(incorporated in the Republic of Kazakhstan under the Joint Stock Companies Law with registered number 3898-1900-AO)

This Prospectus relates to an offering (the "Global Offer") by Holding Group Almex JSC ("Almex" or the "Selling Shareholder") of 42,500,000 global depositary receipts (the "GDRs") each representing four common shares (the "Shares") of Joint Stock Company Halyk Savings Bank of Kazakhstan (the "Bank") at an offer price of U.S.$16.00 per GDR (the "Offer Price"). The Bank will not directly receive any proceeds from the Global Offer.

The Bank intends to undertake an offering of newly issued Shares (the "New Shares") at a price in KZT equivalent to the Offer Price to holders of Shares as at a record date expected to be shortly after 14 December 2006 (but in any event before the Closing Date in respect of the offer of GDRs) in the ratio of approximately 60 New Shares for each 1,000 existing Shares then held (the "Rights Issue"). The holders of GDRs subscribed for in the Global Offer will not be entitled to participate in the Rights Issue. Almex has committed to apply for at least its pro rata share of the New Shares in the Rights Issue. (See "Details of the Rights Issue".)

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for 60,000,000 GDRs to be admitted ("Admission") to the official list of the UK Listing Authority (the "Official List"). The GDRs are expected to be admitted to trading under the symbol "HSBK" on the market for listed securities of the London Stock Exchange plc (the "LSE") through its International Order Book. The LSE is a regulated market for purposes of Investment Services Directive 93/22/EC. It is expected that Admission will become effective and that unconditional dealings in the GDRs on the LSE will commence on 20 December 2006. Prior to that time, it is expected that conditional dealings in the GDRs will commence on 14 December 2006 and that the earliest date for settlement of such dealings will be 20 December 2006.

All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

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

In connection with the Global Offer, Almex will also sell 4,250,000 GDRs (the "Over-Allotment GDRs") to Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch (together the "Underwriters") for the purpose of making over-allotments and to conduct stabilisation activities in the GDRs. Under the over-allotment structure, Almex will grant the Underwriters a put option (the "Underwriters' Put Option"), exercisable for a period of up to 30 days from the commencement of dealings on the LSE in the GDRs, to put back to Almex any over-allotted GDRs.

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

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

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

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

The GDRs will be issued in global form and will be evidenced by a Master Rule 144A GDR registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), and a Master Regulation S GDR (together with the Master Rule 144A GDR, the "Master GDRs") registered in the name of BT Globenet Nominees Limited, as nominee for Deutsche Bank AG, London Branch (the "Common Depositary"), as common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). It is expected that delivery of the GDRs will be made against payment therefor in U.S. Dollars in same day funds through the facilities of DTC, Euroclear and Clearstream on or about 20 December 2006. (See "Settlement and Transfer").

Joint Global Co-ordinators

Credit Suisse **Deutsche Bank**

Halyk Finance

Joint Bookrunners

Credit Suisse **Deutsche Bank**

The date of this Prospectus is 14 December 2006

RESPONSIBILITY STATEMENT

The Bank accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. The Underwriters are acting exclusively for the Bank and the Selling Shareholder and no-one else in connection with the Global Offer and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Global Offer.

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

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

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

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

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

The distribution of this document and the offer and sale of the GDRs in certain jurisdictions may be restricted by law. No action has been taken by the Bank or the Underwriters that would permit a public offer of Shares or GDRs or possession, publication or distribution of this document (or any other offer or publicity material or application form relating to the GDRs) in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer of, or an invitation to subscribe or purchase, any GDRs in any jurisdiction in which such offer or sale would be unlawful. Further information with regard to restrictions on offers and sales of GDRs and the distribution of this document is set out in the section headed "Details of the Global Offer".

The ownership of the voting shares of Kazakhstan banks is subject to certain legislative restrictions under Kazakhstan law. In particular, (a) pursuant to a list prepared by the FMSA (which may be updated from time to time) legal entities registered in certain specified off-shore jurisdictions such as Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria and the Philippines or which have affiliates registered in such jurisdictions (except for international banks having a credit rating of "A" or above from certain rating agencies) or (b) individuals who are participants or shareholders in such legal entities may not directly or indirectly own voting shares of a Kazakhstan bank. Accordingly, holders of GDRs falling under (a) or (b) above and/or who do not disclose the details, among other things, as to their residence will not be entitled to vote through the Depositary at meetings of shareholders, cannot exchange GDRs into Shares and cannot own, hold or dispose of the Shares. (See "Risk Factors — Risk factors relating to the Bank's Shares and GDRs — There are restrictions and prohibitions under Kazakhstan law on the ownership of and exercise of shareholders' rights (including voting rights) with respect to the GDRs and the Shares".)

