following the conflict in Iraq and continuing unrest in the region and the effect such military action may have on the world economy and political stability of other countries. Also, in common with other countries in Central Asia, Kazakhstan could be affected by military or other action taken against sponsors of terrorism in the region. In particular, countries in Central Asia, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil, oil products and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any resulting volatility in oil and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects.

Macroeconomic Considerations and Exchange Rate Policies

The Government established the National Fund of Kazakhstan in 2000 for the purpose of supporting the financial markets and the Kazakh economy in the event of any sustained drop in oil revenues. In order to diversify the economy and decrease dependence on the price of export-oriented raw materials, the Government developed the Innovative Industrial Development Strategy of the Republic of Kazakhstan for the years 2003 to 2015, which envisages the steps on developing and supporting high technology industries and advanced technology. Notwithstanding these efforts, however, low commodity prices and weak demand in its export markets may adversely affect Kazakhstan's economy.

The Government began implementing market-based economic reforms following independence (including the implementation of a significant privatisation programme, the promotion of high levels of foreign direct investment (particularly in the oil and gas sector) and the introduction of an extensive legal framework). Despite uneven progress in this regard, Kazakhstan has experienced extensive economic transformation since its independence. 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. Whilst GDP has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 9.5% in 2002, 9.2% in 2003 and 9.4% in 2004 and by a further 9.4% in 2005, there can be no assurance that GDP will continue to grow and any fall in GDP in subsequent periods could adversely affect Kazakhstan's economy.

The Tenge is convertible for current account transactions, although it is not fully convertible currency outside Kazakhstan. Depressed export markets in 1998 and early 1999 caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the NBK instituted a number of expenditure cuts, took revenue increasing measures and, in April 1999, allowed the Tenge to float freely. In the period from the adoption of a floating exchange rate policy on 4 April 1999 to 31 December 1999, the Tenge depreciated by 58.0% against the U.S. Dollar, resulting in an overall depreciation of the Tenge of 64.9% against the U.S. Dollar in the year ended 31 December 1999, compared to a depreciation of 10.9% in the year ended 31 December 1998. In 2000, 2001 and 2002, the Tenge continued to depreciate in value against the U.S. Dollar, although at a much lower rate, depreciating by 5.2% in 2000, by 3.8% in 2001 and by 3.3% in 2002. The Tenge thereafter appreciated in value against the U.S. Dollar during 2003 to KZT 144.22 per U.S.\$1.00 as at 31 December 2003, compared to KZT 155.85 per U.S.\$1.00 as at 31 December 2002. The Tenge appreciated further in value against the U.S. Dollar during 2004 to KZT 130.00 per U.S.\$1.00 as at 31 December 2004. During 2005,

Tenge depreciated against the U.S. dollar by 3.1% to KZT 133.98 per U.S.\$1.00 as at 31 December 2005. As at 31 March 2006, the exchange rate was KZT 128.45 per U.S.\$1.00. While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK's 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.

Implementation of Further Market-Based Economic Reforms

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

Underdevelopment and Evolution of Legislative and Regulatory Framework

Although a large volume of legislation has come into force since early 1995, including an amended tax code in January 2002, laws relating to investments, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan (although one of the most developed among the CIS countries) is at a relatively early stage of development compared to countries with established market economies. In particular, while banking regulations have established subordinated debt as a separate class of obligations, there is not currently a specific legislative priority for subordinated debt in bankruptcy. Accordingly, uncertainty remains as to the treatment of claims of subordinated creditors in the context of a judicial proceeding relating to a bankruptcy of the Bank. In addition, 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, senior Government officials may not be fully independent of outside economic forces owing to the underdeveloped regulatory supervision system enabling improper payments to be made without detection. The Government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the Government will continue such policy, or that such policy, if continued, will 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.

Payments from Kazakhstan sources to non-residents not represented in Kazakhstan are subject to withholding tax at rates of between 15% and 20% on dividends, interest and other types of income, unless reduced by an applicable double taxation treaty. Moreover, due to the presence of certain ambiguities in Kazakhstan's tax legislation, the tax authorities may make arbitrary assessments of tax liabilities which are different from the Bank's own assessment and challenge previous tax assessments making it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as a lack of any established system of precedent or coherence in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed tax system. Kazakhstan's tax system is still in a transitional phase and no assurance can be given that new taxes and duties or new tax rates will not be introduced during the life of the Programme. Any expansion of the circumstances in which withholding tax is applicable may give the Issuer the right to redeem the Notes prior to their stated maturity.

Less Developed Securities Market

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

Growth and Liquidity Risks

The Bank's gross loan portfolio, (including accrued interest), has increased rapidly in recent years growing by 72.14% from KZT 255,118 million in 2003 to KZT 439,150 million in 2004 and by a further 64.1% to KZT 720,696 million in 2005. The growth in the gross loan portfolio is attributable to an overall increase in the growth rate of lending activity, especially to small and medium size businesses and retail customers. The increased levels of lending to small and medium size businesses as well as to retail customers may increase further the credit risk of the Bank. Small and medium size businesses and retail customers typically have less financial strength than large corporate clients and are more exposed to negative developments that might occur in the Kazakhstan economy. Although the Bank has enhanced its quality assessment and risk monitoring procedures with a focus on reducing its exposure to such borrowers, a weak economy could affect these borrowers more significantly than large companies. This could result in higher levels of classified and non-performing loans and, as a result, higher levels of provisioning. The significant increase in the loan portfolio size has increased the Bank's credit exposure and will require continued and improved monitoring by the Bank's management of credit quality and the adequacy of its provisioning levels and continued and anticipated improvement in the Bank's credit risk management programme. Growth rates such as those recently experienced by the Bank also require the Bank to attract and retain a significant number of qualified personnel and to train new personnel appropriately, not only to monitor asset quality but also to ensure access to appropriately flexible funding sources which do not impose inappropriate constraints on the Bank's future funding strategy. Furthermore, the development of relatively new products, such as fixed rate mortgages and financing packages for SMEs, require not only credit assessment skills and personnel, but also appropriate risk management systems, some of which are not currently in place at the Bank. For example, the Bank primarily relies on the relatively short average maturity of its loan portfolio to mitigate its interest rate risk. Although the Bank has improved its risk management systems and procedures, as the average maturity of its loan portfolio increases, the Bank may need to introduce further more sophisticated techniques to manage this risk and there can be no assurance that it will do so in a timely manner, if at all. Failure to manage growth and development successfully and to maintain the quality of its assets and/or flexibility as to funding sources could have a material adverse effect on the Bank's results of operations and financial condition.

In addition, the growth in the Bank's loan portfolio over the last three years has been higher than the growth in its customer deposits resulting in a gradual increase in the ratio of commercial loans and advances net of allowance for impairment to amounts due to customers. The ratio increased from 1.7 as at 31 December 2003 to 1.8 as at 31 December 2004 and then to 2.2 as at 31 December 2005. This has caused the Bank to look for other sources to fund the growth of its loan portfolio, primarily short to medium term inter-bank loans and capital markets instruments which as at 31 December 2005 and 31 December 2004 comprised 62% and 55% of total liabilities, respectively. This asset to liability structure is consistent with that of most of other similar banks in Kazakhstan and as a result, market interest rates on loans to customers in Kazakhstan are higher than those charged in more developed markets to cover the higher funding costs. As a consequence, if interest rate levels were to decrease significantly in Kazakhstan and

the Bank could not raise additional funding through deposit-taking, this could negatively affect the Bank's ability to manage liquidity and to fund further profitable growth.

The Bank, like other commercial banks in Kazakhstan, is subject to liquidity risk due to maturity mismatches between its assets and liabilities. Although management believes that the Bank currently maintains adequate liquidity and that the Bank's access to domestic and international funds will continue to allow it to meet its liquidity needs, particularly as the majority of the Bank's customer accounts will be extended over their contractual maturity as their liquidation has historically taken place over a period longer than their contractual maturity, in the longer term, liquidity management may require the Bank to extend the maturity of its customer deposits. The Bank's ability to lengthen its liquidity profile is subject to prevailing market conditions, including market, liquidity, pricing and competitive pressures, and, accordingly, the Bank may also be required to secure additional long-term funding. There can be no assurance that the Bank will be successful in extending its maturities or obtaining additional sources of funds on acceptable terms.

Risk Management

Management of these risks also requires substantial resources. The Bank is currently upgrading its information technology systems to allow it to better monitor and manage the risks discussed. Although the Bank believes that it has policies and procedures in place to measure, monitor and manage liquidity and market risks, maturity mismatches or any significant volatility in interest rate movements, exchange rates or commodity market prices could have a material adverse effect on the Bank's business, financial condition, results of operations, foreign currency positions and prospects of the Bank. In addition, there can also be no assurance that the improved information technology systems will be developed according to schedule or that the new system will address all of the shortcomings of the current system.

Interest Rate Risks

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

Foreign Currency Risks

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Although the Bank is subject to limits on its open currency positions pursuant to NBK and FMSA regulations and the Bank's internal policies, future changes in currency exchange rates and the volatility of the Tenge may adversely affect the Bank's foreign currency position.

Concentration of Lending and Deposits

The Bank's loan portfolio shows some industry and borrower concentration. As at 31 December 2005, the Bank's 10 largest customers accounted for 15.39% of gross commercial loans and advances then outstanding, compared to 16.44% as at 31 December 2004. The Bank is continuing to emphasise credit quality and the further development of financial and management controls to monitor credit exposure. The failure to manage the Bank's credit concentration could, however, expose the Bank to increased liquidity risk and have a material adverse effect on the Bank's results of operations and financial condition.

As at 31 December 2005, the Bank's 10 largest depositors held 37.19% of total amounts due to customers compared to 26.17% as at 31 December 2004. The Bank follows a policy of diversification of its deposit base and expanding its presence in the retail deposits market, with the aim of decreasing its dependence on its largest depositors. The failure to maintain this deposit base could have a material adverse effect on the Bank's results of operations.

Lack of Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakh economy generally or specific economic sectors within it or corporate or financial information relating to companies and other economic enterprises is not as comprehensive as 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 estimates the net realisable value of collateral in determining 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, thereby increasing the risk of borrower default and decreasing the likelihood that the Bank would be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it. 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.

Shortage of Qualified Personnel

There is a considerable shortage of adequately qualified personnel in the Kazakhstan banking sector, particularly in such areas as risk management, brokerage services, internal audit and asset management. As at the date of this Base Prospectus, following its strategic development objectives, the Bank has created over 200 new positions for qualified banking personnel. If the shortage of adequately qualified banking personnel persists, the Bank's ability to offer the desired range and volume of services may be affected which may, in turn, affect the Bank's market share and financial results. In addition, shortage of adequately qualified banking personnel may cause the Bank to implement additional financial and other incentives to retain the existing, and recruit additional, personnel, which may increase the Bank's expenses and could have an adverse effect on the business, financial condition, results of operation and prospects of the Bank.

Competition

The Bank, in common with other Kazakhstan banks, is subject to competition from both domestic and foreign banks and other existing and prospective participants in the Kazakhstan banking sector. According to the NBK, as at 31 December 2005, there were a total of 34 banks, excluding the NBK, licensed to operate in Kazakhstan, of which 14 were banks with foreign ownership, including 9 subsidiaries of foreign banks. In particular, the Development Bank of Kazakhstan ("DBK"), established in 2001, has an equity base larger than any commercial domestic bank in Kazakhstan. Because DBK is not licensed to accept deposits or provide corporate settlement services, the Bank does not classify DBK as a commercial bank for purposes of calculating market share data or rankings in the banking sector. The Bank expects, however, that DBK may become an important competitor in the corporate lending sector. Kazkommertsbank, which is the largest bank in Kazakhstan in terms of total assets is the Bank's major competitor in the corporate and retail banking sectors. In addition, Halyk Savings Bank, which has the largest branch network in Kazakhstan, is one of the Bank's major competitors in retail banking. Moreover, although foreign-owned banks do not currently provide significant domestic competition, these institutions have significantly greater resources and cheaper funding bases than the Bank. Foreign banks also have greater international experience, allowing them to target the best domestic corporate customers, as well as foreign companies operating in Kazakhstan. Accordingly, these entities are likely to become competitive with the Bank in the corporate banking sector in the longer term. See "The Bank – Competition" and "The Banking Sector in Kazakhstan".

Geographical Diversification

In accordance with its strategy, the Bank has made investments into neighbouring countries, particularly in the countries of the CIS, and may continue to increase these investments and its business activities in such countries. See "Overview of the Bank – Strategy – New Markets". The Bank's international presence exposes the Bank to risks the Bank would not face as a purely domestic bank, including certain regulatory risks, compliance risks, foreign currency exchange risk and the risk of failure

to market adequately to potential customers in other countries. To the extent the Bank expands its international operations further, it will be exposed to additional risks. Any failure to manage such risks may cause the Bank to incur increased liabilities in respect of such operations. For more information on the recent acquisitions discussed above, see “The Bank – Subsidiaries”.

Regulation of the Banking Industry

In September 1995, the NBK introduced strict norms and prudential requirements for the operations and capital adequacy of banks operating in Kazakhstan in conformity with the recommendations of the NBK’s board of directors. In addition, an institutional development plan was prepared for leading Kazakh banks, including the Bank. According to the plan, the NBK has required banks operating in Kazakhstan, including the Bank, to prepare their accounts in accordance with IFRS and to apply the Basle Committee accords. The Bank has maintained its daily accounting records in accordance with IFRS since January 2003. In order to accept deposits, banks are required to join the Fund for Guaranteeing Deposits, which was established in December 1999, and are required to be audited annually by a public accountancy firm approved by the NBK, which should be one of the leading international firms. 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 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”. Regulatory standards applicable to banks in Kazakhstan, and the oversight and enforcement thereof by the regulators, may differ from those applicable to banking operations in more highly developed regulatory regimes. See “Risk factors relating to Kazakhstan — Underdevelopment and Evolution of Legislative and Regulatory Framework”. There can be no assurance that the Government will not implement regulations or policies, including new regulations or policies or legal interpretations of existing banking or other regulations, relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action that could have a material adverse effect on the Group’s business, financial condition or results of operations or that could adversely affect the market price and liquidity of the Notes.

Reform of the International Capital Adequacy Framework

The Basle 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 Basle 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 banks and securities firms. 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.

In 2005, the FMSA issued Instructions on Normative Values and Method of Calculation of Prudential Norms (the “Prudential Norms”). In anticipation of the implementation of the Basel II guidelines, the Prudential Norms establish certain capital adequacy limitations on single borrower exposure, short and long term liquidity requirements, requirements for Tier I and Tier II capital, limitations on currency exposure and limitations of investment by Kazakhstan banks into fixed and other non-financial assets. The Prudential Norms are fully applicable to the Bank. Although the Bank is in the process of implementing systems to align itself with the Prudential Norms, there is no assurance that the Bank will achieve compliance on a timely basis, if at all.

Change of Control and CPS

The Bank’s management and current shareholders have expressed an interest in selling an equity interest of at least 55% in the Bank by 31 December 2006 to a bank based in a country which is a member of the Organisation for Economic Cooperation and Development (the “OECD”) with total assets greater than U.S.\$60 billion and with a financial strength of not less than D+ (or its equivalent) as measured by any of Moody’s, Standard & Poor’s or Fitch. See “Management and Share Ownership — Principal Shareholders — The Bank’s CPS”. On 30 December 2004, Raiffeisen Zentralbank Oesterreich AG

(“RZB”) bought 130,993 redeemable CPS of the bank and as a result, RZB’s equity interest in the Bank as at 2 February 2006 was 8.2%. In the event that the Bank and its shareholders do not reach agreement with RZB or another suitable strategic partner by 31 December 2006 in compliance with the redeemable CPS agreements, the Bank may be obliged to redeem the redeemable CPS at cost if the holders of such redeemable CPS so request. In addition, the Bank may also be obliged to offer to redeem the redeemable CPS if a person makes a tender offer to purchase 30% or more of the Bank’s common share capital and the tender offer price for each share is less than the original purchase price. The Bank’s management believes that, on the basis of the current market price for its shares, it is unlikely that it would be profitable for a holder to require such redemption and that the likelihood of a tender offer is remote. The holders of the redeemable CPS have the right to convert all or any part of the CPS held by them into common shares of the Bank at any time up to 1 May 2006. In the Bank’s financial statements as at 31 December 2005, the redeemable CPS have been accounted for as liabilities, in accordance with Revised International Accounting Standard (“IAS”) 32 “Financial Instruments: Disclosure and Presentation”.

Risk factors relating to the Notes

Taxation in Kazakhstan applicable to Notes issued by the Bank or payment under the Guarantee

Tax legislation in Kazakhstan currently levies income tax on gains from the sale of securities issued by Kazakhstan companies where such securities are not listed on the official “A” or “B” lists of the KASE. Such income tax would be applicable to holders of securities (including the Notes), regardless of whether the holder is resident in Kazakhstan for tax purposes, unless reduced by an applicable double tax treaty. Under the terms of double tax treaties Kazakhstan has concluded with certain countries, including, among others, the United States, United Kingdom, France, Germany and The Netherlands, gains made by tax residents in such countries are not subject to such Kazakhstan income tax. Holders who are resident for tax purposes in the countries which do not have a double tax treaty with Kazakhstan, however, would be subject to such tax. Although the Bank has undertaken to cause the Notes to be listed on the KASE within sixty days from the date of their issue, no assurance can be given that such listing will be obtained.

Under the terms of the current legislation, holders that realise such a gain and do not qualify for an exemption under the appropriate double tax treaty are obliged to file a tax declaration with the Kazakhstan tax authorities. There is, however, uncertainty as to how the Kazakhstan tax authorities would assess such tax on non-resident foreign holders of the Notes. Prospective purchasers and holders of Notes should consult their own professional advisers as to the tax consequences of them holding or transferring the Notes.

In addition, as discussed in “Taxation – Kazakhstan Taxation”, payments of interest by the Bank on the Notes issued by the Bank or, if the Guarantee in respect of the Senior Notes issued by TuranAlem Finance is called, on such Notes under the Guarantee will be subject to Kazakhstan withholding tax at a rate of 15%, unless, in the case of non-resident holders, reduced by a relevant double tax treaty. The Bank has agreed to pay additional amounts in respect of such withholding. See “Terms and Conditions of the Notes – Condition 9 (*Taxation*)”.

The enforceability in Kazakhstan of such an agreement has not to date been determined by the courts in Kazakhstan and there may be some doubt as to whether they would enforce such an agreement. The Notes are subject to redemption in whole at their principal amount plus accrued interest (if any) at the option of the Bank, in the event of certain changes in taxation in Kazakhstan. See “Terms and Conditions of the Notes – Condition 7.2”.

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

Emerging Market Risks

The markets for securities bearing emerging market risks, such as the risk factors relating to Kazakhstan described above, 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.

Financial instability in Kazakhstan and other emerging market countries following the 1997 Asian and the 1998 Russian crises adversely affected market prices in the world's securities markets for the debt and equity securities of companies that operate in those countries. Financial stability in emerging market countries other than Kazakhstan could adversely affect the market price of the Notes, even if the economy in Kazakhstan remains relatively stable. Accordingly, the Notes may be subject to fluctuations which may not necessarily be related to the financial performance of the Bank or economic conditions in Kazakhstan.

Credit Rating

As at the date of this Base Prospectus, outstanding eurobonds of the Republic of Kazakhstan are rated Baa3 by Moody's, BBB- by Standard & Poor's and BBB by Fitch and the Bank's outstanding eurobonds are rated Baa2 by Moody's, BB by Standard & Poor's and BB+ by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any change in the credit rating of either the Bank or the Republic of Kazakhstan could affect the trading price of the Notes.

Absence of Trading Market for the Notes

There can be no assurance as to the liquidity of any market that may develop for the Notes in any Series issued under the Programme, the ability of holders of Notes to sell their Notes or the price at which such holders would be able to sell Notes. Application has been made for the admission to trading of Notes issued or to be issued under the Programme on the London Stock Exchange and to have the Notes declared eligible for trading on PORTAL. Unless otherwise agreed with the relevant Dealer(s) and as provided for in the Final Terms, the Bank is also obliged to use its best endeavours to cause the Notes to be listed on the KASE. There can be no assurance that any such listing or declaration will be obtained or, if such listing or declaration is obtained, that an active trading market will develop or be sustained. In addition, the liquidity of any market for the Notes in any Series issued under the Programme will depend on the number of holders of the Notes in such Series, the interest of securities dealers in making a market in the Notes and other factors. Further, Kazakhstan is considered by international investors to be an emerging market. Political, economic, social and other developments in other emerging markets may have an adverse effect on the market value and liquidity of Notes. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes in any Series issued under the Programme.

Limited Recourse with respect to Subordinated Notes

Where TuranAlem Finance acts as the Issuer of Subordinated Notes, the obligations of TuranAlem Finance to make payment of principal, interest and additional amounts (if any) under such Subordinated Notes or the Trust Deed shall constitute an obligation only to account to the Subordinated Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Subordinated Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of TuranAlem Finance from the Bank pursuant to the Subordinated Loan Agreement. Subordinated Noteholders will have no other recourse, direct or indirect, to TuranAlem Finance or to the Bank. Subordinated Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the Bank's covenant to pay under the Subordinated Loan Agreement and the credit and financial standing of the Bank in respect of the financial servicing of the Subordinated Notes. Consequently, if the Bank fails to meet its payment obligations under the Subordinated Loan Agreement, payments to Subordinated Noteholders in respect of the Subordinated Notes may be less than the scheduled amount of principal or interest or other amounts (if any) on the relevant due date and may be zero. In addition, the Terms and Conditions of the Subordinated Notes and the Subordinated Loan Agreement contain only limited acceleration rights in the event of a default by TuranAlem Finance or the Bank (as the case may be).

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Subordination

The obligations of the relevant Issuer under the Subordinated Notes and, if applicable, of the Bank under the Subordinated Loan Agreement, are subordinated in right of payment to the claims of senior creditors of the relevant Issuer or Bank, as the case may be. As a result of such subordination, upon the occurrence and continuance of certain bankruptcy events affecting the Bank (as defined in the Terms and Conditions of the Notes), the assets of the relevant Issuer will be available to pay such Subordinated Notes or, if applicable, corresponding amounts under the Subordinated Loan Agreement only after the claims of all senior creditors of the relevant Issuer or, if applicable, the Bank have been paid in full, and there may not be sufficient assets remaining to satisfy such obligations in respect of such Subordinated Notes or, if applicable under the Subordinated Loan Agreement. Neither the Subordinated Notes nor the Subordinated Loan Agreement will prohibit or limit the incurrence of senior indebtedness, or the incurrence of other subordinated indebtedness and other liabilities by the relevant Issuer, or, if applicable, the Bank or any subsidiary of the Bank, and the incurrence of such additional indebtedness or other liabilities could adversely affect the ability of the relevant Issuer or, if applicable, the Bank to pay its respective obligations in respect of Subordinated Notes or, as the case may be, the Subordinated Loan Agreement. As at 31 December 2005, the Bank had approximately KZT 44,402 million of subordinated indebtedness. The Bank anticipates that, from time to time, it will incur additional indebtedness, including senior indebtedness, and that it will, and subsidiaries of the Bank may, from time to time, incur other additional indebtedness and liabilities. The Bank is regulated by the NBK, which requires it to maintain a minimum ratio of own funds to risk-weighted assets of at least 12.0% on a consolidated basis.

In addition, in order for the Subordinated Notes issued by the Bank or, as the case may be, the Subordinated Loan Agreement to qualify as Tier II Capital, as defined by the NBK, the terms of such Subordinated Notes or, as the case may be, the Subordinated Loan Agreement, Subordinated Notes issued by the Bank cannot and do not contain events of default. Following the occurrence and continuance of certain bankruptcy events, amounts payable in respect of the Subordinated Notes or, as the case may be, under the Subordinated Loan Agreement may be declared immediately due and payable and proof thereof may be made in any related proceedings. However, any such action may not be successful or effective.

Sophisticated investors

An investment in the Securities is suitable only for financially sophisticated investors who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments.

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive, Member States are (and equivalent measures have been introduced by certain non-EU countries) required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be 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).

If a payment is 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, the Bank nor any Paying Agent nor any other person is 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, the Bank and, if applicable, TuranAlem Finance will be required to maintain a Paying Agent in a Member State that would not be obliged to withhold or deduct tax pursuant to the Directive.

Trading in the clearing systems

Although Notes which are admitted to trading on a regulated market in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospective Directive are required to have a minimum denomination of €50,000 (or, in the case of Subordinated Notes, €100,000) (or, where the Specified Currency is not euro, its equivalent in the Specified Currency), it is possible that the Notes may be traded in the clearing systems in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or, in the case of Subordinated Notes, €100,000) (or its equivalent in other currencies). In such a case, should Note Certificates be required to be issued, a holder who does not have an integral multiple of €50,000 (or its equivalent in other currencies) in its account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of Note Certificates unless and until such time as its holding becomes an integral multiple of €50,000 (or, in the case of Subordinated Notes, €100,000) (or its equivalent in other currencies) and will not be able to receive interest or principal) or be entitled to vote in respect of Notes that are not in integral multiples of €50,000 (or its equivalent in other currencies).

Enforcement of Rights

The Bank is a joint stock company, organised under the laws of the Republic of Kazakhstan, and all of its officers and directors and certain other persons referred to in this Offering Circular are residents of the Republic of Kazakhstan. All or a substantial portion of the assets of the Bank and of each of such persons are located in the Republic of Kazakhstan. As a result, it may not be possible for investors (a) to effect service of process upon the Bank or any such person outside the Republic of Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than the Republic of 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 courts, judgments obtained in jurisdictions other than the Republic of Kazakhstan, including judgments obtained in respect of the Notes, the Guarantee or the Trust Deed in English courts and judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

In addition, TuranAlem Finance is incorporated under the laws of The Netherlands and its managing directors are residents of The Netherlands and the Republic of Kazakhstan, respectively. A substantial portion of the assets of TuranAlem Finance and of its managing directors are located in The Netherlands and the Republic of Kazakhstan. As a result, it may not be possible for investors (a) to effect service of process upon TuranAlem Finance or any such person outside The Netherlands or the Republic of Kazakhstan, as the case may be, (b) to enforce against any of them, in courts of jurisdictions other than The Netherlands or the Republic of Kazakhstan, as the case may be, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in the Courts of The Netherlands or the Republic of Kazakhstan, as the case may be, judgments obtained in jurisdictions other than The Netherlands or the Republic of Kazakhstan, respectively, including judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States. TuranAlem Finance has been advised by legal counsel in The Netherlands, NautaDutilh N.V., that The Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not be directly enforceable in The Netherlands. However, if the party in whose favour such final judgment is rendered brings a new suit in a competent court in The Netherlands such party may submit to a Dutch court the final judgment that has been rendered in the United States. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds which are internationally acceptable and that the proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment which has been rendered in the United States unless such judgment contravenes public policy in The Netherlands.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Bank is a joint stock company organised under the laws of Kazakhstan and certain of its officers and directors and certain other persons referred to in this Base Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of the Bank and of each 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 and judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

The Notes, the Guarantee, the Trust Deed and the Agency Agreement (as defined in "Terms and Conditions of the Notes") are governed by the laws of England and TuranAlem Finance and the Bank have agreed in the Notes or the Guarantee, as the case may be, and in the Trust Deed and the Agency 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 (as defined in "Terms and Conditions of the Notes"), to arbitration in London, England. See "Terms and Conditions of the Notes—Conditions 17 and 20". Courts in Kazakhstan 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 English arbitration awards are generally recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention are met.

It should be noted that a new Law on International Commercial Arbitration was adopted by the Kazakhstan Parliament as of 28 December 2004. Such law is intended to resolve the uncertainty created by the prior decision of the Constitutional Council of Kazakhstan adopted as of 15 February 2002 as to how the provisions of the Convention were to be enforced in Kazakhstan, which uncertainty remained notwithstanding that this decision was later deemed by the Constitutional Council, pursuant to a further decision adopted as of 12 April 2002, not to apply to international arbitrations.

In addition, TuranAlem Finance is incorporated under the laws of The Netherlands and its managing directors are residents of The Netherlands and Kazakhstan, respectively. A substantial portion of the assets of TuranAlem Finance and of its managing directors are located in The Netherlands and Kazakhstan. As a result, it may not be possible for investors (a) to effect service of process upon TuranAlem Finance or any such person outside The Netherlands or Kazakhstan, as the case may be, (b) to enforce against any of them, in courts of jurisdictions other than The Netherlands or Kazakhstan, as the case may be, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in the Courts of The Netherlands or Kazakhstan, as the case may be, judgments obtained in jurisdictions other than The Netherlands or Kazakhstan, respectively, including judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States. TuranAlem Finance has been advised by legal counsel in The Netherlands, NautaDutilh N.V., that The Netherlands does not currently have a treaty with the United States providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not be directly enforceable in The Netherlands. However, if the party in whose favour such final judgment is rendered brings a new suit in a competent court in The Netherlands, such party may submit to a Dutch court the final judgment that has been rendered in the United States. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment which has been rendered in the United States unless such judgment contravenes public policy in The Netherlands.

AVAILABLE INFORMATION

Neither TuranAlem Finance nor the Bank is currently required to file periodic reports under Sections 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), with the U.S. Securities and Exchange Commission (“**SEC**”). In order to preserve the exemption for resales and transfers under Rule 144A, TuranAlem Finance and the Bank have agreed that, so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, TuranAlem Finance and the Bank will, if they are not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2(b) thereunder and do not thereafter become subject to and comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act, provide to any holder of such restricted securities, or to any prospective purchaser of such restricted securities designated by a holder, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Securities Act. See “Terms and Conditions of the Notes—Condition 5”.

SUPPLEMENTARY PROSPECTUSES

If at any time TuranAlem Finance and the Bank shall be required to prepare a supplementary prospectus pursuant to Section 87G of the FSMA, TuranAlem Finance and the Bank will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further prospectus, which, in respect of any subsequent issue of Notes to be admitted to the Official List of the UK Listing Authority, shall constitute a supplementary prospectus as required by the UK Listing Authority and Section 87G of the FSMA. Should a significant factor, material mistake or inaccuracy relating to the information in this Base Prospectus occur, a supplementary prospectus will be provided. The Programme Agreement (as defined herein) provides that, in any event, the Bank and TuranAlem Finance will prepare a new base prospectus at least annually.

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

PRESENTATION OF CERTAIN INFORMATION

The Bank is required to maintain its books of account in Tenge in accordance with relevant laws and regulations in Kazakhstan, including the regulations of the NBK and, since January 2004, the regulations of the FMSA. Although the Bank does not own any shares in LLP Force Technology, in accordance with IFRS, this entity is treated as a subsidiary because the Bank manages its operations and, accordingly, the consolidated financial statements of the Group include its results.

Banking operations account for more than 84% of the total net income of the Group. The Group's annual consolidated financial statements contained in this Base Prospectus, including the notes thereto, as at and for the years ended 31 December 2003, 2004 and 2005 were prepared in accordance with IFRS and have been audited by Ernst & Young, Kazakhstan ("**Ernst & Young**"), whose audit report thereon is also included in this Base Prospectus. See the financial statements included herein and "Management's Discussion and Analysis of Results of Operations and Financial Condition".

JSC BTA ORIX Leasing (former BTA Leasing), JSC BTA Insurance, Real Estate Commerce, Kazco Construction and Samal Properties were not consolidated into the consolidated financial statements of the Group as at 31 December 2005, but were consolidated into the consolidated financial statements of the Group as at 31 December 2004.

On June 26, 2005, the Group's share in the paid-in share capital of JSC BTA ORIX Leasing decreased from 100.00% to 45.00% as a result of the partial disposal of the Group's shareholding to other shareholders.

On July 7, 2004, the Group's share in the paid-in share capital of JSC Insurance Company BTA decreased from 66.00% to 49.00% when the minority shareholders contributed additional capital to this company, although, as at and for the year ended December 31, 2004, the Group retained control over the operations of BTA Insurance. In 2005 the Bank ceased to exercise effective control over the operations of BTA Insurance when the Bank no longer had the right to appoint a representative to BTA Insurance's board of directors. In addition, the Bank discontinued to benefit from more favourable terms of business.

On October 22, 2005, the Group sold 25.0% of its share in the share capital of LLP TuranAlem Capital to "Kazinvestcapital" and on 10 November 2005, the Group sold a further 65.01% interest in the share capital of this entity to Solent Management Ltd. As at the date of this Base Prospectus, the Bank retained a 9.99% interest in LLP TuranAlem Capital.

Although the Bank did not own any shares in Kazco Construction, Samal Properties, Real Estate Commerce and Force Technology, as at and for the years ended December 31, 2004 and 2003, these entities were treated, in accordance with SIC-12 "Consolidation – Special Purpose Entities", as subsidiaries because at those dates the Bank controlled and benefited directly from their operations.

During 2005, LLP Real Estate Commerce redeemed notes payable to the Bank and the Bank ceased to exercise effective control over the entity. LLP Kazco Construction accumulated funds to repay its debt to the Bank. In addition, the Bank lost its rights to appoint representatives to the board of directors of these companies.

In this Base Prospectus, references to "**Tenge**" or "**KZT**" are to Kazakh Tenge, the lawful currency of Kazakhstan; references to "**U.S. Dollars**" or "**U.S.\$**" are to United States dollars, the lawful currency of the United States; references to "**euros**" or "**€**" are to the lawful currency of the member states of the European Union (each, a "**Member State**") that have adopted the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam; and references to "**CHF**" are to Swiss francs, the lawful currency of Switzerland. References to "**Kazakhstan**", the "**Republic**" or the "**State**" are to the Republic of Kazakhstan; references to the "**Government**" are to the government of the Republic of Kazakhstan; and references to the "**CIS**" are to the Commonwealth of Independent States. References to "**CPS**" are to the convertible preferred shares issued by the Bank; references to "non-redeemable CPS" are to CPS, holders of which have waived their right to redeem; and references to "redeemable CPS" are to CPS, the holders of which have not waived their right to redeem.

Solely for the convenience of the reader, this Base Prospectus presents unaudited translations of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any balance sheet data in U.S. Dollars is translated from Tenge at the applicable exchange rate on the date immediately preceding the date of such balance sheet (or, if no such date is quoted on such date, the latest date on which such date is quoted) and any income statement data in U.S. Dollars is translated from Tenge into U.S. Dollars at the average exchange rate applicable to the period to which such income statement data relates, in each case, calculated in accordance with the official exchange rates for U.S. Dollars fixed on the KASE and as reported by the NBK.

The following table sets forth the period-average and period-end Tenge/U.S. Dollar exchange rates reported by the NBK for the periods indicated:

	As at and for the years ended 31 December		
	2005	2004	2003
Average	132.88	136.04	149.58
Period-end	133.98	130.00	144.22

Source: National Bank of Kazakhstan

The Tenge/U.S. Dollar exchange rate reported by the NBK on 1 March 2006 was KZT130.35 per U.S.\$1.00.

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

Certain amounts which appear in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless otherwise stated, macroeconomic data which appears in this Base Prospectus has been derived from statistics published by the NSA.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes, which contain summaries of certain provisions of the Trust Deed, and which (subject to completion and amendment in accordance with the provisions of the relevant Final Terms) will be attached to the Notes in definitive form (“**Note Certificates**”), if issued, and (subject to the provisions thereof) apply to the Global Notes representing each Series. Either (i) the full text of these terms and conditions together with the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Note Certificates. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed and the relevant Final Terms.*

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This Note is one of a duly authorised issue of Notes (the “**Notes**”, which expression shall, unless the context otherwise so requires, be deemed to include a reference to any further notes issued pursuant to Condition 16 and forming a single series herewith) issued in one or more Series either by JSC Bank TuranAlem (the “**Bank**”) or TuranAlem Finance B.V. (“**TuranAlem Finance**”) (each in such capacity hereinafter referred to as the “**Issuer**”) under the U.S.\$3,000,000,000 Global Medium Term Note Programme established by the Bank or TuranAlem Finance (the “**Programme**”). This Note constitutes either a senior or subordinated obligation of the relevant Issuer (“**Senior Note**” or “**Subordinated Note**”, respectively). Where TuranAlem Finance acts as the Issuer of Senior Notes, the payment of all amounts owing by TuranAlem Finance in respect of such Senior Notes will be unconditionally and irrevocably guaranteed by the Bank pursuant to a Deed of Guarantee dated 4 November 2005 issued by the Bank in favor of the Trustee for the benefit of the holders of Notes (the “**Guarantee**”). Where TuranAlem Finance acts as the Issuer of Subordinated Notes, the net proceeds to TuranAlem Finance from the issue of such Subordinated Notes will be on-lent to the Bank pursuant to a master subordinated loan agreement to be entered into between TuranAlem Finance and the Bank prior to the first issuance of Subordinated Notes (the “**Subordinated Loan Agreement**”) and such Subordinated Notes will constitute limited recourse obligations of TuranAlem Finance as provided in Condition 3.3.

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The Notes are constituted by a trust deed dated 4 November 2005 (the “**Trust Deed**”) between the Bank, TuranAlem Finance and The Bank of New York as trustee for holders of the Notes (the “**Trustee**”, which expression shall include its successors as trustee under the Trust Deed). The Bank and TuranAlem Finance have also entered into a Paying Agency Agreement (the “**Agency Agreement**”) dated 4 November 2005 with The Bank of New York, in its capacity as the Trustee, as registrar (in such capacity the “**Registrar**”), as principal paying agent (in such capacity the “**Principal Paying Agent**”) and as transfer agent (in such capacity a “**Transfer Agent**”), which includes the forms of any Notes represented by a global Note (a “**Global Note**”), of any Notes in registered form (“**Registered Notes Certificates**”), of any Notes in bearer form (“**Bearer Notes Certificates**”, and together with the Registered Note Certificates “**Note Certificates**”) and of any interest coupons (“**Coupons**”), talons (“**Talons**”) and receipts (“**Receipts**”) appertaining to Bearer Notes. The Registrar, Paying Agents and Transfer Agents are together referred to herein as the “**Agents**”, which expression and each of which definitions encompassed thereby include any successor agents appointed in these capacities from time to time in connection with the Notes and the Guarantee.

Notes will be issued under the Programme in series (each, a “**Series**”), with all Notes in a Series having the same maturity date and identical terms (except that the issue dates, interest commencement dates, amounts of the first interest payment and related matters may be different and except that a Series may comprise Bearer Notes and Registered Notes and Notes in different denominations). Notes in each Series may be issued in one or more tranches (each, a “**Tranche**”) on different issue dates, with the Notes in each Tranche having identical terms in all respects. Details applicable to each Tranche and Series will be specified in the relevant final terms to this base prospectus (with respect to the Notes in a particular Tranche or Series, the “**Final Terms**”).

References in these Conditions to the “Notes” shall be references to the Notes and shall mean:

1. in relation to any Global Notes, units of the lowest Specified Denomination in the Specified Currency;
2. any Note Certificate;

3. any Bearer Note Certificates issued in exchange for a Global Note in bearer form; and
4. any Registered Note Certificates issued in exchange for a Global Note in registered form.

The holders of the Notes (the “**Noteholders**”) are bound by, subject to, and are deemed to have notice of, all the provisions of the Notes, (if applicable) the Guarantee or the Subordinated Loan Agreement, the Trust Deed and the Agency Agreement. Certain provisions of these terms and conditions (the “**Conditions**”) are summaries of the Notes, the Guarantee, the Subordinated Loan Agreement, the Trust Deed and the Agency Agreement and are subject to the detailed provisions contained therein. 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 fifth 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. Copies of the Guarantee, the Trust Deed, the Agency Agreement and the Subordinated Loan Agreement will be available for inspection during usual business hours at the specified office, for the time being, of the Principal Paying Agent, and of each of the Agents. The initial Agents and their initial specified offices are listed below.

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References to “Conditions” are, unless the context otherwise requires, to the numbered paragraphs of these Conditions.

For the purposes of the Global Notes, 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 corresponding Global Note and interests therein.

1. Form, Denomination and Title

Notes are issued in denominations in aggregate principal amount, for Notes issued and sold in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by Rule 144A Notes in registered form, of a least U.S.\$100,000 (or the equivalent in other currencies) and integral multiples of U.S.\$1,000 (or the equivalent in other currencies) in excess thereof, and for, S Notes issued and sold in offshore transactions in reliance on Regulation S under the Securities Act may be represented initially by a Regulation S Global Note in registered form, of at least €50,000 (or the equivalent in other currencies) and integral multiples €1,000 (or the equivalent in other currencies) in excess thereof, save that unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the Financial Services and Market Act 2000 will have a minimum of £100,000 (or the equivalent in other currencies), further provided that Subordinated Notes will in any event have minimum denominations of €100,000 (or the equivalent in other currencies).

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

Each Note may be Senior Note or a Subordinated Note, in each case as indicated in the relevant Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are serially numbered with an identifying number that will be recorded in the Register (as defined below) and are issued without interest coupons attached.

Title to Bearer Notes and the Receipts, Coupons and Talons appertaining thereto shall pass by delivery, and title to the Registered Notes shall pass by registration in the register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”), unless applicable law provides otherwise or provides for additional formalities for transfer of title. In so far as applicable law requires notification to the debtor for a valid transfer of title to the

Registered Notes, the registration of the transfer by the Registrar shall constitute evidence of this notification. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Note Certificate representing it) or its theft or loss (or that of the related Note Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “Noteholder” and “holder” (in relation to a Note, Receipt, Coupon or Talon) mean the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon.

In these Conditions, “**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

2. Transfers of Registered Notes

2.1 Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Note Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Note Certificate (or such other form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer, the Registrar and the Trustee), duly completed and executed, together with any other evidence as the Registrar or the relevant Transfer Agent may reasonably require. In so far as applicable law requires notification to the debtor for a valid transfer of title to the Registered Notes, the registration of the transfer by the Registrar in the register shall constitute evidence of this notification. In the case of a transfer of part only of a holding of Registered Notes represented by one Note Certificate, a new Note Certificate shall be issued to the transferee in respect of the part transferred and a further new Note Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

2.2 Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of the Issuer’s or Noteholder’s option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Note Certificate, a new Note Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Note Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Note Certificates shall only be issued against surrender of the existing Note Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Note Certificate representing the enlarged holding shall only be issued against surrender of the Note Certificate representing the existing holding.

2.3 Delivery of New Note Certificates

Each new Note Certificate to be issued pursuant to Conditions 2.1 and 2.2 shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice or surrender of the Note Certificate for exchange. Delivery of the new Note Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Note Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice (as defined in Condition 7.4 below) or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.3, “business day” means a day, other than a Saturday

or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar.

2.4 Exchange Free of Charge

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

2.5 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any principal amount (an “**Instalment Amount**”) in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7.3, or (iii) after any such Note has been called for redemption.

2.6 Regulations concerning Transfer and Registration

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes set out in the Agency Agreement and the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent, free of charge, by the Registrar or any Transfer Agent to any Noteholder who so requests in writing to the specified office of the Registrar or any Transfer Agent.

3. Status of Notes and Guarantee

3.1 Status of the Senior Notes

Senior Notes and Receipts and Coupons appertaining thereto (in the case of Bearer Notes) constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer. Senior Notes and such Receipts and Coupons rank, and will at all times rank, *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Issuer (subject to the negative pledge), save only for such obligations as may be preferred by mandatory provisions of applicable law.

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3.2 Status of the Guarantee of the Senior Notes

Where TuranAlem Finance acts as the Issuer of Senior Notes, the Bank will, in accordance with the Guarantee, unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by TuranAlem Finance in respect of such Senior Notes and under the Trust Deed. The obligations of the Bank under the Guarantee constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Bank which rank and will at all times rank at least *pari passu* with all other present and future unsecured senior obligations of the Bank (subject to the negative pledge), save only for such obligations as may be preferred by mandatory provisions of applicable law.

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

3.3 Status of Subordinated Notes

Subject to exceptions provided by mandatory applicable law, the payment obligations under Subordinated Notes constitute direct, general and unsecured obligations of the relevant Issuer and shall, in case of (a) the bankruptcy in The Netherlands (*faillissement*) or in the Republic of Kazakhstan (*bankrotsvo*) as the case may be, of the relevant Issuer; (b) the relevant Issuer being granted (provisional) suspension of payments in The Netherlands (*voorlopige surséance van betaling*) or in the Republic of Kazakhstan (*moratoriy na udovletvoreniye zadolzhennosti*), as the case may be (such

situation hereinafter being referred to as a “Moratorium”)); or (c) dissolution of the relevant Issuer in The Netherlands (*ontbinding*) or in the Republic of Kazakhstan (*likvidatsiya*)), as the case may be, rank:

- (i) subordinate and junior only to present and future indebtedness of the relevant Issuer which by or under its terms ranks senior, or does not rank subordinate to, any indebtedness or other obligations of the relevant Issuer;
- (ii) *pari passu* amongst themselves and with any other present and future indebtedness which ranks by or under its own terms or otherwise *pari passu* with subordinated indebtedness or other obligations of the relevant Issuer; and
- (iii) senior to any other present and future indebtedness which ranks by or under its own terms or otherwise, subordinate or junior to the Subordinated Notes of the relevant Issuer.

By virtue of such subordination (i) payments to holders of Subordinated Notes will, in the case of bankruptcy or dissolution of the relevant Issuer or in the event of a Moratorium with respect to the relevant Issuer, only be made after all payment obligations of the relevant Issuer ranking senior to such Subordinated Notes have been satisfied and (ii) any right of set-off by a holder of Subordinated Notes in respect of any amount owed to such holder by the relevant Issuer under or in connection with such Subordinated Notes shall be excluded and (iii) each holder of Subordinated Notes shall, by virtue of being the holder of such Subordinated Notes, be deemed to have waived all such rights of set-off.

Where TuranAlem Finance issues Subordinated Notes, the obligations of the Bank under the Subordinated Loan Agreement will constitute direct, unconditional and unsecured obligations of the Bank and will at all times rank

- (i) subordinate and junior only to present and future indebtedness of the Bank, which by or under its terms ranks senior, or does not rank subordinate to, any indebtedness or other obligations of the Bank;
- (ii) *pari passu* with any other obligations of the Bank under the Subordinated Loan Agreement and with any other present and future indebtedness of the Bank which ranks by or under its own terms or otherwise *pari passu* with such Subordinated Notes, subordinated indebtedness or other obligations of the Bank; and
- (iii) senior to any other present and future indebtedness which ranks by or under its own terms or otherwise, subordinate or junior to Subordinated Notes of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law.

4. Negative Pledge

This Condition 4 shall only apply to Senior Notes and references to “Notes” in this Condition shall be construed accordingly.

4.1 Negative Pledge of the Issuer

So long as any Senior Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and (in the case of the Bank) shall not permit any Subsidiary to, create, incur, assume or permit to arise or subsist any Security Interest upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Financial Indebtedness of the relevant Issuer (in the case of the Bank) any Subsidiary or any other Person unless, at the same time or prior thereto, the Issuer’s obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the affected Noteholders.

4.2 Negative Pledge of the Bank

Where TuranAlem Finance acts as the Issuer, so long as any Senior Note remains outstanding, the Bank shall not, and shall not permit any Material Subsidiary to, create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its respective undertakings, assets or revenues, present or future, to secure any Financial Indebtedness of the Bank, any such Subsidiary or any other Person unless, at the same time or prior thereto, the Bank’s

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obligations under the Trust Deed and the Guarantee are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the affected Noteholders.

4.3 *Certain Definitions*

For the purposes of these Conditions:

“Development Organisation” means any of Asian Development Bank, European Bank for Reconstruction and Development (the **“EBRD”**), International Bank for Reconstruction and Development (the **“IBRD”**), International Finance Corporation (**“IFC”**), Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (**“FMO”**) or Deutsche Investitions und Entwicklungsgesellschaft mbH or any other development finance institution established or controlled by one or more states and any other person which is a, or controlled by a, Kazakhstan governmental body acting on behalf of or funded in relation to the relevant Financial Indebtedness by one or more of the foregoing development finance institutions.

“Financial Indebtedness” means any Indebtedness of any Person for or in respect of (i) Indebtedness for Borrowed Money or (ii) bonds, standby letters of credit or other similar instruments issued in connection with the performance of contracts and Indebtedness Guarantees in respect of any of the foregoing Indebtedness.

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

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

“Indebtedness for Borrowed Money” means any Indebtedness of any Person for or in respect of (i) monies borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) amounts raised pursuant to any issue of shares of any Person, which are expressed to be redeemable (other than the Bank’s convertible preferred shares issued on or before 31 December 2006 and having the same terms as to redemption as the Bank’s convertible preferred shares issued and outstanding on the issue date of the Notes), (v) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (vi) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vii) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables on a “with recourse” basis) having the commercial effect of a borrowing.

“Material Subsidiary” means, at any given time, any Subsidiary of the Bank whose gross assets or gross revenues or whose pre-taxation profits attributable to the Bank (having regard to its direct and/or indirect beneficial interest in the shares, or the like, of that Subsidiary) represent at least 10% of the consolidated gross assets, consolidated gross revenues or, as the case may be, the pre-taxation profits of the Bank and its consolidated Subsidiaries and, for these purposes:

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

“Permitted Security Interest” means any Security Interest (i) granted in favour of the Bank by any Subsidiary to secure Financial Indebtedness owed by such entity to the Bank, (ii) arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court or arbitration proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings, (iii) being liens or rights of set-off arising by operation of law and in the ordinary course of business, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings, including, without limitation, any rights of set-off with respect to demand or time deposits maintained with financial institutions and bankers’ liens with respect to property of the Bank held by financial institutions, (iv) arising in the ordinary course of the Bank’s or a Subsidiary’s business and (a) which are necessary in order to enable the Bank or such Subsidiary to comply with any mandatory or customary requirement imposed on it by a banking or other regulatory authority in connection with the Bank’s or such Subsidiary’s business or (b) limited to deposits made in the name of the Bank or such Subsidiary to secure obligations of the Bank’s or such Subsidiary’s customers, (v) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease, (vi) arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Bank or any Subsidiary other than on a short-term basis as part of the Bank’s liquidity management activities), in connection with (a) contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals or securities, (b) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (c) the Bank’s foreign exchange dealings or other proprietary trading activities including, without limitation, Repos, (vii) granted upon or with regard to any property hereafter acquired by the Bank or any Subsidiary to secure the purchase price of such property or to secure Financial Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Financial Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property, (viii) created or outstanding upon any property or assets of the Bank or any Subsidiary arising out of any securitisation of such property or assets or other similar structured finance transaction in relation to such property or assets where the recourse in relation to the Financial Indebtedness secured by such property or assets is limited to such property or assets, provided, however, that the amount of Financial Indebtedness so secured pursuant to this clause (viii) at any one time shall not exceed an amount in any currency or currencies equivalent to 15% of the Bank’s loans and advances to customers before provisions for loan losses (calculated by reference to the most recent audited consolidated financial statements of the Bank prepared in accordance with International Financial Reporting Standards), (ix) granted by the Bank or any Subsidiary in favour of a Development Organisation to secure Financial Indebtedness owed by the Bank or such Subsidiary to such Development Organisation pursuant to any loan agreement or other credit facility entered into between the Bank or any Subsidiary and such Development Organisation, provided, however, that the amount of Financial Indebtedness so secured pursuant to this clause (ix) shall not exceed in aggregate an amount in any currency or currencies equivalent to 7% of the Bank’s loans and advances to customers before provisions for loan losses (calculated by reference to the most recent audited consolidated financial statements of the Bank prepared in accordance with International Financial Reporting Standards), (x) arising out of the refinancing, extension, renewal or refunding of any Financial Indebtedness secured by a Security Interest either existing on or before the issue date of the Notes or permitted by any of the above exceptions, provided that the Financial Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Financial Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest, and (xi) not included in any of the above exceptions, in aggregate securing Financial Indebtedness with an aggregate principal amount at any time not exceeding the greater of either US\$55,000,000 (or its equivalent in other currencies) or 10% of the Bank’s total shareholders’ equity as calculated by reference to the most recent audited or reviewed, consolidated financial statements of the Bank prepared in accordance with IFRS at that time.

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

“**Security Interest**” means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

“**Subsidiary**” means, in relation to any Person (the “first Person”) at a given time, any other Person (the “second Person”) (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50% of the capital, voting stock or other right of ownership. “Control”, as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise.

5. Certain Covenants

Conditions 5.1 and 5.2 shall only apply to Senior Notes and references to “Notes” in this Condition shall be construed accordingly.

5.1 *Merger and Consolidation*

For so long as any Senior Note remains outstanding, the Bank shall not consolidate with, merge with or into, or liquidate into, or convey, transfer or lease all or substantially all of its assets to, any Person, unless: (i) the entity (if other than the Bank) formed by or resulting from any such consolidation or merger shall be an entity duly organised and existing under the laws of the Republic of Kazakhstan and shall assume the performance and observance of all of the obligations and conditions of these Conditions, the Guarantee and the Trust Deed to be performed or observed by the Bank; (ii) the Bank or such successor entity, as the case may be, shall not immediately thereafter be in default in relation to its obligations under any indebtedness; (iii) there has been delivered to the Trustee one or more opinion(s) of counsel acceptable to the Trustee (x) to the effect that holders of Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such consolidation, merger, conveyance, transfer or lease and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such consolidation, merger, conveyance, transfer or lease had not occurred and (y) addressing such other matters as the Trustee may deem necessary; and (iv) the senior debt of the Bank or such successor entity (including the Notes) shall at the time of the relevant event be rated by at least one internationally recognised rating agency and the Trustee has been advised by each such agency which shall then be rating such senior debt (or, if more than two, by a majority of them) that the relevant event will not result in a downgrade of such rating agency’s or agencies’ rating of the Notes or the senior debt of the Bank or such successor entity.

5.2 *Limitations on Transfers of Interest in TuranAlem Finance by the Bank*

For so long as any Senior Note remains outstanding, the Bank will not sell or otherwise dispose of any of its interest in the capital, voting stock or other right of ownership in TuranAlem Finance other than to a wholly owned subsidiary of the Bank.

5.3 *Provision of Financial Information*

For so long as any Notes are outstanding and are “restricted securities” within the meaning of Rule 144A(a)(3) under the Securities Act of 1933 (the “**Securities Act**”), each of the Issuer and the Bank (if different from the Issuer) will furnish, upon the request of a holder of Notes or a beneficial owner of an interest therein to such holder or beneficial owner or to a prospective purchaser of Notes designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer or the Bank is not a reporting company under Section 13 or

Section 15(d) of the United States Securities Exchange Act of 1934, as amended, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

6. Interest and other Calculations

6.1 Interest on Fixed Rate Notes

- (a) Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date up to (and including) the Maturity Date.
- (b) If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

As used in these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

- (c) Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

- (a) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/ are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (b) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (c) *Interest Rate on Floating Rate Notes:* The Interest Rate in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to ISDA Determination, Screen Rate Determination or any other method of determination which may be provided in the Final Terms shall apply, depending upon which is specified hereon.
 - (i) ISDA Determination for Floating Rate Notes.

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

- (A) the Floating Rate Option is as specified hereon;
- (B) the Designated Maturity is a period specified hereon; and
- (C) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(ii) Screen Rate Determination for Floating Rate Notes

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

- (A) if the Primary Source for the Floating Rate is a Page, subject as provided below, the Interest Rate shall be:
 - (1) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
 - (2) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

- (B) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(i) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(ii) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;
- (C) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Interest Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent (the “**Principal Financial Centre**”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (i) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (ii) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Interest Rate shall be the Interest Rate determined on the previous Interest

Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period);

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

6.3 *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Interest Rate for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7.1(b)(i)).

6.4 *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest fails to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

6.5 *Partly Paid Notes*

In the case of the Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

6.6 *Accrual of Interest*

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 9).

6.7 *Margin, Maximum/Minimum Interest Rates, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding*

- (a) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Interest Rates, in the case of (x), or the Interest Rates for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (y) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph;
- (b) If any Maximum or Minimum Interest Rate, Instalment Amount or Redemption Amount is specified hereon, then any Interest Rate, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be;
- (c) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

6.8 *Calculations*

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding nominal amount of such Note by the

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

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 6.8:

- (a) if “Actual/365” or “Actual/Actual” is specified in this relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if “Actual 365 (Sterling)” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if “Actual/360” is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if “30/360”, “360/360” or “Bond Basis” is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (f) if “30E/360” or “Eurobond Basis” is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

6.9 Determination and Publication of Interest Rates, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer and, if applicable, the Bank, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest

Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6.2(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

6.10 Calculation Agent and Reference Banks

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

7. Redemption, Purchase and Cancellation

7.1 Final Redemption

(a) Redemption by Instalments and Final Redemption

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 7 or the relevant due date for the payment of an Instalment Amount (an “**Instalment Date**”, as specified hereon) is extended pursuant to the Issuer’s or any Noteholder’s option in accordance with Condition 7.3 or 7.4, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to the Issuer’s or any Noteholder’s option in accordance with Condition 7.3 or 7.4, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

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(b) **Early Redemption**

(i) Zero Coupon Notes

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7.2 or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7.3 or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6.1(c).

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

- (ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7.2 or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

7.2 Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Notes (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that (a) (i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or Kazakhstan, as the case may be, or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date of the Notes in such Series and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, (b) if applicable, (i) the Bank has or (if a demand was made under the Guarantee) would become obliged to pay Additional Amounts as provided or referred to in Condition 9 or the Guarantee, as the case may be, or the Bank has or will become obliged to make any such withholding or deduction of the type referred to in Condition 9 or in the Guarantee, as the case may be, from any amount paid by it to TuranAlem Finance in order to enable TuranAlem Finance to make a payment of principal or interest in respect of Senior Notes, in either case to any greater extent than would have been required had such a payment been required to be made on the issue date of the Notes in such series, as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority

thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date of the relevant Notes, and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it; or (c) (i) the Bank has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 or the Subordinated Loan Agreement, as the case may be, or the Bank has or will become obliged to make any such withholding or deduction of the type referred to in Condition 9 or in the Subordinated Loan Agreement, as the case may be, from any amount paid by it to TuranAlem Finance in order to enable TuranAlem Finance to make a payment of principal or interest in respect of Subordinated Notes, in either case to any greater extent than would have been required had such a payment been required to be made on the issue date of the Notes in such series, as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date of the relevant Notes, and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it; provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, if applicable, the Bank would be obliged to pay such Additional Amounts or the Bank would be obliged to make such withholding or deduction. Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Bank has or will become obliged to pay such Additional Amounts or (as the case may be) the Bank has or will become obliged to make such additional withholding or deduction as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (a)(i) and (a)(ii) above or (as the case may be) (b)(i) and (b)(ii) above, in which event they shall be conclusive and binding on the holders of the Notes. Upon expiry of any such notice as referred to in this Condition 7.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.2.

In the event of an early redemption for tax reasons of any issue of Subordinated Notes, such early redemption may be subject to the prior approval of the Relevant Supervisory Authority.

7.3 Redemption at the Option of the Issuer and Exercise of Issuer's Options

If Call Option is specified hereon, the Issuer may, subject to any required regulatory approvals as may be indicated in the relevant Final Terms and on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, or exercise any Issuer's option (as may be described hereon) in relation to all or, if so provided, some of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified hereon and no greater than the maximum nominal amount to be redeemed specified hereon. If regulatory approval is necessary it shall be set forth in the call option.

In the event of early redemption as aforesaid of any issue of Subordinated Notes, such early redemption may be subject to the prior approval of the Relevant Supervisory Authority. Subject to limited exceptions, Subordinated Notes will not be subject to early redemption before the expiration of a five year period starting on their Issue Date or such other period as may be hereafter imposed by the FMSA pursuant to the applicable regulations relating to the treatment of the Subordinated Notes as Tier 2 capital of the Bank.

“Relevant Supervisory Authority” means any relevant regulator having jurisdiction over the Issuer and/or the Group, in the event that the Issuer and/or the Group is required by Applicable Regulations to comply on a consolidated basis with certain applicable minimum solvency margins or capital adequacy

levels. The current Relevant Supervisory Authority is the FMSA and for TuranAlem Finance is the FMSA.

“**Applicable Regulations**” means at any time the solvency margin or capital adequacy regulations applicable to the Issuer and/or the Group then in effect in Kazakhstan and The Netherlands and applicable to the Issuer and/or the Group.

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

In the case of a partial redemption or a partial exercise of the Issuer’s option, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements. So long as the Notes are listed on the London Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in London approved by the Trustee (which is currently expected to be the *Financial Times*) a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

7.4 Redemption at the Option of Noteholders and Exercise of Noteholders’ Options (Investor Put)

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, subject to any required regulatory approvals as may be indicated in the relevant Final Terms and upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption. If regulatory approval is necessary it shall be set forth in the put option.

To exercise such option or any other Noteholders’ option that may be set out hereon (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Note Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Note Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

7.5 Optional Redemption of Subordinated Notes due to a Regulatory Event

If at any time the Issuer determines that a Regulatory Event (as defined below) has occurred with respect to any Subordinated Notes, such Subordinated Notes will be redeemable in whole or in part at the option of the Issuer having given not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 14 on any Interest Payment Date (or as otherwise specified in the relevant Final Terms) at their Early Redemption Amount as specified in the relevant Final Terms together with accrued interest (including Arrears of Interest) up to but excluding the date of redemption.

For the purpose of this Condition 7.5, “Regulatory Event” means that the Issuer is (i) subject to consolidated regulatory supervision by the Relevant Supervisory Authority (as defined above), and (ii) the Issuer is not permitted under the applicable rules and regulations adopted by the Relevant Supervisory Authority or an official application or interpretation of those rules and regulations including a decision of any court or tribunal at any time whilst any Subordinated Notes are outstanding to treat the aggregate nominal amount of such Subordinated Notes as own funds for the purposes of the determination of its solvency margin or capital adequacy ratios.