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

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

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE BANK IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

NOTICE TO PROSPECTIVE INVESTORS IN THE REPUBLIC OF KAZAKHSTAN

The GDRs offered hereby may only be offered or sold to persons or entities who or which are established, domiciled or have their usual residence outside the Republic of Kazakhstan or to professional market participants in the Republic of Kazakhstan, including banks, brokers, dealers, participants, pension funds, and collective investment institutions, as well as central government, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities, and individuals.

AVAILABLE INFORMATION

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

ENFORCEMENT OF FOREIGN JUDGMENTS

The Bank is incorporated under the laws of the Republic of Kazakhstan and all of its operations are located in the Republic of Kazakhstan. None of the Bank's directors or executive officers is a resident of the United States and all of the Bank's assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Bank or such persons or to enforce against any of them judgments of U.S. federal or state courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States.

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

STABILISATION

In connection with the Global Offer, Credit Suisse Securities (Europe) Limited, as stabilising manager (the "Stabilising Manager"), or any person acting on behalf of the Stabilising Manager, may over-allot GDRs or effect transactions with a view to supporting the market price of the GDRs at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Such transactions may be effected on the London Stock Exchange or any other securities market, over the counter market, stock exchange or otherwise. Any stabilisation action may begin on or after the announcement of the Offer Price and, if begun, may be ended at any time, but it must end no later than 30 days after the announcement of the Offer Price. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules. Save as required by law, the Stabilising Manager does not intend to disclose the extent of any over-allotments and/or stabilisation transactions under the Global Offer or the amount of any long or short positions.

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Until 31 December 2003, the Bank was required to maintain its books of account in Tenge in accordance with the relevant laws and regulations in Kazakhstan, including the regulations of the National Bank of Kazakhstan (the "NBK"). Since 1 January 2003, the Bank has been required to maintain its books of account and prepare its accounts for regulatory purposes in accordance with International Financial Reporting Standards ("IFRS"). Since 1 January 2004, the Bank has been required to comply with the requirements of the Agency of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") (collectively, "Kazakhstan Regulations" or "Prudential Norms"). If not otherwise specified, for the sake of the financial analysis and management discussion herein, the term "the Bank" shall mean Joint Stock Company Halyk Savings Bank of Kazakhstan and its consolidated subsidiaries.

The Bank's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003 have been prepared in accordance with IFRS. The Bank's audited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2006 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The Bank's audited consolidated financial statements as at and for the years ended 31 December 2005, 2004 and 2003 and audited interim condensed consolidated financial statements for the nine months ended 30 September 2006 were audited by Ernst & Young LLP, independent auditors ("Ernst & Young"), whose audit reports for the respective periods are included elsewhere in this Prospectus. See the consolidated financial statements, including the relevant notes thereto, included elsewhere in this Prospectus and "Operating and Financial Review".

The consolidated financial statements of the Bank set out in this Prospectus have been prepared in conformity with IFRS, which in certain respects differ significantly from generally accepted accounting principles in the United States ("US GAAP"). The organisations that promulgate IFRS and US GAAP have projects ongoing that could result in additional differences in the future.

The consolidated financial statements of the Bank prepared in conformity with IFRS have not been reconciled to US GAAP and this Prospectus does not attempt to identify any differences between IFRS and US GAAP. It is possible that the net effect of differences between the application of IFRS and US GAAP may be, individually or in the aggregate, material. If any such reconciliation were performed or an attempt were made to identify relevant differences between IFRS and US GAAP as they apply to the Bank, particular financial statement items that are presented under US GAAP could vary materially and adversely from the corresponding items as presented under IFRS.

In making an investment decision, potential investors must rely upon their own examination of the Bank, the terms of the Global Offering and the financial information included in this Prospectus, and should consult their own professional advisers for an understanding of the differences between IFRS and US GAAP and how these differences might affect the financial information in this Prospectus.

In this Prospectus, references to "Tenge" or "KZT" are to Kazakhstan Tenge, the lawful currency of Kazakhstan; references to "U.S. Dollars" or "U.S.$" are to United States Dollars, the lawful currency of the United States; references to "RUR" or "Russian Roubles" are to Russian Roubles, the lawful currency of the Russian Federation; references to "SOM" are to the lawful currency of the Kyrgyz Republic; and references to "Euro" or "€" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam. References to "Kazakhstan", the "Republic" or the "State" are to the Republic of Kazakhstan; references to the "Government" are to the government of the Republic of Kazakhstan; and references to the "CIS" are to the Commonwealth of Independent States. On 30 September 2006, the RUR/U.S.$ exchange rate as reported by the Central Bank of the Russian Federation was RUR 26.78 per U.S.$1.00. On 30 September 2006, the SOM/U.S.$ exchange rate as reported by the National Bank of the Kyrgyz Republic was SOM 39.24 per U.S.$1.00.

Solely for the convenience of the reader, this 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 of such balance sheet (or, if no such rate was quoted on such date, the immediately preceding date) 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 relate, in each case calculated in accordance with the exchange rate for U.S. Dollars on the Kazakhstan Stock Exchange ("KASE") as reported by the NBK. On 31 December 2005, the exchange rate for U.S. Dollars on the KASE as reported by the NBK was KZT 133.98 per U.S.$1.00 and the average exchange rate for the year ended 31 December 2005 as reported by the NBK was KZT 132.88 per U.S.$1.00. On 30 September 2006, the exchange rate for U.S. Dollars on the KASE as reported by the NBK was KZT 127.12 per U.S.$1.00 and the average exchange rate for the nine months ended 30 September 2006 as reported by the NBK was KZT 122.32 per U.S.$1.00. On 14 December 2006, the exchange rate for U.S. Dollars on the KASE as reported by the NBK was KZT 127.98 per U.S.$1.00. For further details of applicable exchange rates, see the consolidated financial statements included herein.

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

The Bank has obtained certain statistical and market information that is presented in this Prospectus on such topics as the Kazakhstan banking sector and the Kazakhstan economy in general and related subjects from certain third-party sources such as the FMSA or the NBK and the publicly available annual reports of some of its competitors. This third-party information is presented in the "Summary", "Risk Factors", "Business of the Bank", "The Banking Sector in Kazakhstan" and "Operating and Financial Review". The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the Bank's estimates are based on such third-party information. Neither the Bank nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Official data published by Kazakhstan governmental or regional agencies may be substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the FMSA or the NBK, may be produced on different bases than those used in more developed countries. Any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Unless otherwise indicated, interest rates herein are expressed on an annual basis.

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

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

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

Factors that might affect such forward-looking statements include, amongst other things:

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

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

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

The Bank's management has set certain medium-term targets for profitability ratios, which are set out in "Operating and Financial Review". No assurance can be given as to whether or when the Bank can or will attain these objectives.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system; however, in April 1999, the NBK and the Government of Kazakhstan publicly announced that they would cease to intervene in the foreign exchange markets, allowing the Tenge to float freely. As a result, the Tenge depreciated from a pre-announcement rate of KZT 88 per U.S. Dollar to a rate of approximately KZT 130 per U.S. Dollar in May 1999. For the next three years, the Tenge generally continued to depreciate in nominal terms against the U.S. Dollar, although since 2002 it has, overall, strengthened against the U.S. Dollar.

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

Year ended 31 December	Period end	Average(1)	Low	High
2000	144.50	142.13	144.50	138.20
2001	150.20	146.74	150.20	145.00
2002	155.60	153.28	155.60	150.60
2003	144.22	149.50	155.89	143.66
2004	130.00	136.07	143.33	130.00
2005	133.98	132.88	136.12	129.83
2006				
January	132.17	133.13	133.85	132.05
February	130.30	131.40	132.37	130.30
March	128.45	128.76	130.35	127.40
April	124.42	126.94	128.95	122.92
May	121.48	122.62	124.42	121.00
June	118.69	119.76	121.26	118.26
July	118.41	118.13	118.49	117.25
August	125.24	122.63	125.24	118.41
September	127.22	126.20(2)	127.22	125.32
October	127.82	127.66	127.86	127.22
November	127.98	127.93	127.99	127.84
December (to 14 December)	127.98	127.97	128.02	127.93

Notes:

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

(2) As at 30 September 2006, the average rate for the preceding nine months was KZT 122.32.

The daily average KZT/U.S. Dollar exchange rate on the KASE, as reported by the NBK, on 14 December 2006 was KZT 127.98 per U.S.$1.00.

Exchange Controls

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

In 2005, a new law on currency regulation was adopted by the Kazakhstan Parliament, which has significantly simplified rules applicable to currency operations. Under this new law, only particular types of currency operations require licensing, registration or notification. In particular, with respect to most banks' cross-border operations, banks are only obliged to provide notification to the NBK, without the need to register such operations.

Capital in-flows are registered and monitored for statistical purposes only, but are not restricted. No NBK licence is currently required to open accounts in foreign banks for a Kazakhstan financial organisation in connection with transactions involving financial instruments on international securities markets or a Kazakhstan legal entity 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.

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SUMMARY

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

Prospective investors should carefully read the entire document, including the consolidated financial statements and related notes, before making an investment decision. In particular, prospective investors should consider carefully the factors set forth under the heading "Risk Factors".

Overview of the Business

The Bank is one of Kazakhstan's leading financial services groups, with the largest customer base and distribution network of any bank in Kazakhstan. The Bank is developing as a universal financial services group offering a broad range of services (banking, pensions, insurance, leasing, brokerage and asset management) to its retail, small- and medium-enterprise ("SME") and corporate customers.

The Bank's history dates back to the opening of a branch of the Soviet Sberbank (the Savings Bank of the former Soviet Union) in 1923. The Bank became a separate legal entity wholly owned by the Republic of Kazakhstan in 1993 and, in 1998, was reorganised into an open joint stock company with an unlimited duration. The Bank was privatised in a series of transactions between 1998 and 2001.