7.6 *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

7.7 *Purchase*

TuranAlem Finance and the Bank may at any time purchase or procure others to purchase for its account the Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) at any price in the open market or otherwise. Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the Securities Act) or surrendered for cancellation, at the option of TuranAlem Finance or the Bank, as the case may be. Any Notes so purchased, while held by or on behalf of TuranAlem Finance, the Bank or any of the Bank's affiliates, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

7.8 *Cancellation*

All Notes purchased by or on behalf of TuranAlem Finance, the Bank or any of the Bank's affiliates (other than Bearer Notes purchased in the ordinary course of business of dealing in securities or in the name of another party) will be cancelled forthwith together with all Notes redeemed by the Issuer (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith), and may not be reissued or resold and the obligations of the Issuer and, if applicable, the Bank in respect of any such Notes shall be discharged. Notes that have been cancelled shall be surrendered, together with all unmatured Receipts and Coupons and all unexchanged Talons, if any, to the Trustee, in the case of Registered Notes, by surrendering the Note Certificate representing such Notes to the Registrar.

8. Payments and Talons

8.1 *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8.8(f)) or Coupons (in the case of interest, save as specified in Condition 8.8(f)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency, or in the case of Euro, in a city in which banks have access to the TARGET system.

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8.2 *Registered Notes*

- (a) Payments of principal (which for the purposes of this Condition 8.2 shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Note Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (b) below.
- (b) Interest (which for the purpose of this Condition 8.2 shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in case of Registered Notes to be cleared through a Clearing System, on the fifteenth business day before the due date for payment thereof (the "**Record Date**"). For the purpose of this Condition 8.2, "business day" means any day on which the applicable Clearing System(s) is or are open for business. Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before

the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

- (c) Payments of principal and interest in respect of Registered Notes denominated in U.S. Dollars will be made in accordance with Conditions 8.2(a) and 8.2(b). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, the applicable Clearing System and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by the Principal Paying Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Principal Paying Agent or its agent to the applicable Clearing System with respect to Registered Notes held by the applicable Clearing System or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those participants entitled to receive the relevant payment who have made an irrevocable election to the applicable Clearing System, in the case of interest payments, on or prior to the third business day after the Record Date for the relevant payment of interest and, in the case of payments or principal, at least 12 business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Principal Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. Dollars, will cause the Exchange Agent to deliver such U.S. Dollar amount in same day funds to the applicable Clearing System for payment through its settlement system to those participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

When acting as a foreign exchange dealer, the Exchange Agent will derive profits from such activities in addition to the fees earned by it for its services as Exchange Agent. Subject to applicable U.S. laws and regulations, the Exchange Agent will make each such conversion on terms, conditions, and charges not inconsistent with the terms of the Notes as the Exchange Agent may from time to time establish in accordance with its regular foreign exchange practises.

8.3 Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

8.4 Payments Subject to Fiscal Laws

All payments of principal and interest 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 9. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

8.5 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as such term is defined below), for value the first following day which is a Business Day) will be initiated (i) on the due date for payment or, if later, the day on which the relevant Note Certificate is surrendered at the specified office of any of the Paying Agents (in the case of principal and interest due on redemption) and (ii) on the due date for payment (in the case of interest due other than on redemption).

Where payment is to be made by cheque, the cheque will be mailed (i) on the Business Day immediately preceding the due date for payment or, if later, the day on which the relevant Note Certificate is surrendered at the specified office of any of the Paying Agents (or if such day is not a Business Day, the immediately following Business Day) (in the case of principal and interest due on redemption) and (ii) on the Business Day immediately preceding the due date for payment (in the case of interest due other than on redemption).

In these Conditions (other than Conditions 2.3 and 8.2), “**Business Day**” means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, London, Luxembourg and New York City and any Additional Business Centre specified in the relevant Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “**TARGET System**”) is open.

8.6 *Partial Payments*

If at any time a partial payment of principal and/or interest is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

8.7 *Agents*

The names of the initial Agents and their respective initial specified offices are set out below. The Paying Agents, the Registrar, the Authenticating Agent, Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of TuranAlem Finance and/or the Bank, as applicable, the Bank and (to the extent provided therein or in the Trust Deed and the Agency Agreement) the Trustee, and do not assume any obligation or relationship of agency or trust for or with any Noteholder. Any of the Agents may resign in accordance with the provisions of the Agency Agreement and TuranAlem Finance and the Bank acting together may (a) vary or terminate the appointment of any Agent at any time and/or (b) appoint one or more new Agents by giving not less than 30 days’ written notice to that effect which notice shall expire not less than 10 days before or after any due date for payment of any principal or interest in respect of the Notes, to the Principal Paying Agent and to the Agent or Agents whose appointment is/are concerned; provided, however, that so long as any of the Notes are outstanding: (i) in the case of termination of the appointment of the Principal Paying Agent or the Registrar, no such notice shall take effect until a new Principal Paying Agent or Registrar, as the case may be, has been appointed and previously approved by the Trustee and notice of such appointment has been given to the Noteholders in accordance with the Condition 15; (ii) there shall never be more than one Registrar at any time; and (iii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, and so require, a Paying Agent and a Transfer Agent having a specified office as may be required by the rules of that stock exchange or authority. In addition, TuranAlem Finance and the Bank undertake that, pursuant to Council Directive 2003/48/EC, they will ensure that there is at all times a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to such Directive. Notice of any such termination or appointment and of any change in the specified offices of the Agents will be published in accordance with Condition 15 below. In addition, TuranAlem Finance and the Bank shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph 8.3 above.

8.8 *Unmatured Coupons and Receipts and Unexchanged Talons*

- (a) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all

unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 12).

- (b) If the Notes so provide, upon the due date for redemption of any Bearer Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (c) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (d) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (e) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (f) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Note Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Note Certificate representing it, as the case may be.

8.9 Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).

9. Taxation

All payments of principal and interest in respect of any Notes (including payments by the Bank, in the case of Senior Notes issued by TuranAlem Finance, under the Guarantee, in the case of Senior Notes issued by TuranAlem Finance, pursuant to the Guarantee or, in the case of Subordinated Notes issued by TuranAlem Finance payments made to TuranAlem Finance by the Bank under the Subordinated Loan Agreement and any payments by the relevant Issuer under the Trust Deed) shall be made free and clear of, and without deduction or withholding for, any taxes, duties, assessments, or governmental charges (each a “**Tax**”, and collectively “**Taxes**”) imposed, levied, collected, withheld or assessed by or in The Netherlands, Kazakhstan or any other jurisdiction from or through which payment is made, or, in any case, any political subdivision or any authority thereof or therein having power to tax (each, a “**Taxing Jurisdiction**”) unless such withholding or deduction is required by law. In such event, the Issuer or (as the case may be) the Bank will, subject to certain exceptions and limitations set out below, increase payable amounts of principal and interest by such additional amounts (the “**Additional Amounts**”) which will result in the receipt by the holder of any Notes under each such Note or by TuranAlem Finance under the Subordinated Loan Agreement of such amount as would have been received by them had no such withholding or deduction been required, and, for Kazakhstan and Dutch tax purposes, such Additional

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Amounts shall be deemed to be a part of the payments due to the relevant holder of such Note. However, neither the Issuer nor (as applicable) the Bank will be required to make any payment of Additional Amounts to any such holder or, as the case may be, TuranAlem Finance for or on account of any such Taxes which would not have been so imposed (i) but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than the mere holding of the Note; (ii) but for the presentation by the holder of any such Note for payment on a date more than 30 days; after the date (the “**Relevant Date**”) which is the later of the date on which such payment became due and payable and the date on which payment thereof is duly provided for except to the extent that the holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days or (iii) where such Taxes are imposed on a payment to an individual and are required to be made pursuant to Council Directive 2003/48/EC, or any law implementing or complying with, or introduced in order to conform to, any such Directive; nor shall Additional Amounts be paid with respect to any payment on a Note or, if applicable, under the Guarantee or under the Subordinated Loan Agreement to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In addition, the Issuer and, if applicable, the Bank will jointly and severally indemnify and hold harmless each holder of a Note (subject to the exclusions set out in (i), (ii) and (iii) above) and, upon written request of each holder (subject to the exclusions set out in (i), (ii) and (iii) above), provided that reasonable supporting documentation is furnished by such holder with its request, will reimburse, jointly and severally, each such holder for the amount of any Taxes levied or imposed by any Taxing Jurisdiction and paid by the holder as a result of payments made under or with respect to any Notes or, if applicable, the Guarantee or the Subordinated Loan Agreement so that the net amount received by such holder after such reimbursement would not be less than the net amount the holder would have received if such Taxes would not have been imposed or levied.

The Issuer and the Bank, as the case may be, will pay any stamp, administrative, court, documentary, excise or property Taxes arising in any Taxing Jurisdiction in connection with the Notes and, if applicable, the Guarantee or the Subordinated Loan Agreement and will indemnify a holder for any such Taxes paid by the holder. Any payment made pursuant to this paragraph shall be considered an Additional Amount.

If, at any time, the Issuer or the Bank (as the case may be) is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated (subject to the exclusions set out in (i), (ii) and (iii) above)), the Issuer or, as the case may be, the Bank, shall promptly notify the Trustee and the Principal Paying Agent in writing, and shall deliver to the Trustee and the Principal Paying Agent, within 30 days after it has made such payment to the applicable authority, a written certificate to the effect that it has made such payment to such authority of all amounts so required to be deducted or withheld in respect of each Note.

If the Issuer or (as the case may be) the Bank becomes generally subject at any time to any Taxing Jurisdiction other than The Netherlands or Kazakhstan, respectively, references in these Conditions to The Netherlands or (as the case may be) Kazakhstan shall be read and construed as a reference to such other jurisdiction.

Any reference in these Conditions to principal, redemption amount and/or interest in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction) shall, give notice to the Issuer that any affected Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if, in the case of Senior Notes, any of the following events occurs or, in the case of Subordinated Notes, either of the events specified in (a) and (d) occur (each, an “**Event of Default**”):

- (a) *Non-payment*: the Issuer fails to pay the principal of any of the Notes when the same becomes due and payable either at maturity, upon redemption, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or Additional Amounts on any of such Notes and such default in respect of interest or Additional Amounts continues for a period of ten Business Days; or
- (b) *Breach of Other Obligations*: the Issuer or, if applicable, the Bank is in default in the performance, or is otherwise in breach, of any warranty, covenant, obligation, undertaking or other agreement under the Notes, or, if applicable, the Guarantee or the Subordinated Loan Agreement or the Trust Deed (other than a default or breach elsewhere specifically dealt with in this Condition 10) and such default or breach (if capable of remedy) is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer and, if applicable, by the Trustee; or
- (c) *Cross-default*: (i) any Financial Indebtedness of the Issuer or, if applicable, the Bank, or any Material Subsidiary, (a) becomes due and payable prior to the due date for payment thereof by reason of any default by the Issuer, or, as the case may be, the Bank or such Material Subsidiary, or (b) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (ii) any Indebtedness Guarantee given by the Issuer, or the Bank or any Material Subsidiary in respect of Financial Indebtedness of any other Person is not honoured when due and called, provided that the aggregate principal amount of such Financial Indebtedness referred to in (i) or (ii) exceeds U.S.\$10,000,000 (or its equivalent in other currencies (as determined by the Trustee in its sole discretion)); or
- (d) *Bankruptcy*: (i) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, manager, administrator, liquidator or rehabilitation manager in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer, or, if applicable, the Bank, or any Material Subsidiary or all or substantially all of their respective assets and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (ii) the Issuer, or, if applicable, the Bank, or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into rehabilitation, adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, administrator, liquidator, rehabilitation manager or trustee or assignee in bankruptcy or liquidation of the Issuer, or, if applicable, the Bank, or any Material Subsidiary, as the case may be, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer, or, if applicable, the Bank or any Material Subsidiary commences proceedings with a view to the general adjustment of its Indebtedness, which event in any such case is, in the case of any Material Subsidiary (in the sole opinion of the Trustee), materially prejudicial to the interests of the Noteholders; or
- (e) *Substantial Change in Business*: the Bank makes or threatens to 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; or

- (f) *Maintenance of Business*: the Bank fails to take any action as is required of it under applicable banking regulations in Kazakhstan or otherwise to maintain in effect its banking licence or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure (if capable of remedy) is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Bank; or
- (g) *Material Compliance with Applicable Laws*: the Issuer or, if applicable, the Bank fails to comply in any material respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Guarantee (if applicable) or the Subordinated Loan Agreement (if applicable), Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or
- (h) *Invalidity or Unenforceability*: (i) the validity of the Notes, the Guarantee (if applicable) or the Subordinated Loan Agreement (if applicable), the Trust Deed or the Agency Agreement is contested by the Issuer or, if applicable, the Bank, or the Issuer or, if applicable the Bank, shall deny any of its obligations under the Notes, the Guarantee (if applicable) or the Subordinated Loan Agreement (if applicable), the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for the Issuer or, if applicable, the Bank to perform or comply with all or any of its obligations set out in the Notes, the Guarantee (if applicable) or the Subordinated Loan Agreement (if applicable), the Trust Deed or the Agency Agreement or (iii) all or any of its obligations set out in the Notes, the Guarantee (if applicable) or the Subordinated Loan Agreement (if applicable), the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of the events specified in this clause (h) (other than the Issuer or the Bank denying any of its obligations under the Notes, the Guarantee (if applicable) or the Subordinated Loan Agreement (if applicable), the Trust Deed or the Agency Agreement, as described above), the Trustee is of the opinion determined on its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders; or
- (i) *Government Intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or, if applicable, the Bank, or any Material Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Issuer or, if applicable, the Bank, or any Material Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this clause (i), the Trustee is of the opinion determined on its sole discretion that such occurrence is materially prejudicial to the interests of the Noteholders.

11. Warranties

Each of TuranAlem Finance and the Bank hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of each Note and, if applicable, the Guarantee or the Subordinated Loan Agreement and to constitute the same the legal, valid and binding obligations of the Issuer and, if applicable, the Bank enforceable in accordance with their terms, if any, have been done and performed and have happened in due compliance with all applicable laws.

12. Prescription

Claims against the Issuer and, if applicable, the Bank for payment of principal or interest in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within ten years from the date on which such payment first becomes due.

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13. Replacement of Notes, Note Certificates, Receipts, Coupons and Talons

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

14. Meetings of Noteholders, Amendment, Modification, Waiver and Substitution

14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions, the Trust Deed and the Guarantee. Such a meeting may be convened by the Issuer or, if applicable, the Bank or by the Trustee and shall be commenced by the Trustee if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution. The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more Persons holding or representing a clear majority of the principal amount of the Notes for the time being outstanding, or at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented, except that at any meeting the business of which includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of any of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Interest Rate is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or any adjournment of such meeting or the majority required to pass the Extraordinary Resolution, (viii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (ix) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, (or as otherwise agreed in the relevant Final Terms), or at any adjourned meeting not less than 25%, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

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Notwithstanding the foregoing, these Conditions may be amended, modified or varied in relation to any Series of Notes by the relevant Final Terms.

14.2 *Modification and Waiver*

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any provision of the Trust Deed, the Guarantee, the Subordinated Loan Agreement, or the Notes (including these Conditions) which is of a formal, minor or technical nature or is made to correct a manifest error in the opinion of the Trustee; (ii) any other modification and any waiver or authorisation of any breach or proposed breach, of any provision of these Conditions, the Guarantee, the Subordinated Loan Agreement, or the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders provided, however, that no such modification shall be permitted unless an opinion of counsel is delivered to the Trustee to the effect that the Noteholders will not recognise income, gain or loss for U.S. federal income tax purposes or Kazakh or Netherlands tax purposes as a result of such modification and such Noteholders will be subject to U.S. federal income tax and Kazakh and Netherlands tax on the same amount and in the same manner and at the same times as would have been the case if such modification had not occurred. Moreover, the Trustee shall be entitled to take into account, amongst other things, any confirmation from the rating agencies that the then current ratings of the relevant Notes would not be adversely affected in considering whether any such modification, waiver or authorisation would be materially prejudicial to the interests of the Noteholders. Any such modification, waiver or authorisation may be given or made on such terms and subject to such conditions as the Trustee may in its sole discretion determine and shall be binding on the Noteholders and, if the Trustee so requires, will be notified to the Noteholders as soon as practicable thereafter provided that the Trustee shall not exercise any powers conferred upon it by this Condition 14.2 in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than one-fifth in aggregate principal amount of the affected Notes then outstanding (provided that no such direction or request shall affect any authorisation, waiver or determination previously given or made).

If the Notes are Subordinated Notes, any modifications of any of the Conditions shall be subject to the approval of the Relevant Supervisory Authority.

14.3 *Substitution*

The Trustee may, without the consent of the Noteholders, agree on such terms as it may specify to the substitution of the Issuer's successor in business or any Subsidiary of the Bank or its successor in business in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Trust Deed and certain specified Notes or, in the case of TuranAlem Finance only, as the creditor under the Subordinated Loan Agreement subject to (a) such Notes, in the case of Senior Notes issued by TuranAlem Finance, being unconditionally and irrevocably guaranteed by the Bank and (b) certain other conditions set out in the Trust Deed being complied with.

15. **Notices**

15.1 *To Noteholders*

Notices to Noteholders will be deemed to be validly given if (i) sent by first class mail (airmail if overseas) to them (or, in the case of joint holders, to the first-named in the Register) at their respective addresses as recorded in the Register; and (ii) so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, also published in a daily newspaper of general circulation in London approved by the Trustee (which is currently expected to be the *Financial Times*). Each such notice shall be deemed to have been validly given on the tenth Business Day after the date of the mailing thereof pursuant to clause (i) above, provided that, in the case of Notes listed on the London Stock Exchange, such notice shall have also been published pursuant to clause (ii) above on or before such tenth Business Day.

15.2 *To TuranAlem Finance and the Bank*

Notices to TuranAlem Finance or the Bank will be deemed to be validly given if delivered to the Bank at 97, Zholdasbekov Street, "Samal-2" microdistrict, Almaty 050051, Kazakhstan and clearly marked on their exterior "Urgent - Attention: Chairman" (or at such other address and for such other attention as may have been notified to the holders in accordance with Condition 15.1), together with, if TuranAlem Finance is the Issuer, a copy to TuranAlem Finance B.V. at Schouwburgplein 30-34, 3012

Rotterdam, The Netherlands. Such Notes will be deemed to have been validly given at the opening of business on the next day on which the Bank's principal office, as applicable, is open for business.

15.3 To the Trustee and Registrar

Notices to the Trustee or the Registrar will be deemed to have been validly given if delivered to the specified office, for the time being, of the Trustee or the Registrar, as the case may be, at One Canada Square, London E14 5AL and marked for the attention of "Corporate Trust Administration" respectively and will be validly given when received by a responsible officer of the Trustee.

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16. Further Issues

The Issuer may from time to time without the consent of the Noteholders and in accordance with the Trust Deed create and issue further securities having the same terms and conditions as the Notes in all respects (except for the issue price, issue date and the first payment of interest on them) and so that such further issues shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition. Any such other securities shall be constituted by a deed supplemental to the Trust Deed.

17. Enforcement

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

18. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with TuranAlem Finance, the Bank and any entity related to TuranAlem Finance or the Bank without accounting for any profit. The Trustee is not responsible for the validity, sufficiency or enforceability of the Guarantee, the Subordinated Loan Agreement, the Trust Deed or the Notes nor obliged to take any action unless indemnified and/or secured to its satisfaction. The Trustee is also entitled to be paid its costs and expenses in priority to the claims of the Noteholders.

In the exercise of its powers and discretion under these Conditions and the Trust Deed (including but not limited to those referred to in this Condition), the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence of such exercise for individual holders of Notes as a result of such holders being connected in any way with a particular territory or Taxing Jurisdiction or otherwise, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from TuranAlem Finance or the Bank, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of TuranAlem Finance, the Bank 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.

19. 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.

20. Governing Law and Jurisdiction

20.1 Governing Law

The Notes, the Guarantee and the Trust Deed are governed by, and shall be construed in accordance with, English law.

20.2 Jurisdiction

Subject to Condition 20.7, the courts of England shall have, subject as follows in this Condition 20.2, non-exclusive jurisdiction to hear and determine any suit, action or proceedings, which may arise out of or in connection with the Notes, the Trust Deed or the Guarantee (respectively, "**Proceedings**") and, for such purposes, each of TuranAlem Finance and the Bank irrevocably submits to the jurisdiction of such courts. Nothing in this Condition 20.2 shall limit the right of the Trustee or the Noteholders to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings by the Trustee or the Noteholders in any one or more jurisdictions preclude the taking of Proceedings by the Trustee or the Noteholders in any other jurisdiction (whether concurrent or not) if and to the extent permitted by law.

20.3 Appropriate forum

Each of TuranAlem Finance and the Bank has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

20.4 Process agent

Each of TuranAlem Finance and the Bank has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Bracewell & Guiliani LLP at 1 Cornhill, London EC3V 3ND or, if different, its registered office for the time being. If for any reason TuranAlem Finance or the Bank, as the case may be, does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

20.5 Consent to enforcement, etc.

Each of TuranAlem Finance and the Bank has consented generally in respect of any Proceedings (or arbitration in accordance with Condition 20.7) to the giving of any relief or the issue of any process in connection with such Proceedings or arbitration, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be given in such Proceedings.

20.6 Waiver of immunity

To the extent that TuranAlem Finance or the Bank may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to TuranAlem Finance or the Bank or its assets or revenues, TuranAlem Finance and the Bank have agreed not to claim and have irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

20.7 Arbitration

- (a) *Disputes*: Each of TuranAlem Finance and the Bank has agreed that the Trustee or, if the Trustee, having become bound to take proceedings, fails to do so, a Noteholder may elect, by notice in writing to TuranAlem Finance and the Bank, to refer such claim to arbitration in accordance with the provisions of this Condition 20.7 any claim, dispute or difference of whatever nature howsoever arising under, out of or in connection with the Notes (including a claim, dispute or difference as to the breach, existence or validity of the Notes) or the Trust Deed (each a "**Dispute**").
- (b) *UNCITRAL Arbitration Rules*: Each of TuranAlem Finance and the Bank has agreed, and hereby agrees, that (with respect to any Dispute subject to a notice of election in accordance with Condition 20.7(a)), such Dispute may be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules (the "**Rules**") as at present in force (which are deemed

incorporated into this Condition 20.7)) by a panel of three arbitrators appointed in accordance with the Rules. The seat of arbitration shall be in London, England. The procedural law of any reference shall be English law. TuranAlem Finance and/or the Bank, as the case may be, shall appoint one arbitrator and the Trustee shall appoint one arbitrator and the two arbitrators thus appointed shall together appoint the third arbitrator who shall be chairman of the arbitral tribunal. The language of any arbitral proceedings shall be English. The appointing authority for the purposes of the Rules shall be the London Court of International Arbitration. Sections 45 and 69 of the Arbitration Act 1996 shall not apply to any arbitration proceedings pursuant to this Condition 20.7.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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The Final Terms contain provisions which apply to the Notes in respect of which the Global Notes are issued, some of which modify the effect of the Conditions set out in this Base Prospectus. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

1. Meetings

The holder of each Global Note will be treated as being two persons for the purpose of any quorum requirements of, or the right to demand a poll at, 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 (or equivalent in any other currency) for which the Global Notes are issued. The Trustee may allow a person with an interest in Notes in respect of which a Global Note has been issued to attend and speak at a meeting of Noteholders on appropriate proof of his identity and interest.

2. Cancellation

Cancellation of any Note represented by a Global Note following such Note's redemption or purchase by the relevant Issuer will be effected by a reduction in the nominal amount of the applicable Global Note.

3. Payment

Payments of principal and interest in respect of Notes represented by a Global Note will be made without presentation, or if no further payment is to be made in respect of the Notes, against presentation and surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Note Certificates, as the case may be, is improperly withheld or refused. A record of each payment so made will be endorsed on the relevant schedule to such Global Note by or on behalf of the Principal Paying Agent.

If any date on which a payment of interest is due on the Notes of a Series issued in accordance with the TEFRA D Rules occurs while any of the Notes of that Series are represented by a Temporary Global Note, the relevant interest payment will be made on such Temporary Global Note only to the extent that certification has been received by Euroclear and/or Clearstream, Luxembourg as to the beneficial ownership thereof, as required by US Treasury regulations, in accordance with the terms of such Temporary Global Note.

4. Notices

So long as Notes are represented by a Global Note and such Global Note is held on behalf of a Clearing System, or any successor depositary, notices to Noteholders may be given by delivery of the relevant notice to the applicable Clearing System or any successor depositary, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and as may be required by a Stock Exchange.

5. Exchange of Interests in Global Notes for Note Certificates

A Bearer Global Note will be exchangeable for Bearer Note Certificates and a Registered Global Note will be exchangeable for Registered Note Certificates (in respect of a Rule 144A Global Note, "**Rule 144A Note Certificates**" or, in respect of a Regulation S Global Note, "**Regulation S Note Certificates**", as the case may be) if (a) either (i) such Global Note is held by a common depositary on behalf of Euroclear or Clearstream, Luxembourg, and the applicable Clearing System with respect to such Global Note is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) such Global Note is held by a custodian on behalf of DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such

Global Note or DTC ceases to be a 'clearing agency' registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (b) an Event of Default (as defined and set out in Condition 10) occurs or (c) if specified in the Global Note, if instructions have been given for the transfer of an interest in Notes evidenced by a Rule 144A Global Note to a person who would otherwise take delivery thereof in the form of an interest in Notes evidenced by a Regulation S Global Note where such Regulation S Global Note has been exchanged for Regulation S Note Certificates. In such circumstances, such Note Certificates shall be registered, if such Global Note was in registered form, in such names or delivered, if such Global Note was in bearer form, to such addresses, in each case as the applicable Clearing System shall direct in writing and the relevant Issuer will notify the holders as soon as practicable after the occurrence of any event specified in (a), (b) or (c) in accordance with the Trust Deed.

In the event that a Global Note is to be exchanged for Note Certificates, the relevant Global Note shall be exchanged in full for the relevant Note Certificates and the Issuer will, without charge to the holder or holders thereof, but against such indemnity as the Registrar and/or Transfer Agent, as applicable, 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 and/or Authenticating Agent, as applicable, for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Note must provide the Registrar and/or Transfer Agent, as applicable, with (i) a written order containing instructions and such other information as the Issuer and the Registrar and/or Transfer Agent, as applicable, may require to complete, execute and deliver such Note Certificates and (ii) a fully completed, signed certification substantially in the form contained in the 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 Rule 144A or Regulation S, a certification that the transfer is being made in compliance with the provisions of Rule 144A or Regulation S, as the case may be. Rule 144A Note Certificates issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions". A Rule 144A Note Certificate issued as described above will not be exchangeable for beneficial interests in a Regulation S Global Note and a Regulation S Note Certificate issued as described above will not be exchangeable for beneficial interests in a Rule 144A Global Note.

6. Transfers

Transfers of interests in the Global Notes will be effected through the records of the applicable Clearing System and their respective direct and indirect participants, as applicable.

In addition to the requirements described under "Transfer Restrictions", the holder of a Note may transfer such Note only in accordance with the provisions of Condition 2 of the Terms and Conditions of the Notes.

Upon the transfer, exchange or replacement of a Rule 144A Note Certificate bearing the legend referred to under "Transfer Restrictions", or upon specific request for removal of the legend on a Rule 144A Note Certificate, the Issuer will deliver only Rule 144A Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the relevant Issuer, and if the relevant Issuer is TuranAlem Finance, the Bank and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by any such person that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act.

With respect to Global Notes in registered form, the Registrar will not register the transfer of 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 such Notes.

7. Events of Default

Each Global Note provides that, if an Event of Default (as defined and set out in Condition 10 on the Notes) occurs, the holders of not less than one-fifth in principal amount of the affected Notes may direct the Trustee, pursuant to the Trust Deed, to cause such Global Note, or a portion of it, to become due and repayable.

8. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged in the case of a Temporary Global Note for an interest in a Permanent Global Note or for Note Certificates (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specific, the relevant Issuer may forfeit such Notes (subject to the provisions of the relevant Final Terms and relevant provisions of law) and shall have no further obligation to such holder in respect of them.

USE OF PROCEEDS

Unless otherwise stated in the Final Terms, the net proceeds to the relevant Issuer from the sale of Senior Notes in each series will, if TuranAlem Finance acts as the relevant Issuer, be deposited by TuranAlem Finance with the Bank and, in any event, be used by the Bank to fund the Bank's loan portfolio and for its general corporate purposes. The net proceeds to the relevant Issuer from the issue of Subordinated Notes in each series will, if TuranAlem Finance acts as the relevant Issuer, be on-lent by TuranAlem Finance to the Bank under a Subordinated Loan Agreement and, in any event, be used by the Bank to fund the Bank's loan portfolio and for its general corporate purposes.

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TURANALEM FINANCE

History

TuranAlem Finance is a Dutch company whose statutory seat is in Rotterdam and was incorporated on 22 May 2001. Its number in the commercial register is 24321412. TuranAlem Finance is a direct, wholly owned subsidiary of the Bank.

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Capitalisation

The following table sets out the capitalisation of TuranAlem Finance as at 31 December 2005:

	As at 31 December 2005	
	<i>(U.S.\$)⁽¹⁾</i>	<i>(Euro)</i>
Senior long-term liabilities ⁽²⁾	1,650,000,000	1,390,445,940
Total shareholders' equity	2,459,472	2,072,597
Total shareholders' equity and long term liabilities	1,652,459,472	1,392,518,537

Notes:

- (1) U.S. Dollars amounts have been translated from the Euro amounts at the historical rate of Euro 0.84 = U.S.\$1.00 which is the rate published by Bloomberg L.P. on 31 December 2005.
- (2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated and comprise U.S. Dollar medium-term notes.

The authorised share capital of TuranAlem Finance is €90,000, divided into ordinary shares with a par value of €100 each. As of the date of this Base Prospectus, TuranAlem Finance total shareholders equity is €18,000, consisting of 180 ordinary shares, which have been issued and fully paid at par and are directly owned by the Bank.

Business

As set out in Article 2 of its Articles of Association, TuranAlem Finance was incorporated for the purpose of, among other things, raising funds in the international capital markets and lending such funds to the Bank or its subsidiaries. See "Use of Proceeds". TuranAlem Finance has no employees or subsidiaries. Article 2 of TuranAlem Finance's Articles of Association permits the issue and sale of Notes by TuranAlem Finance.

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In June 2001, TuranAlem Finance issued its U.S.\$100 million 11.5% Notes due 2004 (the "2004 Notes"), which matured and were fully repaid in accordance with their terms in June 2004. In September 2001, TuranAlem Finance arranged a U.S.\$67,500,000 syndicated loan facility that was later increased to U.S.\$73,500,000 and repaid in 2003. In May 2002, TuranAlem Finance issued its U.S.\$100 million 10% Notes due 2007. In May 2003, TuranAlem Finance issued its U.S.\$225,000,000 7.875% Notes due 2010. On 24 March 2004, TuranAlem Finance issued its U.S.\$300,000,000 8% Notes due 2014. On 2 April 2004, TuranAlem Finance issued its U.S.\$100,000,000 8% Notes due 2014, which were consolidated and form a single series with its U.S.\$300,000,000 8% Notes due 2014 and the proceeds of which were used to repay the 2004 Notes in full in June 2004. On 30 November 2004, TuranAlem Finance issued its U.S.\$375,000,000 7.875% Notes due 2010, which were consolidated and form a single series with its U.S.\$225,000,000 7.875% Notes due 2010. On 10 February 2005, TuranAlem Finance issued its U.S.\$350,000,000 8.5% Notes due 2015. On 23 November 2005, TuranAlem Finance issued its U.S.\$200,000,000 Floating Rate Notes due 2008, which are guaranteed by the Bank, under the Programme. In addition, on 31 March 2006, TuranAlem Finance issued its PLZ 200,000,000 Notes due 2011, which are guaranteed by the Bank, under the Programme. In each case, the proceeds of the issue were deposited by TuranAlem Finance with the Bank and used by the Bank to fund the Bank's loan portfolio and for other general corporate purposes. In addition, on 25 January 2006, BTA Finance Luxembourg S.A. completed the issue of U.S.\$400,000,000 of perpetual non-cumulative securities (the "Hybrid Securities Issue"), the proceeds of which were initially on-lent to TuranAlem Finance, which, in turn, further on lent the funds to the Bank on a subordinated basis.

In addition, on 20 September 2005, TuranAlem Finance entered into a U.S.\$777 million one-year syndicated trade finance facility and, on 6 October 2005, the full amount of this facility was drawn down; TuranAlem Finance acts as the borrower under this facility, which is guaranteed by the Bank. The

amount borrowed under this facility bears interest at a rate of LIBOR plus 0.70% per annum. The facility has a term of one year, subject to renewal for an additional one-year period at the Bank's option.

Apart from the indebtedness mentioned above, TuranAlem Finance has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Base Prospectus.

Financial Statements

TuranAlem Finance publishes annual financial statements in accordance with Dutch law. To comply with an NBK requirement that the accounts of overseas subsidiaries of Kazakhstan banks must be independently audited, TuranAlem Finance has engaged Mazars Paardekooper Hoffman N.V., to conduct annual audits of its statutory financial statements. Copies of TuranAlem Finance's audited statutory financial statements as at and for the years ended 31 December 2005 and 2004, including the notes thereto and together with the auditors' reports relating thereto, are contained elsewhere in this Base Prospectus. TuranAlem Finance does not produce interim financial statements. TuranAlem Finance's results are consolidated in the Group's consolidated financial statements contained in this Base Prospectus.

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Other than the issuance of PLZ 200,000,000 Notes due 2011 under the Programme on 31 March 2006 and the Hybrid Securities Issue, each as described under the captions "—Capitalisation" and "—Business" on page 62 above, there has been no significant change in TuranAlem Finance's financial or trading position which has occurred since 31 December 2005, the end of the last financial period for which audited financial information has been published.

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Legal Proceedings

TuranAlem Finance is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which TuranAlem Finance is aware) during the last twelve months, which may have, or have had in the recent past, significant effects on TuranAlem Finance's financial position or profitability.

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Management

TuranAlem Finance currently has two managing directors, Ms Zhamilya Sarsembayeva, age 35, who is an Executive Director of the Bank, and Equity Trust Co. N.V., a company incorporated with limited liability in The Netherlands. The managing directors of Equity Trust with responsibility in respect of TuranAlem Finance are: F. van der Rhee, R.G.A. de-Schaffer, J.C.W. van Burg, W.P. Ruoff and W.H. Kamphuijs.

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There are no potential conflicts of interest between any duties to TuranAlem Finance of the members of the administrative, management and supervisory bodies of TuranAlem Finance, which are the managing directors of TuranAlem Finance, and their private interests and/or other duties.

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General Information

The business address of TuranAlem Finance is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands and its phone number is +3110 224 5333. The business address of Ms Sarsembayeva is 97, Zholdasbekov Street, "Samal-2" microdistrict, Almaty 050051, Kazakhstan. Administrative services are provided to TuranAlem Finance by Equity Trust Co. N.V., whose business address is Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands. TuranAlem Finance 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.

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OVERVIEW OF THE BANK

History

General

JSC Bank TuranAlem (the “**Bank**”) was organised on 15 January 1997 as a closed joint stock company as a result of the restructuring and merger of two state-owned banks, Alem Bank and Turan Bank, pursuant to a decision of the Government and the NBK. Having been recapitalised by the Government, the Bank was fully privatised at a competitive auction in March 1998 and reorganised from a closed joint stock company to an open joint stock company on 17 December 1998. On 26 September 2003, the Bank completed its reregistration as a joint stock company and adopted a new charter, each in accordance with the Law on Joint-Stock Companies in Kazakhstan adopted on 13 May 2003. Management believes that there has been no material effect on the operations of the Bank as a result of such change. On 30 December 2003, the NBK issued to the Bank its current banking licence (No. N242).

The Bank is registered with the Ministry of Justice under certificate number N3903-1900-AO. The registered office and the head office of the Bank are at 97 Zholdasbekov Street, “Samal-2” microdistrict, Almaty 050051, Kazakhstan.

Following the break-up of the former Soviet Union and the establishment of Kazakhstan as an independent state in 1991, Alem Bank was founded as a joint stock commercial bank to replace the Kazakhstan branch of Vnesheconombank (Bank for Foreign Economic Activity) of the Union of Soviet Socialist Republics (the “**USSR**”). The Kazakhstan branch of Vnesheconombank acted as the agent of the Government in raising finance under its sovereign guarantee. Alem Bank was considered one of the leading financial institutions in Kazakhstan and was one of the first banks in the country to undertake international transactions. Alem Bank was the first Kazakhstan bank to participate in international interbank payment systems, such as SWIFT and REUTERS, and the first to join both the VISA International and MasterCard networks.

Turan Bank was founded in 1925 as the Kazakhstan branch of Promstroibank, the industrial sector bank of the USSR. Turan Bank provided financing and banking services to a large part of Kazakhstan’s industrial sector and its customers included many of Kazakhstan’s leading industrial enterprises. Major projects and enterprises for which Turan Bank provided financing and banking services included Turksib (the Turkestan-Siberia railway), the Balkhash copper smelting complex, the Shymkent zinc plant, the Pavlodar oil refinery, the Kapchagai power plant and a number of other large projects.

Incorporation of the Bank and Recapitalisation

Whilst by 1996 each of Alem Bank and Turan Bank had been reorganised into two separate joint stock companies, the Government continued to own the majority of shares in both banks. During the period of economic decline following the collapse of the USSR, a number of large industrial enterprises were unable to repay bank debts. As a result, by the end of 1996, Alem Bank and Turan Bank had a combined negative net equity position. In the circumstances, the Ministry of Finance of Kazakhstan was required by law to take control of the two banks, which were then merged and, on 15 January 1997, the Government organised the Bank as their successor. Upon incorporation, the Bank became the sole legal successor to both predecessor banks and inherited all their assets and liabilities, staff, technological infrastructure and customer banking relationships.

Following the merger, in 1997, the Government initiated a U.S.\$152 million financial restructuring programme, providing for a capital injection of approximately U.S.\$90 million and the purchase by the Rehabilitation Bank (a state-owned Bank established for the purpose of cleaning up the balance sheets of Kazakhstan banks with accumulated debts to the state-owned companies) of certain non-performing loans inherited by the Bank in the principal amount of approximately U.S.\$62 million. As a result of these measures, the Bank’s financial position and operating results improved.

Expansion of the shareholder base

Following a resolution of the Cabinet of Ministers of the Government in January 1998, the Ministry of Finance carried out a closed auction whereby a number of private sector local companies purchased all

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of the Bank's shares for U.S.\$72 million. Following this sale, the Bank increased its share capital and expanded its shareholder base. As at 1 February 2006, the Bank had issued 874,390 CPS (including 305,453 which were non-convertible, non-redeemable and accounted for as equity, and 568,937 which were redeemable and convertible and accounted for as debt in accordance with IAS 32).

The redeemable CPS are currently held by a number of development finance institutions, EBRD, IFC and FMO; and one commercial bank, RZB; and one asset management company, KIB asset management. See "Capitalisation of the Bank" and "Management and Share Ownership – Principal Shareholders".

Overview of Business

The Bank is one of the leading commercial banks in Kazakhstan servicing private commercial enterprises, state-owned enterprises and individual customers. As at 31 December 2005, the Bank had 22 regional branches and 197 retail units throughout Kazakhstan, which are expected to be converted into branches or units of existing branches by year end 2006 as required by new banking legislation. In addition, as at the same date, the Bank also had representative offices in Moscow, Russia; Kiev, Ukraine; Minsk, Belarus; Bishkek, Kyrgyz Republic; Dushanbe, Tajikistan; Tbilisi, Georgia; Yerevan, Armenia; Shanghai, China; and Baku, Azerbaijan and, in February 2006, the Bank opened a further representative office in Ekaterinburg, Russia. The Bank's representative office in Baku, Azerbaijan is not yet fully operational, pending the receipt of the required approval from the local state agency, which the Bank expects to obtain by the end of 2006. The Bank plans to open further representative offices in St. Petersburg, Russia and Beijing, China. The Bank expects these representative offices to become fully operational in 2006 once the required local state approvals have been obtained.

All branches of the Bank provide a broad range of banking services. The Bank has eight (8) subsidiaries: TuranAlem Finance B.V., BTA Finance Luxembourg S.A., JSC TuranAlem Securities, LLP TuranAlem Finance (Russia), JSC BTA Life Insurance, JSC Insurance Company BTA Zabota, JSC Pension Fund BTA Kazakhstan, JSC BTA Ipoteka; and one affiliate, which in accordance with IFRS is treated as a subsidiary: LLP Force Technology. At meetings held in November 2004, the respective shareholders of JSC Kurmet Pension Fund and JSC Kazakhstan Pension Fund adopted resolutions approving the merger of these two funds. The funds were subsequently merged into a newly created entity JSC Pension Fund Kurmet Kazakhstan, established in January 2005 into which the funds' assets were transferred in April 2005. JSC Pension Fund Kurmet Kazakhstan was re-registered effective 1 January 2006 as JSC Pension Fund BTA Kazakhstan. See "Presentation of Financial Information" and "Business – Subsidiaries and Affiliates".

As at 31 December 2005, the Bank owned a 15.63% ownership interest in Slavinvestbank Ltd. a small Russian bank based in Moscow; a 49.20% ownership interest in CJSC Astanaeximbank, a small Belarus bank based in Minsk; a 16.64% ownership interest in JSCB Omsk Bank, a small bank based in Omsk, Russia, in which Slavinvestbank Ltd. also then owned a 16.26% ownership interest; a 48.87% ownership interest in CJSC BTA Invest Bank, a small Armenian bank based in Yerevan; and a 49.00% ownership interest in JSC BTA SilkRoadBank, a small Georgian bank based in Tbilisi. In addition, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of JSC AgroIncomBank Astrakhan, Russia through LLP TuranAlem Capital, Slavinvestbank Ltd. and Omsk Bank, each of which then owned a 19.00% ownership interest in JSC AgroIncomBank. Furthermore, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan, which is a small retail bank based in the city of Kazan, in the Tatarstan region of Russia, through LLP TuranAlem Capital, which then owned a 19.45% ownership interest in OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan.

Under the terms of the Bank's licences, the Bank is currently authorised to offer a full range of traditional corporate and retail banking products and services, including deposit-taking, lending, the issuance of letters of credit, funds transfers, custodial services, the issuance of payment cards and related services, foreign currency exchange, the issuance of guarantees, cash operations, trust operations, collection operations, transactions with precious metals, leasing, broker-dealer transactions, clearing operations and safe keeping operations. The Bank also provides pension fund services and is engaged in certain insurance activities.

As at 31 December 2005, based on published audited financial statements of the Bank and its principal competitors, the Bank was the first bank in Kazakhstan in terms of shareholders' equity (KZT 87,108 million) and the second largest bank in Kazakhstan in terms of total assets (KZT 997,805 million), total loans (KZT 680,385 million, net of impairment charges of KZT 40,311 million) and total deposits (KZT 306,714 million) (U.S.\$2,289 million). As at 31 December 2005, the Bank had a 24.5% share of the corporate lending market, mostly in trade finance and medium-to-long term loans, a 18.5% share of all corporate deposits and approximately 21.2% share of the retail deposit market.

The Bank believes that its competitive position in the market is strengthened by its relatively large capitalisation and asset base, relatively low cost deposit base, relatively large and diversified customer base, professional management, transparent and consistent business practices, strong branch network and infrastructure and up-to-date IT system.

The Bank has been able to achieve substantial growth over the last three years and has adequately maintained its capital adequacy through the issuance of common shares, non-redeemable CPS and retained earnings. In addition, on 25 January 2006, TuranAlem Finance Luxembourg S.A. completed the Hybrid Securities Issue, a portion of which on issue (subject to adjustment) was treated as Tier 1 capital and these contributed further to the improvement in the Bank's capital adequacy ratio. For the purpose of calculation of Basel Tier I capital adequacy, hybrid financial instruments are included up to 15% of the Bank's Tier I capital. In accordance with IFRS these hybrid financial instruments are treated as perpetual debt and recorded within long term liabilities. The Bank constantly monitors its capital adequacy ratios. The Bank's Tier I + Tier II capital adequacy ratio according to BIS (Tier I + Tier II capital divided by total risk weighted assets) was 16.11% as at 31 December 2005, while its BIS Tier I ratio as at that date (Tier I capital divided by total risk weighted assets) was 10.91%.

In accordance with the resolution of the meeting of the Bank's shareholders held on 20 May 2005, the Bank's shareholders have approved an increase in the Bank's authorised share capital by KZT 29,161 million, consisting of 1,087,081 common shares and 360,431 non-redeemable CPS, which comprise the ninth issue of shares by the Bank and are being placed principally among the Bank's existing shareholders at a price of KZT 20,145.60 per common share or CPS, as the case may be. As at 31 December 2005, 1,087,081 common shares and 100,389 non-redeemable CPS comprising a part of such ninth issue of shares had been subscribed for an aggregate amount of KZT 23,922 million. The Bank expects to place the remaining shares of the ninth issue in the beginning of the second quarter of 2006.

During 2005, the Bank's subsidiary, JSC TuranAlem Securities according to JSC TuranAlem Securities' own estimates, had the highest market share (22.2%) of aggregate trade volumes of non-government securities on the KASE. JSC TuranAlem Securities has also acted as an adviser for a number of corporate and municipal securities issues both to domestic and foreign clients.

Strategy

In the spring of 2005, the Bank's Chairman of the Board of Directors established a new Strategy Committee comprised of the Bank's senior and middle managers. In addition, the Bank engaged Deloitte & Touche to assist it in defining a business development strategy. The Bank has determined the broad principles of its business development strategy and the methods to help implement that strategy going forward. In addition, a system of key performance indicators (KPIs) is being developed contemporaneously with the Bank's strategy. The KPIs comprise monthly, quarterly and annual targets designed to facilitate the efficient implementation of the Bank's business development strategy.

Although the Strategy Committee is continuing to refine the Bank's strategy, the Bank has approved the primary direction of its platform for the future and the Bank expects to complete the definition of its strategy and to commence execution of the first stage of that strategy, which involves the implementation of a part of the KPI system entitled a "Balance Score Card", during the first quarter of 2006. As the Kazakhstan economy continues to grow and the private sector expands, the Bank expects that there will be continuing strong demand for financial resources and services, especially from the retail sector and small and medium-sized businesses ("SMEs") and that, as SMEs expand and prospective investors enter the Kazakhstan market, the demand for banking services from the corporate sector will also increase.

Accordingly, while maintaining its profile as a leading full-service bank, in the retail sector, the Bank plans to focus on increasing its SME and retail market shares in Kazakhstan, while, in the corporate sector, the Bank intends to continue to develop its traditionally strong trade financing activities, as well as offer its corporate clients syndicated loans in cooperation with foreign banks, asset management and investment banking services. A client-orientated provision of high quality services will continue to be a key part of the Bank's development strategy. In addition, the Bank plans to increase its non-interest income through the provision of new fee-based services and increased revenue from its existing subsidiaries.

Overall, the development and implementation of the Bank's strategy is aimed at maintaining its status as a leading bank in Kazakhstan as competition increases from the domestic banks and new international participants enter the market. Management believes that it has identified the demands of Kazakhstan's dynamically developing financial sector and is, accordingly, able to target the Bank's future growth in line with the perceived demands.

Expansion of Corporate Banking

One of the Bank's principal strategic objectives is to capitalise on the continued growth of the Kazakhstan economy and the related increase in demand for private sector corporate finance. To this end, the Bank intends to develop further its corporate banking services, while maintaining the overall quality of its corporate loan portfolio. The Bank's strategies in this regard are to:

- *Increase its trade finance lending.* The rapid and continuing economic growth in Kazakhstan has led to significant increases in trade activity. To maintain its status as the market leader in trade finance, the Bank has increased and intends to expand further its established trade finance facilities for major customers in support of their import and export activities and plans to establish new facilities with other foreign correspondent banks.
- *Expand and enhance its project finance loan programmes.* The Bank aims to become a leading provider of financing for oil and gas-related infrastructure projects, which are needed in western Kazakhstan, especially in the Caspian Sea region. The Bank is developing a plan to combine its local expertise with that of international lenders in order to enable it to capitalise on this opportunity.
- *Develop new customers.* The Bank plans to attract new large corporate customers by offering products, such as payroll services, that will allow cross-selling of retail products to the holders of payroll cards, salary payment programmes and cash and asset management services, and to market these products to its existing customers, which do not currently use them.
- *Expand its SME loan portfolio.* Historically, the SME sector has been of primary importance to the Bank. The Bank intends to increase substantially its SME loan portfolio, in terms of value and number of clients, and to establish a leading position in this market, as it believes this sector will represent one of the most important areas of growth in the Kazakhstan banking system.
- *Increase fee and commission income.* Management believes that the planned increase in the Bank's trade finance documentary business will result in increased fee and commission income that will allow the Bank to provide further pricing flexibilities. The Bank believes that its market share and pricing flexibility provide it with a significant competitive advantage in this business.

Expansion of Retail Services

The Bank has experienced significant growth in its retail deposit base over the past several years, although retail banking in Kazakhstan still represents a relatively low percentage of the country's gross domestic product. One of the Bank's main objectives is to increase its retail market share. In this regard, the Bank's strategies are to:

- *Expand and develop further its existing high net-worth and middle-class individual marketing programme.* In the past, the Bank has targeted high net-worth individuals and now also intends to focus on the growing middle class segment of the market. The Bank intends to expand its existing account relationship officer programme and to develop cross-selling initiatives that will enable it to bundle together its product offerings, including new deposit products, insurance products, credit and

debit card services, consumer loans, mortgages and pension fund services. The Bank believes the mortgage, automobile and personal lending markets will be high growth areas in the Kazakhstan market.

- *Expand and improve further its retail branch network.* The Bank intends to continue to modernise and expand its retail network on an ongoing basis, particularly over the next three years. All current retail outlets will be converted into branches or units of existing branches by year end 2006 as required by new banking legislation. The Bank believes that the further expansion of its ATM and service centre network will enable it to offer a broader range of banking services to its customers and thereby allow the Bank to take advantage of the growing market demand for retail banking.
- *Increase the number of ATMs.* The Bank plans to increase the number of its ATMs through cooperation with other local banks and by placing ATMs at low-cost, attractive and convenient retail locations, such as supermarkets.
- *Offer new products and services.* The Bank has recently introduced and plans to develop further a new system of express money transfers, CREDO revolver cards, mortgage loan crediting, automobile loans and personal loans.
- *Expand on-line Internet banking services.* The Bank offers fee-based Internet banking services. Currently, the Bank is upgrading the functional capabilities of its Internet banking to offer transfers, payment services and on-line account functions. The Bank intends to promote Internet banking in both the corporate and retail markets through various promotional initiatives.

Development of Credit Card Business

The Bank has placed and continues to place significant emphasis on its credit and debit card business. Alem Bank, one of its predecessor banks, was the first bank in Kazakhstan to introduce such services. The credit and debit card business is a growing area in retail banking in Kazakhstan and, as a part of its business development plan, the Bank intends to pursue an increasing share of this business. The Bank intends to open its own card processing centre in the future.

Securities, Insurance and Pensions Operations

Kazakhstan's capital markets are evolving and developing. As the Kazakhstan economy grows, the Bank anticipates an expansion of the local capital markets to meet the related increase in the financing needs of developing businesses. Accordingly, the Bank is committed to developing further the business capabilities of its subsidiary, JSC TuranAlem Securities, to service the needs of its existing customers and to attract new business. JSC TuranAlem Securities is planning to develop a corporate consulting group to assist companies to optimise their capital structures. The Bank believes that the success of this plan will allow JSC TuranAlem Securities to capture a significant share of the anticipated growth in corporate and municipal securities offerings.

Currently, the Bank has ownership interests in several companies involved in insurance activities, JSC BTA Zabota, which offers medical insurance, JSC BTA Life Insurance, which offers life insurance and BTA Insurance, which offers property and responsibility insurance. JSC BTA Life Insurance is the market leader in its industry with more than a 90% share of paid insurance premiums according to information provided by the FMSA. The Bank believes the insurance sector will be a high growth area and is positioning itself to capitalise on this opportunity.

The Bank believes that private pension funds in Kazakhstan will also provide strong revenue growth as that sector continues to expand. As at 31 December 2005, the Bank owned a 76.83% interest in JSC Pension Fund BTA Kazakhstan, which is an active participant in the pension funds market with a market share of 7.32% according to information provided by the FMSA.

Consolidation in Geographical Presence

The Bank has completed its current programme for geographical diversification through investments in Russia and CIS, particularly with a focus on expanding its trade finance operations. The Bank has no medium-term plans to expand its geographical presence further either domestically or abroad. The Bank had invested in this investment expansion programme, however, this has now been

completed. In Kazakhstan, the Bank will increase access for its customers through optimisation and expansion of its retail units and ATMs and through the development of plans to increase its investment in IT-systems, and to establish a processing centre for debit and credit cards. The Bank will continue to strengthen its risk management system in accordance with the Base II Accord. The Bank has established a new compliance control management system and will continue to develop a responsibility sharing system among different management levels of the Bank. BTA plans to enhance its personnel management services with a view to increasing the motivation of existing staff and attracting, where needed, additional qualified staff.

Introduction of International Best Practice

One of the key elements of implementing the Bank's strategy will be the introduction of international best practices relating to corporate governance and the development of back office and business support units. BTA plans to increase its investment in IT systems and to establish a processing centre for debit and credit cards. The Bank will continue to strengthen its risk management system in accordance with the recommendations set forth by the Basel II Accord. The Bank has established a new compliance control management system and will continue to develop a responsibility sharing system among different management levels of the Bank. BTA plans to enhance its personnel management services with a view to increasing the motivation of existing staff and attracting, where needed, additional qualified staff.

Improved Funding Base

The Bank intends to improve and diversify its funding base by attracting deposits from a wider range of customers through its extensive branch and retail unit network, increasing borrowings from international banks and development organisations and accessing the international capital markets.

To develop its funding base, BTA plans to increase its retail deposit market share, expanding its range of products and expanding its international funding base through the issuance of new instruments.

Domestic deposits are an important and attractive source of low cost funding for the Bank. The Bank's strategy is to ensure that it utilises effectively its competitive advantages in the retail banking markets. The Bank also believes that its international credit ratings will permit it to continue to access the international capital markets, while also enhancing its reputation in the domestic market and, in turn, allowing it to maintain its strong market share in providing retail banking services.

In order to increase its assets, the Bank aims to maintain an adequate level of capital through the placement of hybrid capital instruments and continued capitalisation of profits. One of the Bank's strategic goals will be to prepare in the medium-term for an international initial public offering. BTA will further develop its policy of attracting strategic investors to participate in joint projects outside Kazakhstan to mitigate the risks resulting from its geographical diversification outside of the Bank's primary banking activities in Kazakhstan.

International Operations

As at 31 December 2005, the Bank had 22 regional branches and 197 retail units throughout Kazakhstan, which are expected to be converted into branches or units of existing branches by year end 2006 as required by new banking legislation. In addition, as at the same date, the Bank also had representative offices in Moscow, Russia; Kiev, Ukraine; Minsk, Belarus; Bishkek, Kyrgyz Republic; Dushanbe, Tajikistan; Tbilisi, Georgia; Yerevan, Armenia; Shanghai, China; and Baku, Azerbaijan and, in February 2006, the Bank opened a further representative office in Ekaterinburg, Russia. The Bank's representative office in Baku, Azerbaijan is not yet fully operational, pending the receipt of the required approval from the local state agency, which the Bank expects to obtain by the end of 2006. The Bank plans to open further representative offices in St. Petersburg, Russia and Beijing, China. The Bank expects these representative offices to become fully operational in 2006 once the required local state approvals have been obtained. The Bank had invested in Russia and CIS, particularly with a focus on expanding its trade finance operations; however, this programme is now complete for the medium term.

As at 31 December 2005, the Bank owned a 15.63% ownership interest in Slavinvestbank Ltd. (Moscow), a small Russian bank based in Moscow; a 49.20% ownership interest in CJSC

Astanaeximbank, a small Belarus bank based in Minsk; a 16.64% ownership interest in JSCB Omsk Bank, a small bank based in Omsk, Russia, in which Slavinvestbank Ltd. also then owned a 16.26% ownership interest; a 48.87% ownership interest in CJSC BTA Invest Bank, a small Armenian bank based in Yerevan; a 49.00% ownership interest in JSC BTA SilkRoadBank, a small Georgian bank based in Tbilisi. In addition, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of JSC AgroIncomBank Astrakhan, Russia through LLP TuranAlem Capital, Slavinvestbank Ltd. and Omsk Bank, each of which then owned a 19.00% ownership interest in JSC AgroIncomBank. Furthermore, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan, which is a small retail bank based in the city of Kazan, in the Tatarstan region of Russia, through LLP TuranAlem Capital, which then owned a 19.45% ownership interest in OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan.

By 31 December 2005, the Bank had invested approximately U.S.\$23.9 million in such operations, but does not plan to invest any more in the medium term.

The Bank has entered into strategic cooperation agreements with JSCB Omsk Bank, Slavinvestbank Ltd., CJSC Astanaeximbank, CJSC BTA Invest Bank, JSCB BTA SilkRoadBank, OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan and JSC AgroIncomBank, all of which are small, local banks that management believes have potential, in particular, to develop trade finance businesses. Pursuant to the respective strategic cooperation agreements with these entities, the Bank is working with the local banks to develop and harmonize their credit policies and risk management and operating systems. There are no immediate plans for increasing any particular investment into these banks.

Competition

As at 31 December 2005, there were 34 banks operating in Kazakhstan, compared to 35 as at the end of 2004. The decrease in the total number of Kazakhstan banks was primarily attributable to the effect of stricter requirements set by the NBK as to capital adequacy, provisioning maximum exposure, accounting and information disclosure. Of the remaining existing banks in Kazakhstan, 14 were banks under foreign ownership, including subsidiaries of foreign banks. The commercial banks in Kazakhstan can be divided into three groups: large local banks, such as the Bank and its principal competitors, JSC Kazkommertsbank and JSC Halyk Savings Bank; banks under foreign ownership, such as ABN AMRO Bank Kazakhstan, HSBC Bank Kazakhstan and Citibank Kazakhstan; and smaller local banks including, a second tier of smaller but growing Kazakhstan banks, including principally JSC ATF Bank, Bank CenterCredit and JSC Alliance Bank, which also contribute to competition in the Kazakhstan banking sector. Although the Bank believes that it is well positioned to compete in the Kazakhstan banking sector, as the second largest bank in Kazakhstan (in terms of assets) and with its relatively low cost deposit base and, relatively large and diversified customer base, it faces competition from a number of existing and prospective participants in the banking sector in Kazakhstan.

As at 31 December 2005, JSC Kazkommertsbank was the largest banking group in Kazakhstan in terms of assets, and the Bank's principal competitor in the corporate and retail banking sectors. Furthermore, JSC Halyk Savings Bank has the most extensive branch network in Kazakhstan which makes it one of the Bank's major competitors in the retail banking market. As at 31 December 2005, JSC Halyk Savings Bank was the third largest bank in Kazakhstan in terms of total assets and third largest bank in terms of its shareholders' equity.

In 2001, the Government established DBK to provide longer term financing and otherwise facilitate complex industrial and infrastructure projects within Kazakhstan. DBK was established with a charter fund of KZT 30 billion. Within the commercial banking sector, DBK is not considered to be a competitor of the Bank as DBK is not licensed to accept corporate or retail deposits or to provide corporate settlement services. In addition, the Bank does not intend to finance complex industrial or infrastructure projects and, accordingly will not compete with DBK in this sector. DBK is not treated as a commercial bank for the purposes of market share data and ranking in this Base Prospectus. The Bank expects, however, that DBK may become an important competitor in the corporate lending sector.

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 become the Bank's main

long-term competitors in the corporate banking sector. Foreign banks bring international experience in servicing customers and target the strongest potential corporate customers, 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 one of the largest banks under foreign ownership in Kazakhstan and is expected to become a major long-term competitor of the Bank, particularly with respect to corporate lending.

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

The following table sets out certain financial information (presented on an unconsolidated basis) relating to the Bank and the largest local and foreign banks which the Bank considers to be its major competitors in the Kazakhstan banking sector as at 31 December 2005:

	As at 31 December 2005			
	Total Assets	Total Gross Loans⁽¹⁾	Customer Deposits⁽²⁾	Shareholders' Equity
	<i>(KZT millions)</i>			
Kazkommertsbank	1,131,763	641,136	267,627 ⁽²⁾	74,047
Bank TuranAlem	963,653	628,273	305,188	91,900
Halyk Savings Bank.....	558,455	402,090	311,965	60,275
Citibank Kazakhstan.....	55,277	30,728	34,068	5,969
ABN AMRO Bank Kazakhstan.....	55,183	36,073	40,984	8,095

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(1) Net, without reverse repurchase agreements.

(2) Not including Kazkommerts International B.V., TuranAlem Finance B.V.

Source: Based on figures published on the KASE, competitor websites and estimates from the Bank's own sources.

CAPITALISATION OF THE BANK

The following table sets out the current finance liabilities and total consolidated capitalisation of the Bank as at 31 December 2005 derived from the Group's consolidated financial statements included therein:

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	As at 31 December 2005	
	<i>(U.S.\$ millions⁽¹⁾)</i>	<i>(KZT millions)</i>
Senior long-term liabilities ⁽²⁾	2,127	284,905
Subordinated long-term liabilities ⁽³⁾	326	43,709
Total long-term liabilities	2,453	328,614
Share capital ⁽⁴⁾	269	35,983
Additional paid-in capital	143	19,184
Retained earnings and reserves ⁽⁵⁾	229	30,723
Minority interests	9	1,218
Total shareholders' equity	650	87,108
Total shareholders' equity and long-term liabilities	3,103	415,722

Notes:

- (1) See "Presentation of Certain Information" for the method of calculation and presentation of U.S. Dollar amounts.
- (2) Senior long-term liabilities represent liabilities that fall due after one year and are not subordinated.
- (3) Subordinated long-term liabilities consist principally of U.S. Dollar and Tenge-denominated subordinated notes issued by the Bank.
- (4) Share capital less shares held in treasury.
- (5) Includes premises and equipment revaluation reserve of KZT 18 million and available-for-sale securities revaluation reserve of KZT 492 million.