As at 30 September 2006, according to statistics published by the FMSA, the Bank had the largest retail deposit base in Kazakhstan (with a 21.7 per cent. market share), as well as the largest portfolio in the fast-growing mortgage loan market (a 21.8 per cent. market share) and had issued the largest number of payment cards (a 50.1 per cent. market share). In addition, the Bank was also the third largest bank in Kazakhstan in terms of total assets. As at 30 September 2006, amounts due to the Bank's retail customers were KZT 207,511 million while total amounts due to customers were KZT 481,631 million, mortgage loans were KZT 97,248 million while total gross loans were KZT 540,613 million and total assets were KZT 797,012 million. For the nine months ended 30 September 2006, the Bank had net income after income tax expense of KZT 18,263 million and operating income (net interest income plus net fees and commissions and other non-interest income) was KZT 40,072 million. As at 30 September 2006, total shareholders' equity was KZT 86,708 million.

As at 30 September 2006, the Bank had approximately 5.9 million retail customers (the largest customer base in Kazakhstan), approximately 62,000 SME customers and approximately 300 corporate customers. With the most extensive retail distribution network in Kazakhstan, the Bank, as at 30 September 2006, served its customers through 593 retail outlets, including regional and district branches in all 14 regions of Kazakhstan, as well as through some 700 ATMs, the largest ATM network in Kazakhstan. Other distribution channels used by the Bank include the Internet and mobile banking and in-store points of sale located at certain shopping centres and supermarkets in Kazakhstan. In addition, the Bank also uses the distribution channels established by some of its other business lines, principally the pensions and insurance businesses.

The Bank operates in three core business lines: retail, SME and corporate banking. Through subsidiary companies, the Bank's operations also include pensions, insurance, leasing, brokerage and asset management. According to FMSA statistics as at 30 September 2006, the Bank's pension fund business had the largest market share in Kazakhstan (27 per cent.), and the Bank believes its insurance business had the largest network in the country.

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, traveller's cheques, currency exchange, Internet and mobile banking and ATM services. The Bank's corporate banking business provides a range of wholesale banking products and services (including loans, payroll services and cash management) to corporate and SME business customers, financial institutions and Government entities.

Shares of the Bank were first listed on the Kazakhstan Stock Exchange ("KASE") in 1998. As at 30 September 2006, Holding Group Almex JSC ("Almex") owned 82.7 per cent. of the voting shares of the Bank. (See "Principal Shareholders".)

Strengths

The Bank has the following competitive strengths, which it believes will enable it to retain and strengthen its position as a leading Kazakhstan universal financial services group:

- Largest retail customer base, giving the Bank a strong position to capture future growth and fee and commission income.
- Largest branch network in Kazakhstan, enabling the Bank to benefit from further rapid growth in the regions and opportunities for cross-selling.
- Leading universal financial services group offering a broad product range.
- Demonstrated ability to manage growth while achieving high returns on equity.
- High quality assets balanced with diversified funding sources.
- Experienced management team with a proven track record.
- Widely recognised and trusted brand.

Strategy

The Bank's strategy is to retain and strengthen its position as a leading Kazakhstan universal financial services group offering a broad range of products to retail, SME and corporate customers and to benefit from the anticipated growth in the Kazakhstan economy. In addition to developing its core banking business in Kazakhstan and neighbouring countries, management is focused on expanding and cross-selling the Bank's other businesses such as pensions, insurance, leasing, brokerage and asset management. Key elements of the Bank's strategy are summarised below:

- Maintain number one position in the Kazakhstan retail banking market to capture growth in Kazakhstan.
- Expand the Bank's high-margin SME banking platform.
- Further develop the Bank's corporate banking franchise through a wider product range.
- Maintain and develop the Bank's leading distribution network.
- Leverage the Bank's universal banking platform to maximise cross-selling of products and services and to increase its customer base.
- Selectively expand into attractive neighbouring markets.
- Continue to raise standards to achieve operational excellence and efficiency.

Kazakhstan's Economy

The Republic of Kazakhstan is located in Central Asia and covers an area of 2,724,900 sq. km (1,049,150 sq. miles), roughly the size of Western Europe. Kazakhstan is the second largest republic of the former Soviet Union after Russia, and the ninth largest country in the world. It is bordered by Russia to the north, the Caspian Sea to the west, Turkmenistan, Uzbekistan and the Kyrgyz Republic to the south, and China to the east. The population of Kazakhstan is approximately 15 million.

Kazakhstan is rich in natural resources, with vast reserves of oil and natural gas, major coal deposits, and precious and base metals. In addition, Kazakhstan has considerable agricultural potential in both grain and livestock production.

Kazakhstan has made significant progress towards creating a market economy since its independence in 1991. Along with other liberalising economic measures, the Government has created a favourable regime for direct foreign investment and begun a privatisation programme. The country has attracted significant foreign investment since 2000, amounting to some U.S.$15 billion up to 30 June 2006.