As at 31 December 2005, the Bank's authorised share capital consisted of 3,421,516 common shares and 1,134,432 CPS (2,334,435 common shares and 774,001 CPS as at 31 December 2004). Issued and paid share capital as at 31 December 2005 consisted of 3,421,516 common shares and 305,520 non-redeemable CPS compared to 2,334,435 common shares and 84,021 non-redeemable CPS issued and paid as at 31 December 2004. As at each of 31 December 2005 and 2004, the Group held 16,600 and 33,450 of the Bank's common shares as treasury stock accordingly. All common shares and CPS of the Bank are denominated in Tenge with a nominal value of KZT 10,000 each.

On 10 February 2005, the Issuer issued U.S.\$350,000,000 8.50% Notes due 2015, the proceeds of which were deposited by the Issuer with the Bank and used by the Bank to fund the Bank's loan portfolio and for other general corporate purposes.

In accordance with the resolution of the meeting of the Bank's shareholders held on 20 May 2005, the Bank's shareholders have approved an increase in the Bank's authorised share capital by KZT 29,161 million, consisting of 1,087,081 common shares and 360,431 CPS, which comprise the ninth issue of shares by the Bank and are being placed principally among the Bank's existing shareholders at a price of KZT 20,145.60 per common share or CPS, as the case may be. As at 31 December 2005, 1,087,081 common shares and 100,389 CPS comprising a part of such a ninth issue of shares have been subscribed for an aggregate amount of KZT 23,922 million.

On 20 September 2005, the Bank entered into a U.S.\$777 million one-year syndicated trade finance facility and, on 6 October 2005, the full amount of this facility was drawn down; TuranAlem Finance acts as the borrower under this facility, which is guaranteed by the Bank. The amount borrowed under this facility bears interest at a rate of LIBOR plus 0.70% per annum. The facility has a term of one year, subject to renewal for an additional one-year period at the Bank's option.

On 23 November 2005, TuranAlem Finance issued its U.S.\$200,000,000 Floating Rate Notes due 2008, which are guaranteed by the Bank, under the Programme. In addition, on 31 March 2006

TuranAlem Finance issued its PLZ 200,000,000 Notes, which are guaranteed by the Bank, under the Programme. Effective 1 January 2006, the FMSA has adopted new rules allowing for hybrid tier I capital in an amount not to exceed 15% of the total regulatory capital of a bank. Based upon this new regulation, on 25 January 2006, TuranAlem Finance Luxembourg S.A. completed the Hybrid Securities Issue. For the purpose of calculation of Basel Tier I capital adequacy, hybrid financial instruments are included up to 15% of the Bank's Tier I capital. In accordance with IFRS these hybrid financial instruments are treated as perpetual debt and recorded within long term liabilities. The proceeds from the Hybrid Securities Issue were initially on-lent to TuranAlem Finance, which, in turn, further on-lent the funds to the Bank on a subordinated basis. Initially, U.S.\$100,000,000 of the Hybrid Securities Issue was qualified as Tier I capital, with the balance treated as Tier II capital. As the total regulatory capital of the Bank increases, Management plans from time to time to reclassify all or a portion of the Hybrid Securities Issue initially treated as Tier II capital as Tier I capital.

On 1 January 2005, revised IAS 32 and IAS 39 standards became effective. The revised standards restrict the classification of a financial instrument with contingent settlement provisions as equity and classify such instruments as liabilities. The new standards required the Bank to reclassify the redeemable CPS from equity to liabilities and, accordingly, which resulted in a reduction in equity and an increase in liabilities by KZT 5,581 million, according to the unaudited accounting records of the Bank as at 31 December 2005.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The summary information set out below has been extracted from, should be read in conjunction with, and is qualified in its entirety by, the Group's financial statements, including the notes thereto, contained elsewhere in this Base Prospectus. See "Index to Financial Statements" and "Management's Discussion and Analysis of Results of Operations and Financial Condition".

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The Group's audited consolidated financial statements contained in this Base Prospectus, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003 were prepared in accordance with IFRS. The Group's audited consolidated financial statements contained in this Base Prospectus, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003 were audited by Ernst & Young, whose audit reports are included elsewhere in this Base Prospectus. The Group's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2004 and 2003, which are contained in this Base Prospectus, have been restated to conform with revised IFRS, including the notes thereto.

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Prospective investors should read this selected consolidated financial information in conjunction with the information contained in "Risk Factors", "Overview of the Bank", "Capitalisation of the Bank", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Selected Statistical and Other Information", "Business" and the Bank's audited consolidated financial statements including the notes thereto, as well as the other financial data appearing elsewhere in this Base Prospectus.

INCOME STATEMENT DATA

	For the year ended 31 December			
	2005		2004	2003
	<i>(U.S.\$ millions, unaudited)⁽¹⁾</i>	<i>(KZT millions, audited)</i>	<i>(KZT millions)</i>	<i>(KZT millions)</i>
Interest income				
Loans.....	525.2	69,789	45,444	26,263
Securities.....	49.1	6,524	3,682	4,257
Deposits with other banks.....	14.8	1,973	701	298
Total interest income	589.1	78,286	49,827	30,818
Interest expense.....	(343.9)	(45,699)	(26,106)	(16,591)
Net interest income before impairment charge	245.2	32,587	23,721	14,227
Impairment charge.....	(115.6)	(15,359)	(19,251)	(10,391)
Net interest income after impairment charge	130.0	17,228	4,470	3,836
Non-interest income				
Fee and commission income, net.....	93.7	12,454	8,994	6,319
Gains less losses from financial assets at fair value through profit or loss.....	22.7	3,015	38	589
Gains less losses from foreign currencies.....	6.0	794	7,595	2,553
Underwriting income (loss).....	4.1	539	(478)	(260)
Other operating income.....	8.6	1,139	567	1,002
Total non-interest income	135.0	17,941	16,716	10,203
Non-interest expense				
Salaries and benefits.....	(52.2)	(6,930)	(4,388)	(3,432)
Depreciation and amortization.....	(6.7)	(892)	(1,029)	(926)
Insurance.....	(0.1)	(9)	(2)	(145)
Deposit insurance.....	(3.4)	(446)	(371)	(306)
Administrative and operating expenses, taxes other than income tax and other.....	(79.9)	(10,617)	(7,768)	(4,871)
Total non-interest expense	(142.2)	(18,894)	(13,558)	(9,680)
Income before income taxes	122.5	16,275	7,628	4,359
Income tax expense.....	(11.8)	(1,569)	(1,047)	(266)
Net income after income tax	110.7	14,706	6,581	4,093
Attributable to:				
Equity holders of the parent.....	107.7	14,307	6,728	4,133
Minority interest.....	3.0	399	(147)	(40)
Net income	110.7	14,706	6,581	4,093

Note:

- (1) See "Presentation of Certain Information" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.

BALANCE SHEET DATA

	As at 31 December			
	2005	2004	2003	
	<i>(U.S.\$ millions)⁽¹⁾</i>	<i>(KZT millions)</i>	<i>(KZT millions)</i>	
Assets				
Cash, cash equivalents, obligatory reserves and amounts due from other financial institutions .	1,146	153,598	64,749	31,390
Securities.....	1,139	152,658	127,608	88,750
Investments in associates	17	2,205	331	–
Loans to customers (including interest accrued thereon).....	5,078	680,385	409,517	239,847
Property and equipment, net.....	15	1,940	9,396	6,745
Other assets.....	52	7,019	6,701	6,332
Total assets	7,447	997,805	618,302	373,064
Liabilities and shareholders' equity				
Amounts due to the NBK, the Government and other financial institutions.....	2,194	293,891	152,755	126,976
Amount due to customers	2,289	306,714	226,710	140,318
Debt securities issued	2,239	300,009	182,079	74,174
Other liabilities	75	10,083	9,838	4,318
Total liabilities	6,797	910,697	571,382	345,786
Total shareholders' equity	650	87,108	46,920	27,278
Total liabilities and shareholders' equity	7,447	997,805	618,302	373,064

Note:

- (1) See "Presentation of Certain Information" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.

SELECTED FINANCIAL RATIOS AND ECONOMIC DATA

	As at and for the year ended 31 December		
	2005	2004	2003
Profitability Ratios⁽¹⁾			
Return on average common shareholders' equity	26.8%	20.8%	22.1%
Return on average total shareholders' equity	26.1%	20.7%	22.1%
Return on average assets ⁽²⁾	1.9%	1.3%	1.4%
Net interest margin ⁽³⁾	4.4%	5.2%	5.2%
Net interest spread ⁽⁴⁾	3.4%	4.4%	4.3%
Non-interest expense/net interest income before impairment charge plus non-interest income	37.0%	33.3%	39.4%
Non-interest expense as a percentage of net interest income before impairment	58.0%	57.2%	68.0%
Non-interest expense as a percentage of average total assets ...	2.4%	2.8%	3.3%
Loan Portfolio Quality⁽⁵⁾			
Classified loans/gross loans ⁽⁶⁾	8.2%	9.8%	7.2%
Non-performing loans/gross loans ⁽⁷⁾	0.6%	0.6%	0.7%
Allowance for impairment/gross loans	5.6%	6.7%	6.2%
Allowance for impairment/classified loans ⁽⁸⁾	68.0%	69.1%	86.2%
Allowance for impairment/non-performing loans ⁽⁷⁾	961.4%	1,146.8%	860.8%
Balance Sheet Ratios and Capital Adequacy			
Customer deposits as a percentage of total assets	30.7%	36.7%	37.6%
Loans from other banks and financial institutions as a percentage of total assets	29.4%	24.0%	32.6%
Debt securities issued as a percentage of total assets	30.1%	29.4%	19.9%
Net loans as a percentage of total assets	65.7%	64.0%	62.3%
Total shareholders' equity as a percentage of total assets	8.7%	7.6%	7.3%
Liquid assets as a percentage of total assets ⁽⁸⁾	30.7%	31.1%	32.2%
Risk weighted total capital adequacy ratio ⁽⁹⁾	16.11%	14.58%	14.34%
Risk weighted Tier I capital adequacy ratio ⁽⁹⁾	10.91%	8.73%	8.93%
Operating Data			
Number of full time employees	4,793	3,817	3,221
Number of regional branches	22	22	22
Number of retail units	197	189	188
Economic Data			
Period-end exchange rate (KZT/U.S.\$)	133.98	130.0	144.22
Average exchange rate for period (KZT/U.S.\$)	132.88	136.04	149.58
Inflation rate (CPI)	7.6%	6.7%	6.8%
GDP growth (real)	9.4%	9.4%	9.2%

Notes:

- (1) Average balances in 2005 of assets and liabilities are calculated based on monthly average. Average balances in 2003 and 2004 are calculated by adding the opening and closing balances and dividing by two. Average common shareholders' equity and total shareholders' equity were calculated using monthly averages for 2003-2005.

- (2) Return on average assets comprises net income less dividends on non-redeemable CPS divided by average period assets. Average period assets in 2005 are calculated on a monthly basis.
- (3) Net interest margin comprises net interest income before impairment charge as a percentage of average earning assets.
- (4) Net interest spread comprises the difference between the average interest rate on interest earning assets and the average interest rate on interest bearing liabilities.
- (5) Calculated using gross loan balances, excluding accrued interest.
- (6) Classified loans comprise loans that are classified as “unsatisfactory”, “doubtful” (whether or not they are non-performing) or “loss” as described in “Asset and Liability Management – Lending Policies and Procedures”.
- (7) Non-performing loans comprise loans where past due payments exceed 30 days.
- (8) Liquid assets comprise securities plus cash and cash equivalents, obligatory reserves and due from other banks.
- (9) Calculated in accordance with BIS standards – see “Capitalisation of the Bank”.

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

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The following discussion should be read in conjunction with the Group's audited consolidated financial statements, including the notes thereto, prepared in accordance with IFRS and included elsewhere in this Base Prospectus. This discussion includes forward-looking statements based on assumptions about the Group's future business. The Group's actual results could differ materially from those contained in the forward-looking statements.

Introduction

The Group's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003, which are included on pages F-28 to F-79 of this Base Prospectus, were audited by Ernst & Young, whose audit report thereon are also included on page F-[27] of this Base Prospectus. All of the Group's financial statements included in this Base Prospectus were prepared in accordance with IFRS and are consolidated and include the financial statements of the Bank, its subsidiaries and certain affiliates as set out in "Presentation of Certain Information". The Group's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2004 and 2003, which are contained in this Base Prospectus, have been restated to conform with revised IFRS, including notes thereto.

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Critical Accounting Policies and Estimates

The Group's accounting policies are integral to understanding the results of operations and financial condition presented in the consolidated financial statements and notes thereto. The Group's significant accounting policies are described in Note 3 to the annual consolidated financial statements appearing elsewhere in this Base Prospectus. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the relevant period. On an on-going basis, management evaluates its estimates and judgments, including those related to impairment charges, reserves for insurance claims, the carrying values of property and investments, income taxes and deferred taxes, financing operations and contingencies, litigation and arbitration. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

The Group's critical accounting policies include:

Allowances for Impairment of Financial Assets

The Group establishes allowances for impairment of financial assets when it is probable that the Group will not be able to collect the principal and interest according to the contractual terms of the related loans issued, held-to-maturity securities and other financial assets, which are carried at cost and amortized cost.

The allowances for impairment of financial assets are defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument. For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Group expects to realise the financial instrument.

The allowances are based on the Group's own loss experience and management's judgment as to the level of losses that will most likely be recognised from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for impairment of financial assets in the accompanying consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Changes in allowances are reported in the statement of income of the related period. When a loan is not collectable, it is written off against the related allowance for impairment; if the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the related allowance is credited to the related impairment of financial assets in the statement of income.

Preferred Shares

In December 2003, the International Accounting Standards Board (“**IASB**”) issued revised IAS 32 and IAS 39 which are effective starting from 1 January 2005. The revised standards restrict the classification of a financial instrument with contingent settlement provisions as equity and classify such instruments as liabilities. According to the new standards, the Bank has reclassified the redeemable CPS from equity to liabilities, which resulted in a reduction in equity and an increase in liabilities by KZT 5,581 million as at 31 December 2005.

Reserves for Insurance Losses

The Group provides a reserve for insurance losses and loss adjustment expenses that is included in other liabilities. The reserve is based on an estimate of the amount payable on claims, which have been reported prior to the relevant balance sheet date, but which have not yet been settled. A reserve is also established based on the amount of incurred claims, which have not been reported as at the relevant date. Because the Group does not have prior experience in this respect, the reserve established for incurred but unreported claims is equal to the expected loss ratio for each insured category multiplied by the value of coverage, less losses actually reported. Due to the absence of any significant prior experience, the reserve estimates are regularly reviewed and updated. Any adjustments to the reserves for insurance losses are reflected in current income for the period.

Financial Instruments

On 1 January 2001, the Bank adopted IAS 39 “Financial Instruments: Recognition and Measurement”. This has not resulted in any major changes in its accounting policies as the existing policy of the Bank for the measurement of assets and liabilities in use prior to 1 January 2001 approximated the methods of classification, recognition and measurement of financial instruments set out in IAS 39.

However, as no readily available market exists for a large portion of the Bank’s financial instruments, the Bank’s management is required to make judgments to determine the fair value of such instruments, based on current economic conditions and specific risks attributable to the instrument. Because of the nature of the judgments made by management, the actual realisation of the fair value of the Bank’s financial instruments could differ from the estimates and assumptions relied upon. Accordingly, the estimates presented in the Bank’s financial statements are not necessarily indicative of the amounts the Bank could realise in a market exchange from its sale of its full holding of a particular instrument.

Changes in Accounting Policies

IASB has developed several new International Financial Reporting Standards (“**IFRS**”) and revised certain International Accounting Standards (“**IAS**”). IFRS 3 “Business Combinations” replaced IAS 22 “Business Combinations” and SIC-9, SIC-22 and SIC-28. IFRS 3 “Business Combinations” and IAS 36 “Impairment of Assets” (revised in 2004) were consistently applied for all acquisitions that took place on or after 31 March 2004.

From 1 January 2005, IFRS 2 “Share-based Payment”, IFRS 4 “Insurance Contracts”, IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as well as fifteen other revised standards are effective.

A new category of financial instruments has been introduced, “Financial assets and liabilities at fair value through profit or loss”. This category includes trading financial assets and liabilities as well as any financial assets and liabilities designated into this category at initial recognition. These assets and liabilities are measured at fair value with recognition of gains or losses on re-measurement to fair value in net profit or loss.

Management of the Group decided to designate as “financial assets at fair value through profit or loss” all debt and equity securities, except for investments in equity instruments that do not have a quoted market price in an active market, loans issued and held-to-maturity instruments. Such designation is performed at initial recognition of the respective assets.

The financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on their market value. In determining market value, all financial assets at fair value through profit or loss are valued at the last bid price.

Principles of Consolidation

The consolidated financial statements of the Group include the Bank and the companies that it controls (subsidiaries). This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. Intercompany balances and transactions, including intercompany profits and unrealised profits and losses, are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The equity and net income attributable to minority shareholders’ interests are shown separately in the balance sheets and statements of income, respectively.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up or liabilities assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Where necessary the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interest is the interest in subsidiaries not held by the Group. Minority interest at the balance sheet date represents the minority shareholders’ portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date, and the minorities’ portion of movements in equity since the date of the combination. Minority interest is presented separately from liabilities and shareholders’ equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Group.

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

Summary

The Group reported net income of KZT 14,706 million, or KZT 5,297 per diluted share, for 2005, compared to net income of KZT 6,581 million, or KZT 3,807 per diluted share, for 2004 and net income of KZT 4,093 million, or KZT 3,246 per diluted share, for 2003. The increase in net income for 2005, compared to 2004, and for in 2004, as compared to 2003, in each case primarily reflected the growth in the Group’s assets. Average balances of assets and liabilities for 2005 are calculated by adding closing monthly balances and dividing by twelve.

Average balances for 2003 and 2004 are calculated by adding the opening and closing balances and dividing by two.

The return on average common shareholders’ equity was 26.8% for year ended 31 December 2005, compared to 20.8% and 22.1% for 2004 and 2003, respectively. The return on average-common shareholders’ equity in 2005, 2004 and 2003 is calculated based on monthly average balances of shareholders’ equity.

Interest Income, Interest Expense, Net Interest Income and Provision for Losses

The following table sets out the principal components of the Group's net interest income for the periods indicated:

	31 December		
	2005	2004	2003
Interest on loans to customers	69,789	45,444	26,263
Interest on securities.....	6,524	3,682	4,257
Interest on deposits with other banks.....	1,973	701	298
Total interest income	78,286	49,827	30,818
Interest expense	(45,699)	(26,106)	(16,591)
Net interest income before impairment charge.....	32,587	23,721	14,227
Impairment charge	(15,359)	(19,251)	(10,391)
Net interest income after impairment charge	17,228	4,470	3,836

Total Interest Income

Total interest income increased by 57.1% to KZT 78,286 million for 2005 from KZT 49,827 million for 2004. The increase in interest income in 2005 as compared to 2004 was due to the growth in interest-earning assets by 61.1% from KZT 460,370 million in 2004 to KZT 741,617 million in 2005. Total interest income increased by 61.7% to KZT 49,827 million in 2004, compared to KZT 30,818 million in 2003. The increase in interest income in 2004 as compared to 2003 was due to the growth in interest-earning assets by 68.2% from KZT 273,626 million in 2003 to KZT 460,370 million in 2004.

The average yield on total interest-earning assets decreased to 10.6%, for the year ended 31 December 2005, compared to 10.8% for the year ended 31 December 2004, and 11.3% for the year ended 31 December 2003, as calculated by the Bank according to the unaudited accounting records of the Group as at 31 December 2005, 2004 and 2003, respectively.

Interest income on loans to customers increased by 53.6% to KZT 69,789 million for the year ended 31 December 2005, compared to KZT 45,444 million for the year ended 31 December 2004, as the average balance of outstanding loans in the Group's loan portfolio rose by 55.5% to KZT 523,033 million for the year ended 31 December 2005 from KZT 336,383 million for the year ended 31 December 2004, as calculated by the Bank according to the unaudited accounting records of the Bank for the year ended 31 December 2005 and 2004, respectively.

Interest income on loans in 2004 increased by 73.0%, compared to KZT 26,263 million in 2003. This year-on-year increase also reflected principally an increase of 75.9%, in the Group's average annual loan balances, which were KZT 336,383 million in 2004 and KZT 191,220 million in 2003 respectively as calculated by the Bank according to the unaudited accounting records of the Bank for the year ended 31 December 2004 and 2003. The continuing growth in the Group's loan portfolio was largely due to on-going improvement in the Kazakhstan economy and the resulting increase in the number of businesses requiring funding.

The higher loan balances in 2005 compared to 2004, and 2004 compared to 2003, were offset, however, by decreases in the average yield earned on loans in each of the later periods. As at 31 December 2005 and 2004, interest rates charged to borrowers ranged from 10.0% to 20.0% on Tenge-denominated loans, with the average interest rate on Tenge-denominated loans being 19.7%, while interest rates charged on U.S. Dollar loans ranged from 10.0% to 18.0% with the effective interest rate on U.S. Dollar-denominated loans being 11.3%. The overall average yield earned on loans for the year ended 31 December 2005 decreased to 13.3% compared to 13.5% and 13.7% for the years ended 31 December 2004 and 2003, respectively, as calculated by the Bank according to the unaudited accounting records of the Bank for the years ended 31 December 2005, 2004 and 2003, respectively. These

period-to-period decreases, in each case, largely reflected declining interest rates and competitive price pressures.

For the year ended 31 December 2005, interest income earned on the Group’s securities portfolio increased by 77.2% to KZT 6,524 million from KZT 3,682 million for 2004 largely as a result of the growth in the size of the Group’s securities portfolio between the years in line with the Bank’s objective to improve its liquidity position, which was only partially offset by declining average rates. Interest income on securities, however, was KZT 3,682 million for the year ended 31 December 2004, compared to KZT 4,257 million for the year ended 31 December 2003, reflecting a year-on-year decrease of 13.5%. This year-on-year decrease principally reflected a decrease in average interest rates, which more than offset the growth in the securities portfolio.

For the year ended 31 December 2005, the average balance of the Group’s securities portfolio, including financial assets at fair value through profit or loss, available-for-sale and held-to-maturity securities, was KZT 161,331 million, compared to KZT 107,630 million for 2004 respectively, reflecting an increase of 49.9%, as calculated by the Bank according to the unaudited accounting records of the Bank as at 31 December 2005 and 2004. The average annual balance of the Group’s securities portfolio was KZT 107,630 million in 2004, compared to KZT 69,797 million in 2003, reflecting a year-on-year increase of 54.2%. Average interest rates earned on the securities portfolio were 4.0%, 3.4% and 6.1% for 2005, 2004 and 2003, respectively, as calculated by the Bank according to the unaudited accounting records of the Bank as at 31 December 2005, 2004 and 2003, respectively.

Interest earned on bank deposits increased by 181.5% to KZT 1,973 million for the year ended 31 December 2005 from KZT 701 million for the same period in 2004, primarily as a result of the higher average balance of bank deposits maintained by the Group in 2005, which increased to KZT 57,253 million from KZT 16,357 million in 2004, as calculated by the Bank according to the unaudited accounting records of the Bank for the years ended 31 December 2005 and 2004, respectively. Interest earned on deposits in 2004 increased by 135.2%, compared to interest income on deposits of KZT 298 million for the year ended 2003. This increase was also primarily attributable to the higher average balance maintained by the Group at other banks in 2004, compared to 2003.

Interest Expense

The following table sets out certain information relating to the Group’s interest expense for the periods indicated:

	Year ended 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Interest on amounts due to the NBK, the government	(93)	(277)	(408)
Interest on loans and advances from other credit institutions...	(11,062)	6,040	(3,954)
Interest on customer accounts.....	(13,575)	(8,730)	(6,177)
Interest on debt securities issued.....	(20,969)	(11,059)	(6,052)
Total	(45,699)	(26,106)	(16,591)

For the year ended 31 December 2005, interest expense increased by 75.1% to KZT 45,699 million from KZT 26,106 million for the year ended 31 December 2004. Interest expense increased by 57.4% in 2004 from KZT 16,591 million in 2003. The increases in interest expense over each period were largely due to the growth in the Group’s deposit base, increased bank borrowings and the issuances of debt securities in 2005, 2004 and 2003, partially offset by reductions in average rates paid on customer accounts, bank borrowings and debt securities.

Average (calculated, in each case, by reference to the unaudited accounting records of the Bank as at the relevant year end based on the balances for the end of each month in the relevant year) balances of the Group’s interest-bearing customer deposits (including both corporate and retail deposits) were KZT 214,945 million in 2005, compared to KZT 142,846 million in 2004, reflecting a year-on-year increase of

50.5%, as calculated by the Bank according to the unaudited accounting records of the Bank for the years ended 31 December 2005 and 2004, respectively. Such average annual balances increased by 57.2% in 2004, compared to KZT 90,878 million in 2003, as calculated by the Bank according to the unaudited accounting records of the Bank for the years ended 31 December 2004 and 2003, respectively. The higher balances for each period were largely attributable to the generally improved economic conditions in Kazakhstan and the related improvement in the level of customer confidence in Kazakhstan banks.

Average interest rates paid on interest-bearing customer deposits for 2005, 2004 and 2003 were 6.3%, 6.1% and 6.8%, respectively, as calculated by the Bank according to the unaudited accounting records of the Bank for the years ended 31 December 2005, 2004 and 2003. The increase in the average interest rates paid during the year ended 31 December 2005, compared to year ended 31 December 2004 primarily reflected the growth in the volume of customer deposits having a term of more than three months from 36.1% to 43.2% of the total amount of term deposits, as well as the increase in the term of such deposits. The decrease in the average rates paid in 2004, as compared to 2003, primarily reflected the declining rate environment globally as most of the Group's term deposits bear rates prescribed by the Fund for Guaranteeing Deposits, which continually lowered rates throughout the latter year in line with movements in global rates.

For the year ended 31 December 2005, interest expense on issued debt securities increased by 89.6% to KZT 20,969 million from KZT 11,059 million for year ended 31 December 2004. Interest on debt securities issued increased by 82.7% in 2004 from KZT 6,052 million in 2003. In each case, the primary reason for the increase was the higher average balances of debt securities outstanding. See "Selected Statistical and other Information - Funding Sources - Bank Loans and Similar Financings".

Net Interest Income before Impairment Charge

For the year ended 31 December 2005, net interest income before impairment charge increased to KZT 32,587 million from KZT 23,721 million for the year ended 2004, reflecting an increase of 37.4%. Net interest income before impairment charge increased for the year ended 31 December 2004 from KZT 14,227 million for the year ended 31 December 2003, reflecting an increase of 66.7%.

The Group's net interest margin, defined as net interest income before impairment charge as a percentage of average interest-earning assets, was 4.4% for the year ended 31 December 2005, compared to 5.2% for 2004 and 5.2% for 2003. The lower margin for the year ended 31 December 2005, compared to 2004 and 2003, was primarily attributable to decreases in the average interest rate received on interest-earning assets as well as increases in the Bank's average cost of funds due to the change in the structure of the Bank's funding sources to the major international borrowings and several issuances of debt securities by the Bank. In recent periods, excess liquidity in the Kazakhstan banking sector has led to loan pricing pressures. The Bank constantly monitors its interest rate margins and spreads. While no assurance can be given, the Bank believes that, despite the declining margins, it will be able to maintain an adequate spread at the same level between its cost of funds and the rates earned on its loans.

Impairment Charge

Impairment charges (including in respect of amounts due from credit institutions) taken by the Group for the year ended 31 December 2005 decreased by 20.2% to KZT 15,359 million, compared to KZT 19,251 million in 2004, largely reflecting the improvement in the quality of the Group's assets, notwithstanding the increase in size of the loan portfolio as at 31 December 2005, compared to 2004. Impairment charges taken by the Group in 2004 were KZT 19,251 million which was 85.3% higher than impairment charges of KZT 10,391 million in 2003, principally reflecting the year-on-year growth in the loan portfolio.

The Group's total allowance for loan impairment as at 31 December 2005 increased by 34% to KZT 40,311 million from KZT 29,633 million as at 31 December 2004. Allowance for loan impairment as at 31 December 2003 was KZT 15,271 million. The Group's increasing allowance for interest-earning assets impairment primarily reflected the year-on-year increase, in the size of the Group's loan portfolio, which grew by 64.1% to KZT 720,696 million as at 31 December 2005 from KZT 439,150 million as at 31 December 2004, after having grown 72.1% in 2004 from KZT 255,118 million as at 31 December 2003. As a result, the allowance for loan impairment as a percentage of gross loans decreased to 5.6% as at

31 December 2005, compared to 6.7% as at 31 December 2004. See “Asset and Liability Management - Lending Policies and Procedures”.

For the year ended 31 December 2005, net write-offs were KZT 5,208 million (representing KZT 8,682 million in gross write-offs less KZT 3,474 million in recoveries), compared to net write-offs of KZT 4,362 million (representing KZT 8,129 million in gross write-offs less KZT 3,767 million in recoveries) for 2004 and to net write-offs of KZT 5,286 million (representing gross write-offs of KZT 6,762 million less KZT 1,476 million in recoveries) for 2003. See “Asset and Liability Management – Write-off Policy.”

Non-Interest Income

The following table sets out certain information on the Group’s non-interest income for the periods indicated:

	Year ended 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Fees and commissions, net.....	12,454	8,994	6,319
Gains from financial assets at fair value through profit or loss, net	3,015	38	589
Foreign exchange gains, net	794	7,595	2,553
Loss/gain from insurance operations.....	539	(478)	(260)
Other income	1,139	567	1,002
Total	17,941	16,716	10,203

Fees and Commissions

Fee and commission income increased by 39.2% for the year ended 31 December 2005 to KZT 12,943 million compared to KZT 9,297 million for 2004. This increase was attributable to the increases in fees and commissions related to cash transactions, securities and currency trading and transfer operations. Fee and commission income for 2004 increased by 44.0% compared to KZT 6,456 million in 2003, principally reflecting the growth in documentary fees related to trade financing activities and fees and commissions earned on credit and debit card transactions. Growth in documentary fees related to trade financing activities also contributed to the increase in fees and commissions in 2005, compared to 2004, and were the primary factors contributing to the increase in fees and commissions in 2004, compared to 2003.

Fee and commission expense increased to KZT 489 million for the year ended 31 December 2005 compared to KZT 303 million, for the year ended 31 December 2004, and KZT 137 million for the year ended 31 December 2003, representing year-on-year increases of 61.4% and 121.2%, respectively.

Reflecting the foregoing, net fees and commissions increased by 38.5% for the year ended 31 December 2005 to KZT 12,454 million, compared to KZT 8,994 million for 2004, and by 42.3% for the year ended 31 December 2004, compared to KZT 6,319 million for the year ended 31 December 2003. In each case, the increases were primarily due to increases in the volume of transactions.

Gains and Losses from Financial Assets at Fair Value through Profit or Loss

For the year ended 31 December 2005, the Group had a net gain on financial assets at fair value through profit or loss of KZT 3,015 million, compared to a net gain of KZT 38 million for the year ended 31 December 2004. This increase was due to the increase of securities sale-purchase transactions.

For the year ended 31 December 2004, the Groups’ net gain on financial assets at fair value through profit or loss decreased by 93.5% or KZT 551 million, compared to the year ended 31 December 2003. This decrease was largely due to the decrease in the market value of securities over the period.

Gains and Losses from Foreign Currencies

Gains and losses arising from the translation of foreign currency-denominated assets and liabilities, which are reported in the income statement as gains less losses from foreign currencies, comprised a gain, of KZT 794 million for the year ended 31 December 2005, compared to a gain of KZT 7,595 million for the year ended 31 December 2004 reflecting a decrease by 89.5%, due to losses from currency revaluations required by the appreciation in Tenge/U.S. Dollar exchange rate from KZT 130.00 as at 31 December 2004 to KZT 133.98 as at 31 December 2005 in the context of the Group's long currency position and the higher average amount of indexed loans denominated in Tenge, but with payments indexed to the KZT/U.S. Dollar exchange rate, extended by the Bank as due for the year ended 31 December 2005.

The Group's gain from foreign exchange operations for 2004, compared to the gain of KZT 2,553 million for 2003, principally reflecting the appreciation of the Tenge in relation to the U.S. Dollar over the period and the application of the Group's policy on hedging of currency risks.

Insurance Income (Loss)

The Group reported net insurance gains of KZT 539 million for the year ended 31 December 2005, compared to a net loss of KZT 478 million in 2004. This increase primarily reflected the increased presence of the Group in the insurance market of Kazakhstan.

The increase in net underwriting losses in 2004 by 83.8%, compared to KZT 260 million in 2003, resulted primarily from an increase in the reserve for insurance losses and loss adjustment expenses due to an increase in claims paid and reported for 2004, as well as competitive pressures in the industry that led to pricing limitations and higher marketing costs.

Other Income

Other income increased by 100.9% to KZT 1,139 million for the year ended 31 December 2005, compared to KZT 567 million for the year ended 31 December 2004, largely due to increases in income related to the selling of inventory reserves.

Other income decreased by 43.4% for the year ended 31 December 2004, compared to KZT 1,002 million for the year ended 31 December 2003. This year-on-year decrease, was largely attributable to a reduction in currency translation revenues, partially offset by an increase in customer charges.

Non-interest Expense

The following table shows the composition of the Group's non-interest expense for the periods indicated:

	Year ended 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Salaries and other employee benefits.....	(6,930)	(4,388)	(3,432)
Administrative and other operating expenses	(7,083)	(4,537)	(3,919)
Depreciation and amortisation.....	(892)	(1,029)	(926)
Taxes other than income tax.....	(1,051)	(940)	(614)
Loss on disposal of subsidiaries	(850)	-	-
Other provisions	(1,642)	(2,293)	(338)
Other	(446)	(371)	(451)
Total	(18,894)	(13,558)	(9,680)

Non-interest expense increased by 39.4% for the year ended 31 December 2005 to KZT 18,894 million, compared to KZT 13,558 million for 2004 and by 40.1% in 2004 compared to KZT 9,680 million for 2003. The year-on-year increases in non-interest expense were, in each case, mainly due to increases in

salaries and benefits, deposit insurance expenses, and administrative and operating expenses and in the case of the increase in 2004, compared to 2003, depreciation and amortisation taxes other than income tax.

Salaries and Benefits

Salaries and benefits increased by 57.9% to KZT 6,930 million for the year ended 31 December 2005, compared to KZT 4,388 million in 2004. The increase was primarily attributable to the increase in salaries paid to the Group's employees. Salaries were, in turn, higher, reflecting both increases in inflation and in the number of employees, which rose by 25.6% to 4,793 employees as at 31 December 2005 from 3,817 employees in 2004.

Salaries and benefits increased by 27.9% for 2004, compared to KZT 3,432 million for 2003. The increase for 2004, compared to 2003, was also largely attributable to salary increases, which, in turn, again reflected the increase in the number of employees by 596 persons as at 31 December 2004 from 3,221 persons at 31 December 2003.

Administrative and Other Operating Expenses

The following table shows the composition of the Group's other administrative and operating expenses for the periods indicated:

	Year ended 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Occupancy and rent.....	(1,141)	(794)	(312)
Marketing and advertising	(1,108)	(744)	(447)
Security	(827)	(361)	(279)
Repair and maintenance of property and equipment	(659)	(403)	(754)
Business travel and related expenses.....	(547)	(311)	(180)
Data processing	(510)	(355)	(157)
Communications.....	(480)	(343)	(292)
Legal services and consultancy	(390)	(358)	(388)
Transportation expenses.....	(306)	(155)	(158)
Loss on disposals of property and equipment.....	(182)	(30)	(63)
Office supplies.....	(159)	(71)	(75)
Custom duties	(7)	(3)	(53)
Other	(767)	(609)	(761)
	(7,083)	(4,537)	(3,919)

Total administrative and other operating expenses increased by 56.1% to KZT 7,083 million for the year ended 31 December 2005, compared to KZT 4,537 million for 2004. Occupancy and rent expenses, marketing and advertising costs and security charges represented the largest contributing factors to this increase.

Administrative and other operating expenses increased by 15.8% for 2004, compared to KZT 3,919 million for 2003. Higher occupancy and rent expenses, marketing and advertising fees, security charges and repair and maintenance costs represented the largest contributing factors to the increase in these expenses for 2004, compared to 2003.

Occupancy and rent increased to KZT 1,141 million for the year ended 31 December of 2005, compared to KZT 794 million for the year ended 31 December 2004, reflecting an increase by 43.7%. Occupancy and rent expenses for 2004 increased by 154.5% compared to KZT 312 million for 2003. These increases primarily resulted from the acquisition of real estate necessary to support the growth of the Group's business.

Marketing and advertising expenses were KZT 1,108 million for the year ended 31 December 2005, reflecting an increase of 48.9% compared to marketing and advertising expenses of KZT 744 million for

2004. Such expenses had increased by 66.4% in 2004, compared to KZT 447 million of such expense for 2003. These year-on-year increases were, in each case, mainly attributable to the higher level of advertising conducted by the Group in line with the expansion of its business and the launching of new products.

Security charges increased by 129.1% to KZT 827 million in 2005, compared to KZT 361 million in 2004, and by 29.4% in 2004 compared to 2003.

Repair expenses were KZT 659 million for the year ended 31 December 2005, reflecting an increase of 63.5%. Repair and maintenance expenses decreased by 46.6% to KZT 403 million for 2004. Repairs and maintenance expenses had decreased in 2004 compared to KZT 754 million of such expense for 2003.

Business travel and related expenses increased to KZT 547 million for 2005, compared to KZT 311 million for 2004 and KZT 180 million in 2003, reflecting year-on-year increases of 75.9% and 72.8%, respectively.

Legal and consultancy fees for the year ended 31 December 2005, increased by 8.9% to KZT 390 million, compared to KZT 358 million for 2004. The increase in 2005 compared to 2004 was mainly due to new borrowings and new developments in the Group's activities. Legal and consultancy fees for the year ended 31 December 2004 had decreased KZT 358 million by 7.7%, compared to KZT 388 million for the year ended 31 December 2003. This year-on-year decrease was mainly attributable to optimization of expenditure and the change of consultants.

Other expenses increased by 25.9% to KZT 767 million in 2005, compared to KZT 609 million in 2004 reflecting mainly an increase of expenses pertaining to the overall growth of the Group's business. Other expenses decreased by 20% for 2004, compared to KZT 761 million for 2003. This increase was attributable to higher taxes and customs fees, compared to 2003, although the increases in these component costs were partially offset by reductions in repairs and maintenance and legal and consultancy fees over the periods.

Depreciation and Amortisation

Depreciation and amortisation expenses for the year ended 31 December 2005 decreased by 13.3% to KZT 892 million for the year ended 31 December 2005 from KZT 1,029 million for 2004. This decrease was mainly due to the decrease in the carrying amount of fixed assets resulting from deconsolidation of Kazco Construction and BTA ORIX Leasing (formerly BTA Leasing), in June 2005. Depreciation and amortisation charges increased by 11.1% in 2004 as compared to KZT 926 million for 2003. This year-on-year increase was, in contrast, largely due to a higher carrying amount of fixed assets.

Taxes other than Income Tax

Taxes (other than income taxes) increased to KZT 1,051 million for the year ended 31 December of 2005, compared to KZT 940 million for the year ended 31 December 2004, reflecting an increase of 11.8%. This year-on-year increase in tax expenses was mainly attributable to higher value-added taxes, land taxes and other taxes, duties and mandatory payments required to be made under the national budget. In particular, the increase in land taxes was, attributable to the growth in the Group's real estate holdings, as properties were acquired for the installation of ATMs and also has acquired real estate properties in satisfaction of bad debts.

Taxes (other than income taxes) were KZT 940 million for the year ended 31 December 2004, compared to KZT 614 million for the year ended 31 December 2003, reflecting an increase of 53.1%, largely due to the increase in VAT.

Loss on Disposal of Subsidiaries

In 2005, the Group incurred a loss on disposal of subsidiaries of KZT 850 million following the sale of Real Estate Commerce L.L.P and part of the Bank's ownership interests in OJSC Turan Alem Capital and BTA ORIX Leasing, respectively.

Other Provisions

Other provisions decreased by 28.4% for 2005 to KZT 1,642 million from KZT 2,293 million for 2004. The decrease of other provisions in 2005, compared to 2004, was largely due to the decreases in general provisions for contingent obligations and in special provisions for indebtedness of the Bank associated with non-banking activities. Other provisions increased by 578.4% in 2004, compared to other provisions of KZT 338 million for 2003. The increase in 2004, compared to 2003, was also largely attributable to the increase in special provisions for indebtedness of the Bank associated with non-banking activities.

Other Non-Interest Expenses

Other non-interest expenses increased by 20.2% to KZT 446 million for the year ended 31 December 2005 from KZT 371 million for the year ended 31 December 2004, after decreasing by 17.7% in 2004 from KZT 451 million for the year ended 31 December 2003. Other non-interest expenses for 2005 and 2004 were comprised of expenses for deposit insurance of KZT 446 million and KZT 371 million, respectively. The increase in expenses for deposit insurance in 2005, compared to 2004 and 2003, was due to the increase in the volume of the Bank's deposits, required to be insured. Other non-interest expenses for 2003 included principally expenses for deposit insurance (KZT 306 million) and expenses on banking and non-banking activities (KZT 145 million).

Taxation

Kazakhstan tax regulations do not provide for the filing of consolidated income tax returns. Accordingly, the Bank and its subsidiaries file individual tax returns. In 2005, the Group reported income tax expense of KZT 1,569 million or an effective tax rate of 9.6%, (before the inclusion of additional taxes resulting from a tax audit) compared to the current statutory income tax rate applicable to the Bank of 30.9%. While the operations of the Bank and its subsidiaries are expanding, management believes that the effective tax rate on any future taxable income will remain below the statutory rate.

In 2004, the Tax Committee of Finance Ministry of the Republic of Kazakhstan completed a comprehensive tax audit of the Bank for 2002 and 2003. Following the audit, additional taxes totalling KZT 251 million were assessed and paid by the Bank. This assessment was an outcome of increased income from the return of provisions, inconsistencies in provisions of the Kazakhstan tax laws and the lack of an agreed method for the calculation of income from the return of provisions. No tax penalties were imposed on the Bank in connection with the tax audit.

Financial Condition

Total Assets

As at 31 December 2005, the Group's total assets were KZT 997,805 million, compared to KZT 618,302 million as at 31 December 2004 and KZT 373,064 million as at 31 December 2003, reflecting increases of 61.4% and 65.7%, respectively.

The following table sets out a breakdown of the Group's total assets (not including allowances), by currency as at the dates indicated:

	As at 31 December								
	2005			2004			2003		
	KZT	Foreign Currency	Total	KZT	Foreign Currency	Total	KZT	Foreign Currency	Total
	<i>(KZT, millions)</i>								
Cash and cash equivalents	57,134	61,997	119,131	34,225	17,515	51,740	15,093	6,598	21,691
Obligatory reserves	10,791	—	10,791	6,971	—	6,971	3,706	—	3,706
Financial assets at fair value through profit or loss	18,852	91,400	110,252	46,125	56,057	102,182	11,648	49,943	61,591
Amounts due from credit institutions	4,059	19,617	23,676	425	6,140	6,565	78	5,915	5,993
Available-for-sale securities	2,462	39,944	42,406	1,283	24,143	25,426	868	3	871
Held-to-maturity securities	—	—	—	—	—	—	3	26,285	26,288
Loans to customers	163,450	557,246	720,696	109,992	329,158	439,150	78,426	176,692	255,118
Investments in associates	1,288	917	2,205	—	331	331	—	—	—
Other assets	5,749	1,342	7,091	6,633	491	7,124	6,307	364	6,671
Total assets (before allowances)	263,785	772,463	1,036,248	205,654	433,835	639,489	116,129	265,800	381,929

The increase in total assets as at 31 December 2005, compared to 31 December 2004, was primarily due to the growth in the Bank's loan portfolio by 66.1% from KZT 409,517 million as at 31 December 2004 to KZT 680,385 million as at 31 December 2005 and in the Bank's securities portfolio by 19.6% or by 25,050 from KZT 127,608 million as at 31 December 2004 to KZT 152,658 million as at 31 December 2005. The Group also increased its net monetary position (cash, cash equivalents and obligatory reserves) by 121.3% from KZT 58,711 million as at 31 December 2004 to KZT 129,922 million as at 31 December 2005. The higher total assets as at 31 December 2004, compared to 31 December 2003, were primarily due to increases in the loan portfolio by 70.7%, and in the securities portfolio by 43.8%. The increases in both loans and financial assets at fair value through profit or loss were in conformity with the Bank's strategy and budget and reflected overall growth in the business.

As at 31 December 2005, investments in associates increased by 6.7 times to KZT 2,205 million compared to KZT 331 million as at 31 December 2004, primarily due to the new investments made by the Bank in JSC BTA Silk Road Bank and CJSC BTA InvestBank during 2005 and the reclassification of the Group's share in the net assets of JSC Astanaeximbank, and a decrease in the Group's share in net assets of JSC BTA Insurance and JSC BTA ORIX Leasing, respectively as investments in associates to less than 50%, while these two entities were previously accounted for as subsidiaries, as the Bank reduced its interests in these entities to less than 50%.

Other assets increased by 4.7% to KZT 7,019 million as at 31 December 2005 from KZT 6,701 million as at 31 December 2004, which, had, in turn, increased by 5.8% from other assets of KZT 6,332 million as at 31 December 2003. The increases as at 31 December 2005, compared to 31 December 2004, and as at 31 December 2004, compared to 31 December 2003, were due to the increases in overdue bank services commissions for guarantees, accrued commissions for documentary and other prepayments in each of the following years.

Total liabilities

As at 31 December 2005, the Bank's total liabilities of KZT 910,697 million were 59.4% higher than total liabilities of KZT 571,382 million as at 31 December 2004, which had, in turn, increased by 65.2% from KZT 345,786 million as at 31 December 2003. The increase in total liabilities as at 31 December 2005, compared to 31 December 2004, was primarily attributable to the increase in debt securities issued by the Bank by KZT 117,930 million and the increase in deposits held by the Bank by KZT 80,004 million. The increase in total liabilities as at year-end 2004, compared to year-end 2003, primarily consisted of an increase of KZT 26,545 million in bank borrowings, an increase of KZT 107,905 million in debt securities issued and an increase of KZT 86,392 million in deposits held by the Bank.

The following table sets out a breakdown of the Group's total liabilities by currency as at the dates indicated:

	2005			2004			2003		
	KZT	Foreign currency	Total	KZT	Foreign currency	Total	KZT	Foreign currency	Total
Liabilities:									
Amounts due to the Government and the NBK	458	386	844	3,885	539	4,424	4,263	927	5,190
Amounts due to credit institutions	12,859	280,188	293,047	20,252	128,079	148,331	9,125	112,661	121,786
Amounts due to customers	144,122	162,592	306,714	122,789	103,921	226,710	69,043	71,275	140,318
Debt securities issued	55,769	244,240	300,009	23,925	158,154	182,079	7,598	66,576	74,174
Other liabilities	9,423	660	10,083	9,276	562	9,838	3,982	336	4,318
Total liabilities	222,631	688,066	910,697	180,127	391,255	571,382	94,011	251,775	345,786

As at 31 December 2005, other liabilities were KZT 10,083 million, reflecting an increase of 2.5% from other liabilities of KZT 9,838 million as at 31 December 2004, which were, in turn, 127.8% higher than other liabilities of KZT 4,318 million as at 31 December 2003. The increase in other liabilities as at 31 December 2005, compared to 31 December 2004, primarily reflected higher balances due to creditors for tax and other mandatory payments to the budget, payments to the shareholders, and other transit accounts payable to creditors not related to the Bank's Banking operations, which were only partially offset by decreases in certain balances owed to other creditors also in connection with the increase in other liabilities as at year-end 2004, compared to year-end 2003, was primarily attributable to the higher balances due to a number of creditors related to the Bank's non-banking activities and the increase in reserves (provisions) for contingent liabilities.

Shareholders' Equity

The following table sets out a breakdown of the Group's shareholders' equity as at the dates indicated:

	As at 31 December 2005	As at 31 December 2004	Change from 31 December 2004 to 31 December 2005	
	<i>(KZT millions)</i>	<i>(KZT millions)</i>	<i>(KZT millions)</i>	(%)
Shareholder's Equity				
Share capital.....	36,331	23,245	13,086	56.3
Common shares	33,276	22,405	10,871	48.5
Preferred shares.....	3,055	840	2,215	263.7
Treasury stock.....	(348)	(516)	168	(32.6)
Additional paid-in capital	19,184	5,996	13,188	219.9
Revaluation reserve	510	2,429	(1,919)	(79.0)
Retained earnings.....	30,213	14,099	16,114	114.3
Minority interest.....	1,218	1,667	(449)	26.9
Total shareholders' equity	87,108	46,920	40,188	85.7

Total shareholders' equity as at 31 December 2005 was KZT 87,108 million (8.7% of total assets), compared to total shareholders' equity of KZT 46,920 million (7.6% of total assets) as at 31 December 2004. The higher shareholders' equity as at 31 December 2005, compared to 31 December 2004, reflected primarily the increase in the Bank's share capital resulting from the ninth share issue which was completed in relation to the common shares at the end of December 2005, as well as the increase in retained earnings over the period.

As at 31 December 2005, the authorised share capital of the Bank consisted of 3,421,516 common shares and 305,520 non-redeemable CPS. As at 31 December 2004, the issued and paid-up share capital of the Bank consisted of 2,334,435 common shares and 84,021 non-redeemable CPS. As at 31 December 2005, the Group held 16,600 of such common shares as treasury stock (compared to 33,450 common shares as at 31 December 2004 and 41,104 common shares as at 31 December 2003 held as treasury stock). For a more detailed discussion of the Bank's share capital, including a description of the terms of the CPS, see "Business – Management and Share Ownership – Principal Shareholders".

Off-Balance Sheet Arrangements

The Group enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include guarantees, letters of credit, forward contracts and option contracts, involve varying degrees of credit risk and are not reflected in the Group's balance sheet.

As at 31 December 2005, the Group had issued letters of credit totalling KZT 81,900 million, guarantees and other contingent obligations (comprising principally surety for promissory notes) totalling KZT 55,683 million. As at 31 December 2005, the aggregate amount outstanding under forward contracts was immaterial. As at 31 December 2004, the Group had issued letters of credit totalling KZT 64,845 million, guarantees and other contingent obligations (comprised principally surety for promissory notes) totalling KZT 46,204 million and had forward contracts for the amount of KZT 3,045 million. In 2003 the Group had issued letters of credit totalling KZT 45,141 million; guarantees and other contingent obligations totalling KZT 24,447; and forward contracts in the amount of KZT 12,478 million. The Group's maximum exposure to credit losses for guarantees and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

As at 31 December 2005, the Group had recorded an impairment charge for contingent liabilities of KZT 3,478 million, compared to KZT 2,031 million as at 31 December 2004 and KZT 319 million as at 31 December 2003.

The Group did not have any significant commitments as at 31 December 2005 or 31 December 2004 or 2003 other than as discussed above.

The Group applies the same credit control and management policies to its off-balance sheet commitments as it does to its on-balance sheet operations.

Capital Adequacy

The following table gives certain information regarding the Group's Tier I and Tier II capital and risk weighted capital adequacy ratio as at the dates indicated based on the Group's consolidated financial statements prepared in accordance with IFRS and unaudited accounting records of the Bank as at 31 December 2005:

	Year ended 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>	<i>(KZT millions)</i>	
Tier I capital	85,380	41,984	25,948
Tier II capital.....	42,929	30,070	16,607
Gross available capital.....	128,309	72,054	42,555
Less investments.....	(2,205)	(1,876)	(870)
Tier I + Tier II capital.....	126,104	70,178	41,685
Risk weighted assets	782,534	481,182	290,652
BIS Tier I capital adequacy ratio ⁽¹⁾	10.91%	8.73%	8.93%
BIS Tier I + Tier II capital adequacy ratio ⁽²⁾	16.11%	14.58%	14.34%

Notes:

(1) Comprising Tier I capital divided by total risk weighted assets calculated in accordance with the Basel Accord.

(2) Comprising Tier I + Tier II capital divided by total risk weighted assets calculated in accordance with the Basel Accord.

Using ratios established by the BIS to monitor capital adequacy, the Bank had a Tier I capital adequacy ratio of 10.91% as at 31 December 2005, compared to 8.73% as at 31 December 2004, and a risk weighted capital adequacy ratio (comprising Tier I + Tier II capital divided by total risk weighted assets) of 16.11% as at 31 December 2005, compared to 14.58% as at 31 December 2004. Following the introduction of revised IAS 32 and IAS 39, the Bank was required to reclassify the redeemable CPS from equities into liabilities, while the non-redeemable CPS continued to be classified as Tier I capital. See "Capitalisation of the Bank" and "Management and Share Ownership – Principal Shareholders – The Bank's CPS".

In accordance with the resolution of the meeting of the Bank's shareholders held on 10 June 2004, the Bank's shareholders approved an increase in the Bank's authorised share capital by KZT 13,632 million, consisting of 615,287 common shares and 204,004 CPS. According to the Bank's unaudited accounting records, as at 31 December 2005 all of such new shares of this eighth issue were placed principally among the existing shareholders for the aggregate amount of KZT 13,632 million. Following this eighth share issuance, the ratio of common and preferred shares issued by the Bank remained at the same level (75.1% common shares and 24.9% preferred shares).

In accordance with the resolution of the meeting of the Bank's shareholders held on 20 May 2005, the Bank's shareholders approved a further increase in the Bank's authorised share capital by KZT 29,161 million, consisting of 1,087,081 common shares and 360,431 CPS, which comprise the ninth issue of shares by the Bank and are being placed principally among the Bank's existing shareholders. According to the unaudited accounting records of the Bank as at 31 December 2005, 1,087,081 common shares and 100,389 non-redeemable CPS had been subscribed for an aggregate amount of

KZT 23,922 million. The management of the Bank believes that this additional capital increase shall enable the Bank to continue the growth of its business in the future.

In addition, on 26 January 2006, TuranAlem Finance Luxembourg S.A. completed the Hybrid Securities Issue. For the purpose of calculation of Basel Tier I capital adequacy, hybrid financial instruments are included up to 15% of the Bank's Tier I capital. In accordance with IFRS these hybrid financial instruments are treated as perpetual debt and recorded within long term liabilities. The proceeds from the Hybrid Securities Issue were initially on-lent to TuranAlem Finance, which, in turn, further on lent the funds to the Bank on a subordinated basis. Initially, U.S.\$100,000,000 of the Hybrid Securities Issue qualified as Tier I capital and the balance as Tier II capital. As the total regulatory capital of the Bank increases, Management plans from time to time to reclassify all or a portion of the Hybrid Securities Issue initially treated as Tier II as Tier I capital.

ASSET AND LIABILITY MANAGEMENT

Introduction

The Bank monitors its interest rate and exchange rate exposure and the maturities of its financial instruments in order to minimise the effect of market changes on the Bank's profitability and liquidity. The Bank has a relatively liquid asset base, including substantial Tenge and U.S. Dollar demand deposits (net of accrued interest), comprised, as at 31 December 2005, 61.5% of corporate deposits and 38.5% of retail deposits. In addition, as at 31 December 2005, 80.4% of the Bank's loans were denominated in foreign currencies or indexed to the U.S. Dollar and the majority of loans in the Bank's loan portfolio had short-term maturities. Accordingly, the Bank's interest rate risk is relatively low and, despite the size of the portfolio, adjusting the profile of the portfolio is relatively straightforward for the Bank.

Asset and Liability Management Committee

The overall asset and liability position of the Bank is monitored by the Bank's Asset and Liability Management Committee ("ALCO"), which reports directly to the Management Board with respect to issues relating to the day-to-day operations of the Bank or, in the case of matters relating to the Group's strategy, directly to the Board of Directors. ALCO is chaired by one of the Bank's Deputy Chairmen. The Committee consists of: the First Deputy Chairman, two Deputy Chairmen, the Treasurer, the Executive Directors, the Head of Budget Planning Department, and the Managing Director of customer relations. ALCO meets on a weekly basis to review the Bank's asset and liability position by reference to the following criteria, based on information provided by the Analytical Centre:

- size and maturity of assets and liabilities;
- the Bank's foreign currency position;
- operational ratios in terms of the regulations established by the FMSA; and
- exchange rates and other economic data.

Based on its review of this information, ALCO determines short-term policies for the forthcoming week with the aim of increasing interest and non-interest income for the Bank, while maintaining adequate liquidity, complying with prudential standards and regulations and minimising the impact of financial market risks so as to maintain the Bank's attractiveness to depositors. Policies proposed by ALCO are reviewed and approved by the Bank's senior management, which has overall responsibility for ensuring that the asset and liability maturity profiles are prudent considering prevailing market conditions, consistent with the Bank's strategy and in compliance with all of the FMSA's requirements and limitations.

Maturities

The following tables set out a breakdown of the Group's banking assets and liabilities by maturity as at 31 December 2005, 2004 and 2003 and contain certain information regarding interest rate risk faced by the Bank. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they fall due. See also "Funding and Liquidity".

As at 31 December 2005

	On Demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	Total
<i>(KZT millions)</i>								
Assets								
Cash and cash equivalents ...	76,004	33,438	9,689	–	–	–	–	119,131
Obligatory reserves	–	–	–	–	10,791	–	–	10,791
Financial assets at fair value through profit or loss	110,252	–	–	–	–	–	–	110,252
Amounts due from other financial institutions	47	754	3,296	7,405	2,022	10,152	–	23,676
Available-for-sale securities	–	444	2,867	206	9,926	28,963	–	42,406
Loans to customers	746	32,632	65,986	207,423	106,060	298,926	8,923	720,696
Investments in associates	–	–	–	–	–	2,205	–	2,205
Other assets	248	23	3,740	451	58	2,571	–	7,091
	187,297	67,291	85,578	215,485	128,857	342,817	8,923	1,036,248
Liabilities								
Amounts due to the NBK and the Government	–	35	–	101	203	505	–	844
Amounts due to other financial institutions	279	61,942	6,175	148,213	48,435	28,003	–	293,047
Amounts due to customers	81,869	33,017	59,379	99,086	27,852	5,511	–	306,714
Debt securities issued	–	–	–	672	38,375	260,962	–	300,009
Other liabilities	1,860	84	3,562	2,821	1,095	661	–	10,083
	84,008	95,078	69,116	250,893	115,960	295,642	–	910,697
Net position	103,289	(27,787)	16,462	(35,408)	12,897	47,175	8,923	125,551
Accumulated gap	103,289	75,502	91,964	56,556	69,453	116,628	125,551	

Note:

- (1) In this table, financial assets at fair value through profit or loss are listed as maturing within less than one month due to the relatively liquid market for such securities. Realising such assets on demand is dependent upon prevailing financial market conditions.
- (2) The maturity amount is based on the contractual maturity date. The actual maturity may differ as the maturities may be extended or rolled over to update interest rates and facilitate longer-term financing for the borrower.

As at 31 December 2004

	On Demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	Total
<i>(KZT millions audited)</i>								
Assets								
Cash and cash equivalents	24,366	26,809	565	–	–	–	–	51,740
Obligatory reserves	–	–	–	–	6,971	–	–	6,971
Financial assets at fair value through profit or loss	102,182	–	–	–	–	–	–	102,182
Amounts due from other financial institutions	57	2,068	617	823	1,188	1,682	130	6,565
Available-for-sale securities	–	–	382	111	30	24,903	–	25,426
Loans to customers	3,488	22,288	26,666	110,320	96,876	175,699	3,813	439,150
Investments in associates	–	–	–	–	–	331	–	331
Other assets	4,379	80	1,819	119	131	596	–	7,124
	134,472	51,245	30,049	111,373	105,196	203,211	3,943	639,489
Liabilities								
Amounts due to the NBK and the Government	–	83	3,006	168	488	679	–	4,424
Amounts due to other financial institutions	54	14,198	19,976	77,821	22,051	14,231	–	148,331
Amounts due to customers	63,186	50,893	30,888	49,786	26,380	5,577	–	226,710
Debt securities issued	4,196	9,340	112	2,145	25,600	140,686	–	182,079
Other liabilities	7,109	52	1,704	567	318	88	–	9,838
	74,545	74,566	55,686	130,487	74,837	161,261	–	571,382
Net position	59,927	(23,321)	(25,637)	(19,114)	30,359	41,950	3,943	68,107
Accumulated gap	59,927	36,606	10,969	(8,145)	22,214	64,164	68,107	

Note:

- (1) In this table, financial assets at fair value through profit or loss are listed as maturing within less than one month due to the relatively liquid market for such securities. Realising such assets on demand is dependent upon prevailing financial market conditions.

- (2) The maturity amount is based on the contractual maturity date. The actual maturity may differ as the maturities may be extended or rolled over to update interest rates and facilitate longer-term financing for the borrower.