The Kazakhstan economy has expanded by over 9 per cent. each year since 2000. The National Fund, established in 2000 to accumulate and manage excess oil revenues, had U.S.$13,472 million under management as at 30 September 2006 and, jointly with the NBK, managed foreign exchange reserves amounting to U.S.$24,986 million.

Consumer price inflation averaged 6.4-6.6 per cent. in the period from 2001 to 2005. Inflation in Kazakhstan has been influenced by economic growth, notably strong domestic demand and increased liquidity in the financial sector. Strong oil export revenues and bank credit growth also continue to boost liquidity.

The Banking Sector in Kazakhstan

Kazakhstan has a two-tier banking system, with the NBK (the central bank of Kazakhstan) comprising the first tier and all other commercial banks the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed by the FMSA and are regulated by both the NBK and the FMSA. Both the NBK and the FMSA are independent institutions reporting directly to the President of Kazakhstan.

There are currently 34 banks operating in Kazakhstan, excluding the Development Bank of Kazakhstan ("DBK") and the NBK, of which 14 banks have foreign ownership. Following reforms in the mid-to-late 1990s, banking sector assets have increased from KZT 816 billion at 31 December 2001 to KZT 6,578 billion as at 30 September 2006. (See "The Banking Sector in Kazakhstan".)

Risk Factors

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

Risk factors relating to the Republic of Kazakhstan

- Most of the Bank's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Bank is largely dependent on the economic and political conditions prevailing in Kazakhstan.
- Uncertainty over the outcome of the implementation of further market-based economic reforms may impose risks.
- There are risks associated with the underdevelopment and evolution of the legislative, tax and regulatory framework in Kazakhstan.
- Changes in exchange rate policies in Kazakhstan may impose risks on the Bank.
- The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Bank may be affected by oil price volatility.
- Kazakhstan has a less developed securities market than the United States, the United Kingdom and the rest of Western Europe, which may hinder the development of the Kazakhstan economy.
- Financial instability in any emerging market could cause the price of the Bank's Shares and the GDRs to suffer.

Risk factors relating to operating within the Kazakhstan Banking Sector

- Laws and regulations regarding the Kazakhstan Banking Sector have only recently been brought into force, are not as developed as in many Western countries and may change rapidly and unexpectedly, which may impose risks on the Bank.
- The Bank depends on its banking and other licences.
- The proposed reform of the international capital adequacy framework could increase the Bank's borrowing costs.
- New anti-monopoly legislation has recently been enacted in Kazakhstan and its impact on the Bank is uncertain.

Risk factors relating to the Bank

- The Bank's rapid growth subjects it to numerous risks, including those in relation to maintenance of asset quality.

- The Bank faces significant competition, which may increase in the future and have an adverse impact on the Bank.
- Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank.
- The Bank has depended and will depend on its principal shareholder for support.
- Almex owns a substantial percentage of the Bank's shares and its interests may differ from the interests of the Bank's other shareholders and the holders of the GDRs.
- The Bank is exposed to a number of market risks, including interest rate risk resulting from mismatches between the interest rates on its interest-bearing liabilities and on its interest-earning assets and foreign currency exchange risk resulting from fluctuations in the prevailing foreign currency exchange rates.
- The Bank depends on net interest income and its net interest margin, any decline in which may adversely affect the Bank's profitability.
- Concentrations of the Bank's loan and deposit portfolio subjects it to risks from default by its larger borrowers, from exposure to particular sectors of the Kazakhstan economy and withdrawal of large deposits.
- The lack of accurate statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess customer credit risks accurately.
- The Bank may not be successful in implementing its strategic plans.
- The Bank's success depends on its ability to recruit and retain key personnel.
- The Bank's accounting systems are not as sophisticated or robust as those of companies with a longer history of compliance with IFRS and material weaknesses in the Bank's internal controls have been identified by the Bank's independent auditor.
- The Bank's banking business entails operational risks which may have a material adverse effect on the Bank's financial condition or results of operations.
- Any failure or interruption in or breach of the Bank's information systems, and any failure to implement properly or update such systems, may have a material adverse effect on the Bank's financial condition or results of operations.
- The Bank's measures to prevent money laundering may not be completely effective.

Risk factors relating to the Bank's Shares and GDRs

- There are restrictions and prohibitions under Kazakhstan law on the ownership of and exercise of shareholders' rights (including voting rights) with respect to the GDRs and the Shares.
- The financial markets in Kazakhstan are less developed than in Western jurisdictions and there may be limited or no liquidity with respect to the Shares underlying the GDRs.
- Sales, or the real or perceived possibility of sales, of a significant number of Shares in the public market could adversely affect prevailing market prices for the Shares and GDRs.
- If no trading market develops for the GDRs, investors may experience difficulties in selling the GDRs.
- Shareholders wishing to deposit Shares into the depositary facility and convert them into GDRs will require FMSA consent before making such deposit.
- Shares and GDRs may be subject to market price volatility and the market prices of Shares and GDRs may decline disproportionately in response to adverse developments that are unrelated to the Bank's operating performance.
- U.S. and some other non-Kazakhstan holders of the Bank's Shares or GDRs may not be allowed to exercise pre-emptive rights or such rights may not be exercisable by holders of GDRs.
- There is a risk that GDR holders may be subject to taxation in Kazakhstan.