As at 31 December 2003

	On Demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	Total
<i>(KZT millions audited)</i>								
Assets								
Cash and cash equivalents	13,162	8,405	124	–	–	–	–	21,691
Obligatory reserves	–	–	–	–	3,706	–	–	3,706
Financial assets at fair value through profit or loss	61,591	–	–	–	–	–	–	61,591
Amounts due from credit institutions	50	1,876	144	1,129	1,829	965	–	5,993
Available-for-sale investment securities	–	–	–	–	–	871	–	871
Held-to-maturity investment securities	–	–	–	–	–	26,288	–	26,288
Loans to customers	–	21,918	25,454	76,059	51,795	75,056	4,836	255,118
Other assets	3,668	152	294	295	2,262	–	–	6,671
	78,471	32,351	26,016	77,483	59,592	103,180	4,836	381,929
Liabilities:								
Amount due to the Government and the NBK ..	–	3,071	1	604	614	900	–	5,190
Amounts due to credit institutions	1,533	21,394	10,023	47,591	27,383	13,862	–	121,786
Amounts due to customers	41,286	17,723	19,252	50,598	8,678	2,781	–	140,318
Debt securities issued	–	–	–	15,048	14,422	44,704	–	74,174
Other liabilities	3,900	243	33	25	65	52	–	4,318
	46,719	42,431	29,309	113,866	51,162	62,299	–	345,786
Net position	31,752	(10,080)	(3,293)	(36,383)	8,430	40,881	4,836	36,143
Accumulated gap	31,752	21,672	18,379	(18,004)	(9,574)	31,307	36,143	

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. Long-term credits and overdraft facilities are generally not available in Kazakhstan except for programs set up by international financial institutions. Many short-term credits, however, are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented in the tables above. In addition, the maturity gap analysis does not reflect the historical stability of current accounts. While these balances are included in amounts due in less than one month in the tables above, their actual liquidation has historically taken place over a longer period. Conversely, while financial assets at fair value through profit or loss and available-for-sale securities are shown as on demand, realising such assets upon demand is dependent upon financial market conditions.

Liquidity

Liquidity is managed centrally on a real-time basis by the Bank's Treasury Department according to the requirements and forecasts for all of the Bank's divisions and branches in Kazakhstan. The Bank is able to obtain liquid funds quickly in the overnight interbank market and enters into repurchase and reverse repurchase agreements for this purpose as and when needed. Because the local market capacity is relatively small, the Bank also accesses the international interbank markets through its correspondent banking network, in particular, taking advantage of its strong commercial relationships with leading international banks based in major world financial centres.

The following table gives certain information as to the Bank's liquidity as at the dates indicated:

	As at 31 December		
	2005	2004	2003
		(%)	
Net loans (excluding accrued income)/ assets	65.7	64.0	62.3
Net loans (excluding accrued income)/net deposits (excluding accrued interest)	217.1	176.1	166.9
Net loans (excluding accrued income)/ shareholders' equity	752.7	843.0	851.8
Liquid assets ⁽¹⁾ /total assets	29.6	30.1	31.2
Liquid assets/total amounts owed to customers (excluding accrued interest)	97.8	82.8	83.6

Note:

- (1) Liquid assets comprise financial assets at fair value through profit or loss, available-for-sale and held-to-maturity securities plus cash and cash equivalents and due from other banks.

Treasury Operations

The Bank's Treasury Department is responsible for the efficient management of the Bank's funds on a daily basis by using foreign exchange and money markets to reduce foreign currency exposure and funding costs and maximise investment returns. The Bank is one of the leading traders of government debt securities such as treasury bonds of the Ministry of Finance, NBK notes and obligations of the Republic. The Bank is also one of the leading participants in the interbank market, conducting Interbank deposits activities in Kazakhstan, Russia, Ukraine and Europe. Other operations performed by the Treasury Department include currency trade operations, the execution of repurchase agreements, reverse repurchase agreements and forward, futures and options contracts. The Group also engages in proprietary trading of derivatives and provides such services to its clients, although the volume of these activities has been insignificant due to the under-development of the local market.

Foreign Currency Management

The following table sets out the KZT-equivalent amount of the Bank's monetary assets and liabilities denominated in KZT and foreign currencies as at the dates indicated:

	2005			2004			2003		
	KZT	Other foreign currency	Total	KZT	Other foreign currency	Total	KZT	Other foreign currency	Total
Assets:									
Cash and cash equivalents	57,134	61,997	119,131	34,225	17,515	51,740	15,093	6,598	21,691
Obligatory reserves	10,791	-	10,791	6,971	-	6,971	3,706	-	3,706
Financial assets at fair value through profit or loss	18,852	91,400	110,252	46,125	56,057	102,182	11,648	49,943	61,591
Amounts due from credit institutions	4,059	19,617	23,676	425	6,140	6,565	78	5,915	5,993
Available for sale securities	2,462	39,944	42,406	1,283	24,143	25,426	871	26,288	27,159
Loans to customers	163,450	557,246	720,696	109,992	329,158	439,150	78,426	176,692	255,118
Investments in associates	1,288	917	2,205	-	331	331	-	-	-
Other assets	5,749	1,342	7,091	6,633	491	7,124	6,307	364	6,671
	263,785	772,463	1,036,248	205,654	433,835	639,489	116,129	265,800	381,929
Liabilities:									
Amounts due to the Government and the NBK	458	386	844	3,885	539	4,424	4,263	927	5,190
Amounts due to credit institutions	12,859	280,188	293,047	20,252	128,079	148,331	9,125	112,661	121,786
Amounts due to customers	144,122	162,592	306,714	122,789	103,921	226,710	69,043	71,275	140,318
Debt securities issued	55,769	244,240	300,009	23,925	158,154	182,079	7,598	66,576	74,174
Other liabilities	9,423	660	10,083	9,276	562	9,838	3,982	336	4,318
	222,631	688,066	910,697	180,127	391,255	571,382	94,011	251,775	345,786
Net balance sheet position	41,154	84,397	125,551	25,527	42,580	68,107	22,118	14,025	36,143

Regulation and monitoring of the net foreign currency positions of banks is carried out by the FMSA. According to current regulations, the ratio of a bank's net open foreign currency position relative to its risk weighted capital must not exceed 30%. The FMSA defines the net open foreign currency

position as the difference between the Tenge-equivalent of all foreign currency assets and all foreign currency liabilities. Foreign currency assets include all foreign currency claim accounts and the total value of its forward currency purchases. Foreign currency liabilities include all foreign currency liability accounts and the total value of its forward foreign currency sales. The Bank furnishes to the FMSA on a weekly basis a report on the Bank’s net currency positions.

Since the Bank’s foundation, management has maintained a net long foreign currency position. At weekly meetings, the ALCO monitors the open foreign currency position in accordance with the prevailing market conditions and outlook, advises on the Bank’s position and implements the Bank’s strategy accordingly. The Bank applies strict daily limits on open positions for each currency. In this respect, the Bank is permitted to maintain open positions in currencies of countries with sovereign ratings of “A” or better at a level not exceeding 15% of equity capital, with an overall limit on all currencies not exceeding 30% of equity capital.

The following table shows the net foreign currency positions of the Bank as at the dates indicated in the table:

	As at 31 December		
	2005	2004	2003
Net long/(short) position (<i>U.S.\$ millions</i>).....	109	9	18
Net position as a percentage of risk weighted capital.....	12%	2%	6%
Net position as a percentage of foreign currency liabilities	2%	–	1%

The Bank is a party to a number of forward contracts for purchasing or sale of certain amount of foreign currency (typically U.S. Dollars) or precious metals at an agreed-upon price in Tenge with delivery and settlement at a specified future date, which are used for hedging purposes to manage currency risks. As at 31 December 2005, the aggregate amount outstanding under such contracts was immaterial, compared to KZT 3,045 million as at 31 December 2004.

Interest Rate Risk

The following table sets out the effective average interest rates by currencies and comparative market rates for interest earning/bearing monetary financial instruments as at the dates indicated:

	As at 31 December 2005		As at 31 December 2004	
	KZT	Foreign Currency	KZT	Foreign Currency
	%		%	
Financial assets at fair value through profit or loss	3.9	4.5	3.2	3.4
Amounts due from other financial institutions	2.7	4.0	2.0	10.5
Available-for-sale securities.....	6.3	3.3	–	3.8
Loans to customers	19.7	11.3	18.0	11.7
Amounts due to the NBK and the Government.....	4.9	4.9	5.9	5.1
Amounts due to financial institutions	9.1	5.7	6.2	4.3
Amounts due to customers.....	7.5	5.4	6.3	6.0
Debt securities issued	9.9	8.7	8.0	9.0

The Bank believes that its sensitivity to interest rate changes is largely reduced because it has the ability to re-price a substantial portion of its loans that mature within one year and to re-price loans maturing after one year under certain circumstances. In addition, a significant percentage of its loan portfolio maturing after one year is funded by fixed rate long-term funds. However, if the average maturity of the Bank’s loan portfolio increases, without a matching increase in the average maturity of its

liabilities, the Bank will be exposed to increasing interest rate risk. At such time, the Bank may be obliged to introduce new risk management techniques.

Lending Policies and Procedures

General

The Bank's credit approval process is based on applicable NBK and FMSA regulations, as well as internal procedures established by the Management Board as approved by the Board of Directors. FMSA regulations limit the exposure to any single borrower or group of borrowers to 10% of a bank's equity for related parties and to 25% of a bank's equity for non-related parties.

All applications for credit by corporate and retail customers must be submitted to the Bank on its standard forms. Depending on the type of borrower and industry sector, the application is reviewed at branch level if the borrower is an SME or an individual and by the Bank's Corporate Business Department (CBD), if the borrower is a large corporation.

After an application is received the CBD or the relevant branch (as the case may be) prepares expert opinion, which contains both a feasibility evaluation of the project to be financed and information on the financial standing, reputation and experience of the potential borrower. Simultaneously, the CBD or the relevant branch make requests to the following departments for separate research:

- the Bank's Security Department is asked to obtain references from other banks and information from criminal records of the Interior Ministry;
- an outside firm is asked to make an independent assessment of the collateral being offered; and
- the Legal Department is asked to examine the potential borrower's documents for compliance with current legislation.

On the basis of the expert opinion and other reports the relevant Credit Risk Management Department the branch level or the Head Office (CBD) conducts an independent risk assessment.

All corporate customers of the Bank are assigned an internal credit rating by the Bank's Risk Management Department.

Depending on the amount sought in the credit application, a credit application is examined by the appropriate credit decision-making body of the Bank for a final decision on the approval of the application as follows:

- the Credit Committee of each branch is authorised to take decisions within lending limits established for each branch by the Risk Committee; this authority varies depending on the size of the branch, quality of the loan portfolio and needs of the branch's business;
- the Retail Loans Credit Committee is responsible for improving the Bank's retail loan portfolio structure and is authorised to take decisions on retail loans applications for short- and long-term financings up to U.S.\$300,000 (or the equivalent);
- the Small Enterprises Credit Committee is authorised to take decisions on loans and guarantees to small enterprises up to U.S.\$500,000 (or the equivalent);
- the Branch Network Credit Committee is authorised to take decisions on financings of up to U.S.\$2,000,000 (or the equivalent); and
- the Head Office Committee is authorised to take decisions on large credit contracts in excess of U.S.\$2,000,000 (or the equivalent).

Collateralisation

The Bank seeks to reduce its credit risk substantially by requiring collateral from borrowers. Collateral on loans extended by the Bank includes but is not limited to real estate, machinery and motor vehicles, industrial equipment, industrial goods, food-stock and other commercial goods, as well as cash deposits, securities and personal third party and corporate guarantees. The Bank estimates the net realisable value of the collateral provided and regularly monitors the quality of the collateral taken as security. In certain cases, additional collateral may be sought from the borrower.

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

Collateral Categories	Loan/Collateral Value
Guarantees from financial institutions	100%
Government debt securities	100%
Real estate	30-50%
Commodities	30-50%
Fixed assets	30-50%
Equity securities	Up to 30%

The Bank believes that it has a satisfactory record in recovery of bad debts and attempts to resolve recovery of bad debts without resort to court action or arbitration where possible. In particular, the Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any pledged collateral either in reliance on its legal rights or with the co-operation of the borrower. If necessary, the Bank will seek to obtain repayment or sequestration of a debtor's property or funds held in accounts with other banks in a court of law.

Loan Supervision and Monitoring

The Bank's Risk Management Department, which is independent of the loan granting and approval process, is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto. In order to establish adequate allowances and provisions, loans are classified by their perceived risk criteria in accordance with the Bank policies and the requirements of the NBK, FMSA and IFRS. The Risk Management Department also conducts evaluations of other assets and off-balance sheet contingent liabilities.

Until 2004, banks established allowances for loan impairment under an NBK policy based on event-oriented criteria relying primarily on the timeliness of a borrower's payment of interest and principal. Effective as of 2004, the NBK and the FMSA revised their policies regarding loan classifications and requirements for provisions and allowances to conform them more closely to the guidelines provided under IFRS. While the guidelines of the NBK, FMSA and IFRS are similar, there are differences in terminology, which in substance do not alter the framework for the classification and establishment of adequate allowances for loan impairment, other assets and off-balance sheet risks.

In classifying the Bank's loan exposures, the Risk Management Department performs detailed credit reviews and assesses the borrower's financial condition and operating results to determine if these have deteriorated since the origination of the loan, the current performance of the borrower with regard to the timely repayment of principal and interest and whether any extensions of interest or principal payments have been granted or other modifications have been made to the original loan agreement, the quality and quantity of any collateral provided, the basic fundamentals of the purpose of the loan and whether there has been any unauthorised use of the loan proceeds. In addition to these assessments, the Risk Management Department performs other analytical procedures and takes into consideration any macro and microeconomic factors specifically relating to the Kazakh economy and industry sector analysis.

Based on these assessments and other analytical procedures, the Risk Management Department classifies loans according to their risk and the exposure that they potentially present to the Bank. At present, the Risk Management Department uses classifications as set out in the FMSA regulations:

Standard loans – The financial condition of the borrower is assessed as good and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. Interest and principal are being repaid in full in a timely fashion. The borrower is considered as having the capability of repaying the loan in accordance with its terms.

Watch loans – There is evidence of a temporary deterioration in the financial condition of the borrower, including reduction of income or a loss of market share. However, there is evidence to suggest that the borrower will be able to cope with any temporary difficulties and there is a low expectation that the borrower will be unable to repay the loan and interest in full.

Substandard loans – There is evidence indicating a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower raises concerns as to the ability of the borrower to stabilise and improve its current financial performance and casts doubt on the borrower's ability to repay the loan and interest in full.

Doubtful loans – The deterioration of the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position and/or negative shareholders' equity, and it is probable that the borrower will be unable to repay the loan and interest in full.

Loss loans – In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan.

Classified loans comprise substandard, doubtful and loss loans. Unclassified loans comprise standard and watch loans.

The functions of the Risk Management Department are split between the Bank's corporate banking activities and SME and retail operations. With respect to corporate banking, each account is subject to an individual review, while the SME and retail accounts are assessed by reference to branch and product limits. The Risk Management Department provides weekly and monthly reports to the Bank's management detailing all aspects of the Bank's credit activity. Senior management pays strict attention to the timeliness of debt repayments and the classified loans and contingent liabilities as reported by the Risk Management Department. Immediate action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. The Bank's determination of whether a repayment problem has arisen is based on a number of objective and subjective criteria, including changes to the borrower's turnover in accounts held by the Bank, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfil the terms and conditions of its loan agreement and refusal of a borrower to cooperate in supplying current information.

The Bank's Risk Management Department is also involved in overseeing the risk management activities of the target banks in which the Group holds investments, including Slavinvestbank Ltd, Omsk Bank, Astanaeximbank and OJSC Aktsionernyi Kommercheskyi Bank BTA-Kazan, and, in December 2004, a separate unit of the Risk Management Division was created with special oversight authority over such regional investments. While these local banks maintain their own risk management division, their policies have been coordinated with the Bank's and the Bank has approval authority with respect to any loan in excess of U.S.\$5.0 million (or its equivalent).

The Bank adopted detailed anti-money laundering policies, including extensive "know-your-client" regulations, in 1995. Currently the draft law "On countermeasures to legalization of income received in illegal ways (money laundering) and to financing of terrorism" is being developed and reviewed. Employees of the Bank's Compliance Department are participating directly in the development of this draft law within a working group advising the Parliament of Kazakhstan. Therefore the Bank's existing "know your client" and anti-money laundering and anti-terrorism policies are applied internally by the Bank only. Depending on when the draft law will be adopted, and the ultimate content thereof, these policies may be revised and supplemented according to its provisions.

Any overall deterioration in the quality of the Bank's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Bank's Management Board.

Non-Performing Loans and Impairment Assessment Policy

Non-performing loans comprise loans where the payment of principal is past due and interest is past due for more than 30 days.

A loan is considered as impaired if the Bank does not expect to recover interest and principal as specified in the loan agreement, i.e. there is objective evidence that an impairment loss on loans has been incurred.

As at 31 December 2005, the aggregate amount of loans deemed to be impaired totalled KZT 4,193 million, compared to KZT 2,584 million as at 31 December 2004 and KZT 1,774 million as at 31 December 2003. This increase reflected primarily overall growth in the size of the Bank's loan portfolio. As at each of 31 December 2005 and 2004, the percentage of non-performing loans to gross loans was 0.6%, while, as at 31 December 2003, the percentage of non-performing loans to gross loans was 0.7%. Classified loans, as a percentage of total loans, decreased to 8.2% as at 31 December 2005 compared to 9.8% in 2004, and 7.2% as at 31 December 2003.

The loan classifications described above are used to determine the adequacy of the allowance for loan impairment and the adequacy of the allowance for other assets and off-balance sheet risks. Calculation of loan allowances is carried out on a monthly basis. Consistent with general practice in the banking industry in Kazakhstan, allowances are established by applying a percentage rate for the aggregate amount of each loan classification. In order to establish adequate allowances for impairment of loans, other assets and off-balance sheet contingent liabilities in accordance with applicable regulatory requirements, the Bank uses the following impairment rates, which are based on NBK and FMSA regulations and result in allowances for losses that are substantially consistent with IFRS:

Loan Classification	Provision Requirement
Unclassified loans	0 to 10%
Classified loans	
Substandard loans	20 to 25%
Doubtful loans	50%
Loss loans	100%

The Bank makes specific allowances for possible loan losses on a case-by-case basis and actual allowances established take into account the value of any collateral or third party guarantees. After taking impairment charges based on the provisioning rates required by the FMSA, the Bank reassesses the allowances on a quarterly basis to ensure that the amounts properly represent the difference between the carrying amounts and the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan or other asset or liability. Accordingly, the actual provision levels may differ from the above provisioning rates.

The following table sets out certain information relating to the Bank's gross loans and impairment charge as at the dates indicated in the table:

	Year ended 31 December 2005			Year ended 31 December 2004		
	Gross Loans	Total Impairment Allowance	Percentage Reserved	Gross Loans	Total Impairment Allowance	Percentage Reserved
	<i>(KZT millions)</i>			<i>(KZT millions)</i>		
Impairment rates						
0% up to 5%.....	420,099	–	0.0%	230,585	–	0.0%
5% up to 10%.....	241,352	12,498	5.2%	165,654	7,569	4.6%
20% up to 25%.....	34,267	7,413	21.6%	23,820	8,673	36.4%
25% up to 50%.....	9,157	4,579	50.0%	13,801	8,100	58.7%
100%	15,821	15,821	100.0%	5,290	5,290	100.0%
Gross loans/ allowance	<u>720,696</u>	<u>40,311</u>	<u>5.6%</u>	<u>439,150</u>	<u>29,633</u>	<u>6.7%</u>

As at 31 December 2005, loans, net of interest, increased by 63.7% to KZT 695,991 million from KZT 425,147 million as at 31 December 2004. The allowance for loan impairment increased by 36.0% to KZT 40,311 million as at 31 December 2005 from KZT 29,633 million as at 31 December 2004, after having increased by 94.0% in 2004 from 15,271 million as at 31 December 2003. This increase principally reflected the increase in lending volumes.

Total classified loans increased by 38.1% to KZT 59,245 million as at 31 December 2005 from KZT 42,910 million as at 31 December 2004 and KZT 17,710 million as at 31 December 2003, primarily reflecting year-on-year increases in substandard loans. The increase in sub-standard loans was mainly

attributable to the reduction in the classification level of loans to two major corporate clients. Nevertheless, the overall quality of the Bank’s loan portfolio structure improved. Standard loans, as a percentage of total loans, increased from 52.5% in 2004 to 58.2% in 2005. Doubtful loans decreased by 33.6% from KZT 13,801 million as at 31 December 2004 to KZT 9,157 million as at 31 December 2005.

The Bank undertakes the following actions with regard to bad loans: (i) develops an action plan for collection of such loans; (ii) conducts an analysis of the relevant company’s financial results and activities; (iii) approves a debt repayment schedule considered to be realistic by both the Bank and the borrower; (iv) continuously monitors financial flows of the relevant companies; and (v) requires additional collateral to secure such loans. Thus, the Bank believes that the deterioration in the loan portfolio as a result of the impairment of one of its principal borrowers is likely to be temporary in nature and not result in a significant loss of assets, as the Bank has been successful in recent periods in recovering loss loans. Moreover, the Bank believes, in any event, that it has sufficient available collateral, to permit it to recover the value of many of its loss loans if these remain unpaid. As at 31 December 2005, the ratio of the Bank’s impairment allowance to total loans, net of interest, was 5.6%, compared to 6.7% as at 31 December 2004.

Write-off Policy

The Bank writes-off loans that are past due by 180 days or more or at such earlier time as it is evident that a loss has been sustained and no amounts will be collected. Once a loan has been written-off or fully provisioned, the Security Department and Security Appraisal Group of the Bank will commence monitoring the loan and its collateral for a five year period.

The following table sets out an analysis of the Bank’s allowance for loan impairments, including allowances in respect of amounts due from credit institutions, for the periods indicated:

	Year ended 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Beginning allowance balance	30,160	15,271	10,166
Impairment charge for losses	15,359	19,251	10,391
Write-offs.....	(8,682)	(8,129)	(6,762)
Recoveries	3,474	3,767	1,476
Net write-offs	(5,208)	(4,362)	(5,286)
Ending allowance balance.....	40,311	30,160	15,271

Net write-offs for 2005 increased by 19.4% to KZT 5,208 million, compared to net write-offs of KZT 4,362 million for 2004, after having decreased by 17.5% in 2004 from KZT 5,286 million for 2003.

The increase in net write-offs for 2005, compared to 2004, was primarily attributable to the overall growth of the Bank’s loan portfolio, while the decrease in net write-offs for 2004, compared to 2003, was mainly due to the increase in recovered amounts that were due under previously written-off loans, as well as some improvement in the Bank’s overall asset quality.

The following table sets forth certain ratios of the Bank's write-offs for periods indicated:

	Year ended 31 December		
	2005	2004	2003
		(%)	
Percentage of net write-offs to gross loans (excluding accrued interest)	0.7	1.0	2.1
Percentage of net write-offs to the opening reserve balance	17.3	28.6	52.0
Percentage of recoveries to write-offs	40.0	46.3	21.8

Net write-offs as a percentage of gross loans improved from 2.1% for the year ended 31 December 2003 to 1.0% for the year ended 31 December 2004, and further to 0.7% for the year ended 31 December 2005, reflecting the continuing improvement in the Bank's overall asset quality over the period.

The ratio of recoveries to write-offs has fluctuated in 2005, 2004 and 2003. It is difficult to assess the reasons for this fluctuation due to the timing of a write-off and the date when a recovery is made. The discounting of bad loans is not permitted in Kazakhstan and, accordingly, the Bank must pursue other methods of recovery. There is no industry concentration among the Bank's bad debts. The Bank continues to concentrate on improving its collection ratio, although no assurance can be made that any significant improvement will be achieved.

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

The following table sets out certain information as to average balances of the Group's assets and liabilities for the periods indicated based upon the average of the balances as at the first and last days of such periods, respectively:

	Average Balance for the year ended 31 December		
	2005⁽¹⁾	2004	2003
	<i>(KZT millions)</i>		
Average Assets			
Cash and equivalents	68,185	36,881	16,922
Obligatory reserves	8,108	5,339	3,219
Due from other banks	5,036	6,016	12,609
Available-for-sale securities.....	45,977	13,148	—
Financial assets at fair value through profit or loss.....	116,949	81,887	46,836
Held-to-maturity securities	—	13,144	22,961
Gross loans	541,785	347,134	191,220
Impairment charge	(34,375)	(22,452)	(12,718)
Accrued interest	—	—	5,293
Premises and equipment	8,865	8,071	6,634
Other assets.....	14,116	6,515	6,301
Total average assets	774,646	495,683	299,277
Average liabilities and shareholders' equity:			
Amounts owed to the Government and the NBK	1,926	4,807	3,936
Amounts owed to customers	268,003	183,514	123,564
Due to other banks and financial institutions.....	187,570	135,059	91,219
Debt securities issued	241,494	128,127	52,847
Other liabilities	10,973	7,077	5,769
Total average liabilities	709,966	458,584	277,335
Minority interest.....	1,535	1,498	1,170
Average shareholders' equity	63,145	35,601	20,772
Average liabilities and shareholders' equity	774,646	495,683	299,277

(1) Calculated based on the monthly averages.

The table below sets out the Group's consolidated average balances and interest rates for the periods indicated, as calculated by the Bank according to the unaudited accounting records of the Bank for the years ended 31 December 2005, 2004 and 2003, respectively.

Average incoming/outgoing balances for 2005 are average balances (calculated based on monthly averages balances) of assets/liabilities from which interest income/expense is derived. Average interest bearing assets/liabilities for 2004 and 2003 are derived by adding opening and closing balances of the relevant accounts and dividing their sum by two.

	Year ended 31 December					
	2005 ⁽¹⁾		2004		2003	
	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate
Assets						
Interest-earning deposits						
KZT.....	57,253	1,973	16,357	843	12,609	298
Foreign currency.....	23,217	620	10,356	212	9,157	228
	34,036	1,353	6,001	630	3,452	70
Securities						
KZT.....	161,331	6,524	107,630	3,682	69,797	4,257
Foreign currency.....	36,198	1,431	29,920	925	12,288	993
	125,133	5,093	77,710	2,757	57,509	3,264
Loans						
KZT.....	523,033	69,789	336,383	45,302	191,220	26,263
Foreign currency.....	128,357	25,315	92,842	16,731	56,130	10,990
	394,676	44,474	243,541	28,571	135,090	15,273
Total interest-earning assets	741,617	78,286	460,370	49,827	273,626	30,818
Cash and non-interest deposits	22,928	-	32,113	-	20,141	-
Accrued interest	21,495	-	11,066	-	5,293	-
Impairment charge	(34,375)	-	(22,452)	-	(12,718)	-
Fixed assets	8,865	-	8,071	-	6,634	-
Other assets	14,116	-	6,515	-	6,301	-
Total average assets	774,646	-	495,683	-	299,277	-

Note:

(1) Calculated based on the monthly averages

Year ended 31 December

	2005 ⁽³⁾			2004			2003		
	Average Balance	Yield/Rate	Interest	Average Balance	Yield/Rate	Interest	Average Balance	Yield/Rate	Interest
<i>(KZT millions, except percentages, unaudited)</i>									
Liabilities and Shareholders' Equity									
Due to the Government and the NBK									
KZT	1,906	4.9%	93	4,803	5.8%	277	3,926	5.8%	228
Foreign currency	1,453	4.9%	71	4,073	5.9%	240	2,611	5.9%	170
	453	4.9%	22	730	5.1%	37	1,315	5.1%	58
Due to other banks	185,624	6.0%	11,062	134,254	6.2%	6,040	90,276	4.5%	4,134
KZT	12,010	9.1%	1,092	14,583	9.0%	903	7,624	6.2%	648
Foreign currency	173,614	5.7%	9,970	119,671	4.3%	5,137	82,652	4.2%	3,486
Due to customers	214,945	6.3%	13,575	142,846	6.1%	8,730	90,878	6.1%	6,177
KZT	92,361	7.5%	6,908	63,368	6.3%	3,993	36,320	6.3%	3,397
Foreign currency	122,584	5.4%	6,667	79,478	6.0%	4,737	54,558	6.0%	2,780
Debt securities issued	235,416	8.9%	20,969	126,779	8.7%	11,059	52,397	8.7%	6,052
KZT ⁽²⁾	32,725	9.9%	3,251	15,588	9.1%	911	3,691	8.0%	58
Foreign currency	202,691	8.7%	17,718	111,191	9.0%	10,148	48,706	9.0%	5,994
Total interest-bearing liabilities	637,891	7.2%	45,699	408,682	6.4%	26,106	237,477	6.4%	16,591
Non-interest-bearing customer accounts	49,160			39,076			31,613		
Other liabilities	22,915			10,826			8,245		
Minority interest	1,535			1,498			1,170		
Shareholders equity	63,145			35,601			20,772		
Total average liabilities and shareholders equity	774,646			495,683			299,277		
Net interest spread ⁽¹⁾		3.4%			4.5%			4.3%	
Net interest income			32,587			23,721			14,227
Net interest margin ⁽¹⁾		4.4%			5.2%				5.2%

Notes:

(1) See "Selected Financial Information – Selected Financial Restated Economic Data" for definitions.

(2) Balance on issued debt securities have changed unevenly, thus, in estimating the rates an average balance for the period given was used.

(3) Calculated based on the monthly averages.

Analysis of Changes in Net Interest Income

The following table provides a comparative analysis of changes in net interest income and expense by reference to changes in average volume and rates for the periods indicated. Changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as change in volume multiplied by the previous rate, while rate change is change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

	Year ended 31 December 2004/2005			Year ended 31 December 2004/2003		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	<i>(KZT millions)</i>					
Interest Income						
Interest-earning deposits:						
KZT.....	263	145	408	30	(46)	(16)
Foreign currency.....	2,944	(2,080)	864	52	367	419
Securities:						
KZT.....	194	312	506	1,425	(1,493)	(68)
Foreign currency.....	1,682	654	2,336	1,147	(1,654)	(507)
Loans:						
KZT.....	6,400	2,184	8,584	7,188	(1,447)	5,741
Foreign currency.....	17,730	(1,969)	15,761	12,261	1,179	13,440
Total interest income.....	29,213	(754)	28,459	22,103	(3,094)	19,009
Interest Expense						
Due to the Government and the NBK						
KZT.....	(154)	(15)	(169)	95	(25)	70
Foreign currency.....	(14)	(1)	(15)	(26)	5	(21)
Due to other banks:						
KZT.....	(159)	348	189	591	(336)	255
Foreign currency.....	2,315	2,518	4,833	1,561	90	1,651
Due to customers:						
KZT.....	1,828	1,087	2,915	2,530	(1,934)	596
Foreign currency.....	2,568	(638)	1,930	1,270	687	1,957
Debt securities:						
KZT.....	1,371	969	2,340	952	(99)	853
Foreign currency.....	8,265	(695)	7,570	7,690	(3,536)	4,154
Total interest expense.....	16,020	3,573	19,593	14,663	(5,148)	9,515
Net change in net interest income.....	13,193	(4,327)	8,866	7,440	2,054	9,494

The Bank's Loan Portfolio

Loans to customers represent the largest part of the Bank's assets. The Bank's gross loan portfolio (including accrued interest) was KZT 255,118 million as at 31 December 2003, KZT 439,150 million as at 31 December 2004 and KZT 720,696 million as at 31 December 2005. See "Management's Discussion and Analysis of Results of Operations and Financial Condition – Financial Condition – Total Assets". The average balance of the Bank's gross loan portfolio was KZT 191,220 million in 2003, KZT 336,383 million in 2004 and KZT 523,033 million in 2005. Lending to corporate clients represented 48.3% of the Bank's total assets as at 31 December 2005, compared to 61.6% as at 31 December 2004 and 60.9% as at 31 December 2003. The Bank's customer base includes many of the country's leading industrial companies and trading corporations, as well as a number of medium and small size enterprises. Loans to other banks also represent a small percentage of the Bank's total assets (2.3% as at 31 December 2005,

0.9% as at 31 December 2004 and 3.9% as at 31 December 2003 (as calculated by the Bank according to the unaudited accounting records of the Bank for the indicated periods)).

The following table sets out certain information relating to the amounts and composition of the Bank's loan portfolio, its contingent liability exposure and loss allowances, respectively, as calculated by the Bank according to the unaudited accounting records of the Bank as at 31 December 2005, 2004 and 2003, respectively as at the dates indicated in the table:

	As at 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Loans.....	695,991	425,147	247,620
including:			
Classified loans ⁽¹⁾	59,245	42,911	17,710
Non-performing loans ⁽²⁾	4,193	2,584	1,774
Accrued interest receivable.....	24,705	14,003	7,498
Total gross loans	720,696	439,150	255,118
Commercial letters of credit.....	81,900	64,845	45,141
Financial guarantees ⁽³⁾	55,683	46,204	24,447
Undrawn loan commitments.....	33,112	44,878	25,443
Total contingent liabilities	170,695	155,927	95,031
Allowance for impairment and provisions.....			
Allowance for impairment of loans.....	40,311	29,633	15,271
Provision for off-balance sheet items.....	3,478	2,031	319
Other.....	72	423	339
Total	43,861	32,087	15,929
Shareholders' equity	87,108	46,920	27,278
Classified loans/gross loans.....	8.2%	9.8%	7.2%
Non-performing loans/gross loans.....	0.6%	0.6%	0.7%
Allowance for impairment of loans/classified loans.....	68.0%	69.1%	86.2%
Allowance for impairment of loans/non-performing loans.....	961.4%	1,146.8%	860.8%
Allowance for impairment of loans/gross loans.....	5.6%	6.7%	6.2%

Notes:

- (1) Classified loans comprise loans that are classified as "unsatisfactory" or "doubtful" (whether or not they are non-performing) and "loss".
- (2) Non-performing loans comprise loans where past due payments exceed 30 days.
- (3) Financial guarantees do not include the guarantees given by the Bank in favour of TuranAlem Finance in respect of its eurobonds issued in 2001, 2002, 2003, 2004 and 2005.

Loans by Type

The Bank provides financing for various purposes, although the majority of loans are for working capital purposes, with a maturity of twelve months or less, for fixed asset purchases, and for trade finance.

The following table sets out certain information relating to the Bank's loan portfolio (including advances and accrued interest), by reference to the type of loan, as calculated by the Bank according to the unaudited accounting records of the Bank as at 31 December 2005, 2004 and 2003, respectively as at the dates indicated in the table:

	As at 31 December					
	2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Working capital finance.....	391,239	54.3	260,343	59.3	132,553	51.9
Fixed asset purchase (excluding real estate)	62,487	8.7	30,825	7.0	19,611	7.7
Construction and repair	75,570	10.5	31,984	7.3	22,610	8.9
Consumer loans	66,321	9.2	38,036	8.7	20,953	8.2
Real estate purchase.....	65,391	9.1	30,427	6.9	13,284	5.2
Other	59,688	8.3	47,535	10.8	46,107	18.1
Total (including accrued interest)	720,696	100.0	439,150	100.0	255,118	100.0

Loans by Type of Borrower

The following table set out certain information relating to the Bank's commercial loan portfolio (including advances and accrued interest), by reference to the type of borrower, as at the dates indicated:

	As at 31 December					
	2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Private companies	598,525	83.0	378,266	86.1	219,838	86.2
Individuals	120,162	16.7	57,405	13.0	27,222	10.7
State companies.....	1,908	0.3	2,829	0.7	7,506	2.8
State budget or local authorities	83	0.01	282	0.1	518	0.2
Others.....	18	0.002	368	0.1	34	0.1
Loans to customers, gross ...	720,696	100.0	439,150	100.0	255,118	100.0

The Bank inherited a large corporate customer base from its predecessors, Alem Bank and Turan Bank, including many of the country's leading industrial companies in a broad range of industries. Historically, a significant percentage of the Bank's predecessors' loans were extended to State-owned companies, but, since the Bank's establishment in January 1997, this concentration has been significantly reduced. Loans to private companies and individuals increased from 99.1% of total loans as at the time of the Bank's establishment to 99.7% of total loans as at 31 December 2005. The increase in loans to private companies and individuals reflects the overall growth of the economy and the resulting improvement in the general welfare of a large number of individuals across Kazakhstan, as well as the privatisation of a number of State-owned enterprises by the Government in recent years, as well as a deliberate policy of the Bank.

The Bank has identified certain sectors, including oil and gas, energy, trading and metals & metallurgy, as key target areas in which it intends to expand its lending business. As at 31 December 2005, the Bank's loan portfolio, including accrued interest receivable, comprised KZT 718,687 million to private companies and individuals (99.7%) and KZT 1,991 million to State-controlled companies (0.3%). As at 31 December 2004, the Bank's loan portfolio, including accrued interest receivable, comprised KZT 435,671 million to private companies and individuals (99.1%) and KZT 3,111 million to State-owned companies (0.7%). As at 31 December 2003, the Bank's loan portfolio, including accrued interest receivable, comprised KZT 247,060 million to private companies and individuals (96.9%) and KZT 8,024 million to State-owned companies (3.1%).

As at 31 December 2005, the Bank's 10 largest customers accounted for 15.4% of total commercial loans then outstanding (as compared to 16.4% as at 31 December 2004), although no single borrower accounted for more than 2.1% of the total loan portfolio.

Loans by Sector

The following table sets out the composition of the Bank's loan portfolio (including advances and accrued interest), by reference to the economic sector of the borrower, as at the dates indicated:

	2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Wholesale trade.....	137,903	19.1%	86,582	19.7%	53,538	21.0%
Individuals.....	120,162	16.7%	57,405	13.0%	27,222	10.7%
Construction of roads and industrial buildings.....	74,410	10.3%	40,478	9.2%	10,759	4.2%
Oil & gas.....	72,645	10.1%	37,295	8.5%	29,841	11.7%
Agriculture.....	64,987	9.0%	45,271	10.3%	32,506	12.7%
Housing construction.....	40,158	5.6%	21,806	5.0%	7,104	2.8%
Food industry.....	36,256	5.0%	41,030	9.4%	30,350	11.9%
Mining.....	31,164	4.3%	20,924	4.8%	15,242	6.0%
Transport.....	27,869	3.9%	20,001	4.6%	3,541	1.4%
Chemical industry.....	25,025	3.5%	12,160	2.8%	9,254	3.6%
Energy.....	21,491	3.0%	8,874	2.0%	3,558	1.4%
Retail trade.....	11,005	1.5%	5,174	1.1%	1,480	0.6%
Production of machinery and equipment.....	7,690	1.1%	5,631	1.3%	1,991	0.8%
Financial services.....	7,066	1.0%	–	–	–	–
Real estate activities.....	5,960	0.8%	4,678	1.0%	7,173	2.8%
Telecommunication.....	4,886	0.7%	3,857	0.9%	4,612	1.8%
Publishing.....	3,927	0.5%	3,860	0.9%	549	0.2%
Metallurgical industry.....	3,564	0.5%	1,865	0.5%	7,125	2.8%
Hospitality.....	1,776	0.2%	3,607	0.8%	362	0.1%
Production of rubber and plastic articles.....	1,750	0.2%	1,301	0.3%	1,243	0.5%
Research & development..	1,466	0.2%	516	0.1%	–	–
Textile and leather industry	939	0.1%	4,675	1.0%	688	0.3%
Other.....	18,597	2.7%	12,160	2.8%	6,980	2.7%
	720,696	100.0%	439,150	100.0%	255,118	100.0%

Loans by Maturity

The Bank predominantly lends to SMEs for terms ranging from one to three years and to large corporations for longer terms. The Bank expects that demand for longer-term financing from existing customers and other high quality corporate credits will continue to increase and that the maturity profile

of the Bank's loan portfolio will, in turn, be lengthened. The terms on which the Bank lends depend, on the one hand, on the Bank's strategic goals and the sources of credit available to the Bank and, on the other hand, on the current state of the Kazakhstan economy, market requirements and the financial condition of the borrower.

The following table sets out certain information relating to the maturity profile of the Bank's loan portfolio (including advances and accrued interest) based on the unaudited accounting records of the Bank as at the dates indicated in the table:

	As at 31 December					
	2005		2004		2003	
	<i>(KZT millions)</i>	(%)	<i>(KZT millions)</i>	(%)	<i>(KZT millions)</i>	(%)
Less than 1 year	306,787	42.6	162,762	37.1	123,431	48.4
From 1 to 3 years	106,060	14.7	96,876	22.0	51,795	20.3
Over 3 years	298,926	41.5	175,699	40.0	75,056	29.4
Past Due	8,923	1.2	3,813	0.9	4,836	1.9
Total	720,696	100.0	439,150	100.0	255,118	100.0

Loans by Geographic Location

The following table sets out certain information relating to the Bank's loan portfolio (including advances and accrued interest) by reference to the geographic location of the Borrower, based on the unaudited accounting records of the Bank as at the dates indicated in the table:

	As at 31 December		As at 31 December		As at 31 December	
	2005		2004		2003	
	<i>(KZT millions)</i>	(%)	<i>(KZT millions)</i>	(%)	<i>(KZT millions)</i>	(%)
Kazakhstan						
Almaty	172,573	23.9	110,506	25.2	62,035	24.3
Astana	55,803	7.7	28,078	6.4	21,582	8.5
West region	99,613	13.8	57,701	13.1	45,244	17.7
East region	43,935	6.1	36,372	8.3	31,948	12.5
North region	94,736	13.8	58,135	13.2	24,258	9.5
Central region ⁽¹⁾	23,179	3.2	10,542	2.4	6,203	2.4
South region ⁽²⁾	90,434	12.5	34,382	7.8	24,934	9.8
CIS and other countries	140,424	19.8	103,434	23.6	38,914	15.25
Total	720,696	100.0	439,150	100.0	255,118	100

Notes:

(1) Excluding Astana.

(2) Excluding Almaty.

Collateralisation of Loan Portfolio

The Bank estimates that it holds collateral with a value in excess of the principal amount of its loan portfolio. While Kazakhstan has promulgated a law on the foreclosure of assets, historically the Bank has generally not been able to realise the full value of the collateral on its loans. The following table sets out certain information relating to the collateralisation of the Bank's loan portfolio, based on the unaudited accounting records of the Bank as at 31 December 2005, 2004 and 2003 as at the dates indicated in the

table. For a description of the Bank's collateralisation policy, see "Asset and Liability Management – Lending Policies and Procedures – Collateralisation".

	As at 31 December					
	2005		2004		2003	
	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>
Collateralised	701,348	97.3	427,933	97.4	251,159	98.4
Uncollateralised.....	19,348	2.7	11,217	2.6	3,959	1.6
Total loans.....	720,696	100.0	439,150	100.0	255,118	100.0

Credit Exposure other than Loans

As at 31 December 2005, the Bank was exposed to other credit risks consisting of financial instruments with off-balance sheet risk in the aggregate amount of KZT 170,695 million, including commitments to extend credit of KZT 33,112 million, financial guarantees of KZT 55,683 million and commercial letters of credit of KZT 81,900 million. As at 31 December 2005, the Bank held no open forward contracts.

As at 31 December 2004, the aggregate amount of credits and financial instruments with off-balance sheet risk amounted to KZT 155,927 million (including commitments to extend credit of KZT 44,878 million, financial guarantees of KZT 46,204 million and commercial letters of credit of KZT 64,845 million). As at 31 December 2003, the Bank held open forward contracts of KZT 12,478 million.

As at 31 December 2005 and 31 December 2004 and 2003, the Bank had established allowances for losses with respect to off-balance sheet risks of KZT 3,478 million, KZT 2,031 million and KZT 319 million, respectively. See also "Management's Discussion and Analysis of Results of Operations and Financial Condition – Off-Balance Sheet Arrangements and Contractual Commitments".

Investments

The increasing level of investments over the period reflects the Bank's strategy to diversify its asset base and thereby spread related risks.

Financial Assets at Fair Value through Profit or Loss

Securities purchased with the intention of recognising short-term profits, which consist primarily of debt securities, but also include some equity securities, are classified as financial assets at fair value through profit or loss. After initial recognition, securities which are classified as held for trading are measured at estimated fair value. Changes in the estimated fair value are included in the accompanying consolidated statements of income within gains less losses from securities. In determining estimated fair value, financial assets at fair value through profit or loss are valued at the last trade price, if quoted on an exchange, or the last bid price, if traded over-the-counter.

The following table sets out certain information relating to the Bank’s portfolio of financial assets at fair value through profit or loss as at the dates indicated:

	2005			2004			2003		
	Amount (KZT millions)	%	Maturity	Amount (KZT millions)	%	Maturity	Amount (KZT millions)	%	Maturity
Bonds of financial organizations of OECD countries.....	86,062	2.4%-6.1%	2006-2013	47,018	2.4%-7.1%	2005-2013	37,473	4.4%-7.1%	2005-2013
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	8,165	5.5%-8.3%	2006-2014	10,472	5.5%-8.3%	2005-2014	3,800	6.1%-16.9%	2004-2008
Notes of the NBK	6,772	2.3%-3.1%	2006	29,854	0.3%-3.4%	2005	6,683	5.0%-5.5%	2004
Corporate bonds.....	3,237	2.4%-9.0%	2006-2020	6,059	3.5%-12.0%	2005-2014	3,555	7.4%-13.0%	2004-2013
Sovereign bonds of the Republic of Kazakhstan	2,891	11.1%	2007	5,358	11.1%	2007	9,605	11.1%-13.6%	2004-2007
Municipal bonds	708	8.5%-8.6%	2006-2008	1,037	8.5%-8.6%	2005-2008	33	6.3%-8.6%	2004-2006
Equity securities	2,417	-	-	2,384	-	-	442	-	-
Financial assets at fair value through profit or loss	110,252			102,182			61,591		
Subject to repurchase agreements.....	48,823			11,826			15,773		

Available-for-Sale Investment Securities

The Bank classifies investment securities depending upon the intent of management at the time of the purchase.

Shares of associates and subsidiaries held by the Bank exclusively with a view to their future disposal are classified as available-for-sale. Available-for-sale securities are measured at fair value, which is equal to the market value at the relevant balance sheet date. When debt securities of fixed maturities are non-marketable or no information is available on a market for similar instruments, fair value is estimated as the discounted future cash flows using current interest rates. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment, unless there are other appropriate and workable methods of reasonably estimating their fair value.

As at 31 December 2005, the Bank did not have any held-to-maturity securities in its portfolio of investment securities, as all such securities were reclassified to available-for-sale securities as at 31 December 2004 when management adopted a change in policy in line with International Financial Reporting Standards.

As at 31 December 2005, securities classified as available-for-sale included:

	As at 31 December 2005			As at 31 December 2004			As at 31 December 2003		
	Amount (KZT millions)	%	Maturity	Amount (KZT millions)	%	Maturity	Amount (KZT millions)	%	Maturity
Bonds of financial organizations of OECD countries ⁽¹⁾	39,015	3.8-6.1	2007-2013	23,881	4.4-7.5	2011-2013	—	—	—
Notes of the NBK	423	2.3-3.1	2006	—	—	—	—	—	—
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	44	5.5-8.3	2006-2014	—	—	—	—	—	—
Sovereign bonds of the Republic of Kazakhstan	734	11.1	2007	—	—	—	—	—	—
Equity securities	1,641	—	—	1,545	—	—	871	—	—
Corporate bonds.....	549	2.4-4.9	2007-2009	—	—	—	—	—	—
Available-for-sale securities.....	42,406			25,426			871		

Note:

(1) Including securities of the IBRD, Council of Europe Development Bank (“CEDB”), Asian Development Bank (“ADB”), Inter America Development Bank (“IADB”) and Europe Association of Project Development (“EuroFIMA”) bearing interest at rates ranging from 4.4% to 6.1% per annum and maturing between 2011 and 2013.

The following table sets out the carrying value of the bonds of international financial organisations held by the Bank in its investment portfolio and classified as available-for-sale or held-to-maturity, as the case may be, based on the unaudited accounting records of the Bank, as at the dates indicated in the table:

	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003
	<i>(KZT millions)</i>	<i>(KZT millions)</i>	<i>(KZT millions)</i>
Bonds of international financial organizations	—	—	26,288

Funding Sources

The Bank's principal sources of funding include domestic customer deposits, amounts due from other banks and financial institutions and debt securities issued. As at 1 January 2006, the Bank had established credit lines with 182 financial institutions. The Bank believes that its strong presence in the corporate banking market gives it a competitive advantage over other banks in Kazakhstan in deposit-taking, as a result of which it has generally managed to maintain a relatively high share of the market for corporate deposits and current account balances during recent years. In 2005, 2004 and 2003, the Bank increased domestic deposits as the primary source of its funding and, in particular, leveraged its large retail customer base to increase individual demand and term deposits. Total demand and term deposits increased to KZT 65,095 million and KZT 155,593 million, respectively, in 2004 from KZT 40,388 million and KZT 96,018 million in 2003. In 2005, demand deposits and term deposits increased further to KZT 81,454 million and KZT 218,626 million, respectively.

The following table sets out certain information relating to the Bank's sources of funding as at the dates indicated in the table:

	As at 31 December					
	2005		2004		2003	
	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>	<i>(KZT millions)</i>	<i>(%)</i>
Customer deposits	306,714	33.1	226,710	39.3	140,318	40.3
Term	218,626	23.5	155,593	26.9	96,018	27.9
Demand	81,454	8.9	65,095	11.3	40,388	12.1
Other	6,634	0.7	6,022	1.0	3,912	0.3
Bank borrowings	293,047	32.0	148,331	26.5	121,786	36.3
Debt securities issued	300,009	32.5	182,079	31.5	74,174	21.2
Other liabilities	10,927	2.4	14,262	2.7	9,508	2.2
Total	910,697	100.0	571,382	100.0	345,786	100.0

Customer Deposits

Customer deposits represent the largest part of the Bank's funding sources. The Bank believes these funds are relatively insensitive to short-term fluctuations in interest rates and more dependent on the Bank's ability to provide a good level of customer service and an alternative range of banking products and services according to information provided by the FMSA. As at 31 December 2005, the Bank had total customer deposits of KZT 306,714 million, representing 17.9% (market share does not include accrued interest) of the total deposits in the banking system. As at 31 December 2005, according to information provided by the FMSA 60.6% of deposits were made by corporate and governmental entities and 39.4% of deposits were made by individuals, providing the Bank with a 20% market share (shares to not include interest accrued) of the retail banking sector.

The Bank has a large number of corporate customers, including many of the country's leading industrial companies and trading corporations, as well as a number of medium and smaller sized enterprises, which provides the Bank with a diversified and stable funding base.

The Bank's deposits consist of customer current accounts and term deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For term deposits, different interest rates are paid on the various types of accounts offered by the Bank. For the period ended 31 December 2005, rates on Tenge-based term deposits offered by the Bank to corporate customers ranged between 1.0% and 12.0%, while interest rates paid on U.S. Dollar deposits had declined to between 2.3% and 8.5%.

Deposits by Currency

The average balances of foreign currency customer deposits accounted for 51.8%, 47.7% and 50% of total average balances of customer deposits for 2003, 2004 and 2005, respectively. Customer deposits in foreign currencies are substantially denominated in U.S. Dollars.

The following table sets out certain information relating to customer deposits in Tenge and foreign currency, by amount and as a percentage of the total amount owed to customers, as at the dates indicated:

	As at 31 December					
	2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Foreign currency.....	162,592	53.0	103,921	45.8	71,275	50.8
Tenge accounts	144,122	47.0	122,789	54.2	69,043	49.2
	<u>306,714</u>	<u>100</u>	<u>226,710</u>	<u>100.0</u>	<u>140,318</u>	<u>100.0</u>

Deposits by Maturity

The following table sets out certain information relating to the structure of the Group's customer deposits, based on the unaudited accounting records of the Bank, as at the dates indicated in the table:

	As at 31 December					
	2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
On demand.....	15,963	-	8,979	-	9,891	-
Savings:						
Less than 1 month..	2,025	2.0	2,182	2.8	1,405	2.4
Between 1 and 3 month	13,105	13.0	7,905	10.2	7,793	13.3
Between 3 months and 1 year	19,777	19.7	23,553	30.4	25,510	43.5
between 1 and 5 years.....	65,289	65.0	40,511	52.4	23,670	40.4
Over 5 years	263	0.3	3,215	4.2	227	0.4
Total savings	<u>100,459</u>	<u>100</u>	<u>77,366</u>	<u>100</u>	<u>58,605</u>	<u>100</u>
Total (On demand + Savings)	<u>116,422</u>		<u>86,345</u>		<u>68,496</u>	

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Deposits by Type of Accounts

The following table sets out the balances of the Group's customer deposits net of accrued interest, by type as at the dates indicated in the table:

	As at 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>		
Corporate deposits	172,329	124,629	61,860
Individual deposits (retail).....	120,901	89,097	69,186
State and budgetary deposits.....	13,484	12,984	9,272
	306,714	226,710	140,318

Deposits by Sector

The following table sets out the composition of the Group's customer deposits, by reference to the economic sector of the deposit or, as at the dates indicated:

	2005	%	2004	%	2003	%
Individuals	120,901	39.4%	89,097	39.3%	69,186	49.3%
Oil and gas	55,154	18.0%	29,290	12.9%	6,852	4.9%
Metallurgy	49,524	16.1%	30,171	13.3%	15,070	14.7%
Non-credit financial organizations	13,069	4.3%	9,230	4.1%	1,907	1.4%
Construction.....	12,114	3.9%	7,161	3.2%	5,439	3.9%
Wholesale trading	10,387	3.4%	12,774	5.6%	12,479	8.9%
Mining.....	7,170	2.3%	360	0.2%	410	0.3%
Transportation	5,828	1.9%	7,904	3.5%	1,448	1.0%
Retail trade	2,356	0.8%	6,158	2.7%	2,042	1.5%
Agriculture	2,045	0.7%	3,259	1.4%	2,738	2.0%
Machinery and equipment production.....	2,221	0.7%	2,074	0.9%	6,556	4.7%
Chemical processing.....	1,949	0.6%	2,803	1.2%	347	0.2%
Energy industry	1,440	0.5%	7,605	3.4%	3,021	2.2%
Communication.....	790	0.3%	736	0.3%	432	0.3%
Textile and leather industry ..	703	0.2%	838	0.4%	41	—
Food industry.....	576	0.2%	952	0.4%	389	0.3%
Hotel and hospitality	326	0.1%	370	0.2%	102	0.1%
Entertainment.....	268	0.1%	281	0.1%	166	0.1%
Other	19,893	6.5%	15,647	6.9%	11,693	8.2%
	306,714	100.0%	226,710	100.0%	140,318	100.0%

Bank Loans and Similar Financings

The following table sets out certain information relating to balances due to other banks and financial institutions, net of accrued interest based on the unaudited accounting records of the Bank, as at the dates indicated in the table:

	As at 31 December		
	2005	2004	2003
	<i>(KZT millions)</i>	<i>(KZT millions)</i>	<i>(KZT millions)</i>
Interest-bearing placements from non- OECD-based banks .	3,080	721	288
Interest-bearing placements from Kazakhstan banks.....	2,320	4,523	8,490
Correspondence loan accounts.....	495	54	1,583
Pass-through loans.....	7,797	7,029	3,856
Loans from Kazakhstan banks and financial institutions.....	6,733	12,343	3,402
Loans from non-Kazakhstan banks and financial institutions	131,328	66,297	49,893
Syndicated bank loans	132,812	50,733	48,168
Redeemable CPS.....	5,581	5,075	4,735
Total	290,146	146,775	120,415

The following sets forth a summary description of the terms of the principal debt facilities under which the Bank is a borrower and/or guarantor as at the date of this Base Prospectus:

The 2003 EBRD Facility

On 27 February 2003, the Bank entered into a four year, unsecured loan agreement with the EBRD, pursuant to which the Bank was permitted to draw up to U.S.\$30 million (consisting of an “A loan” in the amount of up to U.S.\$10 million and a “B loan” in the amount of up to U.S.\$20 million) for general corporate purposes (the “**2003 EBRD Facility**”).

The loan identified under the EBRD Facility as the “A loan” bore interest on its outstanding principal balance at the annual rate of LIBOR plus 3.8% for the first year period and bears interest on its outstanding principal amount at the annual rate of LIBOR plus 3.55% for the rest of the period, and the loan identified under the EBRD Facility as the “B loan” bears interest on its outstanding principal balance at the annual rate of LIBOR plus 3.05%. The Bank is entitled to repay the 2003 EBRD Facility at any time in full or in part. EBRD was entitled to require the Bank to repay the B Loan by giving a notice at least 60 days prior to 27 February 2005. No such notice was delivered.

In February 2005 the margin of both the “A loan” and the “B loan” was decreased to LIBOR plus 2% per annum.

According to unaudited accounting records of the Bank, as at 31 March 2006, the outstanding principal balance of the 2003 EBRD Facility was U.S.\$30 million, including U.S.\$10 million under the “A loan” and U.S.\$20 million under the “B loan”. The Bank intends to fully repay the 2003 EBRD Facility at its stated final maturity on 27 February 2007.

Calyon Islamic Financing Facility

On 30 March 2005, the Bank signed a credit agreement on Islamic finance arranged by Calyon which also acts as the agent for this facility. The total amount of the facility is U.S.\$ 50 million. The loan carries a margin of LIBOR plus 1.0% and matures in one year, subject to renewal, at the Bank’s option, for an additional one-year period.

According to unaudited accounting records of the Bank, as at 31 March 2006, the principal amount outstanding under this Murabaha facility was U.S.\$ 50 million. The Bank plans to fully repay the loan on its stated repayment date on 10 April 2006.

Credit Facility with WestLB - Schuldschein

In April 2005, the Bank signed a syndicate loan agreement with WestLB. The lead arranger of this facility was WestLB AG. In the successful course of syndication, the original amount of the loan was increased from U.S.\$20 million to U.S.\$30 million. The loan bears interest at a rate of LIBOR plus 1.2% per annum on the outstanding principal amount, and matures in one year, subject to renewal at the Bank's option for an additional one-year period.

According to the unaudited accounting records of the Bank, as at 31 March 2006, the principal amount outstanding under this loan was U.S.\$30 million. The Bank plans to fully repay the loan at its stated maturity on 26 April 2006.

Credit Agreement with Sumitomo Mitsui Banking Corporation Europe Limited

In July 2005, the Bank entered into a three-year syndicated loan agreement with Sumitomo Mitsui Banking Corporation Europe Limited. The principal amount of the loan is U.S.\$110 million. The loan will be used for financing the Bank's working capital. This agreement was the first medium-term loan agreement executed by a bank in a CIS country.

According to the unaudited accounting records of the Bank, as at 31 March 2006, the principal amount outstanding under the agreement was U.S.\$110 million. The Bank plans to fully repay the loan at its stated maturity on 16 June 2008.

Credit Agreement with Wachovia Bank N.A.

On 25 July 2005, the Bank entered into a U.S.\$25 million structured debt instrument agreement with Wachovia Bank N.A., which is 70% guaranteed by the (Overseas Private Investment Corporation (OPIC)). Proceeds of the facility are used to finance the Bank's SME lending activities. The loan bears interest at a rate of LIBOR plus 1.6% per annum. The Bank plans to fully repay the loan at its stated maturity on 26 July 2011. According to the unaudited accounting records of the Bank, as at 31 March 2006, the principal amount outstanding was U.S.\$25 million.

Credit agreement with Arab Bank plc, The Bank of Tokyo-Mitsubishi, Ltd., Bank Austria Creditanstalt AG (a member of HVB Group), Bayerische Hypo-und Vereinsbank AG (a member of HVB Group), J.P. Morgan plc and Sanpaolo IMI S.p.A.

On 20 September 2005, the Bank entered into a U.S.\$777 million one-year syndicated trade finance facility and, on 6 October 2005, the full amount of this facility was drawn down; TuranAlem Finance acts as the borrower under this facility, which is guaranteed by the Bank. The amount borrowed under this facility bears interest at a rate of LIBOR plus 0.70% per annum. The facility has a term of one year, subject to renewal for an additional one-year period at the Bank's option.

According to the unaudited accounting records of the Bank, as at 31 March 2006, the principal amount outstanding under this facility was U.S.\$777 million. The Bank plans to repay the facility at its scheduled maturity on 20 September 2006.

National City Bank Facility

On 14 November 2005, the Bank entered into a six-year unsecured term loan agreement with The National City Bank, pursuant to which the Bank was granted a loan in an aggregate amount of U.S.\$25 million ("National City Bank Facility"), which is covered by OPIC for 75%). The purpose of the loan is to expand the Bank's existing retail loan portfolio. According to the unaudited accounting records of the Bank, as at 31 March 2006, the principal amount outstanding under this facility was U.S.\$25 million.

The National City Bank Facility bears interest on its outstanding principal balance at a per annum rate equal to the sum of LIBOR plus 1.50%. The Bank is entitled to prepay the National City Bank Facility at any time in full or in part upon 30-days prior written notice. The Bank intends to repay the National City Bank Facility upon its scheduled maturity in 2011.

Under the National City Bank Facility, the Bank is obliged to maintain certain financial ratios with regard to its risk weighted assets and tangible net worth. As at the date of the Prospectus, the Bank was in compliance with all financial ratios and other covenants imposed on it under the National City Bank Facility.

ABN AMRO Framework Term Loan Facility Agreement

In September 2005, the Bank has entered into an unsecured Framework Term Loan Facility Agreement with ABN AMRO Bank N.V. (“ABN AMRO Facility”) under which the Bank is entitled to draw loans of up to the total aggregate amount of U.S.\$75 million for terms of up to 36 months for the purpose of providing pre-export financing of commodities to the client of the Bank.

Most types of commodities (crude oil, refined oil, gas, steel, aluminium, copper, zinc, nickel, silver, gold, fertilizers, cotton, grain, sugar and other types of commodities upon mutual agreement between the Lender and the Borrower) are included in the list of goods that may be financed under the ABN AMRO Facility. The borrowers may include clients from Kazakhstan, Russia, the Ukraine and other CIS countries.

According to the unaudited accounting records of the Bank, as at 31 March 2006 the outstanding principal balance under ABN AMRO Facility was U.S. \$27 million. The Bank intends to repay all loans extended under the ABN AMRO Facility at their respective scheduled maturity dates.