- As the Shares underlying the GDRs are quoted in Tenge in Kazakhstan, investors may be subject to potential losses arising out of exchange rate risk on the Kazakhstan Tenge and risks associated with the conversion of Tenge proceeds into foreign currency.
- There are restrictions on the number of Shares for which GDRs may be exchanged.
- Potential investors will experience an effective dilution of their shareholding as a result of the ordinary shares issued in the Rights Issue following the Global Offer.
- If the Rights Issue is not completed, the Bank may not receive and retain the proceeds from the Rights Issue and the Bank's shareholding structure may differ substantially from what is currently contemplated.

Summary Financial and Other Information

The following table sets out summary financial information extracted from the consolidated financial statements as at the dates indicated.

	As at 30 September 2006	As at 31 December 2005	As at 31 December 2004	As at 31 December 2003
		(KZT millions)		
Loans to customers	504,383	411,097	254,590	163,888
Total assets	797,012	559,665	393,254	249,523
Amounts due to customers	481,631	320,630	231,501	154,846
Total liabilities	710,304	495,221	357,686	227,727
Total common shareholders' equity	70,134	49,204	32,876	19,119
Total shareholders' equity	86,708	64,444	35,568	21,796

	Nine months ended 30 September		Years ended 31 December		
	2006	2005	2005	2004	2003
			(KZT millions)		
Net interest income	22,839	11,555	19,259	12,237	10,637
Net fees and commissions	14,403	11,021	15,248	9,318	6,803
Operating income(1)	40,072	26,188	38,926	24,620	20,259
Net income attributable to common shareholders(2)	16,555	10,163	14,200	7,756	7,109
Total net income	18,263	11,440	15,828	8,093	7,498

Notes:

(1) Operating income is net interest income, plus net fees and commissions and other non-interest income.

(2) Comprises net income after income tax expense, less minority interest and dividends paid to preferred shareholders.

Use of Proceeds

The proceeds attributable to the Selling Shareholder from the Global Offer will be U.S.$680,000,000 assuming no sale of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters' Put Option in full, or U.S.$748,000,000 assuming that the Underwriters sell the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option. The Selling Shareholder has agreed to apply for at least its pro rata entitlement to New Shares offered in the Rights Issue.

The Bank intends to use the proceeds from the subscription of New Shares in the Rights Issue to increase its core capital, thereby supporting its growth strategy. The Bank will not receive any proceeds from the sale of GDRs other than to the extent that the proceeds received by the Selling Shareholder may be used to subscribe for New Shares in the Rights Issue. Assuming all 55,000,000 New Shares are subscribed in the Rights Issue, the Bank will receive gross proceeds of approximately U.S.$220,000,000.

The Bank has agreed to pay certain expenses in an amount of approximately U.S.$1,600,000 in connection with the Global Offer.

SUMMARY OF THE GLOBAL OFFER

The Bank	Joint Stock Company Halyk Savings Bank of Kazakhstan.
Selling Shareholder	Holding Group Almex JSC.
The Global Offer	Almex is offering 170,000,000 Shares represented by 42,500,000 GDRs, assuming no Over-Allotment GDRs are offered; if the Underwriters sell the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option, Almex will be offering in aggregate 187,000,000 Shares represented by 46,750,000 GDRs. The GDRs are being offered in the United States to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and outside the United States and the Republic of Kazakhstan to certain persons in offshore transactions in reliance on Regulation S. The GDRs will be issued by Deutsche Bank Trust Company Americas, as depositary.
The Shares	As of 1 December 2006, the Bank's authorised and issued share capital consisted of 925,169,414 Shares, 24,742,000 non-voting preferred shares (the "Non-Voting Preferred Shares") and 80,225,222 non-voting convertible (at the option of the Bank) preferred shares (the "Non-Voting Convertible Preferred Shares," which together with the Non-Voting Preferred Shares, are the "Preferred Shares"). In addition, the Bank had 3,847,246 ordinary shares in treasury.
The GDRs	Each GDR represents four Shares. The GDRs will be issued by the Depositary pursuant to a deposit agreement (the "Deposit Agreement") between the Bank and the Depositary expected to be dated 20 December 2006. The GDRs will be evidenced initially by a Master Regulation S GDR and a Master Rule 144A GDR.
	Except in the limited circumstances described herein, definitive certificates will not be issued to holders in exchange for interests in the GDRs represented by the Master GDRs. Subject to the terms of the Deposit Agreement, interests in the Master Regulation S GDR may be exchanged for interests in the corresponding number of GDRs represented by the Master Rule 144A GDR, and vice versa.
Offer Price	U.S.$16.00 per GDR.
Expected Closing Date	20 December 2006.
Over-Allotment	In connection with the Global Offer, Almex will sell 4,250,000 GDRs (the "Over-Allotment GDRs") (equivalent in size to 10 per cent. of the Global Offer) to the Underwriters for the purpose of making over-allotments and to conduct stabilisation activities in the GDRs. Under the over-allotment structure, Almex has granted the Underwriters a put option (the "Underwriters' Put Option"), exercisable for a period of up to 30 days from the commencement of dealings in the GDRs on the LSE, to put back to Almex any Over-Allotment GDRs.
The Rights Issue	The Bank intends to undertake an offering of 55,000,000 New Shares to holders of Shares as at a record date expected to be shortly after 14 December 2006 (but in any event before the Closing Date). (See "Details of the Rights Issue".) The Selling Shareholder will, prior to the Closing Date, exercise its rights to take up at least its pro rata entitlement to the New Shares. Holders of GDRs subscribed for in the Global Offer will not be eligible to participate in the Rights Issue.
Lock-up	The Bank and Almex have agreed, subject to certain exceptions, not to offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of, directly or indirectly, any Shares or GDRs or