Deere Credit Facility

On 14 December 2005, the Bank entered into a facility agreement with Deere Credit Inc. and Ex-Im Bank (the “Deere Credit Facility”), pursuant to which the Bank is entitled from time to time to draw down loans in the amount of up to U.S.\$10 million for the terms of up to five years for the purpose of providing part-financing to customers for the purchase of certain goods or services. Loans granted under the Deere Credit Facility bear interest on their outstanding principal balance at a per annum rate equal to LIBOR plus 0.55%.

According to the unaudited accounting records of the Bank, as at 31 March 2006, no drawdowns had been made under the Deere Credit Facility. The Bank intends to repay all loans under the Deere Credit Facility at their respective scheduled maturity dates.

BNP Paribas Facility

On 5 December 2005, the Bank entered into a multisource framework facility agreement with BNP Paribas (“the BNP Paribas Facility”), pursuant to which the Bank is entitled from time to time to draw down loans in an aggregate amount of up to EUR.\$200,000,000 for the purpose of providing financing of commercial contracts. Loans granted under the BNP Paribas Facility bear interest on their outstanding principal balance at a per annum rate equal to EUROLIBOR or LIBOR plus the applicable margin specified in the relevant individual loan agreement.

As at 31 March 2006, no drawdown had been made under the BNP Paribas Facility.

Deere Credit Facility Guarantee

On 18 January 2006, the Bank and Agrotechmash LLC entered into a export financing credit facility with Deere Credit Inc. and Ex-Im Bank, pursuant to which Agrotechmash LLC is entitled to borrow approximately U.S.\$19.6 million for the purchase of goods and services imported from the United States. Under this facility, the Bank has agreed to guarantee (the “Deere Credit Facility Guarantee”) the payment by Agrotechmash LLC of the principal amount and interest on the loan. Loans granted under the Deere Credit Facility bear interest on their outstanding principal balance at a per annum rate equal to 0.3250% plus LIBOR for each applicable interest period.

According to the unaudited accounting records of the Bank, as at 31 March 2006 the principal balance of the Deere Credit Facility Guarantee was U.S.\$19.6 million.

Morgan Stanley Facility

On 10 March 2005, the Bank entered into a three year credit facility with Morgan Stanley Bank International limited (“the Morgan Stanley Facility”). According to the unaudited accounting records of the Bank, as at 31 March 2006, the principal balance of the Morgan Stanley facility was KZT 46,620 million. Funds borrowed under the Morgan Stanley Facility which will be used by the Bank for general corporate purposes, bear interest at the rate of 7.85% per annum. The Bank plans to fully repay the facility at its stated maturity on 10 March 2009.

Other Trade Finance Facilities

The Bank regularly enters into various other inter-bank facilities with foreign banks and Kazakhstan subsidiaries of foreign banks, pursuant to each of which the Bank is permitted to draw various amounts in foreign currency, for the purpose of on-lending funds to finance clients’ export-import operations (“**Trade Finance Facilities**”) with a view to providing Bank clients with (i) short-term financing, generally with a two-year maturity, for pre/import, pre/export contracts, and (ii) medium- and long-term financing guaranteed by export-import banks with a maturity of up to 12 years for the imports of goods and services.

As at the date of this Base Prospectus, the Bank maintains Trade Finance Facilities with, *inter alia*, JPMorgan Chase Bank, N.A., ABN AMRO Bank N.V., EBRD, HSBC Bank Kazakhstan, Bank Austria Creditanstalt AG (Austria), Garantibank International N.V. (The Netherlands), Ceskolovenska obchodni banka, a.s. (the Czech Republic), Bayerische Hypo-Und Vereinsbank Aktiengesellschaft (Germany), The Bank of New York (United States of America), Bank of Tokyo-Mitsubishi (Japan), Mashreq Bank (United Arab Emirates), ING (Netherlands), Standard Bank London (Great Britain), KBC (Belgium), Exim India (India), JBIC (Japan), Nordea Bank (Finland), Exim China (Taiwan), Exim Korea (Korea), Credit Suisse (Switzerland), Wachovia Bank (United States of America), Mediobanca (Italy), Calyon (France), UBS (Switzerland) and Deutsche Bank AG (Germany).

As the leading trade finance bank in Kazakhstan in terms of market share (based on information published by the NBK), the Bank has working relationships with many export-credit agencies, including Euler-Hermes Germany, SACE-Italy, EGAP-Czech Republic, Finnvera-Finland, Esportkreditnamnden (EKN)-Sweden, Export Risk Guarantee Agency (ERG)-Switzerland, Office du Ducreire (ODL)-Luxembourg office and Office National du Ducreire (OND)-Belgium; as well as Export-Import banks, such as EXIM USA, EXIM Korea and Export-Import Bank of Slovakia, among others.

Generally, short-term financings bear interest at a rate of LIBOR plus a margin of between 0.8% and 2.0% on the outstanding principal balance depending on the amount of the financing, conditions, the term of the financing and the types of goods under contract. Medium- and long-term financings guaranteed by export credit agreements with export-import banks bear interest at rates of LIBOR plus an insurance premium plus a margin of between 0.2% and 0.7% on the outstanding principal balance depending on the term of the financing, the amounts of the financing and the type of goods under contract.

According to the unaudited accounting records of the Bank, as at 31 March 2006, the aggregate outstanding principal balance under the Trade Finance Facilities was equivalent to approximately U.S.\$357.3 million; such facilities have maturities ranging between 5 and 7 years. The Bank intends to continue to fully repay all amounts when due under the Trade Finance Facilities.

Covenants in the facility agreements

Under various financing agreements, the Bank is obliged to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. The Bank measures its compliance with these financing agreements on a quarterly basis after the Bank’s quarterly consolidated financial statements are prepared. As at 31 December 2005, the Bank was in compliance with all financial ratios and other covenants imposed on it under any financing agreement under which it is a borrower or guarantor, and the Bank is not aware of any breaches of any debt covenants to which it is subject as at the date of this Base Prospectus.

Debt Securities

The Bank has guaranteed the obligations of TuranAlem Finance under the following debt securities issued under Rule 144A and Regulation S: the issue of U.S.\$100,000,000 10% Notes due 2007; the issue of U.S.\$225,000,000 and U.S.\$375,000,000 7.875% Notes due 2010, which were consolidated and form a single series; the issue of U.S.\$300,000,000 and U.S.\$100,000,000 8% Notes due 2014, which were consolidated and form a single series; the issue of U.S.\$350,000,000 8.5% Notes due 2015; and the issue of U.S.\$200,000,000 Floating Rate Notes due 2008 (which bear interest at a rate of LIBOR plus 1.65%) issued under this Programme.

Subordinated Debt Securities

The Bank has issued U.S. Dollar and Tenge-denominated subordinated notes in five tranches. The Bank's subordinated notes bear interest on the outstanding principal balance at annual rates ranging between 7.0% and 12.0% and mature between 2009 and 2015. As at 31 December 2005, an aggregate principal amount of KZT 42,369 million of such subordinated notes was outstanding. These notes constitute unsecured obligations of the Bank and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Bank. The Bank's subordinated notes are treated as Tier II capital to the extent that the outstanding principal amount of the subordinated notes does not exceed 50% of the Bank's Tier I capital.

BUSINESS

General

The Bank is a leading commercial bank in Kazakhstan, offering a full range of traditional corporate and retail banking products and services, including deposit-taking, lending, the issuance of letters of credit, funds transfers, custodial services, the issuance of payment cards and related services, foreign currency exchange, the issuance of guarantees, cash operations, trust operations, collection operations, transactions with precious metals, leasing, broker-dealer transactions, clearing operations and safe keeping operations. The Bank also provides pension fund services and is engaged in certain insurance activities.

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Structure of the Bank

The Bank is one of the leading commercial banks in, Kazakhstan servicing private commercial enterprises, state-owned enterprises and individual customers. As at 31 December 2005, the Bank had 22 regional branches and 197 retail units throughout Kazakhstan, which are expected to be converted into branches or units of existing branches by year end 2006 as required by new banking legislation. In addition, as at the same date, the Bank also had representative offices in Moscow, Russia; Kiev, Ukraine; Minsk, Belarus; Bishkek, Kyrgyz Republic; Dushanbe, Tajikistan; Tbilisi, Georgia; Yerevan, Armenia; and Shanghai, China and Baku, Azerbaijan and, in February 2006, the Bank opened a further representative office in Ekaterinburg, Russia. The Bank's representative office in Baku, Azerbaijan is not yet fully operational, pending the receipt of the required approval from the local state agency, which the Bank expects to obtain by the end of 2006. The Bank plans to open further representative offices in St. Petersburg, Russia and Beijing, China. The Bank expects these representative offices to become fully operational in 2006 once the required local state approvals have been obtained.

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All branches provide a broad range of banking services. Acceptance operations, trust operations, clearing operations, mortgage operations, issuance of payment cards, guarantee operations, issuance of own securities, factoring and forfeiting operations and transactions with precious metals are conducted by the head office.

The Bank has the following principal business departments: Corporate (consisting of six credit departments), Treasury, International Relations, International Activities Monitoring, Global Trade Finance, Retail Business, SME, SME Sales Support, Problem Loan, Regional Development, Security, CIS Financing and Custody Services. The Bank has various ancillary departments that provide support services.

Principal Business Activities

Corporate Banking and Trade Finance

The Bank's corporate business is comprised of six corporate business departments, which are in charge of commercial lending, and the Department of CIS Financing, which is engaged in financing projects in CIS countries.

The Bank has a wide range of corporate customers, including many of Kazakhstan's leading industrial companies. As at 31 December 2005, the Bank had over 50,138 corporate accounts.

A major part of the Corporate Business Department's activities consist of the provision of trade finance and short-term credit facilities, mostly in Tenge and U.S. Dollars, including letters of credit, guarantees and working capital financing. According to FMSA as at 31 December 2005, the Bank held a 24.5% share of the corporate lending market. The Bank is also expanding into services such as payroll management services, corporate cards and foreign exchange.

Retail Banking

The retail banking market is an increasingly important source of business for the Bank and management believes the Bank is well placed to take advantage of its relatively large individual customer and depositor base. The Bank has benefited from its strong corporate banking relationships by extending retail banking services to the management and employees of its major corporate customers. According to

FMSA as at 31 December 2005, the Bank had over 1,294,190 retail customer accounts aggregating KZT 119,523 million, making it Kazakhstan's second largest bank in terms of the number of its retail accounts.

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, credit and debit cards, money transfer services within Kazakhstan and to and from foreign countries, currency exchange services and ATM services. The Bank is the second largest bank in Kazakhstan measured by number of retail customers (after Halyk Savings Bank, which historically has led the retail banking market as Kazakhstan's former state-owned "savings" bank). Since 1999, the Bank has continued to increase its penetration of the retail banking market and to expand its branch network in regions with a high potential for retail banking business, particularly in eastern Kazakhstan and in the Caspian Sea regions in the western part of the country. In December 2004, the Bank launched two retail boutique projects in Almaty to offer a full range of banking services to retail customers. The Bank aims to continue to modernise its retail unit network over the next three years in order to permit the Bank to take advantage of growing market demand for retail banking services. See "Overview of the Bank – Strategy – Expansion of Retail Services".

As at 31 December 2005 Tenge-denominated deposits represented 45.0% of total deposits, compared to 54.2% as at 31 December 2004.

As at 31 December 2005, large deposits (i.e., in excess of U.S.\$10,000), as a percentage of total deposits, also increased, compared to 31 December 2004, to 62.6% from 57.7%, respectively. In particular, deposits of an amount between U.S.\$10,000 - U.S.\$100,000 accounted for 28.8% of term deposits and deposits in excess of U.S.\$100,000 accounted for 33.8% of total deposits, compared to 30.4% and 27.2% of total deposits, respectively, as at 31 December 2004.

The Bank also offers a wide range of consumer lending products: mortgage lending, loans for purchasing automobiles and consumer goods, loans to employees of large corporate customers and loans to the Bank personnel. As at 31 December 2005, total consumer loans were KZT 63,725 million, compared to KZT 38,036 million as at 31 December 2004.

In order to further develop mortgage lending, the Kazakhstan Mortgage Loan Guarantee Fund has been set up. Participation in such system of guaranteeing mortgage loans entitles banks and mortgage companies to be secured from losses resulting from the borrower's default under mortgage loans.

As at the date of this Base Prospectus, the Bank has a leading market position in offering a wide range of card products, representing a 13.3% share of the market for these cards. The Bank offers 18 different types of cards to its customers. As at 31 December 2005, the Bank has issued over 427,000 cards that are in circulation, 26,000 of which are credit cards. 349,000 of the Bank's cards are domestic cards and 78,000 are international. The Bank has issued 261,000 VISA cards, 99,000 Master Cards and 68,000 domestic Smart Alem cards. The Bank is a principal member of both Visa International and Master International payment systems and is also an authorised agent for the distribution of American Express cards. The Bank's card processing activities have been outsourced by the Bank to Alem Card Ltd., an affiliate of the Bank.

Currently the major part of card services are provided under a payroll card project, pursuant to which participants obtain two cards, including a debit card for receiving salary and a credit card subject to a credit limit representing two to five times the holder's monthly salary. The Bank also provides some additional services to its card clients, such as SMS-banking, Internet-banking, utility bills payments via ATMs, transfers between cards, loan repayments and transfers to saving accounts.

Capital Market Operations

Since Kazakhstan began its privatisation programme in 1992, the country has put in place considerable legal and technical infrastructure to support the domestic capital markets. The Bank is committed to maintaining its position in the local capital markets. During the first six months of 2005, JSC TuranAlem Securities, the Bank's wholly owned subsidiary, handled approximately 22.2% of trades on non-government securities on the KASE.

JSC TuranAlem Securities' primary activities are sales, investment banking, trading and underwriting of government, municipal and corporate securities in Kazakhstan. Kazakhstan's capital markets activities are gradually increasing as the economy recovers and the private sector develops.

JSC TuranAlem Securities' trading partners include certain major domestic financial institutions, such as Halyk Bank, Kazkommertsbank and Almaty Merchant Bank, as well as affiliates of foreign banks operating in Kazakhstan, such as ABN AMRO Bank Kazakhstan and Citibank Kazakhstan, and major international banks, such as ING Bank, Morgan Stanley, Deutsche Bank, Standard Bank and RZB.

International Banking

The Bank regularly enters into various other inter-bank facilities with foreign banks and Kazakhstan subsidiaries of foreign banks, pursuant to each of which the Bank is permitted to draw various amounts for on-lending funds for export-import operations of its clients in Kazakhstan and abroad. Such facilities are drawn for the purposes of providing short-term finance for pre/import, pre/export contracts for an average of two years and for providing medium- and long-term finance under guarantees of Export-Import banks that usually cover imports of goods and services for a period up to 12 years.

As at the date of this Base Prospectus, the Bank maintains On-Lending Trade Finance Facilities with, inter alia, JPMorgan Chase Bank, N.A., ABN AMRO Bank N.V., EBRD, HSBC Bank Kazakhstan, Bank Austria Creditanstalt AG (Austria), Garantibank International N.V. (the Netherlands), Ceskolovenska obchodni banka, a.s. (the Czech Republic), Bayerische Hypo-Und Vereinsbank Aktiengesellschaft (Germany), The Bank of New York (United States of America), Bank of Tokyo-Mitsubishi (Japan), Mashreq Bank (United Arab Emirates), ING (Netherlands), Standard Bank London (Great Britain), KBC (Belgium), Exim India (India), JBIC (Japan), Nordea Bank (Finland), Exim China (Taiwan), Exim Korea (Korea), Credit Suisse (Switzerland), Wachovia Bank (United States of America), Mediobanca (Italy), Calyon (France), UBS (Switzerland) and Deutsche Bank AG (Germany).

The Bank has expanded its regional presence through the establishment of a network of representative offices. As at 31 December, the Bank maintains representative offices outside Kazakhstan in Moscow, Russia; Kiev, Ukraine; Minsk, Belarus; Bishkek, Kyrgyzstan; Dushanbe, Tajikistan; Tbilisi, Georgia; Yerevan, Armenia and Shanghai, China and Baku, Azerbaijan; through which it intends to diversify its clientele and the range of banking products in the areas of lending and international trade finance. In February 2006, the Bank opened a further representative office in Ekaterinburg, Russia. The Bank's representative office in Baku, Azerbaijan is not yet fully operational, pending the receipt of the required approval from local state agency, which the Bank expects to obtain by the end of 2006. The Bank also plans to open further representative offices in St. Petersburg, Russia and Beijing, China.

As at 31 December 2005, the Bank owned a 15.63% ownership interest in Slavinvestbank Ltd., a small Russian bank based in Moscow; a 49.2% ownership interest in CJSC Astanaeximbank, a small Belarus bank based in Minsk; a 16.64% ownership interest in JSCB Omsk Bank, a small bank based in Omsk, Russia, in which Slavinvestbank Ltd. also then owned a 16.26% ownership interest; a 48.87% ownership interest in CJSC BTA Invest Bank, a small Armenian bank based in Yerevan; and a 49.00% ownership interest in JSC BTA SilkRoadBank, a small Georgian bank based in Tbilisi. In addition, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of OJSC AgroIncomBank through LLP TuranAlem Capital (Russia), Slavinvestbank Ltd. and Omsk Bank, each of which then owned a 19.00% ownership interest in JSC Agroinvestbank. Furthermore, as at 31 December 2005, the Bank had an indirect ownership interest in the share capital of OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan, which is a small retail bank based in the city of Kazan, in the Tatarstan region of Russia, through LLP TuranAlem Capital (Russia), owns a 19.45% ownership interest in OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan.

The Bank has also entered into strategic cooperation agreements with OJSC Omsk Bank, Slavinvestbank Ltd., CJSC Astanaeximbank, OJSC BTA SilkRoadBank, OJSC Aktsionernyi Kommercheskiy Bank BTA-Kazan, and OJSC Agroinvest Bank. The target banks are small, local banks with the potential, in particular, to develop trade finance businesses. Pursuant to the respective strategic cooperation agreements with these entities, the Bank is working with the local banks to develop and harmonise their credit policies and risk management and operating systems. There are no immediate plans for increasing any particular investment in these banks. The Bank also has a wholly owned overseas subsidiary in The Netherlands, TuranAlem Finance, which may act as an Issuer under the Programme.

Pension Fund Services

The provision of pension fund services is a growing business in Kazakhstan as a result of government reform in this area in 1998. There are currently seven asset management companies, 14 private pension funds and one state-run pension fund in Kazakhstan. The Group is committed to becoming a leading provider of pension fund services and, as at 31 December 2005, the Bank owned 76.83% of the share capital of JSC Pension Fund BTA Kazakhstan.

Insurance Activities

The insurance market is developing rapidly in Kazakhstan due to improvements in legislative measures, expanded regulatory supervision and the general economic development in Kazakhstan over the past few years. There are 37 insurance companies operating in Kazakhstan. As at 31 December 2005, these insurance companies had total capital of KZT 44 billion and total assets of KZT 73 billion. The Bank has a controlling interest in JSC BTA Life Insurance (66%), JSC Insurance Company BTA (49%) JSC Insurance Company BTA Zabota (57.53%) through which it offers a broad range of life insurance products; the Bank is focused on furthering its penetration of the market over the next few years. Management believes the Bank is well-positioned to capitalise on the anticipated growth in this sector in the next five years.

Branch Operations and Technology

The Bank has developed a fully centralised technology system, operating integrated banking and accounting systems and has a unified payment system, which allows on-line communication between the head office of the Bank and its branches through a real-time wide area network. All branches maintain their own independent databases and data is transmitted electronically to the head office where consolidated accounts are prepared. All servers have dual protection and are backed-up daily to the main server. The Bank considers the upgrading of its information technology systems as an important aspect of the Bank's further development. Accordingly, during 2003, the Bank adopted a number of new information systems, including the "Centralised Retail System" (by LLP Force Technology, Kazakhstan), the "Resource Navigator" system, which focuses on foreign exchange position control (by Softwell, Russia); a trade finance system "Trade Innovation" (by Misys, UK), a financial analysis system; "Contour Corporation" (by IntersoftLab, Russia), and "Siebel 7"; which is focused on managing client interaction (by Siebel, USA). In addition, SwiftAlliance Access has been upgraded to version 5.0. Currently new banking information system and more powerful server hardware are being selected. Although the Bank expects to upgrade its principal information and technology systems within the next three years, the Bank does not expect to make significant additional investments in its branch network in the near to medium term as management believes that the network is sufficiently well-developed throughout Kazakhstan to service the Bank's existing and planned future business. The Bank will, however, focus on developing its ATM and POS networks.

Subsidiaries and Affiliates of the Bank

The Bank has eight (8) subsidiaries: TuranAlem Finance, BTA Finance Luxembourg S.A., TuranAlem Securities, LLP TuranAlem Finance (Russia), JSC BTA Life Insurance, JSC Insurance Company BTA Zabota, JSC Pension Fund BTA Kazakhstan, JSC BTA Ipoteka; and one affiliate, which in accordance with IFRS is treated as a subsidiary: LLP Force Technology. As at and for the years ended 31 December 2004 and 2003, the Group's consolidated financial statements also included the results of BTA Leasing and Insurance Company BTA. As at 31 December 2005, the Group no longer consolidates the results of BTA Leasing because a sale of shares reduced the Group's ownership interest below 50% and no longer consolidates the results of Insurance Company BTA because a reduction of its ownership interest to 49% resulted in a loss of its majority-control of the Board of Directors.

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Subsidiaries

The following table sets out certain information relating to the Bank's subsidiaries as at 2 February 2006:

<u>Company Name</u>	<u>Industry</u>	<u>Date of Investment</u>	<u>Investment at Cost</u> (KZT millions)	<u>Bank's Shareholding</u>
TuranAlem Finance BTA Finance	Capital Markets	21 May 2001	2.9	100.0
Luxembourg S.A. JSC TuranAlem Securities	Capital Markets Securities Trading and Asset Management	22 November 2005	4.96	99.9
LLP TuranAlem Finance (Russia)	Capital Markets	13 December 1997	43.60	100.0
JSC BTA Life Insurance JSC Insurance Company	Insurance	22 June 2004	0.47	100.0
BTA Zabota JSC Pension Fund BTA	Insurance	30 March 2001	307.45	66.0
Kazakhstan JSC BTA Ipoteka	Pension Fund	4 April 2001	230.11	57.5
Force Technology LLP	Mortgage	16 September 1998	787.015	76.8
	IT Services	20 November 2000	1,297.99	100.0
		9 April 2002	-	-

The following are brief summaries regarding the status and operations of the Bank's subsidiaries and affiliates. Financial information for each entity has been extracted from the Bank's unaudited management accounts and is unaudited.

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TuranAlem Finance B.V. TuranAlem Finance B.V. was incorporated on 22 May 2001 in The Netherlands as a limited liability company. TuranAlem Finance B.V. may act as an Issuer of Notes under the Programme. See "TuranAlem Finance".

JSC TuranAlem Securities. JSC TuranAlem Securities is a wholly owned, consolidated subsidiary of the Bank. Its principal business areas include sales, investment banking, trading and underwriting of government, municipal and corporate securities in Kazakhstan. According to information provided by the KASE, as at 31 December 2005, JSC TuranAlem Securities handled approximately 23.2% of trades on non-government securities on the KASE. As at 31 December 2005, JSC TuranAlem Securities' share capital was KZT 4,335 million and it had assets of KZT 2,116 million.

BTA Finance Luxembourg S.A. BTA Finance Luxembourg S.A. was incorporated in Luxembourg on 22 November 2005 as a public limited liability company (société anonyme). It is a special purpose vehicle established for the purpose of the Hybrid Securities Issue.

LLP TuranAlem Finance (Russia). LLP TuranAlem Finance (Russia) was incorporated on 22 June 2004 in Moscow, Russia as a limited liability company and is a wholly-owned subsidiary of the Bank. It was created principally for the purpose of raising funds for the Bank through the issuance of Russian Rouble-denominated bonds and promissory notes. LLP TuranAlem Finance (Russia) began conducting operations in July 2004. As at 31 December 2005, LLP TuranAlem Finance (Russia)'s share capital was Russian Roubles 10,000.

JSC BTA Life Insurance. BTA Life Insurance Company JSC was established in July 1999 as a closed joint stock company and is based in Almaty. As at 31 December 2005, the Bank held 66.0% of share capital of this company. BTA Life Insurance JSC provides life insurance services and is one of the first insurance companies in Kazakhstan which is licensed by the FMSA to provide these services. As at 31 December 2005, JSC BTA Life Insurance Company had a 90% share of the life insurance market in Kazakhstan. According to information provided by the FMSA as at 31 December 2005, this company had assets of KZT 1,730 million and its equity capital was KZT 725 million.

JSC Insurance Company BTA Zabota. JSC Insurance BTA Zabota was established in September 1996 as an open joint stock company. According to information provided by the FMSA at 31 December 2005, the Bank held 57.53% of JSC Insurance Company BTA Zabota's share capital. JSC Insurance Company BTA Zabota provides a full range of insurance services. According to information provided by the FMSA as at the date of this Base Prospectus, this company had a 3.3% share of the medical insurance

market and a 1.1% share of the individual insurance market. According to information provided by the FMSA, as at 31 December 2005, this company had a 1% share of the overall insurance market in Kazakhstan. Total assets of JSC Insurance BTA Zabota as at 31 December 2005 were KZT 1,310 million and its share capital was KZT 506 million.

JSC Pension Fund BTA Kazakhstan. JSC Pension Fund BTA Kazakhstan, previously known as JSC Pension Fund Kurmet-Kazakhstan, had been reregistered on the 30 December 2005. JSC Pension Fund BTA Kazakhstan, located in Almaty, was organised on the 16 September 1998 as a result of the merger of two pension funds JSC Pension Fund Kurmet and JSC Pension Fund Kazakhstan, each of which was organised in 1998 as a closed joint stock company. According to information provided by the FMSA, as at 31 December 2005, the Bank owned 76.83% of JSC Pension Fund BTA Kazakhstan's share capital. JSC Pension Fund BTA Kazakhstan is a non-state pension fund. See "The Bank's Business – Banking Services – Pension Fund Services". According to information provided by the FMSA as at 31 December 2005, JSC Pension Fund BTA Kazakhstan had a 7.32% share of the pension market in Kazakhstan. As at 31 December 2005, this entity's share capital was KZT 1,004 million and its pension assets were KZT 47,500 million.

JSC BTA Ipoteka. JSC BTA Ipoteka was established in November 2000 as an open joint stock company and is based in Almaty. The Bank holds 100% of JSC BTA Ipoteka's share capital. JSC BTA Ipoteka provides a wide range of services, including the provision of financing for the purchase, maintenance and construction of real estate. According to information provided by the FMSA, as at 31 December 2005, it had a 18.9% share of the mortgage market in Kazakhstan (BTA Ipoteka). As at 31 December 2005, its shareholders' equity was KZT 2,703 million and its assets were KZT 3,462 million.

LLP Force Technology. LLP Force Technology was established in April 2002 as a limited liability partnership and is based in Almaty. LLP Force Technology provides information services and leasing of computer equipment.

Legal Proceedings

The Group is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either of TuranAlem Finance or the Bank is aware), during the last twelve months which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

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Employees and Training

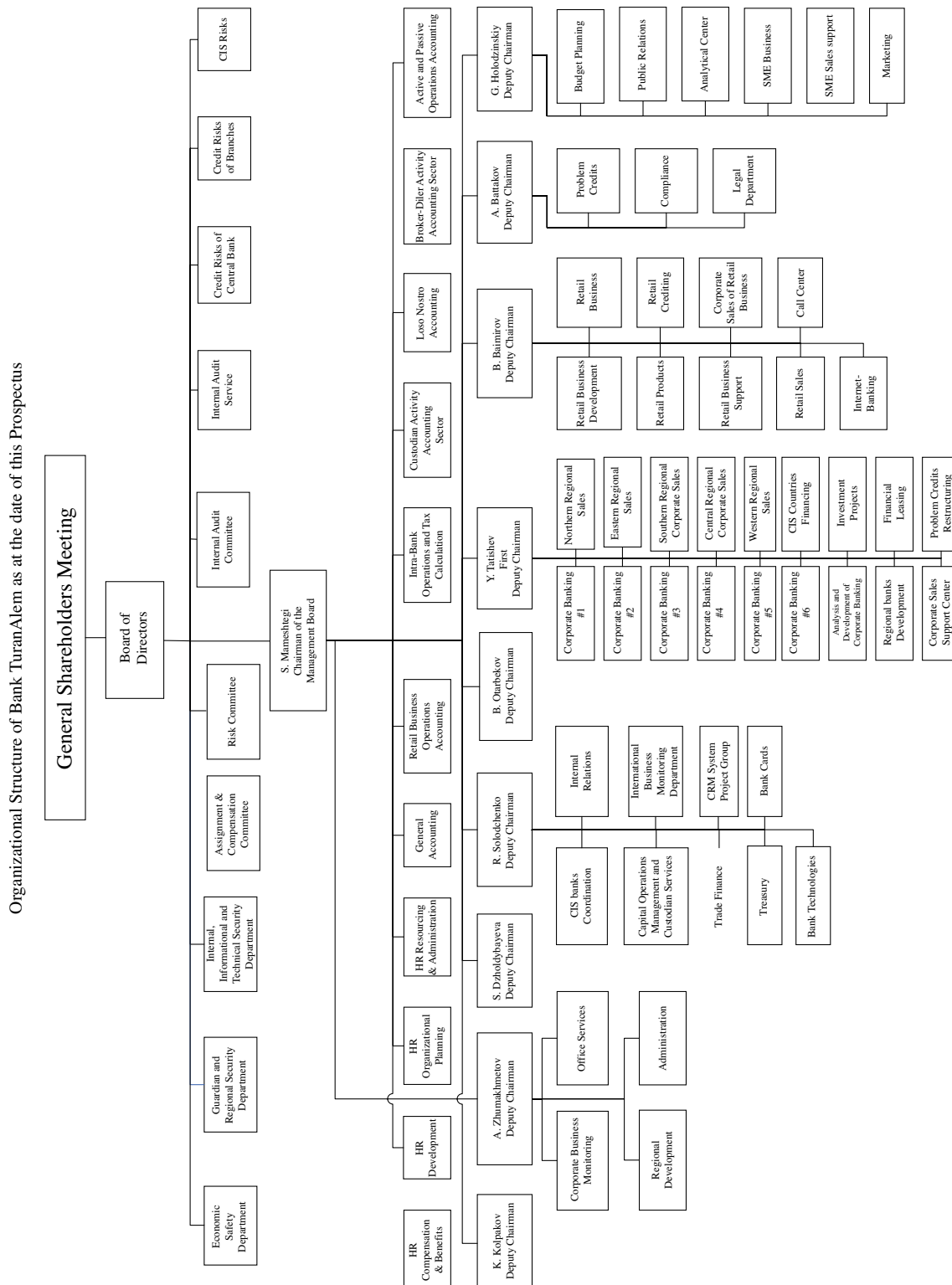
As at 31 December 2005, the Group employed 4,793 full-time employees, of which 2,338 were employed at the Group's branches outside Almaty; 477 were employed at the Almaty branch and the balance were employed by the Head Office and the Bank's subsidiaries. As at 31 December 2004 and 2003, the Group employed 3,817 and 3,221 full time employees, respectively. Currently, there are no labour unions representing any employees of the Bank or its subsidiaries. The Group has never experienced any industrial action or other work stoppages resulting from labour disputes. A collective bargaining agreement for the years 2005 through 2010, regulating labour, social-economic and professional relationships between the Bank and its employees was concluded in accordance with the mutual interests of the parties and applicable laws of Kazakhstan. The average age of the Group's employees as at 31 December 2005 was 30.4 years and 88% of the employees in professional positions hold university degrees. A number of key staff have been trained at the Bank's main correspondent banks, including ING, Bayerische HypoVereinsbank, CSFB, SMBC, Deutsche Bank, Dresdner Bank and RZB.

There is a considerable shortage of adequately qualified personnel in the Kazakhstan banking sector, particularly in such areas as risk management, brokerage services and asset management. As of the date of this Base Prospectus, the Bank has over 200 vacancies for qualified banking personnel. If the shortage of adequately qualified banking personnel persists, the Bank's ability to offer the desired range and volume of services may be affected which may, in turn, affect the Bank's market share and financial results. In addition, shortage of adequately qualified banking personnel may cause the bank to implement additional financial and other incentives to retain the existing, and recruit additional, personnel, which may increase the Bank's expenses.

MANAGEMENT AND SHARE OWNERSHIP

Organisation Chart

The following organisation chart sets out the management reporting lines and principal business units of the Bank:



Management

In September 2003, the Bank was re-registered as a joint stock company to comply with the requirements of the Law on Joint Stock Companies in Kazakhstan adopted in May 2003. The General Shareholders' Meeting approved the revised Charter on 28 July 2003 and the Bank's revised Charter was agreed with the NBK on 11 September 2003. The Charter provides that the Bank must have a Board of Directors and a Management Board, which is the executive body of the Bank. The General Shareholders' Meeting elects the members of the Board of Directors. The Board of Directors, in turn, elects the members of the Management Board. The Board of Directors represents the interests of shareholders, is responsible for 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 Chairman and the members of the Board of Directors and the Chairman and the members 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. The General Shareholders' Meeting represents the highest corporate governing authority of the Bank. The General Shareholder's Meeting is empowered to make decisions on, among other things, extraordinary matters relating to the Bank and the entry into material transactions. The Law on Joint Stock Companies vests in the General Shareholders' Meeting the final approval of certain major corporate decisions, including the making of the Guarantee.

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The Bank's Revision Commission monitors the financial activity of the Bank and is elected by the Bank's shareholders.

Board of Directors

The Board of Directors of the Bank is a body performing general management of the Bank's activities; it makes decisions on a broad range of issues vested to it in accordance with existing laws and the Bank's Charter. The Board of Directors controls the activities of the Managing Board, which performs day-to-day management of the Bank, thus protecting the interests of the Bank shareholders. The powers of the Board of Directors include, among other powers, the following:

- defining priority directions of the Bank's activities;
- defining the investment, credit and other aspects of the Bank's activities;
- nominating the Chairman and members of the Management Board;
- making decisions on major deals (including those related to the increase of liabilities making 10% or more of the size of the equity capital of the Bank);
- making decisions on concluding large deals, including interrelated ones: on purchasing/selling properties for the amount making 25% or more of the net book value of assets;
- deals as a result of which placed shares can be purchased or treasury shares are sold in the amount of 25% or more of the total amount of placed single-type securities;
- calling general and extraordinary general meetings of shareholders; and
- approving the Bank's budget.

Members of the Board of Directors are elected for an indefinite term by a resolution of a general shareholders meeting.

As at the date of this Base Prospectus, the members of the Board of Directors were as follows:

Name	Position
M. Ablyazov	Chairman of the Board of Directors of the Bank
T. Akhsambiev	Member of the Board of Directors of the Bank, JSC NK Kor
Y. Tatishev	Member of the Board of Directors of the Bank
N. Tesseyman	Member of the Board of Directors of the Bank and Director of EBRD Representative Office, Moscow, Russia
A. Iliyav	Member of the Board of Directors of the Bank and Representative of RZB
J. Jarimbetov	Member of the Board of Directors of the Bank
A. Ablyazova	Member of the Board of Directors of the Bank
A. Pogorelov	Member of the Board of Directors of the Bank

The business address of each of the members 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. Under Kazakhstan law, the Management Board is vested with executive powers over the day-to-day management of the affairs of the Bank, subject to the supervision of the Board of Directors and ultimately the Bank's shareholders. The Management Board's responsibilities include the following:

- making executive business decisions;
- implementing the business strategy;
- appointing senior management and branch representatives of the Bank;
- proposing dividends; and
- dealing with all other matters not reserved to the Board of Directors or the General Shareholders' Meeting.

The internal by-laws of the Management Board are fixed by the Board of Directors, which also appoints the members of the Management Board. The Management Board has a duty to fulfil decisions approved by the General Meeting of Shareholders and the Board of Directors. Shareholders and employees (whether or not shareholders) are eligible to become members of the Management Board. Members of the Management Board are permitted to act in other capacities for other entities only with the prior consent of the Board of Directors.

The core of the Bank's senior management has come from Kazkommertsbank and other leading Kazakhstan banks, such as the former Alem Bank, Exim Bank of Kazakhstan, Halyk Savings Bank and Temirbank. The name, age and certain other information about each of the current members of the Management Board is set out below:

Saduakas Mameshtegi (36), Chairman, graduated from Moscow State Technical University in 1993. In 1994, he joined CB Elistbank as an economist. In 1995, he joined Astana Bank in Moscow as Head of the Securities Department. He joined the Bank in 1997 in the Treasury Department, and became a Deputy Chairman in 1999 and was elected as Chairman on 21 January 2005.

Yerkin Tatishev (29), First Deputy Chairman, graduated from Kazakh State Academy of Law in 1992 and from Moscow State University of Economics, Statistics and Informatics in 1999. From 1994 to 1997, he held various positions at Slavinvestbank Ltd, including Deputy Chairman of the Management Board. From 1997 to 1998, Mr. Yerkin Tatishev was Deputy Director of the Investment Department of Astana Holding Corp. From 1998 to 2002, he was President of JSC "Kostanay Minerals" and, from 2002 to 2004, he was Chairman of the Board of Directors of JSC "Kostanay Minerals" and JSC "Orenburg Minerals". Mr. Yerkin Tatishev joined the Bank as Deputy Chairman in January 2005.

Azat Battakov (47), Managing Director, Deputy Chairman graduated from Karaganda State University in 1981. His managerial experience began in 1991 as the Senior Lawyer at Kazakhintorg. In

1994, he joined Kazkommertsbank as Deputy Director of the Legal Department. In 1997, he became the Bank's Chairman's Advisor and, in September 1999, was appointed Managing Director.

Abilakim Zhumakhmetov (46), Deputy Chairman, graduated from Karaganda Cooperative Institute, Accounting Department in 1981 and graduated from Moscow Cooperative Institute, Accounting Department in 1984. In 1993, Mr. Zhumakhmetov obtained a degree in economics and, in 1994, he went into banking. From 1995 till 1998, he was Head of Kazkommertsbank's Kyzylorda branch office. From 1998 to 2000, he was Head of the Bank's Kyzylorda branch office and has held his current position since August 2000.

Bolat Baimirov (38), Managing Director, Deputy Chairman graduated from Moscow Physics and Technical Institute, Applied Mathematics and Physics Department in 1990 and started to work as a teacher at Kazakhstan Polytechnics Institute in 1990. In 1996, he entered the banking sector in Kazakhstan as Head of the Liabilities Department at Turanbank. Since 1997, he has been the Director of the Plastic Cards Department at the Bank. He has held his current position at the Bank since September 2000.

Konstantin Kolpakov (42), Deputy Chairman graduated from Kazakhstan State University, Law Department in 1985. Prior to joining the banking sector, Mr Kolpakov occupied various consultant and managerial positions within the administrative and judicial bodies of Kazakhstan. In particular, between 1995 and 1997, he was Minister of Justice of Kazakhstan. From March 1998 to May 2000, Mr Kolpakov worked as Deputy Chairman and then Chairman of the Management Board of OJSC Bank Kaspiyski. Thereafter, he worked as Deputy Chairman of the NBK until March 2002. In March 2002, he joined Bank Pertokommerts as Vice President and later became Senior Vice President. From January 2005 to June 2005, he worked as Deputy Chairman of the Management Board of Halyk Bank. He has held his current position at the Bank since July 2005.

Roman Solodchenko (40), Deputy Chairman of the Management Board, graduated from the Kazakh Polytechnic Institute, Metallurgy Engineering Department in 1997. Mr. Solodchenko also obtained an MBA degree from the Institute of Management, Economics and Strategic Research (KIMEP) in 1995. From 1992 to 1996 he worked as a representative for CESO International as a consultant for various Canadian projects. From 1996 to 1998, he was the Project Officer for Kazakhstan on behalf of IFC, from 1998 to 1999 he was the Chairman of the Agency for Economic Planning for the Government of Kazakhstan. From 2000 to 2004, Mr. Solodchenko was the Country Manager for Kazakhstan on behalf of the World Bank. He was the head of the Representative Office in Almaty for ING from April 2004 until October 2005. He has held his current position at the Bank since October 2005.

Genrig Holodzinskyi (59), Deputy Chairman of the Management Board, graduated from Pavlodar Technological Institute in Kazakhstan in 1975. Prior to joining the Bank, Mr. Holodzinskyi occupied various management positions in the banking sector and the local government. In particular, between 1991 and 1997 he was appointed Chairman of the Aktyubinsk Branch of Vnesheconombank of Kazakh SSR, which became Alem Bank in 1993. Following the merger of Turan Bank and Alem Bank, Mr. Holodzinskyi worked as the Director of the Aktyubinsk Branch of the Bank. In October 2005, Mr. Holodzinskyi was appointed Director and member of the Management Board of the Bank responsible for the development of the branch network of the Bank. He has held his current position at the Bank since October 2005.

Bakhyt Otarbekov (55), Managing Director graduated from Almaty Institute of National Economy in 1972. He started his career in the banking sector in 1995 as head of the Semipalatinsk regional department of Turanbank, which in January 1997 became the Semipalatinsk branch of the Bank. From 1997 to 2004, Mr Otarbekov worked as Director of the East Kazakhstan branch of the Bank and, in 2004, became Director of the Astana branch. He has been a Managing Director of the Bank since December 2005.

Saule Dzholdybayeva (43), Chief Economist, Member of the Management Board, graduated from Kazakhstan State University, Applied Mathematics department in 1985 and obtained a degree in economics from the Economics Institute of the Academy of Science of Kazakhstan in 2001. She started her career in the banking sector in 1993 as head of the Currency Operations Department of OJSC

KazAgroBank. From 1996 to 1998, Ms. Dzholdybayeva worked as deputy Chairman of the Management Board of OJSC Halyk Bank. Between 1998 and 1999, she was Vice Minister of the Ministry of Energy, Industry and Trade. In 2000, Ms. Dzholdybayeva became Deputy Chairman of the Management Board of OJSC Temirbank. From 2001 to 2003, she worked as Vice President of CJSC Air Astana and then as Managing General Director of Reputatsya LLP. Ms. Dzholdybayeva joined the Bank in 2004 as Advisor to Chairman of the Management Board and in 2005 became Advisor to the Chairman of the Board of Directors. She has held her current position in the Bank since February 2006.

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

Committees

The Bank has established several decision-making committees, each with the authority to make certain decisions according to limits prescribed by the Bank's policies.

The Head Office and CIS Credit Committee

The Head Office Credit Committee is authorised to make decisions on all types of financings in accordance with the lending policy of the Bank and with the limits set for the Bank in general. It considers loan applications received in the Bank's head office and its branches, as well as loan applications exceeding the limit for a single borrower (including previously approved loans). Members of the Head Office Credit Committee are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of the Head Office Credit Committee were as follows:

Name	Position
A. Pogorelov	Committee Chairman, Member of the Board of Directors
Yerlan Tatishev	Member of the Board of Directors
Yerkin Tatishev	First Deputy Chairman
S. Bulatkhanova	Managing Director
B. Tasibekov	Managing Director
Zh. Sarsembayeva	Executive Director
G. Tleukulova	Executive Director
D. Abzhanov	Executive Director, Head of Legal Department
Y. Dikanbayev	Head of Economic and Regional Security Department
M. Omarbekova	Committee Secretary

The Branch Network Credit Committee

The Branch Network Credit Committee is authorised to consider and approve credit requests extended by the Bank in amounts up to U.S.\$2,000,000 and for terms of up to five years. Members of the Branch Network Credit Committee are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of the Branch Network Credit Committee were as follows:

Name	Position
A. Zhumakhmetov	Committee Chairman, Deputy Chairman
K. Ergalauov	Head of SME Department
A. Maulenkulov	Head of SME Sales Support Department
G. Omarov	Head of Branch Network Risk Management Department
D. Kumissova	Senior specialist of Legal Department
S. Salykbayev	Deputy Head - Head of Economic and Regional Security Department
D. Kiyalbekova	Committee Secretary

Small Enterprises Credit Committee

The Small Enterprises Credit Committee is in charge of loans to small- and medium-sized businesses in excess of the limits of the relevant branch but not exceeding U.S.\$500,000 and up to 3 years from its own sources, and up to 5 years from foreign credit lines. The Small Enterprises Credit Committee reports to the Branch Network Credit Committee. Members of the Small Enterprises Credit Committee are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of the SME Credit Committee were as follows:

Name	Position
A. Maulenkulov	Committee Chairman, Head of SME Sales Support Department
K. Ergalauov	Head of SME Department
E. Akzhanov	Deputy Head of Credit Risks of branch networks
A. Kakimzhanov	Deputy Head of SME Sales Support Department
S. Salykbayev	Deputy Head - Head of Economic and Regional Security Department
D. Kumissova	Senior specialist of Legal Department
D. Kiyalbekova	Committee Secretary

The Asset Liability Management Committee (ALCO)

ALCO determines the Bank's general policy on assets and liabilities management with the objective of increasing interest and non-interest income, maintaining adequate liquidity and complying with prudential standards and regulations, and minimising the impact of financial market risks so as to maintain the Bank's attractiveness to depositors. ALCO monitors the Bank's deposit base, borrowings and equity and ensures a satisfactory level of dividends is payable to the Bank's shareholders. Members of ALCO are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of ALCO were as follows:

Name	Position
G. Holodzinskyi	Committee Chairman, Deputy Chairman
Yerkin Tatishev	First Deputy Chairman
R. Solodchenko	Deputy Chairman
B. Baymirov	Deputy Chairman
G. Tleukulova	Executive Director
A. Ramazanov	Managing Director
N. Loginova	Head of Budgeting Management Department
N. Mukhametzhanov	Treasurer
Z. Seralina	Committee Secretary

The Marketing Products Committee

The Marketing Products Committee is responsible for implementing the Bank's marketing policy and for developing technology of providing bank products. Members of the Marketing Products Committee are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of the Marketing Products Committee were as follows:

Name	Position
B. Baymirov	Committee Chairman, Deputy Chairman
S. Yegizbayev	Deputy Committee Chairman, Executive Director
K. Kapbasova	Executive Director
S. Doskhodzhayev	Director of Software Products Developing Center
Y. Kostin	Head of Marketing Department
S. Alibekov	Head of Head of Corporate Banking Analysis and Development Department
A. Karybayev	Head of Legal Risks Department
M. Khomenko	Head of Compliance Control Department
G. Omarov	Head of Branch Network Credit Risks Department
Y. Kim	Head of Banking Technologies Department
A. Maulenkulov	Head of SME Sales Support Department

The Bad Debt Credit Committee

The Bad Debt Credit Committee is responsible for improving the Bank's loan portfolio structure and its loan recovery measures. Members of the Bad Debt Credit Committee are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of the Bad Debt Credit Committee were as follows:

Name	Position
A. Zhumakhmetov	Committee Chairman, Deputy Chairman
A. Battakov	Deputy Chairman
N. Kuzmenko	Managing Director, Head of Security Department
A. Kozhakhmetov	Head of Bad Debt Management Department
A. Mussina	Head of Assets and Liabilities Accounting Department
D. Abzhanov	Executive Director – Head of Legal Department
R. Basibekov	Head of Bad Debt Restructure Department

The Retail Loans Credit Committee

The Retail Loans Credit Committee is responsible for improving the Bank's retail loan portfolio structure and is authorised to make decisions on retail loan recovery measures. Members of the Retail Loans Credit Committee are appointed by the Management Board for indefinite terms.

As at the date of this Base Prospectus, the members of the Retail Loans Credit Committee were as follows:

Name	Position
B. Baimirov	Committee Chairman
E. Urekesheva	Head of Retail Business Department
K. Kapbasova	Executive Director
A. Urisbayev	Head of Retail Risk Management Department
G. Abdusalyamova	Lawyer, Legal Department
R. Zhubay	Secretary

The Executive Directorate

The Executive Directorate is responsible for developing, reviewing and coordinating the day-to-day activities of the Group. The Executive Directorate also organizes effective cooperation among the divisions of the Bank and the head office, as well as with the Bank's affiliates. The Executive Directorate is directed and supervised by the Management Board.

As at the date of this Base Prospectus, the members of the Executive Directorate were as follows:

Name	Position
A. Zhumakhmetov	Chairman, Deputy Chairman
G. Holodzinskyi	Deputy Chairman of the Directorate, Deputy Chairman
S. Yegizbayev	Deputy Committee Chairman, Executive Director
K. Kapbasova	Executive Director
D. Abzhanov	Executive Director, Head of Legal Department
R. Kadyrov	Executive Director
N. Kuzmenko	Managing Director, Head of Security Department
E. Yesmakhanova	Secretary

Customer Committee

The Customer Committee was established to organise and coordinate the work on attracting and servicing Bank customers.

The Principal tasks of the Committee are:

- Organisation, coordination and controlling the process of attracting large corporations;
- Business planning and monitoring the activities of front-office, business departments of the Bank and its subsidiaries engaged in selling finance products to customers;
- Considering proposals on attracting large corporations;
- Approving individual rates and tariffs on financial products offered to large corporations (recommending minimum rates on loan products);
- Approval of distribution of income from sale of financial products among business departments of the Bank and subsidiaries;
- Indicative approval of financing deals.

The composition of the Customer Committee is suggested by the Chairman of the Committee and approved by the Executive Directorate of the Bank. Managing Board of the Bank appoints Chairman of the Committee.

Members of the Customer Committee:

Name	Position
Yerkin Tatishev	Committee Chairman, First Deputy Chairman
A. Ramazanov	Managing Director, Deputy Committee Chairman
S. Bulatkhanova	Managing Director
B. Tasibekov	Managing Director
Zh. Sarsambayeva	Executive Director
M. Djangaskin	Executive Director
Y. Begimbetov	Chairman of JSC "London-Almaty"
K. Bektanov	Director of TuranAlem Securities
M. Yesenbayev	President of "Kazakhstan" Pension Fund
R. Kadyroxv	Executive Director
A. Dautbayev	Head of Treasury division

Management Remuneration

In accordance with the Bank’s charter, the remuneration of the Chairman and the Management Board is determined by the Board of Directors and amounted in aggregate to KZT 274.7 million (including income tax) for the year ended 31 December 2005. See also “—Transactions with Related Parties”.

Principal Shareholders

The Bank’s Common Shares

Following the privatisation of the Bank in 1998, a number of private sector local companies purchased all of the Bank’s shares for U.S.\$72 million. In recent years, the Bank has increased its share capital and expanded its shareholder base.

In accordance with the resolution of the meeting of the Bank’s shareholders held on 20 May 2005, the Bank’s shareholders approved an increase in the Bank’s authorised share capital by an amount equivalent to U.S.\$218 million, consisting of 1,087,081 common shares and 360,431 CPS (24.9%), which are being placed principally among the Bank’s existing shareholders. As at 31 December 2005, common shares of the ninth issue (1,087,081 shares) had been subscribed for an aggregate amount of KZT 21,900 million.

Also the Bank completed hybrid capital issue for an amount of U.S.\$400 million. As at 1 February 2006 part of the hybrid capital issue was qualified as Tier I Capital of the Bank, another part was included into Tier II Capital.

The following table sets out certain information as to the registered holders of common shares according to the unaudited accounting records of the Bank as at 31 December 2005:

Holder of Record	Number of Shares	Percentage Ownership
Central Depository of Securities (nominal holder)	827,458	24.18%
Bank of New York (nominal holder)	373,529	10.92%
Hawsbrosk.....	310,230	9.07%
SP Credit Prive	307,096	8.97%
Agroinvest LLP	274,772	8.03%
Torland Production INC.....	240,230	7.02%
Valaxis Asset Management SA	218,814	6.40%
Invest Capital Company LLP.....	163,892	4.79%
Yassi Invest LLP	204,588	5.98%
Refgen Technologies INC.....	164,192	4.80%
Orken-Invest LLP	148,267	4.33%
Management.....	889	0.03%
Other	187,559	5.48%
Total	3,421,516	100.00%

The Bank’s CPS

During 2001, the Bank issued CPS in the aggregate principal amount of KZT 4,267 million, which constituted 24.9% of the Bank’s issued share capital. The IFC acted as the placement adviser. DEG, IFC and FMO converted portions of their then outstanding loans to the Bank into CPS and EBRD and RZB paid the nominal value for the CPS. In 2003, the Bank placed 57,493 CPS in an aggregate amount of KZT 738 million at a price per share of KZT 12,832.80. On 30 December 2004, RZB bought 130,993 of CPS from DEG. In accordance with the resolution of the meeting of the Bank’s shareholders held on 20 May 2005, the Bank’s shareholders approved an increase in the Bank’s authorised share capital by KZT 29,161 million, consisting of 1,087,081 common shares and 360,431 CPS, which comprise the ninth issue of shares by the Bank and which are being placed principally among the Bank’s existing shareholders.

As at 31 December, 2005 100,389 non-redeemable CPS comprising a part of such ninth issue of shares had been subscribed for an aggregate amount of KZT 2,022 million. The management of the Bank believes that this additional capital increase shall enable the Bank to continue the growth of its business in the future.

The following table sets out certain information as to the holders of non-redeemable CPS as at 31 December 2005:

Holder	Number of CPS	Percentage Ownership
JSC Pension Fund BTA Kazakhstan (nominal holder).....	181,529	59.42%
JSC Halyk Pension Fund	56,603	18.53%
JSC TuranAlem Securities (nominal holder)	20,061	6.57%
Agroinvest LLP	47,300	15.47%
Other	27	0.01%
Total	305,520	100.00%

All CPS have a nominal value of KZT 10,000 each, indexed to the U.S. Dollar as at 29 November 2001, resulting in an indexed value of U.S.\$67.32 (the “**Indexed Nominal Value**”) and are non-voting preference shares. Holders of CPS are entitled to receive a fixed cumulative dividend of 10.25% per annum of the Indexed Nominal Value. CPS shareholders are entitled to have two representatives on the Board of Directors of the Bank as long as any of the CPS is outstanding.

CPS shareholders have the right to request the Bank to convert all or any part of their CPS into the Bank’s common shares on a one-for-one basis at any time prior to 1 May 2006. Such conversion shall be completed by the end of the calendar year in which requested. If the Bank has not sold at least 55% of the Bank’s then issued common shares to an OECD-based bank with total assets greater than U.S.\$60 billion and with a financial strength rating of not less than D+ (or the equivalent) from Moody’s, Standard & Poor’s or Fitch (the “**Strategic Investment Event**”) by 31 December 2006, each CPS shareholder will be entitled to redeem all or any portion of its CPS at the Indexed Nominal Value. In any event, the Bank will have a right to repurchase all of the CPS from CPS shareholders at the Indexed Nominal Value per each CPS prior to 30 June 2007. In addition, the Bank will be obliged to redeem the CPS at the Indexed Nominal Value per each CPS, if (i) any person makes a tender offer in accordance with Article 29 of the current Law of Kazakhstan On Joint Stock Companies to purchase 30% or more of the Bank’s voting shares (a “**Tender Offer**”) and the respective Tender Offer price for each CPS is less than the Indexed Nominal Value or (ii) any government or governmental authority condemns, nationalises, seizes or expropriates all or any substantial part of the property or other assets of the Bank or of its share capital, or assumes custody or control of such property or other assets or of the business or operations of the Bank or of its share capital, or acquires majority ownership of the Bank, or takes any action for the dissolution or liquidation of the Bank or any action that would prevent the Bank or its officers from carrying on its business or operations. The Bank’s management believes that, on the basis of the current market price for its shares, it is unlikely that it would be profitable for a holder to require such redemption and that the likelihood of a tender offer is remote.

In December 2003, the International Accounting Standards Board issued revised IAS 32 and IAS 39. Both standards are effective for financial years beginning on or after 1 January 2005. The revised standards restrict the classification of a financial instrument with contingent settlement provisions as equity and instead require such instruments to be classified as liabilities. The new standards required the Bank to reclassify in 2004 the CPS from equity to liabilities, which resulted in a reduction in equity and an increase in liabilities by KZT 5,075 million.

Transactions with Related Parties

Other than as described below under this caption “—Transactions with Related Parties” there are no potential conflicts of interest between any duties to the Bank of the members of the administrative, management and supervisory bodies of the Bank, which are the Management Board and Board of Directors of the Bank, and their private interests and/or other duties.

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Loans, advances and off-balance sheet commitments to shareholders and related parties, including employees, amounted to KZT 20,412 million as at December 2005 and KZT 3,889 million as at 31 December 2004, respectively. As at 31 December 2005 the impairment charge in respect to these related party loans was KZT 355 million against nil in 2004. As at 31 December 2005, the annual interest rates charged by the Bank on loans to shareholders and related parties ranged from 9% to 21% per annum for KZT denominated loans, compared to 9% to 29% as at 31 December 2004.

The following table sets out certain information relating to the principal amounts of loans outstanding to members of the Management Board as at 31 December 2005:

Name	Principal amount outstanding
	<i>(KZT thousands)</i>
Bolat Baymirov.....	85,126
Saduakas Mameshtegi	70,847
Bakhyt Otarbekov.....	11,633
Genrig Holodzinskyi.....	8,337
Arsen Saparov	3,915
Total	179,858

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There are no other outstanding loans or guarantees granted by the Bank to any member of the Board of Directors and Management Board or to any parties related to them. The Bank’s management currently holds in aggregate 889 common shares, representing 0.03% of the total amount of the Bank’s issued common shares.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

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

The National Bank of Kazakhstan and the FMSA

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

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

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

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

Banking

Structure of the Banking System of Kazakhstan

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

Banking Reform and Supervision

Reform of the banking sector started in 1996 with the introduction of international prudential standards, including capital adequacy requirements and liquidity ratios, to regulate and protect the banking system, transparency requirements as to the auditing of banks by local and international auditors, harmonisation of local accounting practices to IFRS and personnel training programmes.

In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, the NBK required commercial banks to adopt recapitalisation and corporate

enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the NBK, now the FMSA. In 2003, all banks were requested to develop and install an internal risk management systems.

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).

The FMSA also monitors compliance with capital adequacy standards (in compliance with international standards set by the Basle 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 overdue loan reserves.

In 2005, the FMSA issued Instructions on Normative Values and Method of Calculation of Prudential Norms (the "Prudential Norms"). In anticipation of the implementation of the Basel II guidelines, the Prudential Norms establish certain capital adequacy limitations on single borrower exposure, short and long term liquidity requirements, requirements for Tier I and Tier II capital, limitations on currency exposure and limitations of investment by Kazakhstan banks into fixed and other non-financial assets. The Prudential Norms are fully applicable to the Bank.

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 31 December 2005, 33 commercial banks operating with individuals deposits were covered by the scheme. The insurance coverage is presently limited to personal time deposits, conditional deposits, demand deposits, guarantee-deposits, current accounts, and card accounts in any currency and current accounts up to KZT 400,000 in total at any given bank and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. Current legislation requires the FMSA to approve any acquisition of a shareholding of 10% or more (whether held independently or jointly with another legal entity) in a Kazakh bank. Furthermore, a foreign entity holding 10% or more of a Kazakh bank must have a minimum required credit rating from one the rating agencies, a list of which is set by the authorised body.

Commercial Banks

According to the NBK, as at 31 December 2005, there were 34 banks in Kazakhstan, excluding the NBK and DBK, 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% stake in Halyk Savings Bank, by means of privatisation through a public auction. The stake was sold to a group of companies including the Almaty Merchant Bank (ATF Bank). 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.

As of 31 December 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. In accordance with the Decree of the FMSA No.172 dated 2 June 2005, the license granted to JSC Nauruz Bank for performing operations in national and foreign currency was terminated, by the FMSA. On 16 November 2005, the Kazakhstan court ruled to liquidate Nauruz Bank; this liquidation is currently proceeding. As at 31 December 2005 aggregate provisions of Kazakh banks on overdue liabilities were KZT 71.5 billion. The financial standing of Kazakhstan's banks varies. As at 31 December 2005, 21 of the 34 commercial banks had registered capital of over KZT 2 billion, 12 banks had share capital of KZT 1 billion to KZT 2 billion and one bank had

registered capital of KZT 500 million to KZT 1 billion. Currently there is no bank with a registered capital of less than KZT 500 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.

Foreign Capital in the Banking Sector

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

As at 31 December 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.

In late 2005 through to February 2006, banking legislation reform has continued in Kazakhstan resulting in a series of changes in the regulatory environment of the banking system, primarily concerning supervision and licensing matters. These changes are part of Kazakhstan's efforts to bring its legislation in line with WTO standards and are intended to promote transparency of processes in the banking sector and liberalization of relations between banks and regulatory bodies.

As a result of these changes, the information relating to subsidiaries of Kazakhstan banks' subsidiaries is now collected by the FMSA and available for public access. According to the new regulations the prior restriction of the aggregate registered capital of banks with foreign participation (which was previously set at 50% of the aggregate registered capital of all Kazakhstan banks) has been eliminated. In addition, foreign banks are no longer required to open their representative offices in Kazakhstan through an authorised body, but may now do so directly.

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

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. Following Article VIII, a new law on currency regulation was adopted by the Kazakhstan Parliament in 2005, replacing the previous law adopted in 1996. The new law has significantly simplified all currency operations and reduced the requirements for banks to obtain licences and registrations to the effect that banks are obliged only to notify the NBK as to most off-shore activities.

Capital in-flows are registered and monitored for statistical purposes only, but are not restricted, and the new licensing rules adopted pursuant to the 2005 law have liberalised the treatment of the outflow of capital. The Bank understands that the NBK intends to further liberalise licensing rules over the next few years. One of the purposes of liberalisation is to avoid the pressure caused by the influx of U.S. Dollars into Kazakhstan, which has resulted from the high market prices for Kazakhstan export goods, by directing export revenues abroad. No NBK licence is currently required for Kazakhstan financial organisations to open an account in a foreign bank in connection with transactions with financial instruments on international securities markets, for Kazakhstan legal entities for the purposes of securing its obligations towards non-resident lenders or 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.

FORM OF NOTES AND TRANSFER RESTRICTIONS

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

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1. Form of Notes

The Notes of each Series will be in bearer or in registered form.

Each Tranche of Registered Notes offered and sold outside the United States in reliance on Regulation S may be represented by interests in a Regulation S Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the related Issue Date of such Notes with a common depository for the applicable Clearing System, and registered in the name of a nominee for such common depository in respect of interests held through the applicable Clearing System. With respect to all offers or sales by a Dealer of an unsold allotment or subscription and in any case prior to expiry of the period that ends 40 days after the later of the date of issue and completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue (the “**Distribution Compliance Period**”), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person (save as otherwise provided in Condition 2) and may be held only through the applicable Clearing System.

Each Tranche of Registered Notes offered and sold in reliance on Rule 144A will be represented by interests in a Rule 144A Global Note, in fully registered form, without interest coupons attached, which will be deposited on or about the Closing Date of such Notes with a custodian for, and will be registered in the name of a nominee of, the applicable Clearing System (the “**Custodian**”). A Rule 144A Global Note (and any Note Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set out below.

Note Certificates in registered form (“**Registered Note Certificates**”) will, at the request of the holder (save to the extent otherwise indicated in the relevant Final Terms), be issued in exchange for interests in a Global Note in registered form upon compliance with the procedures for exchange as described below in “The Euroclear Operator, Clearstream, Luxembourg and DTC Arrangements”.

Each Tranche of Bearer Notes will initially be represented either by a temporary global Note (a “**Temporary Global Note**”) or a permanent global note (a “**Permanent Global Note**”) which will be deposited on the relevant issue date of such Notes with a common depository on behalf of Euroclear or Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or Note Certificates in bearer form (“**Bearer Note Certificates**”) upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations as specified in the relevant Final Terms. For further details of clearing and settlement of the Notes issued under the Programme, see “Book-Entry Clearance Systems” below.

Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the limited circumstances described in Condition 2, to receive physical delivery of Note Certificates.

While any Bearer Note is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the expiry of the Distribution Compliance Period will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owner of such Note is not a U.S. person or a person who has purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear or Clearstream, Luxembourg and/or any other such depository, as applicable.

Pursuant to the Agency Agreement the Registrar shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned (where applicable) a CUSIP number, and, in the case of Bearer Notes and Regulation S Global Notes, a CINS number, a common code and ISIN which are different from the CUSIP number, CINS number, common code and ISIN assigned to Notes of any other Tranche of the same Series until the end of the Distribution Compliance Period. At the end of the Distribution Compliance Period, the CUSIP number, CINS number, common code and ISIN, as the case may be, thereafter applicable to the Notes of the relevant Series will be notified by the Registrar to the relevant Dealer.

All Notes will be issued pursuant to the Trust Deed.

Bearer Notes will be issued in accordance with TEFRA D Rules, unless (i) the relevant Final Terms provide that such Notes will be issued in accordance with TEFRA C Rules or (ii) such Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which such Notes will not constitute “registration required obligations” under TEFRA, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States or to United States persons. Bearer Notes of any particular Series issued in accordance with TEFRA C Rules or TEFRA D Rules, as specified in the relevant Final Terms, will be represented upon issue by a Temporary Global Note or, in the case of Bearer Notes of any particular Series issued in accordance with TEFRA C Rules, as specified in the relevant Final Terms, a Permanent Global Note, which will be deposited on or about the relevant Issue Date with a common depositary or depositaries for Euroclear and Clearstream, Luxembourg. Interests in any such Temporary Global Note will be exchangeable either for interests in a Permanent Global Note or for Bearer Note Certificates and interests in any such Permanent Global Note will be exchangeable for Bearer Note Certificates, in each case, on or after the date which is 40 days after the date on which such Temporary Global Note is issued and upon certification as to non-US beneficial ownership thereof or otherwise as required by US Treasury regulations, in accordance with the terms of such Temporary Global Note and as specified in the relevant Final Terms.

If the relevant Issuer does not exchange any Permanent Global Note for Bearer Note Certificates as described above within 60 days, of becoming bound to do so, the Permanent Global Note will become void and the bearer thereof will have no rights under the Permanent Global Note, but without prejudice to the rights which the bearer or others may have under the Trust Deed.

In compliance with United States tax laws and regulations, Bearer Notes may not be offered, sold or delivered within the United States or to a United States person, except in certain transactions permitted by United States Treasury regulations. Each Dealer has agreed (i) that it will not, (x) at any time in connection with the original issuance of any Bearer Note or (y) otherwise until after the completion of the Distribution Compliance Period, offer or sell any Bearer Note to a person who is within the United States or to a United States person except as permitted by US Treasury regulations and (ii) that it will not deliver any Bearer Note sold during the restricted period in definitive form within the United States. No Bearer Note (other than a Temporary Global Note) may be delivered, and no interest may be paid thereon, until the person entitled to receive such Bearer Note Certificate or such interest in a Bearer Note in global form furnishes the written certification described above.

If any date on which a payment of interest is due on the Notes of a Series issued in accordance with TEFRA D Rules occurs while any of the Notes of that Series are represented by a Temporary Global Note, the relevant interest payment will be made on such Temporary Global Note only to the extent that certification has been received by Euroclear and/or Clearstream, Luxembourg as to the beneficial ownership thereof, as required by US Treasury regulations, in accordance with the terms of such Temporary Global Note.

The following legend will appear on all Bearer Notes in global form, Bearer Note Certificates and Note Certificates and, if applicable, the attached receipts, interest coupons and talons (or in the book or record where the Bearer Notes are held in book-entry form):

“Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended, provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, or receipts or coupons appertaining thereto, and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, or such receipts or coupons.

2. Transfer Restrictions

On or prior to the 40th day after the relevant Issue Date, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the related Rule 144A Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, it being understood, however, that TuranAlem Finance and the Bank have been advised that none of the Clearing Systems will monitor compliance with these transfer restrictions nor provide certification of non-U.S. beneficial ownership. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

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A beneficial interest in a Rule 144A Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the related Regulation S Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the schedule to the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if any such exemption is available) under the Securities Act.

Any beneficial interest in either a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Transfers in Reliance on Rule 144A

Rule 144A Notes offered and sold in the United States are being offered only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered hereby pursuant to Rule 144A by accepting delivery of this Base Prospectus and the relevant Final Terms and such Notes will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

- (i) the purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes and, if applicable, the Guarantee for its own account or for the account of such a qualified institutional buyer and (C) such person is aware that the sale of the Notes and, if applicable, the Guarantee to it is being made in reliance on Rule 144A;
- (ii) the Notes and, if applicable, the Guarantee are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes and, if applicable, the Guarantee offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set out below;
- (iii) a Rule 144A Global Note and any Rule 144A Note Certificates issued in exchange for an interest in the related Rule 144A Global Note will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

“[NEITHER THIS NOTE NOR THE GUARANTEE HAS BEEN OR WILL BE] [THIS NOTE HAS NOT BEEN AND WILL NOT BE] REGISTERED UNDER, AND [EACH] WAS ORIGINALLY ISSUED OR MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES,

AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER [AND THE BANK] THAT (A) THIS NOTE (AND ANY INTERESTS HEREIN) MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, [THE BANK OR A SUBSIDIARY OF THE BANK] OR (2) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (3) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE OR (5) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (6) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (4) OR (6) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND IN EACH OF THE FOREGOING CASES, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE (OR INTEREST HEREIN) FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.”;

- (iv) if the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgment, representations and agreements on behalf of each such account; and
- (v) TuranAlem Finance, the Bank, the Arranger, the Dealers, the Managers and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

3. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Purchases in Reliance on Regulation S

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the completion of the Distribution Compliance Period, by accepting delivery of this Base Prospectus and the relevant Final Terms and such Notes, will be deemed to have represented, agreed and acknowledged as follows:

- (i) it is, or will be at the time Notes are purchased by it, the beneficial owner of such Notes and (a) it is not 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 the Bank or, if applicable a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes and, if applicable, the Guarantee 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 (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to some other exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any State of the United States; and
- (iii) TuranAlem Finance, the Bank, the Arranger, the Registrar, the Dealers and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

4. The Euroclear Operator, Clearstream, Luxembourg and DTC Arrangements

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream, Luxembourg (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg has been obtained from information published by each of DTC, Euroclear and Clearstream, Luxembourg that TuranAlem Finance and the Bank believe to be reliable and has been accurately reproduced and as far as each of TuranAlem Finance and the Bank is aware and is able to ascertain from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of DTC, Euroclear or Clearstream, Luxembourg are advised to confirm the continued applicability of the rules, regulations and procedures of DTC, Euroclear and Clearstream, Luxembourg. None of TuranAlem Finance, the Bank or any other party to the Agency Agreement or the Programme Agreement dated 4 November 2005 (the “**Programme Agreement**”) between TuranAlem Finance, the Bank, the Dealers and the Arranger, will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Notes held through the facilities of any of DTC, Euroclear or Clearstream, Luxembourg or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to section 17A of the Exchange Act. DTC holds securities that its participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”) and, together with Direct Participants, “**Participants**”).

Under the rules, regulations and procedures creating and governing DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system as described below and receives and transmits distributions of principal and interest on Notes. Direct Participants and Indirect Participants with which beneficial owners of Notes have accounts with respect to the Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective beneficial owners.

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Conveyance of notices and other communications by DTC to Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more Participants to whose account with DTC interests in the relevant Notes are credited, and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction.

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Principal and interest payments on the Notes will be made to DTC's nominee. DTC's practice, upon receipt of any payment of principal or interest, is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of the relevant Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the Global Notes for Registered Note Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Form of Notes and Transfer Restrictions – Transfer Restrictions".

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective accountholders may settle trades with each other.

Euroclear and Clearstream, Luxembourg accountholders are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement, the Trust Deed and such Notes and payments of principal, interest and Additional Amounts, if any, in respect of such Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of TuranAlem Finance, the Bank, the Arranger, the Trustee, any Agent or the Dealers 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 any Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Holders of book-entry interests in Notes held through DTC will receive, to the extent received by DTC or its nominee from the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in such Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on Notes (other than interest on redemption) will be paid to the holder shown on the Register on the fifteenth day before the due date for such payment (the "**Record Date**"). Trading between a Rule 144A Note in global form and a Regulation S Note in global form of the same Series will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the applicable Clearing System, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) Chase Nominees Limited and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg on the one hand and DTC, on the other. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in Regulation S Global Notes and Rule 144A Global Notes will be in uncertificated book-entry form.

Secondary Market Trading in Relation to Registered Notes in Global Form. Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

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

Trading between DTC Participants. Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser. When interests are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg or Euroclear accountholder, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear accountholder, as the case may be, at least one business day prior to settlement. Clearstream, Luxembourg or Euroclear will instruct its respective depository to receive such interest against payment. Payment will include interest accrued on such beneficial interest in the relevant Registered Note in global form from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depository to the DTC Participant's account against delivery of the interest in the relevant Registered

Note in global form. After settlement has been completed, the interest will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear accountholder's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the Registered Note in global form will accrue from, the value date (which would be the preceding day, when settlement occurred in New York). If settlement is not completed on the intended value date (i.e. the trade fails), the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as at the actual settlement date. Clearstream, Luxembourg or Euroclear accountholders will need to make available to the relevant clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on-hand or existing lines of credit, as such accountholders would for any settlement occurring within Clearstream, Luxembourg or Euroclear. Under this approach, such accountholders may take on credit exposure to Clearstream, Luxembourg or Euroclear until the interests in the relevant Registered Note in global form are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear accountholder, as the case may be, such accountholder may elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg or Euroclear accountholders purchasing interests in a Registered Note in global form would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the relevant Registered Note in global form were credited to their accounts. However, interest on the relevant Registered Note in global form would accrue from the value date. Therefore, in many cases the investment income on the interest in the relevant Registered Note in global form earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each accountholder's particular cost of funds. Since settlement takes place during New York business hours, DTC Participants can employ their usual procedures for transferring global bonds to the respective depositaries of Clearstream, Luxembourg or Euroclear for the benefit of Clearstream, Luxembourg or Euroclear accountholders. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to DTC Participants, a cross-market sale transaction will settle no differently from a trade between two DTC Participants.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser. Due to time zone differences in their favour, Clearstream, Luxembourg or Euroclear accountholders may employ their customary procedures for transactions in which interests in a Registered Note in global form are to be transferred by the relevant clearing system, through its respective depository, to a DTC Participant at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct its respective depository to deliver the interest in the relevant Registered Note in global form to the DTC Participant's account against payment. Payment will include interest accrued on such beneficial interest in such Registered Note in global form from and including the interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg or Euroclear accountholder the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear accountholder's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear accountholder have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e. the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear accountholder's account would instead be valued as at the actual settlement date. Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in a Registered Note in global form from DTC Participants for delivery to Clearstream, Luxembourg or Euroclear accountholders should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem: (1) borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures; (2) borrowing the interests in the United States from a DTC Participant no later than one day prior to settlement, which would give the interest sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or

(3) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg or Euroclear acountholder.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of TuranAlem Finance, the Bank, the Trustee, any Agent, the Arranger or any of the Dealers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or acountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

Initial Settlement in Relation to Registered Notes in Global Form. Upon the issue of a Registered Note in global form to be cleared through DTC, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interest represented by such relevant Registered Note in global form or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealers. Ownership of beneficial interests in a Registered Note in global form will be limited to DTC Participants, including Euroclear and Clearstream, Luxembourg, or Indirect DTC Participants. Ownership of beneficial interests in a Registered Note in global form will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of Indirect DTC Participants).

Euroclear and Clearstream, Luxembourg will hold omnibus positions on behalf of their acountholders through acountholders' securities accounts for Euroclear and Clearstream, Luxembourg on the books of their respective depositaries, which in turn will hold such positions in acountholders' securities accounts in such depositaries' names on the books of DTC.

Upon the issue of a Registered Note in global form to be cleared through Euroclear and/or Clearstream, the relevant Issuer shall cause the Registered Note in global form to be deposited with the common depositary or common depositaries of Euroclear and/or Clearstream as specified in the relevant Final Terms.

5. Bearer Notes

Bearer Notes held outside the United States may be held in book-entry form through Clearstream, Luxembourg or Euroclear. Clearstream, Luxembourg and Euroclear will operate with respect to Bearer Notes in accordance with customary Euromarket practice.

TAXATION

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KAZAKHSTAN TAXATION

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring Notes.

Under Kazakhstan law as presently in effect, where TuranAlem Finance acts as the Issuer, payments of principal and interest on 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 Notes will not be subject to Kazakhstan income or profits tax.

Payments of interest from the Bank to TuranAlem Finance to fund TuranAlem Finance’s obligations to make payments under Notes will be subject to Kazakhstan withholding tax under the Kazakhstan-Netherlands Tax Treaty at a rate of 10%. Under the Deposit Agreement, the Bank has agreed that all payments of Additional Amounts shall be made free and clear of any taxes imposed by or within Kazakhstan or any jurisdiction from or through which payment may be made, unless the withholding or deduction thereof is required by law. Where such withholding or deduction is required by law, the Bank shall pay additional sums necessary to the Issuer so that the Issuer shall receive an amount equal to the sum it would have received had no such withholding or deduction been made. The Bank shall pay the full amount withheld or deducted to the relevant governmental authority in accordance with the applicable law.

Payments of interest under the Guarantee will be subject to withholding of Kazakhstan tax at a rate of 15%, and payment of fees and commissions will be subject to withholding of Kazakhstan tax at a rate of 20% unless reduced or made exempt by an applicable double taxation treaty. The Bank will agree in the Trust Deed and the Guarantee to pay additional amounts (as defined in the Trust Deed) in respect of any such withholding, subject to certain exceptions set out in full in “Terms and Conditions of the Notes – Condition 9”. Payments, if any, under the Guarantee to a Noteholder entitled to the benefits of a Kazakhstan Tax Treaty may be subject to a reduced rate of withholding tax. For example, Noteholders entitled to the benefits of the Kazakhstan Tax Treaty with Germany, Italy, Sweden or the United Kingdom would be entitled to a reduced rate of withholding tax of 10%.

Where the Bank acts of the Issuer, under Kazakhstan’s laws as presently in effect, interest payable by the Bank to (i) Non-Kazakhstan Holders or (ii) residents of Kazakhstan, or to non-residents who maintain a registered permanent establishment in Kazakhstan (together, “Kazakhstan Holders”), other than individuals, banks resident in Kazakhstan, share investment funds and Kazakhstan accumulative pension funds, will be subject to Kazakhstan withholding tax at a rate of 15%, unless, in the case of Non-Kazakhstan Holders, reduced by an applicable double tax treaty. The Bank has agreed to pay additional amounts in respect of such withholding, subject to certain exceptions,. See “Terms and Conditions of the Notes – Condition 9 (*Taxation*)”. The enforceability in Kazakhstan of such an agreement has not to date been determined by the courts in Kazakhstan and as such there may be some double as to whether they would enforce such an agreement. The Notes are subject to redemption in whole at their principal amount plus accrued interest (if any) at the option of the Bank, in the event of certain changes in taxation in Kazakhstan. See “Terms and Conditions of the Notes – Condition 7.2” and “Risk Factors – Risk Factors Relating to the Notes – Taxation in Kazakhstan”.

Tax legislation in Kazakhstan currently levies an income tax of 20% on gains from the sale of securities issued by Kazakhstan companies where such securities are not listed on the official “A” or “B” lists of the Kazakhstan Stock Exchange. Such income tax would be applicable to holders of securities (including the Notes until they are listed on the Kazakhstan Stock Exchange), regardless of whether the holder is resident in Kazakhstan for tax purposes, unless reduced by an applicable double tax treaty. Under the terms of double tax treaties Kazakhstan has concluded with certain countries, including,

among others, the United States, United Kingdom, France, Germany and The Netherlands, gains made by tax residents in such countries are not subject to such Kazakhstan income tax. Holders who are resident for tax purposes in countries which do not have a double tax treaty with Kazakhstan, however, would be subject to such tax.

Under the terms of the current legislation, holders that realise such a gain and do not qualify for an exemption under the appropriate double tax treaty are obliged to file a tax declaration with the Kazakhstan tax authorities. There is, however, uncertainty as to how the Kazakhstan tax authorities would assess such tax on non-resident foreign holders of the Notes. Prospective purchasers and holders of Notes such consult their own professional advisers as to the tax consequence of them holding or transferring the Notes.

Where the Bank acts as the Issuer, the Bank shall cause the Notes to be listed on the KASE within sixty days from the date of their issue. However, there can be no assurance that the KASE will list the Notes or, if a listing is obtained, that such listing can be maintained by the Bank.

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% or more of the total issued capital of the Issuer or of 5% 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 TuranAlem Finance 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 TuranAlem Finance 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% corporate income tax rate (a corporate income rate of 25.5% 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%), 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% of the net average value of the Notes held by it at a flat rate of 30% (effective rate of 1.2%), 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 an interest in an enterprise or deemed enterprise (statutorily defined term) which is, in whole or in part, either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are 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, either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Notes are or were attributable; or
- (iii) in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Dutch gift and inheritance tax, an individual who holds Dutch nationality will be deemed to be resident in The Netherlands, if he/she has been resident in The Netherlands at any time during the 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.

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and HM Revenue and Customs published practice and are not intended to be exhaustive. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

1. Interest on the Notes

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual, or (ii) paying amounts due on redemption of any Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual, may be required to provide certain information to the United Kingdom HM Revenue and Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries. However, in relation to amounts payable on the redemption of such Notes the HM Revenue and Customs published practice indicates that HM Revenue and Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2006.

2. EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48, on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member States 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 have agreed to adopt similar measures with effect from the same date.

UNITED STATES TAXATION

The following is a summary of certain United States federal income tax consequences resulting from the purchase, ownership and disposition of a Note and does not purport to be a comprehensive discussion of all the possible United States federal income tax consequences of the purchase, ownership or disposition of Notes. Prospective purchasers of Notes are advised to consult their own tax advisers as to the United States federal, state and local tax consequences of a purchase of Notes, including the consequences of receipt of interest and the sale or redemption of the Notes or coupons.

This summary is based on the United States federal income tax laws, including the Internal Revenue Code of 1986, as amended (the “**Code**”), existing, temporary and proposed regulations (“**Treasury Regulations**”) promulgated thereunder, rulings, official pronouncements and judicial decisions, all as in effect on the date of this Base Prospectus and all of which are subject to change, possibly with retroactive effect, or to different interpretations. It deals only with Notes held as capital assets by original purchasers who purchased Notes at the issue price (as defined below under “Original Issue Discount - General”) and does not deal with special classes of holders, such as dealers or traders in securities or currencies, banks, tax-exempt organisations, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, pass-through entities, individual retirement and other tax-deferred accounts, holders that mark their securities to market, controlled foreign corporations, foreign personal holding companies, passive foreign investment companies, persons holding Notes as a hedge or hedged against currency risk or as a part of a “straddle” or a “hedging”, “conversion” or “integrated” transaction for U.S. federal income tax purposes, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, certain United States expatriates or former long-term residents of the United States, or United States Holders (as defined below) whose functional currency is not the US dollar. The tax consequences of holding a particular Note will depend, in part, on the particular terms of such Note as set forth in the applicable Pricing Supplement.

Prospective purchasers of Notes (in particular, prospective purchasers considering making any election under the Code or Treasury Regulations with respect to Notes) should consult their own tax

advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other Taxing Jurisdiction of the purchase, ownership and disposition of Notes.

United States Holder

For purposes of this summary, “**United States Holder**” means a beneficial owner of a Note that is an individual who is a citizen or resident of the United States for United States federal income tax purposes, a corporation or other entity treated as a corporation for United States federal income tax purposes, created or organised in or under the laws of the United States, any State or the District of Columbia, a trust if both a court within the United States is able to exercise primary supervision over its administration and one or more United States persons (as defined in the Code) have the authority to control all of its substantial decisions or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust or an estate the income of which is subject to United States federal income taxation regardless of source. In the case of a holder of Notes that is a partnership for United States federal income tax purposes, each partner generally will take into account its allocable share of the income or loss from the Notes and will take such income or loss into account under the rules of taxation applicable to such partner, taking into account the activities of the partnership and the partner.

Payments of Interest on Notes Which Are Not Discount Notes

Qualified stated interest (as defined below under “Original Issue Discount - General”) on a Note (whether payable in US dollars or in a currency other than a hyperinflationary currency or the US dollar (for purposes of this “United States Taxation” section, a “**Specified Currency**”)), other than original issue discount on a Discount Note (as defined below under “Original Issue Discount – General”), and Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes (as described in “Terms and Conditions of the Notes – Condition 9”) will be taxable to a United States Holder as ordinary interest income at the time it is accrued or is paid in accordance with the United States Holder’s method of accounting for United States federal income tax purposes. If payment is made in a Specified Currency, the amount of income will be the US dollar value of the amount paid based on the exchange rate in effect on the date of receipt or, in the case of an accrual basis United States Holder, based on the average exchange rate in effect during the interest accrual period, in either case, regardless of whether the payment is in fact converted into US dollars. The average rate of exchange for the interest accrual period is the simple average of the spot exchange rate for each business day of such period (or such other average that is reasonably derived and consistently applied by the United States Holder). Upon receipt of an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note, paid in, or determined by reference to the value of, a Specified Currency, exchange gain or loss (i) will be recognised by an accrual basis United States Holder measured by the difference between the interest accrued at the average exchange rate and that amount of interest translated into US dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Note, as the case may be, and (ii) will be treated as ordinary gain or loss. Accrual basis United States Holders may determine the US dollar value of any interest income accrued in other than US dollars under an alternative method as described below under “Spot Rate Conversion Election”.

Original Issue Discount

General

A Note will be treated as a “**Discount Note**” if it is issued with original issue discount (“**OID**”), i.e., if the excess of the Note’s “stated redemption price at maturity” over its issue price, as defined for United States federal income tax purposes, equals or exceeds 1/4 of 1 percent of such Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of the Note). Generally, the issue price of a Note for a particular issue of Notes will be the first price at which a substantial amount of the Notes included in that issue are sold (ignoring sales to bond houses, or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest”. A “qualified stated interest” payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable in cash or property (other than debt instruments of

the Issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods). Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Special rules for Floating Rate Notes (as defined below under “Original Issue Discount – Floating Rate Notes”) are described below under “Original Issue Discount – Floating Rate Notes”.

In general, if the excess, if any, of a Note’s stated redemption price at maturity over its issue price is not sufficient, under the rules described above, to cause the Note to be a Discount Note, then such excess, if any, constitutes “de minimis OID”. Unless the election described below under “Election to Treat All Interest as Original Issue Discount” is made, a United States Holder of a Note with de minimis OID generally must include such de minimis OID in income as stated principal payments on the Note are made. The includible amount with respect to each such payment will equal the product of the total amount of the Note’s de minimis OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note.

United States Holders of Discount Notes having a maturity of more than one year from their date of issue must include OID in income before the receipt of cash attributable to such income. The amount of OID includible in income by a United States Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year in which the United States Holder holds such Discount Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the United States Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs either on the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and such Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is (x) the sum of the issue price of such Note and the accrued OID for each prior accrual period less (y) any prior payments on the Note that were not qualified stated interest payments. For purposes of determining the amount of OID allocable to an accrual period, if an interval between payments of qualified stated interest on the Note contains more than one accrual period, then the amount of qualified stated interest payable at the end of such interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated pro rata on the basis of relative lengths to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval must be increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable at the maturity of the Note (other than any payment of qualified stated interest) and (y) the Note’s adjusted issue price as of the beginning of the final accrual period.

United States Holders generally will have to include in income increasingly greater amounts of OID over the life of a Discount Note.

Pre-issuance Accrued Interest

If (i) a portion of the initial purchase price of a Note is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the Note is to be made within one year of the Note’s issue date and (iii) such payment will equal or exceed the amount of pre-issuance accrued interest, then the United States Holder may elect to decrease the issue price of the Note by the amount of pre-issuance accrued interest, in which case a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

Notes Subject to Contingencies Including Optional Redemption

In general, the following rules apply if (i) a Note provides for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and (ii) either a

single payment schedule is significantly more likely than not to occur or the Note provides the Issuer or the holder with an unconditional option or options exercisable on one or more dates during the term of the Note.

If based on all the facts and circumstances as of the issue date a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, then, in general, the yield and maturity of the Note are computed based on this payment schedule.

Notwithstanding the general rules for determining yield and maturity in the case of Notes subject to contingencies, if the Issuer or the holder has an unconditional option or options that, if exercised, would require payments to be made on the Notes under an alternative payment schedule or schedules, then (i) in the case of an option or options of the Issuer, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on the Note and (ii) in the case of an option or options of the holder, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on the Note. For purposes of those calculations, the yield on the Note is determined by using any date on which the Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Note as the principal amount payable at maturity.

If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a “change in circumstances”) then, except to the extent that a portion of the Note is repaid as a result of a change in circumstances and solely for purposes of the accrual of OID, the Note is treated as retired and then reissued on the date of the change in circumstances for an amount equal to the Note’s adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount

A United States Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under the heading “Original Issue Discount – General”, with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis OID and unstated interest, as adjusted by any amortisable bond premium (described below under “Notes Purchased at a Premium”).

In applying the constant yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing United States Holder’s adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing United States Holder, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service (the “**Service**”). If this election is made with respect to a Note with amortisable bond premium, then the electing United States Holder will be deemed to have elected to apply amortisable bond premium against interest with respect to all debt instruments with amortisable bond premium (other than debt instruments the interest on which is excludible from gross income) held by such electing United States Holder as of the beginning of the taxable year in which the Note with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortisable bond premium may not be revoked without the consent of the Service.

Floating Rate Notes

For purposes of this “United States Taxation” section, a “Floating Rate Note” is a Note that: (i) has an issue price that does not exceed the total noncontingent principal payments by more than the lesser of (1) the product of (x) the total noncontingent principal payments, (y) the number of complete years to maturity from the issue date and (z) .015, or (2) 15% of the total noncontingent principal payments, and (ii) does not provide for stated interest other than stated interest compounded or paid at least annually at (1) one or more “qualified floating rates”, (2) a single fixed rate and one or more qualified floating rates, (3) a single “objective rate” or (4) a single fixed rate and a single objective rate that is a “qualified inverse floating rate”.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any

day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

A Floating Rate is a “qualified floating rate” if (i) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated or (ii) it is equal to the product of such a rate and either (a) a fixed multiple that is greater than 0.65 but not more than 1.35 or (b) a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. If a Note provides for two or more qualified floating rates that (i) are within 0.25% of each other on the issue date or (ii) can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate. A rate is not a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield of the Note.

An “objective rate” is a rate, other than a qualified floating rate, that is determined using a single, fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that it is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits, or the value of the Issuer’s stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). A Floating Rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note’s term. An objective rate is a “qualified inverse floating rate” if (i) the rate is equal to a fixed rate minus a qualified floating rate and (ii) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate.

If interest on a Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period and (i) the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25% or (ii) the value of the qualified floating rate or objective rate is intended to approximate the fixed rate, the fixed rate and the qualified floating rate or objective rate constitute a single qualified floating rate or objective rate. Under these rules, Notes bearing interest at a floating rate derived from a reference rate appearing on the Reuters Money Market Rates Service or the Associated Press-Dow Jones Telerate Service or calculated on the same basis as the floating rate under a notional interest rate swap transaction in the relevant currency will generally be treated as Floating Rate Notes.

In general, if a Floating Rate Note provides for stated interest at a single qualified floating rate or objective rate and the interest is unconditionally payable in cash at least annually, all stated interest on the Note is qualified stated interest and the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, in the case of any other objective rate, a fixed rate that reflects the yield reasonably expected for the Note.

If a Floating Rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals on the Note are generally determined by (i) determining a fixed rate substitute for each Floating Rate provided under the Floating Rate Note (generally, the value of each Floating Rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Note), (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitute described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and (iv) making the appropriate adjustments for actual Floating Rates during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals are determined as in the immediately preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or a

qualified inverse floating rate, as the case may be) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Floating Rate Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

Contingent Payment Debt Instruments

If a floating rate Note does not qualify as a Floating Rate Note or otherwise provides for contingent payments, or if a fixed rate Note provides for contingent payments, such Note may constitute a contingent payment debt instrument (“**CPDI**”). For CPDIs, United States Holders are required to accrue interest income over time based on a projected payment schedule that is derived from the issuer’s cost of capital for fixed-rate noncontingent debt instruments. The primary method for such accrual is the noncontingent bond method. Under the noncontingent bond method, the issuer of a CPDI is required to calculate the yield it would reasonably be expected to pay on a noncontingent fixed-rate debt instrument and then construct a projected payment schedule of all contingent and noncontingent payments on the instrument that produces the comparable yield. The projected payment schedule is then used to determine the amount of OID that is includible in income by a United States Holder on a CPDI during a tax year, as well as to make positive and negative adjustments to such amount in order to arrive at the interest income or ordinary loss to be included in the U.S. Holder’s income for the tax year.

The amount of interest that accrues on a CPDI must be adjusted upward or downward to reflect differences between the actual and projected amounts of the contingent payments. These periodic positive and negative adjustments determine the amount of interest income or, in general, ordinary loss to United States Holders of CPDIs during a particular accrual period. If the actual amount of a contingent payment is more than its projected amount, the difference is a positive adjustment on the date of the payment. If the amount of a contingent payment is less than its projected amount, the difference is a negative adjustment on the date of the payment. The United States Holder accounts only for those adjustments that occur during a taxable year in which it holds a CPDI. The amount, if any, by which total positive adjustments on a CPDI exceed the total negative adjustments in the taxable year is a net positive adjustment. A net positive adjustment is generally treated as additional interest for the taxable year. The amount, if any, by which total negative adjustments on a CPDI exceed the total positive adjustments in the taxable year is a net negative adjustment. A United States Holder’s net negative adjustment on a CPDI for a taxable year is treated as follows: (i) first, it reduces the amount of the United States Holder’s interest income for the taxable year, then (ii) if the net negative adjustment exceeds the interest that would otherwise be taken into account, the excess is treated as an ordinary loss by the United States Holder. However, the amount treated as ordinary loss is limited to the amount of interest income recognised by the United States Holder in prior taxable years reduced by the total amount of the net negative adjustments treated as ordinary loss on the CPDI in prior taxable years. If the net negative adjustment exceeds the sum of the amounts treated as a reduction of interest and as ordinary loss on the CPDI for the taxable year, the excess is a negative adjustment carryforward. In general, a United States Holder treats a negative adjustment carryforward for a taxable year as a negative adjustment on the CPDI on the first day of the succeeding taxable year. However, if a Holder of a CPDI has a negative adjustment carryforward on the CPDI in a taxable year in which the CPDI is sold, exchanged, or retired, the negative adjustment carryforward reduces the United States Holder’s amount realised on the sale, exchange or retirement.

Any gain recognised by a United States Holder on the sale, exchange or retirement of a CPDI generally is interest income. Any loss so recognised by a U.S. Holder is in general ordinary loss to the extent that the total interest inclusions on the CPDI exceed the total net negative adjustments the United States Holder already accounted for as ordinary loss. Any additional loss is treated as loss from the sale, exchange or retirement of the CPDI. If at the time of the sale, exchange or retirement there are no remaining contingent payments due on the CPDI under the projected payment schedule, then any gain or loss recognised by the United States Holder is generally treated as gain or loss from the sale, exchange or retirement of the CPDI.

For purposes of determining the amount realised by a United States Holder on the scheduled retirement of a CPDI, a United States Holder is treated as receiving the projected amount of any

contingent payment due at maturity. If the amount received is different from the projected amount, the difference is treated as a positive or negative adjustment, as discussed above. The amount realised by a U.S. Holder on the retirement of a CPDI is reduced by any negative adjustment carryforward determined in the taxable year of the retirement. An unscheduled retirement of a CPDI (or the receipt of a pro-rata prepayment that is treated as a retirement of a portion of a CPDI) is treated as a repurchase of the CPDI by the issuer from the United States Holder for the amount paid.

Partly Paid Notes, Dual-Currency or Multi-Currency Notes

Notes may be issued where purchasers of the Notes pay for the Notes on an instalment schedule or similar arrangement. Such Partly Paid Notes and any Notes payable in, or whose payments are determined by reference to the value of, more than one currency may be subject to special rules for United States federal income tax purposes. **Prospective purchasers of Partly Paid Notes and Notes payable in, or whose payments are determined by reference to the value of, more than one currency should consult their own tax advisors regarding the application of United States federal income tax law to such Notes.**

Short-Term Notes

In general, an individual or other cash basis United States Holder of a short-term Note is not required to accrue OID for United States federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the income is received). An election by a cash basis United States Holder applies to all short-term obligations acquired on or after the beginning of the first taxable year to which the election applies, and for all subsequent taxable years unless consent is secured from the Service to revoke the election. Accrual basis United States Holders and certain other United States Holders, including banks, regulated investment companies, dealers in securities, common trust funds, United States Holders who hold Notes as part of certain identified hedging transactions, certain pass-through entities and cash basis United States Holders who so elect, are required to accrue OID (unless the holder elects to accrue "acquisition discount" in lieu of original issue discount) on short-term Notes on either a straight-line basis or under the constant yield method (based on daily compounding), at the election of the United States Holder. "Acquisition discount" is the excess of the remaining stated redemption price at maturity of the short-term note over the United States Holder's tax basis in the short-term Note at the time of acquisition. In the case of a United States Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the short-term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. United States Holders who are not required and do not elect to accrue OID on short-term Notes will be required to defer deductions for interest on borrowings allocable to short-term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Note, including stated interest and Additional Amounts, if any, are included in the short-term Note's stated redemption price at maturity.

Foreign Currency Discount Notes

Original issue discount for any accrual period on a Discount Note that is denominated in (or whose payments are determined by reference to the value of) a Specified Currency will be determined in such Specified Currency and then translated into US dollars in the same manner as stated interest accrued by an accrual basis United States Holder (as described under "Payments of Interest") on Notes which are not Discount Notes. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a United States Holder may recognise ordinary income or loss.

Purchase, Sale and Retirement of the Notes

A United States Holder's tax basis in a Note will generally be its US dollar cost (as defined below), increased by the amount of any OID included in the United States Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID included in the United States

Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The US dollar cost of a Note purchased with a Specified Currency will generally be the US dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the purchase.

A United States Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised on a sale or retirement for an amount in a Specified Currency will be the US dollar value of such amount on (i) the date payment is received in the case of a cash basis United States Holder, (ii) the date of disposition in the case of an accrual basis United States Holder or (iii) in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the sale. Except to the extent described above under "Original Issue Discount – Contingent Payment Debt Instruments" or "– Short Term Notes" or attributable to accrued but unpaid interest, gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. The ability of United States Holders to use capital losses is subject to limitations.

Gain or loss recognised by a United States Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction.

Exchange of Specified Currency

The tax basis of a Specified Currency generally will be the US dollar value of the Specified Currency amount on the date of such Specified Currency is purchased. Specified Currency received as interest on a Foreign Currency Note or on the sale or retirement of a Foreign Currency Note will have a tax basis equal to its US dollar value at the time such interest is received or at the time payment is received in consideration of such sale or retirement. The amount of gain or loss recognised on a sale or other disposition of the Specified Currency will be equal to the difference between (i) the amount of US dollars, or the fair market value in US dollars of the other currency or property received in the sale or other disposition, and (ii) the tax basis of the Specified Currency. Generally, any such gain or loss will be an ordinary income or loss.

Accordingly, a United States Holder that converts US dollars to a Specified Currency and immediately uses such Specified Currency to purchase a Foreign Currency Note ordinarily would not realise gain or loss in connection with such conversion and purchase. However, a holder that purchases a Foreign Currency Note with a previously owned Specified Currency would recognise exchange gain or loss in an amount equal to the difference, if any, between such holder's tax basis in the Specified Currency and the US dollar fair market value on the date of purchase of a Foreign Currency Note.

Spot Rate Conversion Election

A United States Holder may elect to translate OID (and, in the case of an accrual basis holder, accrued interest) into US dollars at the exchange rate in effect on the last day of an accrual period for the OID or interest, or in the case of an accrual period that spans two taxable years, at the exchange rate in effect on the last day of the partial period within the taxable year. Additionally, if a payment of OID or interest is actually received within 5 business days of the last day of the accrual period or taxable year, an electing Holder may instead translate such OID or accrued interest into US dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the holder, and will be irrevocable without the consent of the Service.

Notes Purchased at a Premium

A United States Holder that purchases a Note for an amount in excess of its principal amount generally may elect to treat such excess as “amortisable bond premium”, in which case the amount required to be included in the holder’s income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note’s yield to maturity) to such year. Amortisable bond premium on a Foreign Currency Note will be calculated in the Specified Currency and will offset the amount of interest received or accrued as determined in the Specified Currency. Exchange gain or loss will be recognised with respect to amortized bond premium based on the difference between the exchange rate on the date the holder acquired the Foreign Currency Note and the exchange rate on the date such premium is treated as received, and will be ordinary gain or loss. Any such election would apply to all bonds (other than bonds the interest on which is excludible from gross income) held by the holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the holder, and is irrevocable without the consent of the Service. See also “Original Issue Discount – Election to Treat All Interest as Original Issue Discount”.

Foreign Tax Credit

Interest paid on, and any OID accrued with respect to, the Notes will constitute income from sources outside the United States, and, except as described below, will typically be treated as “passive” or “financial services” income and considered separately (together with other items of passive or financial services income) for purposes of applying certain limitations on the claiming of foreign tax credits under United States federal income tax law. A United States Holder will be required to include any withholding tax imposed on payments (including Additional Amounts) by The Netherlands, Kazakhstan or any other Taxing Jurisdiction outside of the US on a Note as interest income in gross income. Thus, a United States Holder may be required to report income in an amount greater than the actual amount of interest and OID. Further, if interest income derived by a United States Holder in respect of the Notes is subject to withholding taxes imposed by a Taxing Jurisdiction outside of the US at a rate of at least 5%, then such income generally will constitute instead “high withholding tax interest” to the United States Holder (together with other items of high withholding tax interest), and the foreign tax credit limitation will separately apply to foreign income taxes attributable thereto. Subject to such limitations and certain other conditions, any income taxes withheld by a Taxing Jurisdiction outside the US from interest income derived by a United States Holder in respect of the Notes may be eligible for credit against the US federal income tax liability of the United States Holder. Under the foreign tax credit limitation rules, a United States Holders’ use of a foreign tax credit with respect to Brazilian income taxes, if any, or Cayman Island income taxes, if any, imposed on any gain resulting from a disposition of the Notes, however, will be limited, as such gain will generally not constitute foreign source income. In lieu of claiming a credit, United States Holders may elect to deduct foreign income taxes in computing their US federal taxable income. United States Holders should note that, pursuant to the recently enacted American Jobs Creation Act of 2004, “high withholding tax interest” will no longer be considered separately under the foreign tax credit limitation rules and interest and OID generally will be treated as “passive category income” (or, in certain cases, as “general category income”) for foreign tax credit limitation purposes, effective for taxable years beginning after December 31, 2006. The rules relating to foreign tax credits are complex, and United States Holders should consult their own tax advisors with regard to the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situations.

Notes Held in Bearer Form

Under provisions of present United States federal income tax law relating to ownership of bearer form debt obligations, a holder of a Note in bearer form who is a United States Holder will be subject to the following special rules unless one of certain limited exceptions applies: if a Note is paid, sold or otherwise disposed of in a transaction that results in taxable gain or loss for United States federal income tax purposes, any gain will be treated as ordinary income and not as capital gain, and no deduction will be allowable in respect of any loss.

Non-United States Holders

Subject to discussion of backup withholding below, beneficial owners of the Notes who are not United States Holders (“**Non-United States Holders**”) will not be subject to United States federal

income taxes, including United States withholding taxes, on payments of interest (including OID) on the Notes unless (i) the Non-United States Holder is an insurance company carrying on a United States insurance business, within the meaning of the Code, to which interest (or OID) is attributable or (ii) the Non-United States Holder has an office or other fixed place of business in the United States to which the interest (or OID) is attributable and the interest is either (a) derived in the active conduct of a banking, financing or similar business within the United States or (b) received by a corporation engaged in a business in the United States whose principal business is trading stock or securities for its own account, and certain other conditions exist.

Subject to discussion of backup withholding below, the gain realised on any sale or exchange of the Notes by a Non-United States Holder generally will not be subject to United States federal income tax, including withholding tax, unless (i) such gain is effectively connected with the conduct by the Non-United States Holder of a trade or business in the United States or (ii) in the case of gain realised by an individual Non-United States Holder, the Non-United States Holder is present in the United States for 183 days or more in the taxable year of sale and certain other conditions are met.

Tax Shelter Disclosure Rules

Certain Code provisions and Treasury Regulations (the “**Tax Shelter Disclosure Rules**”) intended to address potential tax shelters and other potentially tax-motivated transactions require participants in a “reportable transaction” to disclose certain information about such a transaction on Internal Revenue Service Form 8886 and retain information relating to the transaction. “Material Advisors” with respect to reportable transactions are required to submit to the Service information regarding the transaction on Internal Revenue Service Form 8264, and are required to maintain lists identifying the transaction investors advised and furnish to the IRS upon demand such investor information as well as detailed information regarding the transactions. A transaction may be a “reportable transaction” based upon any of several indicia, including the existence of confidentiality agreements, certain indemnity arrangements, potential for recognising investment or other losses, significant book-tax differences, or a brief asset holding period, one or more of which may be present with respect to or in connection with an investment in the Notes. A transaction may also be a reportable transaction if it is the same as or substantially similar to a “listed transaction”, that is, a transaction identified by the Service in published guidance as potentially abusive. As a result of their scope, the Tax Shelter Disclosure Rules can cover and require reporting of transactions that are generally not considered tax shelters, including certain foreign currency transactions. The Code imposes significant penalties for failure to comply with these disclosure requirements. Investors should consult their tax advisers concerning any possible disclosure obligation with respect to their investment and should be aware that the Issuer and other participants in the transaction intend to comply with the disclosure and list maintenance requirements under the Tax Shelter Disclosure Rules as they determine apply to them with respect to this transaction.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal and interest on Notes (including OID) to non-corporate United States Holders if those payments are made within the United States or are made by or through a custodian or nominee that is a US Controlled Person, as defined below. Backup withholding will apply to those payments if such a United States Holder fails to provide an accurate taxpayer identification number or, in the case of interest payments, fails to certify that it is not subject to backup withholding or if the Service has notified the payor that such holder has failed to report all interest and dividends required to be shown on its federal income tax returns.

Backup withholding and information reporting generally will not apply to principal and interest payments to a holder of Notes that is a Non-United States Holder, but the Non-United States Holder may be required to comply with certification and identification procedures in order to prove its exemption. In the case of Notes held by a foreign partnership, these certification procedures will generally be applied to the partners in the partnership and the partnership will be required to provide certain information, including its United States taxpayer identification number.

The proceeds of a sale or redemption of Notes effected at the United States office of a broker will generally be subject to the information reporting and backup withholding rules described above. In addition, the information reporting rules (but not the backup withholding rules) will apply to payments of proceeds of a sale or redemption effected at a foreign office of a broker that is a US Controlled Person.

A “**US Controlled Person**” is:

- a United States person (as defined in the Code and Treasury Regulations);
- a controlled foreign corporation for United States federal income tax purposes;
- a foreign person 50% or more of whose gross income is related for tax purposes with a United States trade or business for a specified three-year period; or
- a foreign partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in a United States trade or business.

Any amounts withheld under the backup withholding rules from a payment to a holder of a Note generally will be allowed as a refund or a credit against the holder’s United States federal income tax liability as long as the holder provides the required information to the Service.

PURSUANT TO UNITED STATES TREASURY REGULATIONS 31 C.F.R. PART 10, THE PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED THAT THE PREVIOUS SUMMARY IS NOT INTENDED OR DRAFTED TO BE USED, AND IT CANNOT BE USED BY ANY PROSPECTIVE PURCHASER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE PROSPECTIVE PURCHASERS UNDER THE UNITED STATES FEDERAL INCOME TAX LAW.

SUBSCRIPTION AND SALE

SUMMARY OF PROGRAMME AGREEMENT

Subject to the terms and on the conditions contained in the Programme Agreement dated 4 November 2005 (the “**Programme Agreement**”) between TuranAlem Finance, the Bank, the Dealers and the Arranger, the Notes will be offered from time to time by the relevant Issuer to the Dealers or such other dealers as may be appointed from time to time on a fully underwritten basis pursuant to the Programme Agreement in respect of the Programme or any particular Series of Notes, as the case may be. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the relevant Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). Notes may also be sold by the relevant Issuer through Dealer(s), acting as agents for the relevant Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

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The relevant Issuer, failing whom the Bank, will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. TuranAlem Finance and the Bank, have agreed to reimburse expenses incurred by the Arranger in connection with the establishment of the Programme and by the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The relevant Issuer, together, if applicable, with the Bank, have agreed, jointly and severally, to indemnify the Dealers in respect of each issue of Notes against certain liabilities in connection with the offer and sale of such Notes, including liability under the Securities Act, and to contribute for payments that such Dealers may be required to make in respect thereof. The Programme Agreement entitles the Dealers to terminate any agreement that they make to purchase Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

The Dealers and their affiliates may in the future perform various investment banking and commercial banking services and may arrange non-public market financing for, and enter into derivative transactions with, the Bank and each of their affiliates.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. The Programme Agreement provides that each Dealer may through its agents or affiliates arrange for the resale of Notes in the United States solely to qualified institutional buyers pursuant to Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer, whether or not it is participating in the offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each Dealer has severally represented and agreed, or will be required to represent and agree, that it will not offer or sell the Notes of a Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, as determined and certified by the relevant Dealer (or, in the case of a sale of a Series of Notes through more than one Dealer by the Lead Manager on behalf of the relevant Dealers) (such period, the “**Distribution Compliance Period**”) except in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act, and, at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Distribution Compliance Period a

confirmation or other notice setting forth the restrictions on offers and sales of Notes within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in the preceding three paragraphs have the meanings given to them by Regulation S under the Securities Act. Notes offered and sold outside the United States may be sold in reliance on Regulation S. The Programme Agreement provides that the Dealer(s) may directly or through their respective U.S. registered broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to persons whom they reasonably believe are QIBs and who can represent that (a) they are QIBs within the meaning of Rule 144A, (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (c) they are not a participant-directed employee plan, such as a 401(k) plan, (d) they are acting for their own account, or the account of one or more QIBs, (e) they are not formed for the purpose of investing in the relevant Issuer or the Notes, (f) each account for which they are purchasing will hold and transfer at least U.S.\$100,000 in principal amount of Notes at any time, and (g) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

This Base Prospectus has been prepared by TuranAlem Finance and the Bank for use in connection with the offer and sale of Notes outside the United States and the resale of Notes in the United States and for the listing of Notes on the London Stock Exchange. The Issuer and the Dealers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB and to whom an offer has been made directly by one of the Dealers or its U.S. registered broker-dealer affiliates. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB within the United States to any U.S. person or to any other person within the United States, other than to a QIB and to those persons, if any, retained to advise such non-U.S. person or such QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of TuranAlem Finance and the Bank of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

In addition, except with respect to Notes for which the relevant Dealer(s) and the relevant Issuer, together if applicable, with the Bank, agree, provided that such transaction is in accordance and compliance with applicable laws, that the following restrictions shall not apply, each Dealer represents:

- (a) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”): (i) it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and agrees that it will not deliver within the United States or its possessions Note Certificates in bearer form that are sold during the restricted period;
- (b) it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D rules;
- (c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in Clauses 1.6.1, 1.6.2 and 1.6.3 on behalf of such affiliate or (b) agrees that it will obtain from such affiliate for the benefit of the relevant Issuer the representations and agreements contained in Clauses 1.6.1, 1.6.2 and 1.6.3.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

In addition, to the extent that the Final Terms relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is “TEFRA C Rules”, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possession or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C Rules.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets and if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 (excluding Article 3.2(b)) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed, or will be required to represent, warrant and agree, that:

- (i) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in

circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Bank; and

- (iii) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Kazakhstan

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

The Netherlands

- (i) Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree in relation to Notes which have a maturity of less than one year, that it has not made and will not make an offer of Notes to the public in or from the Netherlands, except that it may make such offer of Notes:
- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which complies with Article 2 of the Decree on the Supervision of Securities Trade 1995 (*Besluit toezicht effectenverkeer 1995*) as amended from time to time (hereinafter the “**Decree**”, provided that the requirements of Chapter II of the Decree, concerning the announcement of the offer and the updating of the prospectus, have been met;
 - (b) at any time to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession, which includes banks, brokers, dealers, insurance companies, pension funds, other institutional investors, and commercial enterprises which regularly, as an ancillary activity, invest in securities (hereinafter “**Professional Investors**”), provided that in the offer, in the applicable pricing supplement and in any documents or advertisements in which such offer is publicly announced, it is stated that such offer is and will be exclusively made to Professional Investors;
 - (c) at any time in any other circumstances where an exemption or dispensation from the requirement to make a prospectus publicly available has been granted pursuant to Article 4 of the Dutch Act on the Supervision of Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*) as amended from time to time.

For the purposes of this provision, the expression an “offer of Notes to the public” means: making a sufficiently specific offer, directly or indirectly, to more than one individual or legal entity, concerning the sale or acquisition of securities, or inviting an individual or legal entity to make such offer.

- (ii) In addition and without prejudice to the relevant restrictions set out under (i) above, bearer Zero Coupon Notes or other Notes that qualify as savings certificates as defined in the Savings Certificates Act (*Wet inzake spaarbewijzen*) will be transferred or accepted only through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Savings Certificates Act and its implementing regulations, provided that no such mediation is required in respect of (a) the initial issue of those Notes to the first holders thereof, (b) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (c) the issue and trading of those Notes, if they are physically issued outside The Netherlands and not distributed in The Netherlands in the course of primary trading or immediately thereafter; in addition, certain identification requirements in relation to the issue and transfer of, and payments on those Notes have to be complied with, and any reference in publications concerning those Notes to the words “to bearer” is prohibited, and, if those Notes are not listed on the stock market of Euronext Amsterdam N.V., each transaction concerning those Notes must be recorded in a transaction note, stating the name and address of the other party to the transaction, the nature of the transaction and details, including the number and serial numbers, of the Notes concerned, which requirement must be indicated in a legend printed on those Notes.

GENERAL

No action has been, or will be, taken by TuranAlem Finance, the Bank, the Arranger or the Dealers that would permit a public offering of Notes in any country or jurisdiction where action for that purpose is required. Accordingly, Notes may not be offered or sold, directly or indirectly, and neither the Base Prospectus nor any circular, prospectus, form of application, advertisement or other material relating to the Programme or the Notes, may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws or regulations.

GENERAL INFORMATION

1. Registered Office

TuranAlem Finance's registered office is located at Schouwburgplein 30-34, 3012 CL Rotterdam, The Netherlands, telephone no. +3110 224 5333. TuranAlem Finance is a wholly owned subsidiary of the Bank incorporated on 22 May 2001 under the laws of The Netherlands for the purpose of, amongst other things, raising funds in the international capital markets and lending such funds to the Bank.

The Bank's registered office is located at 97, Zholdasbekov Street, "Samal-2" microdistrict, Almaty 050051, Kazakhstan, telephone no. +73 272 505 100. The Bank is subject to regulation by the National Bank of Kazakhstan. The Bank is registered with the Ministry of Justice under certificate number N3903-1900-AO. The Bank was organised on 15 January 1997 as a closed joint stock company.

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2. Authorisations

The establishment of the Programme and the issuance and sale of Notes pursuant thereto were authorised by a duly adopted resolution of the Managing Board of TuranAlem Finance dated 19 October 2005 and by a duly adopted resolution of the Bank as sole shareholder of TuranAlem Finance dated 20 October 2005. The establishment of the Programme and the delivery of the Guarantee and the borrowings under the Subordinated Loan Agreement by the Bank were authorised by a duly convened meeting of the shareholders of the Bank held on 15 September 2005 and by a duly adopted resolution of the Board of Directors of the Bank dated 11 October 2005. The update of the Programme pursuant to this Base Prospectus was authorised by a duly adopted resolution of the Managing Board of TuranAlem Finance dated 7 April 2006 and by the Chairman of the Bank pursuant to authority delegated to him under the Bank's Charter and applicable Kazakhstan law.

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TuranAlem Finance and the Bank have given all notices and obtained all necessary consents, approvals and authorisations in The Netherlands and Kazakhstan, respectively, in connection with the establishment of the Programme. Any additional notices, consents, approvals, authorisations or other orders required in The Netherlands or Kazakhstan, as the case may be, in connection with the issuance and sale of Notes under the Programme, which are required to be obtained prior to the relevant Issue Date of such Notes, will be obtained prior to such Issue Date.

3. Listing of Notes on the London Stock Exchange

Application has been made to the London Stock Exchange for Notes issued under the Programme to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market, which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, and to be listed on the London Stock Exchange. However, Notes may be issued under the Programme which will not be listed on the London Stock Exchange or any other stock exchange, and the Final Terms applicable to the Notes in a Series will specify whether or not Notes in such Series will be listed on the London Stock Exchange or any other stock exchange.

4. Clearing Systems

Notes to be issued under the Programme have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP, International Securities Identification Number (ISIN) and/or common code (as applicable) for the Notes in each Series Tranche will be set out in the relevant Final Terms. Application will also be made to have any Registered Notes in a series to be sold pursuant to Rule 144A accepted for trading in PORTAL.

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The address of DTC is 55 Water Street, New York, NY 10041, United States of America; the address of Euroclear is 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium; and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, 1855 Luxembourg.

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Settlement arrangements will be agreed among the relevant Issuer, together, if applicable, with the Bank, the relevant Dealer(s), the Trustee and the Principal Paying Agent or, as the case may be, the Registrar in relation to each Series of Notes.

5. Legends

Bearer Notes and any coupon or talon appertaining thereto will bear a legend substantially to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

The sections referred to in such legend provide that a United States person who holds a Bearer Note, coupon or talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, coupon or talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Registered Notes sold in the United States in accordance with Rule 144A will bear the legend set forth above under “Form of Notes and Transfer Restrictions”.

6. Documents on Display

So long as Notes are capable of being issued under the Programme, copies of the following documents (together with, if applicable, English translations thereof) will, when published, be available from the registered office of TuranAlem Finance and/or from the registered office of the Bank (as the case may be) and from the specified office of the Paying Agent for the time being in London:

- (i) the Articles of Association and other relevant constitutional documents of TuranAlem Finance;
- (ii) the Charter and other relevant constitutional documents of the Bank;
- (iii) the audited financial statements of TuranAlem Finance as at and for the years ended 31 December 2005 and 2004, together with the auditors’ reports thereon, and, to the extent any are produced, the latest audited and unaudited published annual or interim financial statements of TuranAlem Finance, together (if applicable) with the auditors’ report thereon;
- (iv) the audited financial statements of the Bank as at and for the years ended 31 December 2005, 2004 and 2003, together with the auditors’ reports thereon, and, the latest audited (if available) or unaudited published annual or interim financial statements of the Bank, together (if applicable) with the auditors’ report thereon;
- (v) the Trust Deed, the Guarantee and the Agency Agreement;
- (vi) a copy of this Base Prospectus; and
- (vii) any future information memoranda, prospectuses, Base Prospectuses and supplements to this Base Prospectus including Final Terms (save that Final Terms relating to any unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Notes and identity) and any documents incorporated herein or therein by reference.

In addition, a copy of the documents set out in (vi) and (vii) above can be obtained free of charge from the specified office of the relevant Paying Agent where so required by the rules of the relevant stock exchange on which any Series of Notes is to be listed.

The Base Prospectus and relevant Final Terms are published on the website of the London Stock Exchange, being www.londonstockexchange.com.

7. Auditing of Historical Annual Financial Information

TuranAlem Finance’s independent auditors are Mazars Paardekooper Hoffman N.V., Rivium Promenade 200, P.O. Box 23123 3001 KC Rotterdam, The Netherlands. TuranAlem Finance’s financial statements as at and for the years ended 31 December 2003 and 2004 were audited by Mazars Paardekooper Hoffman and its reports are included in this Base Prospectus.

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The Bank's independent auditors are Ernst & Young. The Bank's consolidated financial statements for the years ended 31 December 2003, 2004 and 2005 were audited by Ernst & Young, 240G Furmanov Street, Almaty 050059 Kazakhstan, and its unqualified audit reports are included in this Base Prospectus. A9
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8. Litigation

Neither TuranAlem Finance nor the Bank is, nor has either of them been, involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) which may have, or have had in the 12 months preceding the date of this Base Prospectus, significant effects on its financial position or profitability.

9. Significant or Material Change

Except as disclosed in this Base Prospectus under the captions (i) "TuranAlem Finance" beginning on page 62 under the subheadings "Capitalisation" and "Business", (ii) "Capitalisation of the Bank" on page 72 under the subheadings "Capitalisation" and "Business" and (iii) "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 79, there has been no significant change in the financial or trading position of TuranAlem Finance or in the financial or trading position of the Bank or the Group, as the case may be, since 31 December 2005. A9
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There has been no material adverse change in the prospects of TuranAlem Finance since 31 December 2005, the date of its last published audited financial statements. A9
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There has been no material adverse change in the prospects of the Bank or other companies of the Group since 31 December 2005, the date of the Group's last published audited financial statements. A9
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10. Conflicts of Interest

It cannot generally be ruled out that the persons involved in an offer or issue of Notes under the Programme, irrespective of whether they are natural or legal persons, have interests in the offer or issue. Whether this is the case will depend upon the facts at the time of the offer or issue. A description of any interests, including any conflicting interests, that are of importance to an offer or issue of Notes will be included in the relevant Final Terms, specifying the persons involved and the types of interests.

11. The Arranger

Credit Suisse Securities (Europe) Limited is the Arranger under the Programme. Credit Suisse Securities (Europe) Limited's address is One Cabot Square, London E14 4QJ, United Kingdom.

VALIDITY OF SECURITIES

The validity of the issuance of the Notes and certain other matters arising under the laws of The Netherlands will be passed upon by NautaDutilh N.V., Dutch counsel to TuranAlem Finance. The validity of the issuance of the Notes and certain other matters arising under Kazakhstan law will be passed upon for TuranAlem Finance and the Bank by Bracewell & Guiliani LLP, Kazakhstan counsel to TuranAlem Finance and the Bank, and for the Dealers by Aequitas LLC, Kazakhstan counsel to the Dealers. The validity of the Notes and certain other matters arising under the laws of England and Wales, will be passed upon by Dewey Ballantine LLP, English counsel to the Dealers.