securities convertible or exchangeable into or exercisable for any Shares or GDRs for a period of 180 days from the Closing Date, without the prior written consent of the Underwriters. (See "Details of the Global Offer — Lock-up Arrangements".)

Transfer and Ownership Restrictions . . . . The Shares and the GDRs will be subject to certain restrictions on transfer. (See "Terms and Conditions of the GDRs", "Summary of Provisions Relating to the GDRs while in Master Form", "Description of Share Capital and Certain Requirements of Kazakhstan Law", "Details of the Global Offer" and "Selling and Transfer Restrictions".) These restrictions include limitations on the ability of legal entities registered in, or with affiliated entities registered in, certain specified jurisdictions or individual shareholders participating in companies registered in such jurisdictions to own Shares or to withdraw Shares represented by GDRs and restrictions on shareholders depositing their Shares into or withdrawing their Shares from the depositary facility. (See "Risk Factors — Risk Factors relating to the Bank's Shares and GDRs — There are restrictions and prohibitions under Kazakhstan law on the ownership of and exercise of shareholders' rights (including voting rights) with respect to the GDRs and the Shares".)

Voting . . . . The Deposit Agreement contains arrangements allowing holders of GDRs to vote the underlying Shares in accordance with Kazakhstan law, which requires disclosure as to beneficial ownership and restricts, amongst other things, certain entities registered in, or with affiliated entities registered in, certain specified jurisdictions or individual shareholders participating in companies registered in such jurisdictions from voting. Holders of Shares are generally entitled to one vote per Share at a shareholders' meeting. (See "Terms and Conditions of the GDRs — Voting of Shares" and "Description of Share Capital and Certain Requirements of Kazakhstan Law — Summary of the Charter — General meetings" and "— Disclosure of beneficial ownership".)

Listing and Market for the Shares and GDRs . . . . The Shares are listed on the KASE. Application has been made to the UK Listing Authority for 60,000,000 GDRs to be admitted to the Official List. The GDRs are expected to be admitted to trading on the LSE's market for listed securities through the IOB under the symbol HSBK. Application has also been made to have the Rule 144A GDRs designated eligible for trading in PORTAL.

It is expected that Admission will become effective and unconditional dealings in the GDRs on the LSE will commence on 20 December 2006. Prior to that time, it is expected that conditional dealings in the GDRs will commence on 14 December 2006 and that the earliest date for settlement of these dealings will be 20 December 2006.

Settlement Procedures . . . . . Payment for the GDRs is expected to be made in U.S. Dollars in same-day funds through the facilities of DTC, Euroclear and Clearstream. The Depositary has applied to have the Regulation S GDRs accepted into the settlement systems of Euroclear and Clearstream and to have the Rule 144A GDRs accepted into DTC's book-entry settlement system.

The Master Regulation S GDR will be deposited with the Common Depositary, and registered in the name of BT Globenet Nominees Limited, as nominee for such Common Depositary.

	The Master Rule 144A GDR will be held in book-entry form and will be issued to DTC and registered in the name of Cede & Co., as nominee for DTC. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the corresponding Master GDR only through DTC, Euroclear or Clearstream whether directly or through DTC participants. Transfers within and between DTC, Euroclear and Clearstream will be in accordance with their usual rules and operating procedures. (See "Settlement and Transfer".)
Dividend Policy	There is no guarantee that any future dividends will be declared or paid and the Bank has no stated policy as to payment of dividends. (See "Dividend Policy")
General Information	LSE GDR trading symbol: "HSBK" <u>Regulation S GDRs</u> CUSIP: 46627J302 ISIN: US46627J3023 Common Code: 027760325 <u>Rule 144A GDRs</u> CUSIP: 46627J203 ISIN: US46627J2033 Common Code: 027760511 PORTAL Rule 144A GDR trading symbol: JSTHHKYP

RISK FACTORS

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

Risk factors relating to the Republic of Kazakhstan

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

Most of the Bank's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Bank is largely dependent on the economic and political conditions prevailing in Kazakhstan

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has experienced significant change as it emerged from a single-party political system and a centrally controlled command economy to a market-oriented, democratic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation 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 some other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims. Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in the regional markets may adversely impact Kazakhstan's economy.