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ANNEX A – FORM OF FINAL TERMS

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Final Terms dated ●

[TURANALEM FINANCE B.V.] [JSC BANK TURANALEM]
 Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
 [Guaranteed by **JSC BANK TURANALEM**]
 under the U.S.\$3,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [●] 2006 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on TuranAlem Finance and the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus, [the supplemental Prospectus] [and the Trust Deed] [the Subordinated Loan Agreement] are available for viewing at Turanalem Finance B.V., Schouwburgplein 30-34, 3012 Rotterdam, The Netherlands, and JSC Bank Turanalem, 97, Zholdasbekov Street, “Samal-2” microdistrict, Almaty 480099, Kazakhstan, and copies may be obtained from the specified office of the Principal Paying Agent.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Base Prospectus dated [●] 2006. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [●] 2006 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [●] 2006 and are attached hereto. Full information on the relevant Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [●] 2006. Copies of such Base Prospectus are available for viewing and may be obtained from the registered of office of the relevant Issuer at [Schouwburgplein 30-34, 3012 Rotterdam, The Netherlands] [97, Zholdasbekov Street “Samal-2” microdistrict, Almaty 480099 and copies may be obtained from the specified office of the Principal Paying Agent.]]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]

- 1. [(i)] Issuer: [TuranAlem Finance B.V.] [JSC Bank TuranAlem]
- [(ii)] Guarantor: JSC Bank TuranAlem]
- 2. [(i)] Series Number: []

- [(ii)] Tranche: []
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Notes admitted to trading: []
- [(i)] Series: []
- [(ii)] Tranche: []
5. Issue Price: [] per cent of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*if applicable*)] A12
5.1.2
5.3
6. Specified Denominations: []
 []
 [Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]
 (NB: If the Final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulations will apply)
7. [(i)] Issue Date: []
 [(ii)] Interest Commencement Date []
8. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*] A12
4.1.11
9. Interest Basis: [●% Fixed Rate]
 [[*specify reference rate*] +/- ●% Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (*specify*)]
 (further particulars specified below)
10. Redemption/Payment Basis : [Redemption at par] A12
4.2.1
 [Index Linked Redemption]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (*specify*)]

(NB: *If the Final Redemption Amount is less than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulations will apply.*)

11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior/[Dated/Perpetual]/ Subordinated]
[[ii)] Status of the Guarantee: [Senior/[Dated/Perpetual]/Subordinated]]
[(iii)] [Date of Board approval for issuance of Notes [and Guarantee] obtained]: [[] and [], respectively]
- (NB: *Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per [] in Nominal Amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) Determination Dates: [] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Interest Period(s) []

- (ii) Specified Interest Payment Dates: []
 - (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
 - (iv) Business Centre(s): []
 - (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
 - (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): []
 - (vii) Screen Rate Determination:
 - Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
 - (viii) ISDA Determination:
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
 - (ix) Margin(s): [+/-] [] per cent per annum
 - (x) Minimum Rate of Interest: [] per cent per annum
 - (xi) Maximum Rate of Interest: [] per cent per annum
 - (xii) Day Count Fraction: []
 - (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) [Amortisation/Accrual] Yield: [] per cent per annum
 - (ii) Reference Price: []
 - (iii) Any other formula/basis of determining amount payable: []
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: [*give or annex details*]
 - (ii) Calculation Agent responsible for calculating the interest due:

A12
4.2.1
4.2.2

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:
 - (iv) Determination Date(s): []
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
 - (vi) Interest or calculation period(s): []
 - (vii) Specified Interest Payment Dates: []
 - (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
 - (ix) Business Centre(s): []
 - (x) Minimum Rate/Amount of Interest: [] per cent per annum
 - (xi) Maximum Rate/Amount of Interest: [] per cent per annum
 - (xii) Day Count Fraction: []
19. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
 - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:
 - (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] specified denomination
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
 - (iv) Notice period []

21. **Put Option** [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):
 - (iii) Notice period []
22. **Final Redemption Amount of each Note** [[] per Note of [] specified denomination/other/ see Appendix] A12 4.2.1

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: [give or annex details]
 - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
 - (iv) Determination Date(s): []
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
 - (vi) Payment Date: []
 - (vii) Minimum Final Redemption Amount: []
[insert drafting comment to item 10]
 - (viii) Maximum Final Redemption Amount: []
23. **Early Redemption Amount**
- Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): []
- (NB: If the Final Redemption Amount is less than 100 per cent of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulations will apply.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: **Bearer Notes:**
 [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Note Certificates on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
 [Permanent Global Note exchangeable for Note Certificates on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- Registered Notes:**
 Global Notes exchangeable for Note Certificates in the limited circumstances specified in the Global Note
25. Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15 (ii), 16(iv) and 18(ix) relates]
26. Talons for future Coupons or Receipts to be attached to Note Certificates (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition []] apply]
30. Consolidation provisions: [Not Applicable/The provisions [in Condition [5.1]] apply]
31. Other final terms: [Not Applicable/give details]
 (When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give names]
 (ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
33. If non-syndicated, name of Dealer: [Not Applicable/give name]
34. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Global Medium Term Note Programme of JSC Bank TuranAlem and TuranAlem Finance B.V.]

RESPONSIBILITY

[Each of] [TuranAlem Finance] [and] [the Bank] accept[s] responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]]. [Each of] [TuranAlem Finance] [and] [the Bank] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

[Signed on behalf of TuranAlem Finance:

By:
 Duly authorised]

[Signed on behalf of the Bank:

By:
 Duly authorised]

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: [London/ other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the London Stock Exchange [other stock exchange (*specify*)] with effect from [].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [].

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6.1

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
 - [Moody's: []]
 - [[Other]: []]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. NOTIFICATION

[N/A]/[The United Kingdom Listing Authority [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospective Directive.]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

[5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer []
(See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

- [(ii) Estimated net proceeds: []
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: [].
Include breakdown of expenses.]

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

6. **YIELD** – *(Fixed Rate Notes only)*

Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

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4.2.2

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

8. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

9. **OPERATIONAL INFORMATION**

CUSIP: []

ISIN Code: []

Common Code: []

Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): []

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TuranAlem Finance B.V.

Rotterdam, The Netherlands.

ANNUAL ACCOUNTS

2005

ADDRESS:

Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce
File number 24.32.14.12


ACCOUNTANTS EN BELASTINGADVISEURS
MAZARS PAARDEROOP & HOFFMAN NV

Initialled for identification purposes only

TuranAlem Finance B.V.

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TuranAlem Finance B.V.


Balance Sheet

(before appropriation of results and expressed in USD)

		31 December 2005	31 December 2004
FINANCIAL FIXED ASSETS			
Loans to parent company	3	1,650,000,000	1,100,000,000
Discount on loans	4	12,048,436	14,772,957
Shareholders account	5	344,333	332,689
		<u>1,662,392,769</u>	<u>1,115,105,646</u>
CURRENT ASSETS			
Loans to parent company	3	782,000,000	0
Interest receivable eurobonds		26,667,113	13,405,231
Interest receivable on loan to parent company		9,524,479	0
VAT receivable		9,661	4,002
Cash at bank	6	1,842,361	594,672
		<u>820,043,614</u>	<u>14,003,905</u>
CURRENT LIABILITIES			
Loan facility		777,000,000	0
Loan third party		5,000,000	0
Interest payable Eurobonds		26,275,945	13,200,694
Interest payable loan third parties		9,389,799	0
Corporation income tax		159,851	7,050
Accruals		102,880	55,155
		<u>817,928,475</u>	<u>13,262,899</u>
NET CURRENT ASSETS		<u>2,115,139</u>	<u>741,006</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,664,507,908</u>	<u>1,115,846,652</u>
LESS: LONG-TERM DEBT			
Long-term loans	7	1,650,000,000	1,100,000,000
Premium on loans	8	12,048,436	14,772,957
		<u>2,459,472</u>	<u>1,073,695</u>
CAPITAL AND RESERVES			
Share capital	9	21,292	24,579
Currency translation reserve		(5,668)	(8,955)
Retained earnings		1,058,071	465,661
Net profit for the year		1,385,777	592,410
		<u>2,459,472</u>	<u>1,073,695</u>

The Management,

Equity Trust Co. N.V.


 Sarsembayeva Zhamilva
 ACCOUNTANTS EN BELASTING ADVISEURS
 MAZARS PAARDEKOOPER HOFFMAN NV
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TuranAlem Finance B.V.

Profit and loss account

(expressed in USD)

	Year ended 31 December 2005	Year ended 31 December 2004
Interest income	128,531,723	55,625,061
Interest expense	(126,599,056)	(54,795,052)
Release premium on bonds	2,724,521	227,043
Release discount on loans	(2,724,521)	(227,043)
NET INCOME	1,932,667	830,009
General and administrative expenses	187,512	118,919
Expense agreement	0	71,704
GENERAL EXPENSES	187,512	190,623
OPERATING RESULT	1,745,155	639,386
Interest banks	1,613	2,004
Interest shareholder	11,644	8,826
Exchange differences	(3,651)	(11,383)
FINANCIAL INCOME/(CHARGES)	9,606	(553)
OPERATING PROFIT BEFORE TAXATION	1,754,761	782,241
CORPORATE INCOME TAX	368,984	189,831
NET PROFIT FOR THE YEAR	1,385,777	592,410

The Management,

Equity Trust Co. N.V.

Sarsembayeva, Zhamilya

M  **MAZARS**
 ACCOUNTANTS EN BELASTINGADVISEURS
 MAZARS PAARDEKOOPER HOFFMAN NV
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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2005

1. General

The Company is a private limited liability company established in Rotterdam on 22 May 2001. The Company acts as a finance company. The Company is a wholly owned subsidiary of OJSC Bank TuranAlem, 97 Zholdasbekov Street, Samal 2. Almaty, Kazakhstan. The compilation of the annual accounts is in USD as USD represents the economic reality of business activities.

With its parent company, OJSC Bank TuranAlem, the Company has entered into several loan agreements as well as an expense agreement.

2. Summary of principal accounting policies

(a) General

The accompanying accounts have been prepared in accordance with EU directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

(b) Foreign currencies

All assets and liabilities expressed in currencies other than USD have been translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies have been translated into USD at rates of exchange approximating to those ruling at the date of the transactions. Resulting exchange differences, if any, are recognised in the profit and loss account.

Translation results on the Company's issued share capital are transferred to reserves directly.

(c) Other assets and liabilities

Unless otherwise indicated assets and liabilities are stated at face value.

(d) Revenue recognition

Expenses and income are accounted for under the accrual basis.

(e) Corporation tax

Taxation is incurred and provided for in accordance to a special agreement accepted ruling practice. The tax authorities in the Netherlands have granted a tax ruling to TuranAlem Finance B.V. in 2001 which has expired on December 31st, 2005. For the years 2006 until 2010 TuranAlem Finance B.V. has been granted a new tax ruling by tax authorities in the Netherlands. All loan contracts will be adjusted per January 1st, 2006 to accord with this new tax ruling. The net profit of the coming years will be affected by the adjustments in the rulings and contracts.

(f) Premium on loans and discount on bonds

Premium on loans and discount on bonds is valued at face value less straight-line depreciation based on the remaining economic lives of the loan or bond concerned.

TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2005

3. Loans to Parent Company

Loans to Parent Company consists of the following as at 31 December:


Long-term Issued	Maturity	Interest Rate	2005	2004
29 May 2002	29 May 2007	11.2500%	\$ 100,000,000	\$ 100,000,000
2 June 2003	2 June 2010	8.8900%	\$ 225,000,000	\$ 225,000,000
24 March 2004	24 March 2010	9.0278%	\$ 100,000,000	\$ 100,000,000
24 March 2004	24 March 2010	9.0278%	\$ 300,000,000	\$ 300,000,000
30 November 2004	2 June 2010	8.8900%	\$ 375,000,000	\$ 375,000,000
10 February 2005	10 February 2015	9.5833%	\$ 350,000,000	-
23 November 2005	23 November 2008	6.7694%	\$ 200,000,000	-
			\$ 1,650,000,000	\$ 1,100,000,000

Short-term Issued	Maturity	Interest Rate	2005	2004
13 December 2003	19 May 2006	6.4100%	\$ 5,000,000	\$ 5,000,000
6 October 2005	20 September 2006	5.6138%	\$ 777,000,000	-
			\$ 782,000,000	\$ 5,000,000

Loans to the parent Company, evidenced by deposit receipts, represent the pass through of the net proceeds of debt issued by the Company plus direct issuance cost. Loans to the parent Company are subject to a Guarantee Agreement, an Expenses Agreement and a Deposit Agreement. Under these various agreements, the Parent Company has unconditionally guaranteed the return of all principal plus interest, payment of direct issuance costs and, if necessary, to fund any cash operating deficits. Interest rates on the loans are directly related to the interest rates paid on the related debt issued by the Company. As agreed interest on cash loan is equal to the rate paid on the related debt issued plus a spread, grossed up for any withholding taxes held at the source.

4. Discount on loans

Per November 30th 2004 a USD 375 million Eurobond has been issued at 104%. This resulted in a received discount of USD 15 million.


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 ACCOUNTANTS EN BELASTINGADVISEURS
 MAZARS PAARDEKOPPER HOFFMAN NV
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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2005

4. Discount on loans (continued)

The movements in can be summarised as:

	31 December 2005	31 December 2004
At beginning of period	14,772,957	0
Paid discount on issued loans	0	15,000,000
Release discount on loans	<u>(2,724,521)</u>	<u>(227,043)</u>
At end of period	<u>12,048,436</u>	<u>14,772,957</u>
Discount to be released within a year	(2,724,521)	

5. Shareholder's account

The movements in can be summarised as:

	31 December 2005	31 December 2004
Shareholder's account		
At beginning of year	332,689	252,159
Movements	11,644	80,530
At end of year	<u>344,333</u>	<u>332,689</u>

6. Cash at bank

Cash at banks consists of current account balances, which are available on demand.

7. Long-term loans

Long-term debt consist of the following as at 31 December:

	Long-term Issued	Maturity	Interest Rate	2005	2004
1.	29 May 2002	29 May 2007	10.000%	\$ 100,000,000	\$ 100,000,000
2.	2 June 2003	2 June 2010	7.875%	\$ 225,000,000	\$ 225,000,000
3.	24 March 2004	24 March 2010	8.000%	\$ 100,000,000	\$ 100,000,000
4.	24 March 2004	24 March 2010	8.000%	\$ 300,000,000	\$ 300,000,000
5.	30 November 2004	2 June 2010	7.875%	\$ 375,000,000	\$ 375,000,000
6.	10 February 2005	10 February 2015	8.500%	\$ 350,000,000	-
7.	23 November 2005	23 November 2008	6.030%	\$ 200,000,000	-
				<u>\$ 1,650,000,000</u>	<u>\$ 1,100,000,000</u>

MAZARS

ACCOUNTANTS EN BELASTINGADVISEURS
MAZARS PAARDEKOOPEL HOFFMAN NV

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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2005

7. Long-term loans (continued)

Ad1) On 29 May 2002 the Company issued a Note of USD 100,000,000 principal amount, which bears interest at a fixed rate 10 per cent. The Trustee of this Note is The Deutsche Trustee Company Limited, New York. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment one Business Day prior to 29 May 2007.

Ad 2) On 02 June 2003 the Company issued a Note of USD 225,000,000 principal amount, which bears interest at a fixed rate 7.875 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2010.

Ad 3) On 24 March 2004 the Company issued a Note of USD 100,000,000 principal amount, which bears interest at a fixed rate 8 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2010.

Ad 4) On 24 March 2004 the Company issued a Note of USD 300,000,000 principal amount, which bears interest at a fixed rate 8 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2010.

Ad 5) On 30 November 2004 the Company issued a Note of USD 375,000,000 principal amount, which bears interest at a fixed rate 7.875 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2 June 2010.

Ad 6) On 10 February 2005 the Company issued a Note of USD 350,000,000 principal amount, which bears interest at a fixed rate 8.5 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2 June 2010.

Ad 7) On 4 November 2005 the Company and its shareholder established a "Global Medium Term Note" programme, with a maximum aggregate nominal amount outstanding not exceeding USD 3,000,000,000 (or its equivalent in other currencies). Based on the programme the Company may from time to time issue senior or subordinated notes, the proceeds of which will be deposited with the shareholder.

TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2005

7. Long-term loans (continued)

On 23 November 2005 the Company issued under the "USD 3,000,000,000 Global Medium Term" program a Note of USD 200,000,000 principal amount, which bears interest at a floating rate, a 3 months LIBOR rate plus 1.65%. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment on 23 November 2008.

8. Premium on bonds

Per November 30th 2004 a USD 375 million eurobond has been issued at 104%. This resulted in a received premium of USD 15 million.

The movements in can be summarised as:

	31 December 2005	31 December 2004
At beginning of period	14,772,957	0
Received premium on issued loans	0	15,000,000
Release premium on bonds	(2,724,521)	(227,043)
At end of period	<u>12,048,436</u>	<u>14,772,957</u>
Premium to be released within a year	(2,724,521)	

9. Capital and reserves

The authorised share capital of the Company consists of 900 shares of EUR 100 each, amounting to EUR 90,000. As at balance sheet date 180 shares of EUR 100 were issued and fully paid-up.

The exchange rate used at 31 December 2005 for conversion of the share capital into United States Dollars was USD 1 = EUR 0.8454 (2004: 0.7324)

TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2005

9. Capital and reserves (continued)

The movements in capital and reserves can be summarised as:

	31 December 2005	31 December 2004
Share capital	<u>21,292</u>	<u>24,579</u>
Currency translation reserve		
At beginning of period	(8,955)	(6,883)
Movement during the period	<u>3,287</u>	<u>(2,072)</u>
At end of period	<u>(5,668)</u>	<u>(8,955)</u>
Retained Earnings		
At beginning of period	465,661	234,509
Result last year	<u>592,410</u>	<u>231,152</u>
At end of period	<u>1,058,071</u>	<u>465,661</u>
Net result for the year	<u>1,385,777</u>	<u>592,410</u>
Total capital and reserves	<u><u>2,459,472</u></u>	<u><u>1,073,695</u></u>

10. Staff numbers and employment costs

The Company has no employees, other than its directors, and hence incurred no wages, salaries, pension costs and other social security premiums during the year under review or the previous year.

11. Directors

The Company has two directors and no supervisory directors. Neither remuneration nor any other benefit was paid to the present director during the year under review or the previous year.

Rotterdam, March 2006

The Management,

Equity Trust Co. N.V.

Sarsembayeva, Zhamilya


ACCOUNTANTS EN BELASTINGADVISEURS
MAZARS PAARDEKOOPEL HOFFMAN NV
Initialled for identification purposes only

TuranAlem Finance B.V.

Supplementary information to the Accounts as at 31 December 2005

Audit

These accounts have been audited. We refer to the Auditors' report.

Retained earnings

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholder in accordance with the Articles of Association of the Company.

Proposal appropriation of result

The management proposes that the result of the company during the period under review be carried forward.

AUDITORS' REPORT

INTRODUCTION

We have audited the annual accounts of TuranAlem Finance B.V., Rotterdam, The Netherlands for the year 2005, with capital and reserves as at 31 December 2005 of USD 2.459.472 and net profit for the period 2005 of USD 1.385.777. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 31 March 2006

MAZARS PAARDEKOOPEL HOFFMAN N.V.



G.A.P.M. Kannekens RA

MAZARS PAARDEKOOPEL HOFFMAN
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ACCOUNTANTS - TAX ADVISERS - LEGAL ADVISERS - MANAGEMENT CONSULTANTS
MAZARS PAARDEKOOPEL HOFFMAN IS A PARTNERSHIP MADE UP OF INDIVIDUALS AND LEGAL ENTITIES

Independent member of 

TuranAlem Finance B.V.

Rotterdam, The Netherlands.

ANNUAL ACCOUNTS

2004

ADDRESS:

Schouwburgplein 30-34
3012 CL Rotterdam

Chamber of Commerce
File number 24.32.14.12

 **MAZARS**

MAZARS RAARDEKOOPER HOFFMAN

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TuranAlem Finance B.V.

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 **MAZARS**

MAZARS P.A. ARDEKOOPER HOFFMANN

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TuranAlem Finance B.V.

Balance Sheet

(before appropriation of results and expressed in USD)

		<u>31 December 2004</u>	<u>31 December 2003</u>
FINANCIAL FIXED ASSETS			
Loans to parent company	3	1,100,000,000	325,000,000
Shareholders account		332,689	252,159
		<u>1,100,332,689</u>	<u>325,252,159</u>
CURRENT ASSETS			
Interest receivable eurobonds		13,405,231	2,321,875
Discount on loans		14,772,957	
Corporatie income tax		0	11,675
VAT receivable		4,002	5,493
Cash at bank	4	594,672	195,180
		<u>28,776,862</u>	<u>2,534,223</u>
CURRENT LIABILITIES			
Corporatie income tax		7,050	0
Interest payable Eurobonds		13,200,694	2,288,455
Premium on bonds		14,772,957	0
Accruals		55,155	16,642
		<u>28,035,856</u>	<u>2,305,097</u>
NET CURRENT ASSETS		<u>741,006</u>	<u>229,126</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,101,073,695</u>	<u>325,481,285</u>
LESS: LONG-TERM DEBT			
Long-term loans	5	1,100,000,000	325,000,000
		<u>1,073,695</u>	<u>481,285</u>
CAPITAL AND RESERVES			
Share capital	6	24,579	22,507
Currency translation reserve		(8,955)	(6,883)
Retained earnings		465,661	234,509
Net profit for the year		592,410	231,152
		<u>1,073,695</u>	<u>481,285</u>

M A Z A R S

MAZARS PARTNERSCHEP HOFFMAN

The Management,

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Equity Trust Co. N.V.

Sarsembayeva, Zhamilya

TuranAlem Finance B.V.

Profit and loss account

(expressed in USD)

		Year ended 31 December 2004	Year ended 31 December 2003
FINANCIAL INCOME/(CHARGES)			
Interest income	3	55,625,061	23,454,152
Release premium on bonds		227,043	0
Interest expense	5	(54,795,052)	(23,169,402)
Interest banks		2,004	111
Release discount on loans		(227,043)	0
Interest shareholder		8,826	5,300
Expense agreement		71,704	155,611
Exchange differences		(11,383)	(19)
		<u>901,160</u>	<u>445,753</u>
EXPENSES			
Bank charges		2,088	1,900
General and administrative expenses		116,831	139,701
		<u>118,919</u>	<u>141,601</u>
OPERATING PROFIT BEFORE TAXATION		782,241	304,152
CORPORATE INCOME TAX		<u>189,831</u>	<u>73,000</u>
NET PROFIT FOR THE YEAR		<u>592,410</u>	<u>231,152</u>

The Management,

Equity Trust Co. N.V.

Sarsembayeva, Zhamilya

 MAZARS

MAZARS MAANDEKOOPEL HOFFMAN

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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2004

1. General

The Company is a private limited liability company established in Rotterdam on 22 May 2001. The Company acts as a finance company. The Company is a wholly-owned subsidiary of OJSC Bank TuranAlem, 97 Zholdasbekov Street, Samal 2. Almaty, Kazakhstan. The compilation of the annual accounts is in USD as USD represents the economic reality of business activities.

With its parent company, OJSC Bank TuranAlem, the Company has entered into several loan agreements as well as an expense agreement.

2. Summary of principal accounting policies

(a) General

The accompanying accounts have been prepared in accordance with EU directives as implemented in Part 9, Book 2 of the Dutch Civil Code.

(b) Foreign currencies

All assets and liabilities expressed in currencies other than USD have been translated at the rates of exchange prevailing at the balance sheet date. All transactions in foreign currencies have been translated into USD at rates of exchange approximating to those ruling at the date of the transactions. Resulting exchange differences, if any, are recognised in the profit and loss account. Translation results on the Company's issued share capital are transferred to reserves directly.

(c) Other assets and liabilities

Unless otherwise indicated assets and liabilities are stated at face value.

(d) Revenue recognition

Expenses and income are accounted for under the accrual basis.

(e) Corporation tax

Taxation is incurred and provided for in accordance to a special agreement accepted ruling practice.

(f) Premium on loans and discount on bonds

Premium on loans and discount on bonds is valued at face value less straight line depreciation based on the remaining economic lives of the loan or bond concerned.

 M A Z A R S

MAZARS BARRDEKOOPER HOFFMAN

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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2004

3. Loans to Parent Company

Loans to Parent Company consists of the following as at 31 December:

<u>Long-term</u>		<u>Interest</u>	<u>2004</u>	<u>2003</u>
<u>Issued</u>	<u>Maturity</u>	<u>Rate</u>		
29 May 2002	29 May 2007	11.25%	\$ 100,000,000	\$ 100,000,000
2 June 2003	2 June 2010	8.89%	\$ 225,000,000	\$ 225,000,000
24 March 2004	24 March 2010	9.0278%	\$ 100,000,000	
24 March 2004	24 March 2010	9.0278%	\$ 300,000,000	
30 Nov 2004	2 June 2010	8.89%	\$ 375,000,000	
			<u>\$ 1,100,000,000</u>	<u>\$ 325,000,000</u>

Loans to the parent Company, evidenced by deposit receipts, represent the pass through of the net proceeds of debt issued by the Company plus direct issuance cost. Loans to the parent Company are subject to a Guarantee Agreement, an Expenses Agreement and a Deposit Agreement. Under these various agreements, the Parent Company has unconditionally guaranteed the return of all principal plus interest, payment of direct issuance costs and, if necessary, to fund any cash operating deficits. Interest rates on the loans are directly related to the interest rates paid on the related debt issued by the Company. As agreed interest on cash loan is equal to the rate paid on the related debt issued plus a spread, grossed up for any withholding taxes held at the source.

4. Cash at bank

Cash at banks consists of current account balances, which are available on demand.

5. Long-term loans

Long-term debt consist of the following as at 31 December:

<u>Long-term</u>		<u>Interest</u>	<u>2004</u>	<u>2003</u>
<u>Issued</u>	<u>Maturity</u>	<u>Rate</u>		
29 May 2002	29 May 2007	10.00%	\$ 100,000,000	\$ 100,000,000
2 June 2003	2 June 2010	7.875%	\$ 225,000,000	\$ 225,000,000
24 March 2004	24 March 2010	8.00%	\$ 100,000,000	
24 March 2004	24 March 2010	8.00%	\$ 300,000,000	
30 Nov 2004	2 June 2010	7.875%	\$ 375,000,000	
			<u>\$ 1,100,000,000</u>	<u>\$ 325,000,000</u>

M A Z A R S

MAZARS PAAKDEKOOPER HOFFMAN

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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2004

5. Long-term loans (continued)

1) On 29 May 2002 the Company issued a Note of USD 100,000,000 principal amount, which bears interest at a fixed rate 10 per cent. The Trustee of this Note is The Deutsche Trustee Company Limited, New York. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment one Business Day prior to 29 May 2007.

2) On 02 June 2003 the Company issued a Note of USD 225,000,000 principal amount, which bears interest at a fixed rate 7.875 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2010.

3) On 24 March 2004 the Company issued a Note of USD 100,000,000 principal amount, which bears interest at a fixed rate 8 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2010.


4) On 24 March 2004 the Company issued a Note of USD 300,000,000 principal amount, which bears interest at a fixed rate 8 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2010.

5) On 30 November 2004 the Company issued a Note of USD 375,000,000 principal amount, which bears interest at a fixed rate 7.875 per cent. The Trustee of this Note is J.P. Morgan Corporate Trustee Services Limited, London. The Guarantor is OJSC Bank TuranAlem, 97 Zholdasbekov str., Samal-2, Almaty 480099, Kazakhstan. The Note is due for repayment in 2 June 2010.

6. Capital and reserves

The authorised share capital of the Company consists of 900 shares of EUR 100 each, amounting to EUR 90,000. As at balance sheet date 180 shares of EUR 100 were issued and fully paid-up.

The movements in capital and reserves can be summarised as


MAZARS HAARDEKOOPEL HOFFMAN
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TuranAlem Finance B.V.

Notes to the accounts as at 31 December 2004

5. Capital and reserves (continued)

	31 December 2004	31 December 2003
Share capital	<u>24,579</u>	<u>22,507</u>
Currency translation reserve		
At beginning of period	(6,883)	(3,278)
Movement during the period	<u>(2,072)</u>	<u>(3,605)</u>
At end of period	<u>(8,955)</u>	<u>(6,883)</u>
Retained Earnings		
At beginning of period	234,509	39,293
Result last year	<u>231,152</u>	<u>195,216</u>
At end of period	465,661	234,509
Net result for the year	<u>592,410</u>	<u>231,152</u>
Total capital and reserves	<u><u>1,073,695</u></u>	<u><u>481,285</u></u>

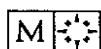
7. Staff numbers and employment costs

The Company has no employees, other than its directors, and hence incurred no wages, salaries, pension costs and other social security premiums during the year under review or the previous year.

8. Directors

The Company has two directors and no supervisory directors. Neither remuneration nor any other benefit was paid to the present director during the year under review or the previous year.

The Management,



MAZARS

MAZARS RAARDEKOOPER HOFFMAN

Equity Trust Co. N.V. Initialled for identification purposes only, Zhamilya

Rotterdam, June 2005

TuranAlem Finance B.V.


Supplementary information to the Accounts as at 31 December 2004

Audit

These accounts have been audited. We refer to the Auditors' report.

Retained earnings

Subject to the provisions under Dutch law that no dividends can be declared until any accumulated losses have been recovered, retained earnings are at the disposal of the shareholder in accordance with the Articles of Association of the Company.


MAZARS PAARDEKOOPER HOFFMAN
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HH/AH4227

AUDITORS' REPORT

INTRODUCTION

We have audited the annual accounts of TuranAlem Finance B.V., Rotterdam, The Netherlands for the year 2004, with capital and reserves as at 31 December 2004 of USD 1,073,695 and net profit for the period 2004 of USD 592,410. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

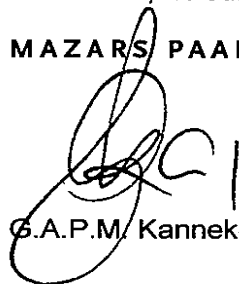
SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

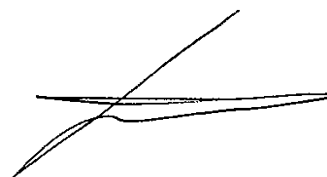
OPINION

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Rotterdam, 28 June 2005

MAZARS PAARDEKOOPEL HOFFMAN

G.A.P.M. Kannekens RA



H. Huizer RA

Mazars is head sponsor of the official WC Baseball 2005

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ACCOUNTANTS - TAX ADVISERS - LEGAL ADVISERS - MANAGEMENT CONSULTANTS
MAZARS PAARDEKOOPEL HOFFMAN IS A PARTNERSHIP MADE UP OF INDIVIDUALS AND LEGAL ENTITIES

Independent member of 

JSC Bank TuranAlem and subsidiaries

Consolidated Financial Statements

*Year ended December 31, 2005 together
with Report of Independent Auditors*

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of JSC Bank TuranAlem –

We have audited the accompanying consolidated balance sheets of JSC Bank TuranAlem (the “Bank”) and its subsidiaries (together the “Group”) as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders’ equity, and cash flows for the years then ended. These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

February 23, 2006

Almaty, Kazakhstan

CONSOLIDATED BALANCE SHEETS*(Millions of Kazakhstani Tenge)*

	Notes	December 31,		
		2005	2004	2003
Assets				
Cash and cash equivalents	5	119,131	51,740	21,691
Obligatory reserves	6	10,791	6,971	3,706
Financial assets at fair value through profit or loss	7	110,252	102,182	61,591
Amounts due from credit institutions	8	23,676	6,038	5,993
Investment securities:				
- available-for-sale securities	9	42,406	25,426	871
- held-to-maturity securities		-	-	26,288
Investments in associates	10	2,205	331	-
Loans to customers	11	680,385	409,517	239,847
Property and equipment		1,940	9,396	6,745
Other assets		7,019	6,701	6,332
Total assets		997,805	618,302	373,064
Liabilities				
Amounts due to the Government and the NBK	14	844	4,424	5,190
Amounts due to credit institutions	15	293,047	148,331	121,786
Amounts due to customers	16	306,714	226,710	140,318
Debt securities issued	17	300,009	182,079	74,174
Other liabilities		10,083	9,838	4,318
Total liabilities		910,697	571,382	345,786
Shareholders' equity				
Share capital:	18			
-common shares		33,276	22,405	16,244
-preferred shares		3,055	840	-
Treasury stock		(348)	(516)	(628)
Additional paid-in capital		19,184	5,996	1,413
Securities revaluation reserve		492	375	-
Property and equipment revaluation reserve		18	2,054	1,737
Retained earnings		30,213	14,099	7,182
		85,890	45,253	25,948
Minority interest		1,218	1,667	1,330
Total shareholders' equity		87,108	46,920	27,278
Total liabilities and shareholders' equity		997,805	618,302	373,064

Financial commitments and contingencies 19**Signed and authorized for release on behalf of the Board of the Bank**

Saduakas K. Mameshtegi

Chairman of the Board

Saule S. Yusupova

Chief Accountant

February 23, 2006

*The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.*

CONSOLIDATED STATEMENTS OF INCOME*(Millions of Kazakhstani Tenge)*

	Notes	Years ended December 31,		
		2005	2004	2003
Interest income				
Loans		69,789	45,444	26,263
Securities		6,524	3,682	4,257
Deposits with other banks		1,973	701	298
		78,286	49,827	30,818
Interest expense				
Debt securities issued		(20,969)	(11,059)	(6,052)
Deposits from customers		(13,575)	(8,730)	(6,177)
Deposits and loans from credit institutions		(11,155)	(6,317)	(4,362)
		(45,699)	(26,106)	(16,591)
Net interest income before impairment		32,587	23,721	14,227
Impairment charge	12	(15,359)	(19,251)	(10,391)
Net interest income		17,228	4,470	3,836
Fee and commission income	20	12,943	9,297	6,456
Fee and commission expense	20	(489)	(303)	(137)
Fees and commissions	20	12,454	8,994	6,319
Gains less losses from financial assets at fair value through profit or loss	21	3,015	38	589
Gains less losses from foreign currencies:				
- dealing		1,977	1,517	1,980
- translation differences		(1,183)	6,078	573
Income (loss) from insurance operations		539	(478)	(260)
Other income	22	1,139	567	1,002
Non interest income		5,487	7,722	3,884
Salaries and other employee benefits	23	(6,930)	(4,388)	(3,432)
Administrative and other operating expenses	23	(7,083)	(4,537)	(3,919)
Depreciation and amortisation		(892)	(1,029)	(926)
Taxes other than income tax		(1,051)	(940)	(614)
Loss on disposal of subsidiaries (Note 2)		(850)	-	-
Other provisions	12	(1,642)	(2,293)	(338)
Other		(446)	(371)	(451)
Non interest expense		(18,894)	(13,558)	(9,680)
Income before income tax expense		16,275	7,628	4,359
Income tax expense	13	(1,569)	(1,047)	(266)
Net income after income tax		14,706	6,581	4,093
Attributable to:				
Equity holder of the parent		14,307	6,728	4,133
Minority interest in net income (loss)		399	(147)	(40)
Net income		14,706	6,581	4,093
Basic earnings per share <i>(in Kazakhstani Tenge)</i>	24	5,638	3,862	3,246
Diluted earnings per share <i>(in Kazakhstani Tenge)</i>	24	5,297	3,807	3,246

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of *Kazakhstani Tenge*)

	Share Capital- Common Shares	Share Capital- Preferred Shares	Treasury Stock	Additional Paid-in Capital	Property and Equipment Revaluation Reserve	Securities Revaluation Reserve	Retained Earnings	Total	Minority Interest	Shareholders' Equity	Total
December 31, 2002	11,931	-	(195)	28	854	-	2,977	15,595	1,010	16,605	16,605
Revaluation of property and equipment	-	-	-	-	955	-	-	955	-	955	955
Release of property and equipment revaluation reserve on usage of previously revalued assets	-	-	-	-	(68)	-	68	-	-	-	-
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	(4)	-	4	-	-	-	-
Total income for the year recognized directly in equity	-	-	-	-	883	-	72	955	-	955	955
Net income / (loss)	-	-	-	-	-	-	4,133	4,133	(40)	4,093	4,093
Total income	-	-	-	-	883	-	4,205	5,088	(40)	5,048	5,048
Sale of common shares	4,313	-	-	1,222	-	-	-	5,535	360	5,895	5,895
Sale of preferred shares	-	-	-	163	-	-	-	163	-	163	163
Purchase of treasury shares	-	-	(433)	-	-	-	-	(433)	-	(433)	(433)
December 31, 2003	16,244	-	(628)	1,413	1,737	-	7,182	25,948	1,330	27,278	27,278
Fair value change of available-for-sale securities, net of tax	-	-	-	-	-	375	-	375	-	375	375
Revaluation of property and equipment	-	-	-	-	534	-	-	534	-	534	534
Release of property and equipment revaluation reserve on usage of previously revalued assets	-	-	-	-	(173)	-	173	-	-	-	-
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	(44)	-	44	-	-	-	-
Total income for the year recognized directly in equity	-	-	-	-	317	375	217	909	-	909	909
Net income / (loss)	-	-	-	-	-	-	6,728	6,728	(147)	6,581	6,581
Total income	-	-	-	-	317	375	6,945	7,637	(147)	7,490	7,490
Sale of common shares	6,161	-	-	4,087	-	-	-	10,248	484	10,732	10,732
Sale of preferred shares	-	840	-	457	-	-	-	1,297	-	1,297	1,297
Purchase of treasury shares	-	-	(28)	-	-	-	-	(28)	-	(28)	(28)
Sale of treasury shares	-	-	140	39	-	-	-	179	-	179	179
Dividends – preferred shares	-	-	-	-	-	-	(28)	(28)	-	(28)	(28)
December 31, 2004	22,405	840	(516)	5,996	2,054	375	14,099	45,253	1,667	46,920	46,920

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)*(Millions of Kazakhstani Tenge)*

	Share Capital- Common Shares	Share Capital- Preferred Shares	Treasury Stock	Additional Paid-in Capital	Property and Equipment Revaluation Reserve	Securities Revaluation Reserve	Retained Earnings	Total	Minority Interest	Total Shareholders' Equity
December 31, 2004	22,405	840	(516)	5,996	2,054	375	14,099	45,253	1,667	46,920
Fair value change of available-for-sale securities, net of tax	-	-	-	-	-	535	-	535	-	535
Realised fair value change of available-for-sale securities	-	-	-	-	-	(418)	-	(418)	-	(418)
Release of property and equipment revaluation reserve on usage of previously revalued assets	-	-	-	-	(133)	-	133	-	-	-
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	(1,903)	-	1,903	-	-	-
Total income recognized directly in equity	-	-	-	-	(2,036)	117	2,036	117	-	117
Net income	-	-	-	-	-	-	14,307	14,307	399	14,706
Total income	10,871	-	-	-	(2,036)	117	16,343	14,424	399	14,823
Sale of common shares	-	-	-	11,029	-	-	-	21,900	-	21,900
Sale of preferred shares	-	2,215	-	2,159	-	-	-	4,374	-	4,374
Purchase of treasury shares	-	-	466	-	-	-	-	466	-	466
Sale of treasury shares	-	-	(298)	-	-	-	-	(298)	-	(298)
Dividends – preferred shares	-	-	-	-	-	-	(229)	(229)	(20)	(249)
Minority interest on acquisition	-	-	-	-	-	-	-	-	762	762
Minority interest on disposal	-	-	-	-	-	-	-	-	(1,590)	(1,590)
December 31, 2005	33,276	3,055	(348)	19,184	18	492	30,213	85,890	1,218	87,108

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS*(Millions of Kazakhstani Tenge)*

	<i>Years ended December 31,</i>		
	<i>2005</i>	<i>2004</i>	<i>2003</i>
Cash flows from operating activities:			
Net income before income tax expense	16,275	7,628	4,359
Adjustments for:			
Depreciation and amortization	892	1,029	926
Impairment charge and other provisions	17,001	21,544	10,729
Unrealised foreign exchange loss / (gain)	1,587	(2,394)	723
Minority interest	(399)	147	40
Unrealised gain on financial assets held at fair value	(296)	(519)	(2,879)
Reserve for insurance claims	1,424	1,493	983
Loss from disposal of subsidiaries	850	-	-
Loss from disposal of property and equipment	182	30	63
Operating income before changes in net operating assets	37,516	28,958	14,944
(Increase) decrease in operating assets:			
Obligatory reserves	(3,820)	(3,265)	(975)
Financial assets at fair value through profit or loss	(6,421)	(44,347)	(29,327)
Amounts due from credit institutions	(17,939)	(589)	5,196
Loans to customers	(283,355)	(200,937)	(133,724)
Other assets	(3,475)	(308)	(1,044)
Increase (decrease) in operating liabilities:			
Amounts due to the Government and the NBK	(3,578)	(754)	2,581
Amounts due to credit institutions	154,043	34,167	67,346
Amounts due to customers	72,741	93,885	38,601
Other liabilities	(3,311)	1,456	(3,962)
Net cash flows used in operating activities before income taxes	(57,599)	(91,734)	(40,364)
Income tax paid	(1,300)	(897)	(300)
Net cash flows used in operating activities	(58,899)	(92,631)	(40,664)
Cash flows from investing activities			
Proceeds from sale of subsidiaries	1,944	-	-
Investments in associates	(1,874)	(331)	-
Net purchases of available-for-sale securities	(17,273)	(1,545)	(871)
Purchase of held-to-maturity securities	-	-	(8,505)
Purchase of property and equipment	(5,487)	(2,758)	(1,914)
Proceeds from sale of property and equipment	4,504	385	1,698
Net cash flows used in investing activities	(18,186)	(4,249)	(9,592)
Cash flows from financing activities:			
Sale of common shares	21,900	10,248	5,535
Sale of preferred shares	4,374	1,297	163
Purchase of treasury shares	(298)	(28)	(433)
Sale of treasury shares	466	179	-
Dividends paid on preferred shares	(229)	-	-
Debt securities issued	117,931	116,292	46,587
Net cash flows from financing activities	144,144	127,988	51,852
Effects of exchange rate changes on cash and cash equivalents	332	(1,059)	(462)
Net change in cash and cash equivalents	67,391	30,049	1,134
Cash and cash equivalents at the beginning of the period	51,740	21,691	20,557
Cash and cash equivalents at the end of the period	119,131	51,740	21,691
Supplementary information:			
Interest received	53,805	42,728	26,854
Interest paid	39,405	22,342	14,329

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.

(Millions of Kazakhstani Tenge)

1. Principal Activities

JSC Bank TuranAlem (the “Bank”) and its subsidiaries (together the “Group”) provide retail and corporate banking services, insurance services, leasing and other financial services in Kazakhstan. The parent company of the Group is JSC Bank TuranAlem, which was registered as a closed joint stock company in 1997 and was reregistered as an open joint stock company in 1998. Due to a change in legislation introduced in 2003, the Bank was reregistered as a joint stock company on September 26, 2003. The Bank is incorporated and domiciled in the Republic of Kazakhstan. Note 2 lists the Bank’s subsidiaries.

The address of the Bank’s registered office is: 97 Zholdasbekov Street, Samal-2, Almaty, 050051, Republic of Kazakhstan.

The Bank accepts deposits from the public and extends credit, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank is the second largest bank in Kazakhstan in terms of total assets. Its head office is located in Almaty, Kazakhstan. At December 31, 2005, it had 22 regional branches and 197 cash settlement units (2004 – 22 regional branches and 189 cash settlement units, 2003 – 22 regional branches and 188 cash settlement units) located throughout Kazakhstan and representative offices in Yerevan, Armenia; Baku, Azerbaijan; Minsk, Belarus; Shanghai, China; Tbilisi, Georgia; Bishkek, Kyrgyz Republic; Moscow, Russia; Ekaterinburg, Russia; Dushanbe, Tajikistan; and Kiev, Ukraine.

The Bank’s common shares and certain of its debt securities are listed on the Kazakhstan Stock Exchange (“KASE”). Certain of the Group’s debt securities are listed on the London and Luxemburg Stock Exchanges with secondary listing on KASE.

As of December 31, 2005, members of the Board of Directors and Management Board owned 889 shares (0.03% of share capital) (2004 – 475,980 shares or 20.69%, 2003 – 475,213 shares or 28.33%). The Group had 4,793 employees as of December 31, 2005 (2004 – 3,817, 2003 – 3,221).

2. Basis of Preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards (“IAS”) and Standing Interpretations Committee interpretations (“SIC”) approved by the International Accounting Standards Committee that remain in effect. These financial statements are presented in millions of Kazakh Tenge (“KZT”), except per share amounts and unless otherwise indicated. The KZT is utilized as the shareholders, the managers and the regulators measure the Group’s performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Group. Significant foreign currency positions are maintained as they are necessary to meet customers’ requirements, manage foreign currency risks and achieve a proper assets and liabilities structure for the Group’s balance sheet. Transactions in other currencies are treated as transactions in foreign currencies.

The Group maintains its records and prepares its financial statements for regulatory purposes in accordance with IFRS.

The consolidated financial statements are prepared under the historical cost convention modified for the measurement at fair value of financial assets at fair value through profit or loss and derivative contracts as required by IAS 39 “Financial Instruments: Recognition and Measurement” and estimated market value accounting for buildings, included in property and equipment as allowed by IAS 16 “Property, Plant and Equipment”.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. The most significant estimates with regards to those financial statements relate to the allowances for impairment of assets, reserves for insurance claims, income taxes, fair values of securities and properties, and other provisions. These estimates are based on information available as of the date of the financial statements. Actual results, therefore, could differ from these estimates.

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)*Reclassifications*

Where necessary, comparative information in respect of the balance sheet as at December 31, 2004 and 2003 have been reclassified, in order to comply with the current presentation requirements of IFRS. The following are the main reclassifications:

2004

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reported herein</i>	<i>Comment</i>
<i>Balance sheet:</i>				
Investments in associates	–	331	331	Investments in associates are reclassified from other assets.
Available-for-sale investment securities	23,881	1,545	25,426	Equity investments are reclassified to available-for-sale investments.
Other assets	8,577	(1,876)	6,701	Investments in associates and available-for-sale investments reclassified to relevant categories.
<i>Statements of Income:</i>				
Interest expense on debt securities issued	10,395	664	11,059	Withholding tax paid to non-residents is reclassified to Interest expense on debt securities issued from Taxes other than income tax.
Taxes other than income tax	1,604	(664)	940	
<i>Cash Flow Statement:</i>				
Investments in associates	–	(331)	(331)	Investments in associates reclassified from other assets.
Purchase of available-for-sale securities	–	(1,545)	(1,545)	Equity investments are reclassified to available-for-sale investments.
Other assets	(2,184)	1,876	(308)	Investments in associates and available-for-sale investments reclassified to relevant categories.

2003

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reported herein</i>	<i>Comment</i>
<i>Balance sheet:</i>				
Available-for-sale investment securities	–	871	871	Equity investments are reclassified to available-for-sale investments.
Other assets	7,203	(871)	6,332	Investments in associates and available-for-sale investments reclassified to relevant categories.
<i>Statements of Income:</i>				
Interest expense on debt securities issued	5,711	341	6,052	Withholding tax paid to non-residents is reclassified to Interest expense on debt securities issued from Taxes other than income tax.
Taxes other than income tax	955	(341)	614	
<i>Cash Flow Statement:</i>				
Purchase of available-for-sale securities	–	(871)	(871)	Equity investments are reclassified to available-for-sale investments.
Other assets	(1,915)	871	(1,044)	Investments in associates and available-for-sale investments reclassified to relevant categories.

Bank had no investments in associates as at December 31, 2003.

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)

Consolidated Subsidiaries

The consolidated financial statements include the following subsidiaries:

2005					
Subsidiary	Holding, %	Country	Date of incorporation	Industry	Date of acquisition
TuranAlem Securities JSC	100.00%	Kazakhstan	13.12.97	Securities trading and asset management	13.12.97
BTA Ipoteka JSC	100.00%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00
TuranAlem Finance B.V.	100.00%	Netherlands	22.05.01	Issuance of debt securities	21.05.01
TuranAlem Finance LLP	100.00%	Russia	22.06.04	Issuance of bills of exchange	28.09.04
BTA Life Insurance JSC (formerly Life Insurance Company Dynasty JSC)	66.00%	Kazakhstan	22.07.99	Life insurance	30.03.01
Pension Fund BTA Kurmet-Kazakhstan JSC	76.83%	Kazakhstan	16.09.98	Pension fund	16.09.98
Insurance Company BTA Zabota JSC (formerly KBS Garant)	57.53%	Kazakhstan	12.01.99	Property and casualty insurance	04.04.01
Force Technology LLP	–	Kazakhstan	09.04.02	IT services	–

Although the Bank did not own any shares in Force Technology, as at and for the years ended December 31, 2005, 2004 and 2003 it was treated, in accordance with SIC-12 “Consolidation – Special Purpose Entities”, as subsidiary because at those dates the Bank controlled and benefited directly from its operations.

During 2004, the Group increased its share in the paid-in share capital of Kazakhstan Pension Fund (“KPF”) from 65.97% to 87.75%. In accordance with the restructuring plan approved by the General Meeting of the Shareholders on September 24, 2004 JSC NOAPF “Kurmet” (“Kurmet”) and JSC NGAPF “Kazakhstan” were combined into a new entity JSC “Accumulated Pension Fund BTA Kurmet-Kazakhstan” on January 25, 2005. The Group’s share in the paid-in share capital of JSC Pension Fund BTA Kurmet- Kazakhstan has become 76.83%

During 2005 the following subsidiaries and special purpose entities were deconsolidated from the Group’s consolidated financial statements:

JSC BTA ORIX Leasing (formerly JSC BTA Leasing)

On June 24, 2005, the Group’s share in the paid-in share capital of JSC BTA ORIX Leasing decreased from 100.00% to 45.00% as a result of disposal of the Group’s 55.00% shareholding to other shareholders.

JSC BTA Insurance

On July 7, 2004, the Group’s share in the paid-in share capital of JSC Insurance Company BTA decreased from 66.00% to 49.00% as the minority shareholders have contributed additional capital into BTA Insurance. However, as at and for the year ended December 31, 2004 the Group has retained control over the operations of BTA Insurance.

In 2005 the Bank ceased to exercise effective control over the operations of BTA Insurance through the loss of the Bank’s representatives in BTA Insurance’s Board of Directors. In addition, the Bank discontinued to benefit from more favourable terms of business.

LLP TuranAlem Capital

On October 22, 2005, the Group sold 25.00% of its share in the share capital of LLP TuranAlem Capital to “Kazinvestcapital” and on 10 November 2005, the Group sold additional 65.01% of the share capital of this entity to Solent Management Ltd.

Real Estate Commerce and Kazco Construction

Although the Bank did not own any shares in Kazco Construction, Samal Properties, Real Estate Commerce and Force Technology, as at and for the years ended December 31, 2004 and 2003 they were treated, in accordance with SIC-12 “Consolidation – Special Purpose Entities”, as subsidiaries because at those dates the Bank controlled and benefited directly from their operations.

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)

During 2005 Real Estate Commerce repaid its debt on notes payable to the Bank and Bank ceased to exercise effective control over the entity. Kazco Construction accumulated funds to repay its debt to the Bank. In addition, the Bank lost its seats in the Board of Directors of both companies.

The 2004 and 2003 consolidated financial statements include the following subsidiaries:

<i>Subsidiary</i>	<i>Holding, %</i>		<i>Country</i>	<i>Date of incorporation</i>	<i>Industry</i>	<i>Date of acquisition</i>
	<i>2004</i>	<i>2003</i>				
TuranAlem Securities JSC	100.00%	100.00%	Kazakhstan	13.12.97	Securities trading and asset management	13.12.97
BTA Ipoteka JSC	100.00%	100.00%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00
BTA ORIX Leasing JSC (formerly BTA Leasing JSC)	100.00%	100.00%	Kazakhstan	31.08.00	Leasing	14.09.00
TuranAlem Finance B.V.	100.00%	100.00%	Netherlands	22.05.01	Issuance of debt securities	21.05.01
TuranAlem Finance LLP	100.00%	—	Russia	22.06.04	Issuance of bills of exchange	28.09.04
TuranAlem Capital	100.00%	—	Russia	25.06.04	Commercial activities	28.09.04
Dynasty JSC	66.00%	66.00%	Kazakhstan	22.07.99	Life insurance	30.03.01
Kurmet Pension Fund	66.00%	72.47%	Kazakhstan	16.09.98	Pension fund	16.09.98
JSC Insurance Company BTA	49.00%	66.00%	Kazakhstan	08.09.98	Property and casualty insurance	08.09.98
Kazakhstan Pension Fund	87.75%	65.97%	Kazakhstan	22.06.99	Pension fund	06.07.99
KBS Garant JSC	57.53%	57.53%	Kazakhstan	12.01.99	Property and casualty insurance	04.04.01
Kazco Construction	—	—	Kazakhstan	14.01.99	Construction	—
Samal Properties	—	—	Kazakhstan	17.02.99	Property management	—
Real Estate Commerce	—	—	Kazakhstan	16.04.02	Property management	—
Force Technology	—	—	Kazakhstan	09.04.02	IT services	—

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)

In 2004, the Group established two 100% owned subsidiaries in Russia: TuranAlem Finance on June 22, 2004, and TuranAlem Capital on June 25, 2004.

On September 3, 2003, the Group increased its share from 66.00% to 72.47% in the paid-in share capital of Kurmet Pension Fund.

On November 25, 2003, the Group increased its share from 50.40% to 65.97% in the paid-in share capital of KPF.

The following associates are accounted for under the equity method and included into other assets:

Associates	Holding, %	Country	Activities	Share in	Total assets	Total liabilities	Sharehold ers' equity
				net income/ (loss)			
2005							
BTA Insurance JSC	49.00%	Kazakhstan	Insurance	26	2,438	1,554	884
BTA ORIX Leasing JSC (formerly BTA Leasing JSC)	45.00%	Kazakhstan	Leasing	26	5,153	3,703	1,450
Astanaeximbank CJSC	49.20%	Belorussia	Bank	45	3,599	2,536	1,063
Commercial Bank BTA Silk Road JSC (formerly Commercial Bank Silk Road JSC)	49.00%	Georgia	Bank	(53)	1,635	1,185	450
BTA Investbank CJSC (formerly Mezhinvestbank CJSC)	48.87%	Armenia	Bank	(37)	1,575	670	905
2004							
Share in							
Associates	Holding, %	Country	Activities	net income/ (loss)	Total assets	Total liabilities	Sharehold ers' equity
Astanaeximbank CJSC	49.00%	Belorussia	Bank	5	2,045	1,072	973

Changes in Accounting Policies

In 2005 the Group adopted new accounting standards that were mandatory for financial years beginning or after January 1, 2005. The amounts and disclosures for the years ended December 31, 2005 and 2004 have been prepared reflecting the impact of the adoption of these new standards. Where necessary, comparative information for all periods presented has been amended accordingly. The changes in accounting policies having effects on the consolidated financial statements of the Group are discussed below.

IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets" (revised in 2004)

IFRS 3 applies to accounting for business combinations for which the agreement date is on or after March 31, 2004. Upon acquisition the Group initially measures the identifiable assets, liabilities and contingent liabilities acquired at their fair values as at the acquisition date hence causing any minority interest in the acquiree to be stated at the minority proportion of the net fair values of those items.

The goodwill acquired in a business combination is recognized as an asset and initially is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized in accordance with IFRS 3.

Goodwill relating to acquisitions from March 31, 2004 is not amortized but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. As at the acquisition date, any goodwill acquired in acquisitions from March 31, 2004 is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

(Millions of Kazakhstani Tenge)

2. Basis of Preparation (continued)

Additionally, for business combinations for which the agreement date is before March 31, 2004, the adoption of IFRS 3 and IAS 36 has resulted in the Group ceasing goodwill amortization and to test for impairment annually at the cash generating unit level from January 1, 2005 (unless an event occurs during the year, which requires the goodwill to be tested more frequently).

LAS 27 "Consolidated and Separate Financial Statements"

Minority interests in net assets of the Group's subsidiaries are presented within equity, separately from the parent shareholders' equity.

LAS 39 "Financial Instruments: Recognition and Measurement" (amended in 2004)

Financial Assets at Fair Value through Profit or Loss

A new category of financial instruments has been introduced, "Financial assets at fair value through profit or loss". This category includes trading financial assets designated into this category at initial recognition. These assets are measured at fair value with recognition of gains or losses on re-measurement to fair value in net profit or loss. Management of the Group decided to designate as "financial assets at fair value through profit or loss" all debt and equity securities, except for investments in equity instruments that do not have a quoted market price in an active market, loans issued available-for-sale and held-to-maturity instruments. Such designation is performed at initial recognition of the respective assets. The financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on their market value. In determining market value, all financial assets at fair value through profit or loss are valued at the last bid price.

3. Summary of Accounting Policies

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the fair value of the Group's share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of identifiable net assets of the subsidiary acquired the difference is recognised directly in the consolidated statements of income.

Minority interest is the interest in subsidiaries not held by the Group. Minority interest at the balance sheet date represents the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of movements in equity since the date of the combination. Minority interest is presented within equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Group.

Increases in ownership interests in subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to retained earnings.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in the consolidated statements of income, and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets are classified as "financial assets at fair value through profit or loss" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as "financial assets at fair value through profit or loss" unless they are designated and effective hedging instruments. Gains or losses on "financial assets at fair value through profit or loss" are recognised in the consolidated statements of income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the consolidated statements of income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statements of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income. However, interest calculated using the effective interest method is recognised in the consolidated statements of income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Related Parties

Related parties include the Bank's shareholders, key management personnel, investees and affiliated companies.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, amounts due from National Bank of Kazakhstan (the "NBK") – excluding obligatory reserves, and due from other financial institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Obligatory Reserves

Obligatory reserves represent mandatory reserve deposits and cash which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statements.

Amounts Due from Other Financial Institutions

In the normal course of business, the Group maintains current accounts or deposits for various periods of time with other banks. Amounts due from other financial institutions 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 other financial institutions are carried net of any allowance for impairment.

Repurchase and Reverse Repurchase Agreements

Repurchase and reverse repurchase agreements are utilized by the Group as an element of its treasury management. These agreements are accounted for as financing transactions.

Securities sold by the Bank under repurchase agreements are accounted for as financial assets at fair value through profit or loss and funds received under these agreements are included in amounts due to other financial institutions or amounts due to customers. Securities purchased under agreements to resell ('reverse repos') are recorded as amounts due from other financial institutions or as loans to customers.

Securities purchased under reverse repurchase agreements are not recognized in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in gains less losses from financial assets through profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Any related income or expense arising from the pricing spreads of the underlying securities is recognized as interest income or expense, accrued using the effective interest method, during the period that the related transactions are open.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Derivative Financial Instruments

In the normal course of business, the Group enters into various derivative financial instruments, primarily forwards in the foreign exchange markets. Such financial instruments are primarily held for trading and are initially recognized in accordance with the recognition of financial instruments policy and subsequently are measured at their fair value. Their fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives, for which offsetting is performed are carried as assets (unrealised gain) when fair value is positive and as liabilities (unrealised loss) when it is negative. Other derivative assets and liabilities are accounted for separately at their fair values. Gains and losses resulting from these instruments are included in the accompanying consolidated statements of income as gains less losses from financial assets through profit or loss.

Derivative instruments embedded in other financial instruments are treated as a separate derivative if their risks and characteristics are not closely related to the host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. At December 31, 2005, 2004 and 2003 embedded derivatives held by the Group were not material. Gains arising from changes in the value of derivatives are included in the consolidated statements of income as gains less losses from financial assets through profit or loss.

Leases

I. Finance – 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 included in the initial measurement of the lease receivables.

II. Operating – Group as Lessee

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included in administrative and operating expenses.

III. Operating – Group as Lessor

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognized in the consolidated statements of income on a straight-line basis over the lease term as other operating income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are recognized as an expense in the consolidated statements of income in the period in which they are incurred.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan and other tax authorities, and of the cities in which the Group has offices, branches or subsidiaries. Deferred income tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Taxation (continued)

Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting profit nor taxable profit nor loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Allowances for Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the consolidated statements of income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The allowances are based on the Group's own loss experience and management's judgment as to the level of losses that will most likely be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for impairment of financial assets in the accompanying consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

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. Any subsequent reversal of an impairment loss is recognised in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of allowance for loan impairment in the consolidated statements of income.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statements of income, is transferred from equity to the consolidated statements of income. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statements of income. Reversals of impairment losses on debt instruments are reversed through the consolidated statements of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statements of income.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statements of income.

Property and Equipment

Property and equipment, except buildings, are stated at the lower of cost less accumulated depreciation and any accumulated impairment for diminution in value. Buildings are stated in the consolidated balance sheets at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any accumulated depreciation and subsequent accumulated impairment losses. Revaluations of buildings are performed with sufficient regularity such that the carrying amount does not fluctuate materially.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statements of income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Property and Equipment (continued)

Depreciation of assets under construction and those not placed in service commences from the date the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Furniture and fixtures	4-10
Computers	4
Office equipment	7

Leasehold improvements are amortized over the life of the related leased asset. The carrying amounts of property and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in other administrative and operating expenses.

Expenses related to repairs and renewals are charged when incurred and included in administrative and operating expenses unless they qualify for capitalization.

Amounts Due to the NBK, Other Financial Institutions and to Customers

Amounts due to the NBK, other financial institutions and to customers are initially recorded in accordance with the financial instruments recognition policy. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statements of income over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated balance sheets and the difference between the carrying amount of the liability and the consideration paid is recognised in net interest income.

Debt Securities Issued

Debt securities issued represent bonds issued by the Group. They are accounted for according to the same principles used for amounts owed to other financial institutions and to customers.

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.

Retirement and Other Benefit Obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in salaries and benefits in consolidated statements of income. The Group has contributed social tax to the budget of the Republic of Kazakhstan for its employees. In addition, the Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share Capital

Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognized in the financial statements but disclosed. Contingent liabilities are not recognized nor disclosed if the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Trust Activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

Income and Expense Recognition

Interest income and expense are recognised on an accrual basis calculated using the effective interest method. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for custody services that are continuously provided over an extended period of time.

Underwriting Income (Loss)

Underwriting income (loss) includes net written insurance premiums and commissions earned on ceded insurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a prorata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other liabilities in the accompanying consolidated balance sheets.

Losses and loss adjustments are charged to the consolidated statements of income as incurred through the reassessment of the reserve for losses and loss adjustment expenses.

Commissions earned on ceded reinsurance contracts are deferred and amortized over the period in which the related commissions are earned.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the accompanying consolidated balance sheets within other assets, and are amortized over the period in which the related written premiums are earned.

(Millions of Kazakhstani Tenge)

3. Summary of Accounting Policies (continued)

Reserve for Insurance Losses and Loss Adjustment Expenses

The reserve for insurance losses and loss adjustment expenses are included in the accompanying consolidated balance sheets within other liabilities and is based on the estimated amount payable on claims reported prior to the balance sheet date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

Due to the absence of prior experience, the reserve for incurred but not reported claims ("IBNR") was established as being equal to the expected loss ratio for each line of business times the value of coverage, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in current income.

Reinsurance

In the ordinary course of business, the Group cedes insurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated balance sheets within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Group to the reinsurer.

Foreign Currency Translation

The consolidated financial statements are presented in Kazakh Tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into KZT at the market exchange rate quoted by KASE at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statements of income as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a certain transaction and the market exchange rate on the date of the transaction are included in gains less losses from foreign currencies. The market exchange rates at December 31, 2005, 2004 and 2003, were KZT 133.98, KZT 130.00 and KZT 144.22 to USD 1, respectively.

4. Significant accounting judgements and estimates

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Although the Bank did not own any direct share in the capital of a company Force Technology, as at and during the years ended December 31, 2005 and 2004, it was treated as a subsidiary, in accordance with SIC-12 "Consolidation – Special Purpose Entities", since during 2005 and 2004 the Bank controlled and benefited directly from this company's operations;
- Revised IAS 32 restricts the classification of a financial instrument with contingent settlement provisions as equity. Accordingly, liability element of Convertible Preferred Shares (the "CPS") was transferred to Amounts due to credit institutions.

(Millions of Kazakhstani Tenge)

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Taxation

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2005 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

5. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Time deposits with contractual maturity of 90 days or less	32,020	1,825	–
Current accounts with the National Bank of Kazakhstan (“NBK”)	21,906	13,500	632
Current accounts with other financial institutions	23,421	11,955	2,734
Cash on hand	17,657	12,542	9,784
Reverse repurchase agreements with contractual maturity of 90 days or less	14,345	11,814	8,405
Loans to other banks and credit institutions with contractual maturity of 90 days or less	9,782	104	136
Cash and cash equivalents	119,131	51,740	21,691

Interest rates of the reverse repurchase agreements, time deposits and loans are as follows:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
	<i>Interest rate</i>	<i>Interest rate</i>	<i>Interest rate</i>
Time deposits with contractual maturity of less than 90 days	1.0%-6.0%	8.0%-13.7%	–
Reverse repurchase agreements with contractual maturity of 90 days or less	3.0%-9.0%	0.8%-3.0%	2.0% - 8.0%
Loans to other Kazakh banks and credit institutions with contractual maturity of less than 90 days	7.0%-11.0%	10.0% - 12.0%	10.5%-13.0%

The Group has entered into reverse repurchase agreements with Kazakhstani banks. The subject of these agreements were mainly treasury bills of the Ministry of Finance and sovereign bonds of the Republic of Kazakhstan.

(Millions of Kazakhstani Tenge)

5. Cash and Cash Equivalents (continued)

At December 31, 2005, balances with top ten banks accounted for 59.74% of total cash and cash equivalents and represented 81.70% of the Group's total shareholders' equity (2004 – ten banks accounted for 24.70% of total cash and cash equivalents and represented 25.40% of the Group's total shareholders' equity; 2003 – ten banks accounted for 16.37% of total cash and cash equivalents and represented 11.57% of the Group's total shareholders' equity).

6. Obligatory Reserves

Obligatory reserves comprise:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Due from the NBK	10,791	5,081	3,706
Cash on hand allocated to obligatory reserves	–	1,890	–
Obligatory reserves	10,791	6,971	3,706

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either non-interest bearing deposits with NBK or in physical cash and maintained based on average monthly balances of the aggregate of deposits with NBK and physical cash. The use of such funds is, therefore subject to certain restrictions.

7. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Debt securities:			
Bonds of international financial organizations	52,095	26,404	37,473
Sovereign bonds of OECD countries	23,875	20,614	–
Bonds of public agencies	10,092	–	–
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	8,165	10,472	3,800
Notes of the NBK	6,772	29,854	6,683
Corporate bonds	3,237	6,059	3,555
Sovereign bonds of the Republic of Kazakhstan	2,891	5,358	9,605
Municipal bonds	708	1,037	33
	107,835	99,798	61,149
Equity securities	2,417	2,384	442
Financial assets at fair value through profit or loss	110,252	102,182	61,591
Subject to repurchase agreements	48,823	11,826	15,773

(Millions of Kazakhstani Tenge)

7. Financial Assets at Fair Value through Profit or Loss (continued)

Interest rates and maturity of debt securities follow:

	2005		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Bonds of international financial organizations	2.4%-6.1%	2006-2013	2.4%-7.1%	2005-2013	4.4% - 7.1%	2005 - 2013
Sovereign bonds of OECD countries	2.5%-6.0%	2006-2009	3.5%-4.1%	2008	-	-
Bonds of public agencies	3.9%-4.9%	2007-2009	-	-	-	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5.5%-8.3%	2006-2014	5.5%-8.3%	2005-2014	6.1% - 16.9%	2004 - 2008
Notes of the NBK	2.3%-3.1%	2006	0.3%-3.4%	2005	5.0%-5.5%	2004
Corporate bonds	2.4%-9.0%	2006-2020	3.5%-12.0%	2005-2014	7.4% - 13.0%	2004 - 2013
Sovereign bonds of the Republic of Kazakhstan	11.1%	2007	11.1%	2007	11.1%- 13.6%	2004 - 2007
Municipal bonds	8.5-8.6%	2006-2008	8.5%-8.6%	2005-2008	6.3% - 8.6%	2004 - 2006

8. Amounts Due from Credit Institutions

Amounts due from credit institutions as of December 31, comprise:

	2005	2004	2003
Loans	23,676	6,565	5,993
Less – Allowance for impairment (Note 12)	-	(527)	-
Amounts due from credit institutions	23,676	6,038	5,993

As of December 31, 2005, amounts due from top ten credit institutions comprised 94% of total amounts due from credit institutions (December 31, 2004 – ten comprised 94%, December 31, 2003 – nine comprised 100%).

Interest rates and maturities of amounts due from credit institutions follow:

	2005		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Loans	4.0%-12.8%	2006-2014	4.0%-20.0%	2005-2008	4.0% - 12.0%	2004-2008

9. Available-for-Sale Investment Securities

Available-for-sale investment securities as of December 31, comprise:

	2005	2004	2003
Bonds of international financial organizations	34,292	23,881	-
Bonds of public agencies	3,407	-	-
Sovereign bonds of OECD countries	1,316	-	-
Sovereign bonds of the Republic of Kazakhstan	734	-	-
Corporate bonds	549	-	-
Notes of the NBK	423	-	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	44	-	-
	40,765	23,881	-
Equity securities	1,641	1,545	871
Available-for-sale investment securities	42,406	25,426	871

(Millions of Kazakhstani Tenge)

9. Available-for-Sale Investment Securities (continued)

Interest rates and maturities of these securities are:

	2005		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Bonds of international financial organizations	3.8%-6.1%	2007-2013	4.4%-7.5%	2011-2013	–	–
Bonds of public agencies	4.9%	2007	–	–	–	–
Sovereign bonds of OECD countries	5.3%	2009	–	–	–	–
Sovereign bonds of the Republic of Kazakhstan	11.1%	2007	–	–	–	–
Corporate bonds	2.4%-4.9%	2007-2009	–	–	–	–
Notes of the NBK	2.3%-3.1%	2006	–	–	–	–
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5.5%-8.3%	2006-2014	–	–	–	–

Available-for-sale investment securities were transferred from held-to-maturity securities on September 29, 2004, following a change in management's intent with regard to the underlying securities.

Held-to-maturity investment securities comprised:

	2005		2004		2003	
	Carrying value	Nominal value	Carrying value	Nominal value	Carrying value	Nominal value
Bonds of international financial organizations	–	–	–	–	26,288	24,611

Bonds of international financial organisations carried interest at rates ranging from 4.375% to 6.125% per annum and mature between 2011 and 2013.

10. Investments in Associates

Movement in investments in associates was:

	2005	2004	2003
Balance, beginning of the period	331	–	–
Purchase cost	1,867	326	–
Share of net income (loss)	7	5	–
Investments in associates, end of the period	2,205	331	–

The following table illustrates summarised financial information of the associates:

Aggregated assets and liabilities of associates	2005	2004	2003
Total assets	14,400	2,045	–
Total liabilities	9,648	1,072	–
Net assets	4,752	973	–
Aggregated profit of associates	2005	2004	2003
Net profit/(loss)	103	117	–

For the general information, please refer to Note 2.

(Millions of Kazakhstani Tenge)

11. Loans to Customers

Loans to customers comprise:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Loans to customers	719,233	429,906	252,774
Overdrafts	588	593	293
Financial leasing	284	7,158	1,718
Promissory notes	577	739	55
Factoring	14	754	278
	720,696	439,150	255,118
Less – Allowance for loan impairment (Note 12)	(40,311)	(29,633)	(15,271)
Loans to customers	680,385	409,517	239,847

As of December 31, 2005, the annual interest rates charged by the Bank ranged from 10% to 20% per annum for KZT-denominated loans (2004 – from 12% to 30%; 2003 – from 20% to 33%) and from 10% to 18% per annum for US Dollar-denominated loans (2004 – from 12% to 24%; 2003 – from 12% to 26%).

Gross loans have been extended to the following types of customers:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Private companies	598,525	378,266	219,838
Individuals	120,162	57,405	27,222
State companies	1,908	2,829	7,506
State budget or local authorities	83	282	518
Other	18	368	34
Loans to customers, gross	720,696	439,150	255,118

As of December 31, 2005, the Group had a concentration of loans represented by KZT 110,893 due from the ten largest borrowers that comprised 15.39% of the total gross loan portfolio (2004 – KZT 72,196, 16.44%; 2003 – KZT 67,204, 26.34%) and represented 127% of the Group's total shareholders' equity (2004 – 154%; 2003 – 246%). Allowances amounting to KZT 9,197 were made against these loans as at December 31, 2005 (2004 – KZT 4,933; 2003 – KZT 2,657).

(Millions of Kazakhstani Tenge)

11. Loans to Customers (continued)

Loans are made to the following sectors:

	2005	%	2004	%	2003	%
Wholesale trade	137,903	19.1%	86,582	19.7%	53,538	21.0%
Individuals	120,162	16.7%	57,405	13.0%	27,222	10.7%
Construction of roads and industrial buildings	74,410	10.3%	40,478	9.2%	10,759	4.2%
Oil & gas	72,645	10.1%	37,295	8.5%	29,841	11.7%
Agriculture	64,987	9.0%	45,271	10.3%	32,506	12.7%
Housing construction	40,158	5.6%	21,806	5.0%	7,104	2.8%
Food industry	36,256	5.0%	41,030	9.4%	30,350	11.9%
Mining	31,164	4.3%	20,924	4.8%	15,242	6.0%
Transport	27,869	3.9%	20,001	4.6%	3,541	1.4%
Chemical industry	25,025	3.5%	12,160	2.8%	9,254	3.6%
Energy	21,491	3.0%	8,874	2.0%	3,558	1.4%
Retail trade	11,005	1.5%	5,174	1.1%	1,480	0.6%
Production of machinery and equipment	7,690	1.1%	5,631	1.3%	1,991	0.8%
Financial services	7,066	1.0%				
Real estate activities	5,960	0.8%	4,678	1.0%	7,173	2.8%
Telecommunication	4,886	0.7%	3,857	0.9%	4,612	1.8%
Publishing	3,927	0.5%	3,860	0.9%	549	0.2%
Metallurgical industry	3,564	0.5%	1,865	0.5%	7,125	2.8%
Hospitality	1,776	0.2%	3,607	0.8%	362	0.1%
Production of rubber and plastic articles	1,750	0.2%	1,301	0.3%	1,243	0.5%
Research & development	1,466	0.2%	516	0.1%	–	–
Textile and leather industry	939	0.1%	4,675	1.0%	688	0.3%
Other	18,597	2.7%	12,160	2.8%	6,980	2.7%
	720,696	100.0%	439,150	100.0%	255,118	100.0%

12. Allowances for Impairment and Provisions

The movements in allowances for impairment of interest earning assets, were as follows:

	<i>Due from credit institutions</i>	<i>Loans to customers</i>	<i>Total</i>
At December 31, 2002	–	10,166	10,166
Impairment charge	–	10,391	10,391
Write-offs	–	(6,762)	(6,762)
Recoveries	–	1,476	1,476
At December 31, 2003	–	15,271	15,271
Impairment charge	527	18,724	19,251
Write-offs	–	(8,129)	(8,129)
Recoveries	–	3,767	3,767
At December 31, 2004	527	29,633	30,160
Impairment charge	–	15,359	15,359
Write-offs	(527)	(8,155)	(8,682)
Recoveries	–	3,474	3,474
December 31, 2005	–	40,311	40,311

(Millions of Kazakhstani Tenge)

12. Allowances for Impairment and Provisions (continued)

The movements in allowances for other losses and provisions were as follows:

	<i>Other assets</i>	<i>Other provisions</i>	<i>Total</i>
December 31, 2002	109	244	353
Provision	230	108	338
Write-offs	–	(33)	(33)
December 31, 2003	339	319	658
Provision	561	1,732	2,293
Write-offs	(496)	(20)	(516)
Recoveries	19	–	19
December 31, 2004	423	2,031	2,454
Provision	–	1,642	1,642
Write-offs	(459)	(195)	(654)
Recoveries	108	–	108
December 31, 2005	72	3,478	3,550

Allowances for impairment of assets are deducted from the related assets. Provisions for letters of credit and guarantees are recorded within other liabilities.

13. Taxation

The corporate income tax expense comprises:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Current tax charge	1,569	796	266
Current tax of prior periods (Note 19)	–	251	–
Income tax expense	1,569	1,047	266

The Bank and its subsidiaries, other than TuranAlem Finance B.V. (“TAF BV”) and TuranAlem Finance (“TAF”) are subject to taxation in the Republic of Kazakhstan. TAF BV is subject to income tax in the Netherlands. TAF is subject to income tax in Russian Federation. A reconciliation between income tax expense in the accompanying consolidated financial statements and income before taxes multiplied by the statutory tax rate for the years ended December 31 is as follows:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Accounting profit before income tax	16,275	7,628	4,359
Income tax computed at the statutory tax rate of 30%	4,883	2,288	1,308
Non-deductible interest expenses	243	475	361
Non-deductible impairment charge	18	13	165
Non-deductible business expenses	351	414	580
Losses (income) of subsidiaries taxed at different rates	(329)	(384)	108
Income tax of prior years (Note 19)	–	251	–
Non taxable income on government securities	(1,431)	(507)	(897)
Non taxable income on long-term loans granted for the modernization of property and equipment	(2,700)	(2,130)	(1,230)
Other permanent differences	1,136	–	–
Change in unrecognised deferred tax assets	(602)	627	(129)
Income tax expense	1,569	1,047	266

(Millions of Kazakhstani Tenge)

13. Taxation (continued)

Deferred tax balances, calculated by applying the statutory tax rates in effect at the respective balance sheet dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements, comprised the following at December 31:

	2005	2004	2003
Tax effect of deductible temporary differences:			
Allowances for impairment and provisions for other losses	42	20	–
Tax losses carried forward	–	447	–
Property and equipment	195	109	–
Other	10	130	101
Gross deferred tax assets	247	706	101
Unrecognised deferred tax assets	(108)	(706)	(79)
Deferred tax asset	139	–	22
Tax effect of taxable temporary differences:			
Property and equipment	–	–	(22)
Other	(139)	–	–
Deferred tax liability	(139)	–	(22)
Deferred tax liability, net	–	–	–

Tax loss carry-forward represents losses which arose from changes in the fair market value of certain securities. Losses from such securities are deductible only to the extent that they can be offset against gains from similar securities. In accordance with the tax legislation, such losses can be carried forward and offset against gains from similar securities during a period of 3 years from the year a loss occurs.

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The main taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, different opinions regarding legal interpretation exist both among and within government authorities; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take different positions with regard to interpretive issues.

Deferred tax assets have not been recognised due to the uncertainties surrounding their realisation in the future.

14. Amounts Due to the Government and the NBK

Amounts due to the Government and the NBK consist of the following:

	2005	2004	2003
Amounts due to the Government:			
Interest bearing – KZT denominated	427	826	1,192
Interest bearing – EUR denominated	317	424	504
Interest bearing – USD denominated	68	115	207
Non-interest bearing	4	17	29
Amounts due to the NBK:			
Deposits	–	3,000	3,000
Loans	28	42	258
Amounts due to the Government and the NBK	844	4,424	5,190

(Millions of Kazakhstani Tenge)

14. Amounts Due to the Government and the NBK (continued)

Interest rates and maturity of the amounts due to the Government and the NBK follow:

	2005		2004		2003	
	Interest rate	Maturity	Interest rate	Maturity	Interest rate	Maturity
Amounts due to the Government:						
Non interest bearing	–	2006	–	2005-2006	–	2004-2006
Interest bearing:						
KZT denominated	0.5%-10.0%	2006-2010	up to 10.0%	2005-2010	up to 12.5%	2004-2010
USD denominated	2.9%	2011	4.6%	2011	1.3%	2011
EUR denominated	5.0%	2010	5.0%	2010	4.6%-5.0%	2010-2011
Amounts due to the NBK:						
Deposits	–	–	6.5%	2005	6.5%	2004
Loan	–	2006-2015	–	2005-2015	2.9%	2004

15. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	2005	2004	2003
Syndicated bank loans	134,249	51,447	48,809
Loans from OECD based banks and financial institutions	126,371	61,774	46,845
Pass-through loans	7,939	7,206	4,011
Loans from Kazakh banks and financial institutions	6,744	12,359	3,637
Loans from other banks and financial institutions	6,265	5,163	3,369
Redeemable Convertible Preferred Shares	5,581	5,075	4,735
	287,149	143,024	111,406
Interest-bearing placements from non OECD banks	3,081	729	289
Interest-bearing placements from Kazakh banks	2,322	4,524	8,508
Loro accounts	495	54	1,583
	5,898	5,307	10,380
Amounts due to credit institutions	293,047	148,331	121,786

Interest rates and maturities of amounts due to credit institutions as of December 31, follow:

	2005		2004		2003	
	%	Maturity	%	Maturity	%	Maturity
Syndicated bank loans	4.3%-6.1%	2006-2008	3.5%-4.7%	2005-2007	3.3%-3.7%	2004-2005
Loans from OECD based banks and financial institutions	1.0%-6.9%	2006-2017	1.0%-6.0%	2005-2009	1.1%-9.7%	2004-2009
Pass-through loans	6.0%-7.3%	2006-2008	4.7%-8.1%	2005-2008	5.0%-10.2%	2004-2006
Loans from Kazakh banks and financial institutions	5.4%-7.0%	2006	4.6%-5.3%	2005	3.0%-5.2%	2004
Loans from other banks and financial institutions	2.0%-6.2%	2006	1.7%-4.7%	2005	1.9%-4.6%	2004-2005
Interest-bearing placements from non OECD based banks	1.0%-7.9%	2006	3.2%-7.9%	2005	4.5%	2004
Interest-bearing placements from Kazakh banks	1.0%-7.0%	2006	2.6%-7.0%	2005	2.1%-5.5%	2004
Loro accounts	up to 2.0%	–	up to 2.0%	–	up to 2.0%	–

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15. Amounts Due to Credit Institutions (continued)

At December 31, 2005, pass-through loans represent credit lines provided to the Bank, through the Government of the Republic of Kazakhstan, by international financial organizations. Loans are granted to borrowers, based on the Bank's analysis of their creditworthiness, under terms and conditions comparable to similar credit facilities. At December 31, 2005 amounts received under pass-through loans had been advanced to borrowers and included within loans to customers in the accompanying consolidated balance sheets. There were no undrawn balances of credit lines at December 31, 2005 (2004 – no undrawn balances, 2003 – USD 4 million).

Redeemable Convertible Preferred Shares

Holders of the redeemable convertible preferred shares have the right at any time, but not later than December 31, 2006, to convert all or any part of their redeemable convertible preferred shares into common shares of the Bank. At December 31, 2005, nominal value of the redeemable convertible preferred share was KZT 10,000 (equivalent of USD 74.64) (2004 – KZT 10,000 (equivalent of USD 76.92); 2003 – KZT 10,000 (equivalent of USD 69.34)), the quoted market price per common share was KZT 22,868 (equivalent of USD 170.68) (2004 – KZT 13,689 (equivalent of USD 105.30); 2003 – KZT 12,900 (equivalent of USD 89.45)), and the net assets value per share (as measured by the underlying net asset value of the Group divided by the number of shares outstanding) was KZT 23,476 (equivalent of USD 175.11) (2004 – KZT 19,673 (equivalent of USD 151.33); 2003 – KZT 16,672 (equivalent of USD 115.60)).

As of December 31, 2005, 2004 and 2003, the following holders owned the outstanding redeemable CPS:

	2005		2004		2003	
	Quantity	%	Quantity	%	Quantity	%
Preferred shares:						
Raiffeisen Zentralbank Osterreich (“RZB”)	351,139	61.73	293,115	56.56	162,115	33.48
European Bank for Reconstruction and Development	73,500	12.92	73,500	14.18	73,500	15.18
International Finance Corporation	73,500	12.92	73,500	14.18	73,500	15.18
The Netherlands Development Finance Company	70,678	12.42	70,678	13.64	44,112	9.11
KIB Asset Management	53	0.01	53	0.01	–	–
Semey Mill Factory	–	–	7,407	1.43	–	–
DEG	–	–	–	–	130,988	27.05
	568,870	100.00	518,253	100.00	484,215	100.00

Conversion of redeemable convertible preferred shares is performed when a shareholder prior to May 1, 2006 files an application for conversion. The Convertibility Period is terminated on December 31, 2006.

Upon the expiration of the Convertibility Period, i.e. on December 31, 2006, and only in the event the Bank fails to sell 55% of the aggregate of the Bank's issued common shares to an OECD based bank with total assets of not less than USD 60 billion and a financial strength rating of not less than D+ (“Strategic Investor”), each holder of the redeemable convertible preferred share shall have the right to redeem all or any portion of the redeemable convertible preferred shares in cash.

The Bank is obligated to offer to redeem the redeemable convertible preferred shares (“Redemption offer”) at the USD equivalent of the redeemable convertible preferred shares Purchase Price at the offer date (the “Purchase Price”) if any person makes a Shareholder Protection Tender Offer (“Tender Offer”), i.e. an offer to purchase 30% or more of the Bank's common share capital, and the respective Tender Offer Price for each redeemable convertible preferred share is less than the redeemable convertible preferred shares Purchase Price. If the holders of the redeemable convertible preferred shares accept the redemption offer, the Bank is then obligated to redeem the shares.

In accordance with revised International Accounting Standard 32 “Financial Instruments: Disclosure and Presentation” financial instruments with contingent settlement provision should be recorded as liabilities.

At December 31, 2005 redeemable convertible preferred shares accounted for as financial liability consisted of 568,870 shares (2004 – 518,253, 2003 – 484,215). All shares are KZT denominated and have a nominal value of KZT 10,000 each.

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15. Amounts Due to Credit Institutions (continued)

During the year ended December 31, 2005, the Bank issued 50,617 redeemable convertible preferred shares at a premium of KZT 6,639 per share. (2004 – 26,631 redeemable convertible preferred shares at a premium of KZT 2,833 per share, and 7,407 redeemable convertible preferred shares at a premium of KZT 6,639 per share, 2003 – 57,493 redeemable convertible preferred shares at a premium of KZT 2,833 per share) (Note 18).

Financial covenants

In accordance with the contractual terms of the foreign bank loans, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy, and lending exposures. In addition, and in accordance with the terms of certain of those loans, the Bank is required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Management believes that the Bank is in compliance with the covenants of all debt agreements the Bank has with other banks and financial institutions.

16. Amounts Due to Customers

The amounts due to customers included balances in customer current accounts, time deposits, and certain other liabilities, and include the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Time deposits	218,626	155,593	96,018
Current accounts	81,454	65,095	40,388
Guarantee and restricted deposits	6,634	6,022	3,912
Amounts due to customers	306,714	226,710	140,318

Guarantee and restricted deposits represent customer's collateral under letters of credit and guarantees issued by the Bank on behalf of clients.

Interest rates and maturities of amounts due to customers follow:

	<u>2005</u>		<u>2004</u>		<u>2003</u>	
	<i>KZT</i> <i>denominated</i> <i>%</i>	<i>USD/EURO</i> <i>denominated</i> <i>%</i>	<i>KZT</i> <i>denominated</i> <i>%</i>	<i>USD/EURO</i> <i>denominated</i> <i>%</i>	<i>KZT</i> <i>denominated</i> <i>%</i>	<i>USD/EURO</i> <i>denominated</i> <i>%</i>
Time deposits	1%-12%	2%-8.5%	1%-13%	2.5%-8.5%	1%-14.5%	3%-8.5%
Current accounts	up to 2%	up to 1%	up to 3%	up to 1%	up to 4%	up to 2%
Guarantee and other restricted deposits	-	-	-	up to 9%	-	up to 9%

Current accounts are due on demand. Maturities of other amounts due to customers follow:

	<u>2005</u>		<u>2004</u>		<u>2003</u>	
	<i>KZT</i> <i>denominated</i> <i>Maturity</i>	<i>USD/EURO</i> <i>denominated</i> <i>Maturity</i>	<i>KZT</i> <i>denominated</i> <i>Maturity</i>	<i>USD/EURO</i> <i>denominated</i> <i>Maturity</i>	<i>KZT</i> <i>denominated</i> <i>Maturity</i>	<i>USD/EURO</i> <i>denominated</i> <i>Maturity</i>
Time deposits	2006-2010	2006-2007	2005 – 2006	2005 – 2009	2004 – 2005	2004 – 2005
Guarantee and other restricted deposits	2006	2006-2007	2005	2005	2004	2004

At December 31, 2005 the Bank's ten largest customers accounted for approximately 37.19% of the total amounts due to customers (2004 – 26.17%; 2003 – 22.26%).

(Millions of Kazakhstani Tenge)

16. Amounts Due to Customers (continued)

The amounts due to customers included balances in customer current accounts and term deposits, and were analysed as follows:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Time deposits:			
Commercial entities	109,739	72,439	30,106
Individuals	101,000	76,266	58,905
Governmental entities	7,887	6,888	7,007
Current accounts:			
Commercial entities	59,926	48,499	28,153
Individuals	15,970	10,718	10,032
Governmental entities	5,558	5,878	2,203
Guarantee and other restricted deposits:			
Commercial entities	2,664	3,691	3,601
Individuals	3,931	2,113	249
Governmental entities	39	218	62
Amounts due to customers	306,714	226,710	140,318

An analysis of customer accounts by sector follows:

	<i>2005</i>	<i>%</i>	<i>2004</i>	<i>%</i>	<i>2003</i>	<i>%</i>
Individuals	120,901	39.4%	89,097	39.3%	69,186	49.3%
Oil and gas	55,154	18.0%	29,290	12.9%	6,852	4.9%
Metallurgy	49,524	16.1%	30,171	13.3%	15,070	10.7%
Non-credit financial organizations	13,069	4.3%	9,230	4.1%	1,907	1.4%
Construction	12,114	3.9%	7,161	3.2%	5,439	3.9%
Wholesale trading	10,387	3.4%	12,774	5.6%	12,479	8.9%
Mining	7,170	2.3%	360	0.2%	410	0.3%
Transportation	5,828	1.9%	7,904	3.5%	1,448	1.0%
Retail trade	2,356	0.8%	6,158	2.7%	2,042	1.5%
Machinery and equipment production	2,221	0.7%	2,074	0.9%	6,556	4.7%
Agriculture	2,045	0.7%	3,259	1.4%	2,738	2.0%
Chemical processing	1,949	0.6%	2,803	1.2%	347	0.2%
Energy industry	1,440	0.5%	7,605	3.4%	3,021	2.2%
Communication	790	0.3%	736	0.3%	432	0.3%
Textile and leather industry	703	0.2%	838	0.4%	41	-
Food industry	576	0.2%	952	0.4%	389	0.3%
Hotel and hospitality	326	0.1%	370	0.2%	102	0.1%
Entertainment	268	0.1%	281	0.1%	166	0.1%
Other	19,893	6.5%	15,647	6.9%	11,693	8.2%
	306,714	100.0%	226,710	100.0%	140,318	100.0%

(Millions of Kazakhstani Tenge)

17. Debt Securities Issued

Debt securities issued as of December 31, consisted of the following:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
USD notes with fixed rate	194,356	143,057	61,294
USD notes with floating rate	26,988	-	-
USD and KZT subordinated notes	42,369	29,250	13,528
KZT notes	18,979	-	-
RUR notes	13,980	-	-
RUR promissory notes	-	9,340	-
USD promissory notes	672	-	-
	297,344	181,647	74,822
Own USD notes held by the Group	(103)	(1,297)	(482)
Own KZT notes held by the Group	(77)	-	-
Own USD and KZT subordinated notes held by the Group	-	(337)	(8)
	297,164	180,013	74,332
Plus unamortized premium	1,616	1,928	-
Less unamortized discount	(2,179)	(1,166)	(485)
Less unamortized cost of issuance	(977)	(725)	(340)
	295,624	180,050	73,507
Interest accrued	4,385	2,029	667
Debt securities issued	300,009	182,079	74,174

The interest rates and maturities of these debt securities issued follow:

	<i>2005</i>		<i>2004</i>		<i>2003</i>	
	%	<i>Maturity</i>	%	<i>Maturity</i>	%	<i>Maturity</i>
USD notes with fixed interest rate	7.9%-10.0%	2007 – 2015	7.9%-10.0%	2007 – 2014	7.87%-11.5%	2004 – 2010
USD notes with floating interest rate	3 month LIBOR +1.65%	2008	-	-	-	-
USD and KZT subordinated notes	7.0%-12.0%	2009–2015	9.4%-12.0%	2009 – 2014	8.0%-12.0%	2009 – 2013
KZT notes	8.5%-10.0%	2010–2015	-	-	-	-
RUR notes	6.4%	2006-2009	-	-	-	-
USD promissory notes	6 month LIBOR +1.5%	2006	-	-	-	-
RUR promissory notes	-	-	10.0%	2005	-	-

The subordinated notes at December 31, 2005, 2004 and 2003, are unsecured obligations of the Group and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Group.

In accordance with the terms of the USD Notes, the Bank is required to maintain certain financial ratios particularly with regard to its liquidity, capital adequacy, and lending exposures. Management believes that the Bank maintains these ratios as of December 31, 2005.

(Millions of Kazakhstani Tenge)

18. Shareholders' Equity (continued)

Dividends on CPS

The convertible preferred shares carry a dividend of 10.25% per annum on nominal value. These dividends are cumulative.

Nature and purpose of other reserves

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Unrealised gains(losses) on investment securities available-for-sale

This reserve records fair value changes on available-for-sale investments.

19. Commitments and Contingencies

Legal actions and claims

The Group is subject to various legal proceedings related to business operations. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities mentioned above.

Following an inspection by the Kazakhstan tax authorities with respect to years ended December 31, 2002 and 2003, the tax authorities claimed KZT 275 million in unpaid taxes from the Bank. The claim arose primarily due to the introduction of changes in Kazakhstan tax laws with respect to which there was no satisfactory authoritative interpretation. Whilst the Bank has admitted liability for KZT 251 million in unpaid taxes, part of the tax claim in the amount of KZT 24 million remained in dispute until end of 2004 and was resolved in 2005 in favour of the Bank by the decision of the Supreme court of Kazakhstan.

Tax Contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Group believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at December 31, 2005. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, not reasonably determinable, or both.

Financial Commitments and Contingencies

(Millions of Kazakhstani Tenge)

19. Commitments and Contingencies (continued)

As of December 31, the Group's financial commitments and contingencies comprised the following:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Undrawn loan commitments	33,112	44,878	25,443
Commercial letters of credit	81,900	64,845	45,141
Guarantees	55,683	46,204	24,447
	170,695	155,927	95,031
Less: cash collateral	(6,634)	(6,022)	(1,882)
Less: provisions	(3,478)	(2,031)	(319)
Financial commitments and contingencies	160,583	147,874	92,830

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the bank, government's and international prime financial organisations' securities, and other assets.

Trust Activities

The Group provides custody services for third parties which involve the Group making allocation and purchase and sales decisions in relation to securities. Those securities that are held in a fiduciary capacity are not included in these consolidated financial statements. As at December 31, 2005 such securities held in this capacity were KZT 73,721 (2004 – KZT 67,477; 2003 – KZT 40).

Deliverable Forward Contracts

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement at a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates.

The Group was a party to the following deliverable forward contracts:

	<i>2005</i>		<i>2004</i>		<i>2003</i>	
	<i>Notional Amount</i>	<i>Unrealized Gains</i>	<i>Notional Amount</i>	<i>Unrealized Gains</i>	<i>Notional Amount</i>	<i>Unrealized Gains</i>
Deliverable forward contracts:						
USD-KZT contracts with Kazakh counterpartents	–	–	845	–	11,474	359
USD-EUR contracts with Kazakh counterpartents	–	–	35	–	1,004	5
EUR-KZT contracts with Kazakh counterpartents	–	–	35	–	–	–
RUR-KZT contracts with Kazakh counterpartents	–	–	2,000	132	–	–
USD-RUR contracts with Kazakh counterpartents	–	–	130	–	–	–

All deliverable forward contracts were fulfilled during the period ended December 31, 2005.

(Millions of Kazakhstani Tenge)

20. Fees and Commissions

Net fee and commission income for the years ended December 31 was made from the following sources:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Letters of credit and guarantees issued	4,566	3,448	2,519
Settlement and cash operations	2,729	2,100	1,543
Transfer operations	2,291	1,747	1,158
Foreign currency trading	1,107	849	606
Asset management fees	909	379	275
Brokerage services	338	161	27
Other	1,003	613	328
Fee and commission income	12,943	9,297	6,456
Brokerage services	(139)	(66)	(4)
Transfer operations	(129)	(64)	(48)
Foreign currency trading	(61)	(52)	(59)
Custodian services	(24)	(75)	(24)
Other	(136)	(46)	(2)
Fee and commission expense	(489)	(303)	(137)
Net fee and commission income	12,454	8,994	6,319

21. Gains Less Losses From Financial Assets at Fair Value Through Profit or Loss

Gains less losses from financial assets at fair value through profit or loss for the years ended December 31 comprised the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Dealing	2,718	(26)	(204)
Revaluation	297	64	793
	3,015	38	589

22. Other Income

Other income for the years ended December 31 comprised the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Rent	663	332	442
Penalties	123	112	446
Currency transportation	-	1	26
Other	353	122	88
	1,139	567	1,002

*(Millions of Kazakhstani Tenge)***23. Salaries and Administrative and Other Operating Expenses**

Salaries and other employee benefits and administrative and other operating expenses comprise:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Salaries and bonuses	6,022	3,888	2,845
Social security costs	758	431	545
Other payments	150	69	42
Salaries and other employee benefits	6,930	4,388	3,432
Occupancy and rent	1,141	794	312
Marketing and advertising	1,108	744	447
Security	827	361	279
Repair and maintenance of property and equipment	659	403	754
Business travel and related expenses	547	311	180
Data processing	510	355	157
Communications	480	343	292
Legal services and consultancy	390	358	388
Transportation expenses	306	155	158
Loss on disposals of property and equipment	182	30	63
Office supplies	159	71	75
Customs duties	7	3	53
Other	767	609	761
Administrative and other operating expenses	7,083	4,537	3,919

24. Earnings per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of shares outstanding during the year. The Bank did not declare or pay any dividends to common shareholders during 2005, 2004 and 2003. During 2005 the Bank declared dividends to the CPS shareholders amounting to KZT 229 (2004 – 28, 2003 - nil).

For the diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of potential dilutive shares. The Group had one type of dilutive shares: convertible preferred shares. For the convertible preferred shares, the number of shares that could have been converted at the contractual conversion price is added to the shares outstanding, net income is adjusted to the amount of dividends on CPS.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ended December 31:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income attributable to common shareholders for basic earnings per share, being net income less dividends declared on convertible preferred shares (in KZT millions)	14,077	6,700	4,133
Net income attributable to common and potential common shareholders for diluted earnings per share (in KZT millions)	14,307	6,728	4,133
Weighted average number of common shares for basic earnings per share	2,496,801	1,734,692	1,273,425
Weighted average number of common and potential common shares for diluted earnings per share	2,700,877	1,767,127	1,273,425

(Millions of Kazakhstani Tenge)

24. Earnings per Share (continued)

A reconciliation of the weighted average number of common shares and the weighted average number of potential common shares for the years ended December 31 is as follows:

	<i>2005</i>	<i>2004</i>	<i>2003</i>
Weighted average number of common shares for basic earnings per share	2,496,801	1,734,692	1,273,425
Weighted average number of common shares resulting from the potential conversion of the convertible preferred shares into common shares	204,076	32,435	–
Weighted average number of common and potential common shares	<u>2,700,877</u>	<u>1,767,127</u>	<u>1,273,425</u>

25. 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, liquidity and market movements in interest and foreign exchange rates. A summary description of the Group's risk management policies in relation to those risks follows.

Credit Risk

The Group is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. 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 segments. Limits on the level of credit risk by borrower and product, by industry sector, by region are approved quarterly by the Board of Directors. Where appropriate, and in the case of most loans, the Group obtains collateral. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

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 established by the Credit Committee. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

The Group maintains strict control limits on net open derivative positions, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counter parties.

(Millions of Kazakhstani Tenge)

25. Risk Management Policies (continued)

Concentration of financial assets and liabilities

The geographical concentration of financial assets and liabilities is set out below:

	2005			Total
	Kazakhstan	OECD	CIS and other non OECD countries	
Assets:				
Cash and cash equivalents	68,909	45,358	4,864	119,131
Obligatory reserves	10,791	–	–	10,791
Financial assets at fair value through profit or loss	23,495	86,757	–	110,252
Amounts due from credit institutions	12,296	28	11,352	23,676
Available for sale securities	2,133	39,015	1,258	42,406
Loans to customers	580,272	10,765	129,659	720,696
Investments in associates	1,017	–	1,188	2,205
Other assets	6,094	9	988	7,091
	705,007	181,932	149,309	1,036,248
Liabilities:				
Amounts due to the Government and the NBK	844	–	–	844
Amounts due to credit institutions	73,480	212,178	7,389	293,047
Amounts due to customers	301,947	3,745	1,022	306,714
Debt securities issued	61,884	223,947	14,178	300,009
Other liabilities	6,191	237	3,655	10,083
	444,346	440,107	26,244	910,697
Net balance sheet position	260,661	(258,175)	123,065	125,551

(Millions of Kazakhstani Tenge)

25. Risk Management Policies (continued)

	2004				2003			
	Kazakhstan	OECD	CIS and other non OECD countries	Total	Kazakhstan	OECD	CIS and other non OECD countries	Total
Assets:								
Cash and cash equivalents	41,791	7,832	2,117	51,740	18,178	2,742	771	21,691
Obligatory reserves	6,971	–	–	6,971	3,706	–	–	3,706
Financial assets at fair value through profit or loss	52,829	49,353	–	102,182	23,486	38,105	–	61,591
Amounts due from credit institutions	2,889	–	3,676	6,565	5,729	–	264	5,993
Available for sale securities	1,913	22,188	1,325	25,426	202	3	666	871
Held-to-maturity securities	–	–	–	–	–	26,288	–	26,288
Loans to customers	330,961	9,607	98,582	439,150	222,904	–	32,214	255,118
Investments in associates	–	–	331	331	–	–	–	–
Other assets	7,072	–	52	7,124	6,671	–	–	6,671
	444,426	88,980	106,083	639,489	280,876	67,138	33,915	381,929
Liabilities:								
Amounts due to the Government and the NBK	4,424	–	–	4,424	5,190	–	–	5,190
Amounts due to credit institutions	21,356	119,725	7,250	148,331	12,131	107,622	2,033	121,786
Amounts due to customers	221,168	3,148	2,394	226,710	140,318	–	–	140,318
Debt securities issued	29,247	143,492	9,340	182,079	13,849	60,325	–	74,174
Other liabilities	9,838	–	–	9,838	4,318	–	–	4,318
	286,033	266,365	18,984	571,382	175,806	167,947	2,033	345,786
Net balance sheet position	158,393	(177,385)	87,099	68,107	105,070	(100,809)	31,882	36,143

The above tables do not include the effect of allowances for loans' impairment and other assets, which amounted to KZT 40,383, KZT 30,583 and KZT 15,610 as of December 31, 2005, 2004 and 2003, respectively.

Market Risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

(Millions of Kazakhstan Tenge)

25. Risk Management Policies (continued)

Currency Risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows, which are monitored daily. The Board of Directors sets limits on the level of exposure by currencies, by branches and in total. These limits also comply with the minimum requirements of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA"). The Group's exposure to foreign currency exchange rate risk follows:

	2005				2004				2003			
	Freely conver- tible KZT	Non conver- tible	Non conver- tible	Total	Freely conver- tible KZT	Non conver- tible	Non conver- tible	Total	Freely conver- tible KZT	Non conver- tible	Non conver- tible	Total
Assets:												
Cash and cash equivalents	57,134	58,798	3,199	119,131	34,225	15,608	1,907	51,740	15,093	5,723	875	21,691
Obligatory reserves	10,791	-	-	10,791	6,971	-	-	6,971	3,706	-	-	3,706
Financial assets at fair value through profit or loss	18,852	91,400	-	110,252	46,125	56,057	-	102,182	11,648	49,943	-	61,591
Amounts due from credit institutions	4,059	10,642	8,975	23,676	425	3,560	2,580	6,565	78	5,915	-	5,993
Available for sale securities	2,462	39,751	193	42,406	1,283	24,143	-	25,426	868	3	-	871
Held-to-maturity securities	-	-	-	-	-	-	-	-	3	26,285	-	26,288
Loans to customers	163,450	548,852	8,394	720,696	109,992	320,903	8,255	439,150	78,426	176,665	27	255,118
Investments in associates	1,288	138	779	2,205	-	-	331	331	-	-	-	-
Other assets	5,749	1,233	109	7,091	6,633	354	137	7,124	6,307	343	21	6,671
	263,785	750,814	21,649	1,036,248	205,654	420,625	13,210	639,489	116,129	264,877	923	381,929
Liabilities:												
Amounts due to the Government and the NBK	458	386	-	844	3,885	539	-	4,424	4,263	927	-	5,190
Amounts due to credit institutions	12,859	280,079	109	293,047	20,252	128,062	17	148,331	9,125	112,618	43	121,786
Amounts due to customers	144,122	161,736	856	306,714	122,789	102,447	1,474	226,710	69,043	70,596	679	140,318
Debt securities issued	55,769	230,061	14,179	300,009	23,925	148,814	9,340	182,079	7,598	66,576	-	74,174
Other liabilities	9,423	560	100	10,083	9,276	552	10	9,838	3,982	324	12	4,318
	222,631	672,822	15,244	910,697	180,127	380,414	10,841	571,382	94,011	251,041	734	345,786
Net balance sheet position	41,154	77,992	6,405	125,551	25,527	40,211	2,369	68,107	22,118	13,836	189	36,143

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT 40,383, KZT 30,583 and KZT 15,610 as of December 31, 2005, 2004 and 2003, respectively.

Freely convertible currencies represent mainly USD amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Kazakhstan.

The Group's principal cash flows (revenues, operating expenses) are largely generated in KZT. As a result, future movements in the exchange rate between KZT and USD or EUR will affect the carrying value of the Group's USD and EUR denominated monetary assets and liabilities.

(Millions of Kazakhstani Tenge)

25. Risk Management Policies (continued)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The interest rates earned and incurred by the Group on its assets and liabilities are disclosed in the relevant notes to these consolidated financial statements.

A significant portion of the Group's assets and liabilities reprice within one year. Accordingly there is a limited exposure to interest rate risk. As of December 31, the effective average interest rates by currencies for interest generating/ bearing monetary financial instruments were as follow:

	2005		2004		2003	
	KZT	Foreign currency	KZT	Foreign currency	KZT	Foreign currency
Financial assets at fair value through profit or loss	3.9%	4.5%	3.2%	3.4%	6.9%	7.7%
Amounts due from credit institutions	2.7%	4.0%	2.0%	10.5%	2.5%	2.0%
Investment securities:						
- available-for-sale securities	6.3%	3.3%	—	3.8%	—	—
- held-to-maturity securities	—	—	—	—	—	4.4%
Loans to customers	19.7%	11.3%	18.0%	11.7%	16.7%	12.5%
Amounts due to the Government and the NBK	4.9%	4.9%	5.9%	5.1%	6.5%	4.4%
Amounts due to credit institutions	9.1%	5.7%	6.2%	4.3%	8.5%	4.2%
Amounts due to customers	7.5%	5.4%	6.3%	6.0%	9.4%	5.1%
Debt securities issued	9.9%	8.7%	8.0%	9.0%	1.6%	12.3%

The Group monitors its interest rate margins on a regular basis and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual repricing date, which are shown as if they can be repriced within one month as management is able to liquidate those securities within a short period of time.

*(Millions of Kazakhstani Tenge)***25. Risk Management Policies (continued)**

<i>2005</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
Assets:							
Cash and cash equivalents	109,442	9,689	–	–	–	–	119,131
Obligatory reserves	–	–	–	10,791	–	–	10,791
Financial assets at fair value through profit or loss	13,285	–	14,944	47,604	34,419	–	110,252
Amounts due from credit institutions	801	3,296	7,405	2,022	10,152	–	23,676
Available-for-sale Securities	444	2,867	206	9,926	28,963	–	42,406
Loans to customers	33,378	66,522	216,953	99,412	295,508	8,923	720,696
Investments in associates	–	–	–	–	2,205	–	2,205
Other assets	271	3,740	451	58	2,571	–	7,091
	<u>157,621</u>	<u>86,114</u>	<u>239,959</u>	<u>169,813</u>	<u>373,818</u>	<u>8,923</u>	<u>1,036,248</u>
Liabilities:							
Amounts due to the Government and NBK	35	–	101	203	505	–	844
Amounts due to credit institutions	62,221	10,270	170,411	36,280	13,865	–	293,047
Amounts due to customers	114,886	59,379	99,086	27,852	5,511	–	306,714
Debt securities issued	–	26,967	672	38,375	233,995	–	300,009
Other liabilities	1,944	3,562	2,821	1,095	661	–	10,083
	<u>179,086</u>	<u>100,178</u>	<u>273,091</u>	<u>103,805</u>	<u>254,537</u>	<u>–</u>	<u>910,697</u>
Net interest sensitivity gap	<u>(21,465)</u>	<u>(14,064)</u>	<u>(33,132)</u>	<u>66,008</u>	<u>119,281</u>	<u>8,923</u>	<u>125,551</u>
Cumulative interest sensitivity gap	<u>(21,465)</u>	<u>(35,529)</u>	<u>(68,661)</u>	<u>(2,653)</u>	<u>116,628</u>	<u>125,551</u>	

*(Millions of Kazakhstani Tenge)***25. Risk Management Policies (continued)**

<i>2004</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
Assets:							
Cash and cash equivalents	51,175	565	–	–	–	–	51,740
Obligatory reserves	–	–	–	6,971	–	–	6,971
Financial assets at fair value through profit or loss	3,851	12,305	27,373	32,472	26,181	–	102,182
Amounts due from credit institutions	2,125	617	823	1,188	1,682	130	6,565
Available for sale securities	–	382	111	30	24,903	–	25,426
Loans to customers	25,776	26,666	120,075	93,352	169,468	3,813	439,150
Investments in associates	–	–	–	–	331	–	331
Other assets	4,128	1,819	119	131	927	–	7,124
	<u>87,055</u>	<u>42,354</u>	<u>148,501</u>	<u>134,144</u>	<u>223,492</u>	<u>3,943</u>	<u>639,489</u>
Liabilities:							
Amounts due to the Government and the NBK	83	3,006	168	488	679	–	4,424
Amounts due to credit institutions	14,252	19,976	102,093	7,583	4,427	–	148,331
Amounts due to customers	114,079	30,888	49,786	26,380	5,577	–	226,710
Debt securities issued	13,536	112	2,145	25,600	140,686	–	182,079
Other liabilities	7,161	1,704	567	318	88	–	9,838
	<u>149,111</u>	<u>55,686</u>	<u>154,759</u>	<u>60,369</u>	<u>151,457</u>	<u>–</u>	<u>571,382</u>
Net interest sensitivity gap	<u>(62,056)</u>	<u>(13,332)</u>	<u>(6,258)</u>	<u>73,775</u>	<u>72,035</u>	<u>3,943</u>	<u>68,107</u>
Cumulative interest sensitivity gap	<u>(62,056)</u>	<u>(75,388)</u>	<u>(81,646)</u>	<u>(7,871)</u>	<u>64,164</u>	<u>68,107</u>	

(Millions of Kazakhstani Tenge)

25. Risk Management Policies (continued)

<i>2003</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
Assets:							
Cash and cash equivalents	21,567	124	–	–	–	–	21,691
Obligatory reserves	–	–	–	3,706	–	–	3,706
Financial assets at fair value through profit or loss	521	2,778	8,803	21,305	28,184	–	61,591
Amounts due from credit institutions	1,926	144	1,129	1,829	965	–	5,993
Available for sale securities	–	–	–	–	871	–	871
Held-to-maturity securities	–	–	–	–	26,288	–	26,288
Loans to customers	21,918	25,454	106,059	36,795	60,056	4,836	255,118
Other assets	3,820	294	295	2,262	–	–	6,671
	<u>49,752</u>	<u>28,794</u>	<u>116,286</u>	<u>65,897</u>	<u>116,364</u>	<u>4,836</u>	<u>381,929</u>
Liabilities:							
Amounts due to the Government and NBK	3,071	1	604	614	900	–	5,190
Amounts due to credit institutions	22,927	10,023	63,799	20,924	4,113	–	121,786
Amounts due to customers	59,009	19,252	50,598	8,678	2,781	–	140,318
Debt securities issued	–	–	15,048	14,422	44,704	–	74,174
Other liabilities	4,143	33	25	65	52	–	4,318
	<u>89,150</u>	<u>29,309</u>	<u>130,074</u>	<u>44,703</u>	<u>52,550</u>	<u>–</u>	<u>345,786</u>
Net interest sensitivity gap	<u>(39,398)</u>	<u>(515)</u>	<u>(13,788)</u>	<u>21,194</u>	<u>63,814</u>	<u>4,836</u>	<u>36,143</u>
Cumulative interest sensitivity gap	<u>(39,398)</u>	<u>(39,913)</u>	<u>(53,701)</u>	<u>(32,507)</u>	<u>31,307</u>	<u>36,143</u>	

The above tables do not include the effect of allowances for loans' impairment and other assets, which amounted to KZT 40,383, KZT 30,583 and KZT 15,610 as of December 31, 2005, 2004 and 2003, respectively.

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. In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

*(Millions of Kazakhstani Tenge)***25. Risk Management Policies (continued)**

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date, except financial assets at fair value through profit or loss.

<i>2005</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
<i>Assets:</i>								
Cash and cash equivalents	76,004	33,438	9,689	–	–	–	–	119,131
Obligatory reserves	–	–	–	–	10,791	–	–	10,791
Financial assets at fair value through profit or loss	110,252	–	–	–	–	–	–	110,252
Amounts due from credit institutions	47	754	3,296	7,405	2,022	10,152	–	23,676
Available-for-sale Securities	–	444	2,867	206	9,926	28,963	–	42,406
Loans to customers	746	32,632	65,986	207,423	106,060	298,926	8,923	720,696
Investments in associates	–	–	–	–	–	2,205	–	2,205
Other assets	248	23	3,740	451	58	2,571	–	7,091
	187,297	67,291	85,578	215,485	128,857	342,817	8,923	1,036,248
<i>Liabilities:</i>								
Amounts due to the Government and NBK	–	35	–	101	203	505	–	844
Amounts due to credit institutions	279	61,942	6,175	148,213	48,435	28,003	–	293,047
Amounts due to customers	81,869	33,017	59,379	99,086	27,852	5,511	–	306,714
Debt securities issued	–	–	–	672	38,375	260,962	–	300,009
Other liabilities	1,860	84	3,562	2,821	1,095	661	–	10,083
	84,008	95,078	69,116	250,893	115,960	295,642	–	910,697
Net position	103,289	(27,787)	16,462	(35,408)	12,897	47,175	8,923	125,551
Accumulated gap	103,289	75,502	91,964	56,556	69,453	116,628	125,551	

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25. Risk Management Policies (continued)

<i>2004</i>	<i>On demand</i>	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Past due</i>	<i>Total</i>
Assets:								
Cash and cash equivalents	24,366	26,809	565	–	–	–	–	51,740
Obligatory reserves	–	–	–	–	6,971	–	–	6,971
Financial assets at fair value through profit or loss	102,182	–	–	–	–	–	–	102,182
Amounts due from credit institutions	57	2,068	617	823	1,188	1,682	130	6,565
Available- for- sale investment securities	–	–	382	111	30	24,903	–	25,426
Loans to customers	3,488	22,288	26,666	110,320	96,876	175,699	3,813	439,150
Investments in associates	–	–	–	–	–	331	–	331
Other assets	4,379	80	1,819	119	131	596	–	7,124
	<u>134,472</u>	<u>51,245</u>	<u>30,049</u>	<u>111,373</u>	<u>105,196</u>	<u>203,211</u>	<u>3,943</u>	<u>639,489</u>
Liabilities:								
Amounts due to the Government and the NBK	–	83	3,006	168	488	679	–	4,424
Amounts due to credit institutions	54	14,198	19,976	77,821	22,051	14,231	–	148,331
Amounts due to customers	63,186	50,893	30,888	49,786	26,380	5,577	–	226,710
Debt securities issued	4,196	9,340	112	2,145	25,600	140,686	–	182,079
Other liabilities	7,109	52	1,704	567	318	88	–	9,838
	<u>74,545</u>	<u>74,566</u>	<u>55,686</u>	<u>130,487</u>	<u>74,837</u>	<u>161,261</u>	<u>–</u>	<u>571,382</u>
Net position	<u>59,927</u>	<u>(23,321)</u>	<u>(25,637)</u>	<u>(19,114)</u>	<u>30,359</u>	<u>41,950</u>	<u>3,943</u>	<u>68,107</u>
Accumulated gap	<u>59,927</u>	<u>36,606</u>	<u>10,969</u>	<u>(8,145)</u>	<u>22,214</u>	<u>64,164</u>	<u>68,107</u>	

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25. Risk Management Policies (continued)

2003	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Past due	Total
Assets:								
Cash and cash equivalents	13,162	8,405	124	–	–	–	–	21,691
Obligatory reserves	–	–	–	–	3,706	–	–	3,706
Financial assets at fair value through profit or loss	61,591	–	–	–	–	–	–	61,591
Amounts due from credit institutions	50	1,876	144	1,129	1,829	965	–	5,993
Available-for-sale investment securities	–	–	–	–	–	871	–	871
Held-to-maturity investment securities	–	–	–	–	–	26,288	–	26,288
Loans to customers	–	21,918	25,454	76,059	51,795	75,056	4,836	255,118
Other assets	3,668	152	294	295	2,262	–	–	6,671
	78,471	32,351	26,016	77,483	59,592	103,180	4,836	381,929
Liabilities:								
Amounts due to the Government and the NBK	–	3,071	1	604	614	900	–	5,190
Amounts due to credit institutions	1,533	21,394	10,023	47,591	27,383	13,862	–	121,786
Amounts due to customers	41,286	17,723	19,252	50,598	8,678	2,781	–	140,318
Debt securities issued	–	–	–	15,048	14,422	44,704	–	74,174
Other liabilities	3,900	243	33	25	65	52	–	4,318
	46,719	42,431	29,309	113,866	51,162	62,299	–	345,786
Net position	31,752	(10,080)	(3,293)	(36,383)	8,430	40,881	4,836	36,143
Accumulated gap	31,752	21,672	18,379	(18,004)	(9,574)	31,307	36,143	

The above tables do not include the effect of allowances for impairment of loans, due from credit institutions and other assets totalling KZT 40,383, KZT 30,583 and KZT 15,610 as of December 31, 2005, 2004 and 2003, respectively.

The Group's capability to discharge its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time. The maturity gap analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above. While trade and available-for-sale securities are shown at demand, realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

26. Fair Values of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". 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 the 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.

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

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26. Fair Values of Financial Instruments (continued)

Amounts Due from and to Credit Institutions

For assets maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to Customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

Investment Securities

Non-marketable available-for-sale securities are represented by corporate shares and shares of associates and subsidiaries held for disposal. The total carrying amount of these securities approximates their fair values.

Amounts Due to Customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt Securities Issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of monetary assets and liabilities not carried at their fair values:

	2005		2004		2003	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
<i>Financial assets</i>						
Loans to customers, gross	720,696	720,738	439,150	443,423	255,118	256,986
<i>Financial liabilities</i>						
Amounts due to credit institutions	293,047	302,262	148,331	151,957	121,786	117,896
Debt securities issued	300,009	314,860	182,079	192,838	74,174	78,456

27. Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Group's related parties include shareholders and entities which exercise significant influence over the Group's key management personnel.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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27. Related Party Transactions (continued)

As of December 31, 2005, 2004 and 2003, the Group had the following transactions with related parties:

	2005		2004		2003	
	<i>Related party transactions</i>	<i>Total category</i>	<i>Related party transactions</i>	<i>Total category</i>	<i>Related party transactions</i>	<i>Total category</i>
Loans to customers, gross	12,000	720,696	1,445	439,150	276	255,118
Amounts due to credit institutions	7,353	293,047	14,956	148,331	1,508	121,786
Amounts due to customers	321	306,714	266	226,710	128	140,318
Commitments and guarantees	8,485	170,695	2,444	155,927	748	95,031
Allowance on impairment of loans	(355)	(40,311)	–	(29,633)	–	(15,271)

For the years ended December 31, the Group had the following transactions with related parties:

	2005		2004		2003	
	<i>Related party transactions</i>	<i>Total category</i>	<i>Related party transactions</i>	<i>Total category</i>	<i>Related party transactions</i>	<i>Total category</i>
Interest income	1,241	78,286	371	49,827	71	30,818
Interest expense	(312)	(45,699)	(639)	(26,106)	(113)	(16,591)
Fee and commission	117	12,454	45	8,994	10	6,319
Impairment charge on loans	(355)	(15,359)	–	(18,724)	–	(10,391)

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors for 2005 was KZT 389 (2004 - KZT 335; 2003 - KZT 290).

Included in the table above are the following transactions with related parties outstanding as of December 31, 2005, 2004 and 2003:

- Operations with associates such as: loans - including provisioning matters, interest free financial assistance, deposits placed with the Group and guarantees and letters of credit to investees, and mutual investments.
- Shareholders: loans - including provisioning matters, deposits placed with the Group, and guarantees and letters of credit.
- Members of Board of Directors: loans - including provisioning matters, deposits placed with the Group, total remuneration paid during the year.

28. Capital Adequacy

FMSA requires banks to maintain a capital adequacy ratio of 12% of risk-weighted assets. In 2005, 2004 and 2003, risk-weighted assets calculated in accordance with the FMSA requirements were derived from the Group's consolidated financial statements prepared in accordance with IFRS. As of December 31, 2005, the Group's capital adequacy ratio on this basis exceeded the statutory minimum.

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28. Capital Adequacy (continued)

The Group's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines, as of December 31, 2005, 2004 and 2003, exceeded the minimum ratio of 8% recommended by the Basle Accord for Tier 1 and Tier 2 capital adequacy ratio and assessed based on credit risks approach.

	<i>Balance Sheet</i>			<i>Risk Weighted</i>		
	<i>Notional Amount</i>			<i>Amount</i>		
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Total assets	1,172,002	764,300	465,024	782,534	481,182	290,652
	<i>Capital</i>			<i>BIS%</i>		
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Tier 1 capital	85,380	41,984	25,948	10.91%	8.73%	8.93%
Tier 2 capital	42,929	30,070	16,607			
Gross available capital	128,309	72,054	42,555	–	–	–
Less investments	(2,205)	(1,876)	(870)	–	–	–
Tier 1 + Tier 2 capital	126,104	70,178	41,685	16.11%	14.58%	14.34%

29. Segment Information

The Group does not have separately identifiable business segments. The geographic analysis of total assets is based on customer domicile whereas operating income and capital expenditure is based on the location of the office in which the transactions and assets are recorded. Geographic segment reporting is presented in the following table. Segmentation is based on the structure as of December 31.

<i>2005</i>	<i>Total operating income</i>		<i>Total assets</i>		<i>Capital expenditure</i>	
	<i>Amount</i>	<i>Share %</i>	<i>Amount</i>	<i>Share %</i>	<i>Amount</i>	<i>Share %</i>
Kazakhstan	30,133	86%	877,997	88%	–	–
Russia	5,036	14%	119,808	12%	–	–
Total	35,169	100%	997,805	100%	–	–

<i>2004</i>	<i>Total operating income</i>		<i>Total assets</i>		<i>Capital expenditure</i>	
	<i>Amount</i>	<i>Share %</i>	<i>Amount</i>	<i>Share %</i>	<i>Amount</i>	<i>Share %</i>
Kazakhstan	19,439	92%	559,911	91%	–	–
Russia	1,747	8%	58,391	9%	–	–
Total	21,186	100%	618,302	100%	–	–

<i>2003</i>	<i>Total operating income</i>		<i>Total assets</i>		<i>Capital expenditure</i>	
	<i>Amount</i>	<i>Share %</i>	<i>Amount</i>	<i>Share %</i>	<i>Amount</i>	<i>Share %</i>
Kazakhstan	13,150	94%	348,677	93%	–	–
Russia	889	6%	24,387	7%	–	–
Total	14,039	100%	373,064	100%	–	–

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30. Subsequent Events

On January 6, 2006, the Bank has obtained a permission from the FMSA to found a special purpose subsidiary, BTA Finance Luxembourg S.A, to be incorporated in Luxembourg as a public limited liability company. On January 20, 2006 the Bank has attracted USD 400 million, through issuance, by BTA Finance Luxembourg S.A., of perpetual preferred securities.

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