Since independence, Kazakhstan has had only one President. Under the current constitution, Mr. Nazarbayev is not eligible for re-election in the next scheduled election in late 2012. Any uncertainty in relation to succession could have an adverse effect on the Kazakhstan economy which could, in turn, adversely affect the Bank's business and financial condition or results of operations.

Although Kazakhstan has in the recent past enjoyed relative stability, it could be adversely affected by political unrest in the Central Asian region. Also, in common with other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or by military or other action taken against sponsors of terrorism in the region.

According to figures compiled by the Kazakhstan National Statistics Agency, gross domestic product ("GDP") has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5 per cent. in 2001, 9.8 per cent. in 2002, 9.2 per cent. in 2003, 9.6 per cent. in 2004, 9.4 per cent. in 2005 and growth of 9.5 per cent. is expected in 2006 (Source: Economist Intelligence Unit). However, there can be no assurance that GDP will continue to grow and any decrease in GDP or in the rate of GDP growth in subsequent years could adversely affect Kazakhstan's economic development which could, in turn, materially and adversely affect the Bank's business and financial condition or results of operations.

Uncertainty over the outcome of the implementation of further market-based economic reforms may impose risks

The need for substantial investment in many enterprises has driven the Government's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain large oil and gas producers, mining companies and the national telecommunication company.

However, there remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the significant size of the shadow economy may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatisation process. However, there can be no assurance that these measures will be effective or that any failure to implement them may not materially and adversely affect the Bank's business and financial condition or results of operations.

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

Although a large volume of legislation has come into force since early 1994, including a new tax code, laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in Kazakhstan (although one of the most developed among the countries of the former Soviet Union) is still at a relatively early stage of development compared to countries with established market economies. The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces: there have been instances of improper payments being made to public officials; court decisions can be difficult to predict; and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

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

It is expected that the tax legislation in Kazakhstan will continue to evolve, which may result in additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Bank's business and financial condition and on the results of operations of companies operating in Kazakhstan and there can be no assurance that any tax legislation passed in the future will not materially and adversely affect the Bank's business and financial condition or results of operations.

In 2001, Kazakhstan introduced its first corporate governance code, the Kazakhstan Corporate Management Code, which became binding for companies listed on the KASE in 2003. However, the Kazakhstan legal system continues to suffer from a lack of effectiveness and fails to provide adequate support for strong corporate governance practices. In addition, as a joint stock company incorporated in Kazakhstan, the Bank is not required to comply with the UK Combined Code on Corporate Governance (the "UK Combined Code") principles on corporate governance or similar standards of other European Union member states or the United States.

Changes in exchange rate policies in Kazakhstan may impose risks on the Bank

The Tenge is convertible for current account transactions, although it is not a fully convertible currency for capital account transactions outside Kazakhstan. Between 1991, when Kazakhstan began its transition to a market-based economy, and April 1999, the NBK maintained a managed exchange rate policy which, although permitting the general trend in the exchange rate to reflect market conditions, involved official intervention aimed at limiting fluctuations. Depressed export markets in 1998 and early 1999, however, caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the authorities instituted a number of expenditure cuts and took revenue increasing measures and, in April 1999, the NBK adopted a floating rate exchange policy for the Tenge. The Tenge fell by 64.6 per cent. against the U.S. Dollar in the year ended 31 December 1999, compared to a depreciation of 10.7 per cent. in the year ended 31 December 1998. Following the adoption of a floating exchange rate policy, the Tenge continued to depreciate in value against the U.S. Dollar, although at a much slower rate, and in 2006 there was some appreciation against the U.S. Dollar. (See "Exchange Rate and Exchange Controls".) As at 30 September 2006, the official KZT/U.S. Dollar exchange rate reported by the NBK was KZT 127.22 per U.S.$1.00. Exchange rates may also be affected by the levels of inflation in Kazakhstan as high rates of inflation tend, over time, to lead to a depreciation of currency.

While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK's policy will not change and any subsequent decision to support the exchange rate could have an adverse impact on Kazakhstan's public finances and economy, which would, in turn, have an adverse effect on the Bank's business and financial condition or results of operations.

The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Bank may be affected by oil price volatility

Countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and oil products and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by 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. In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility on earnings from U.S. Dollar-denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. Dollar relative to other currencies might have a material adverse effect on the Kazakhstan economy, which would, in turn, have an adverse effect on the business, financial condition and results of operations of the Bank.

Kazakhstan has a less developed securities market than the United States, the United Kingdom and the rest of Western Europe, which may hinder the development of the Kazakhstan economy

An organised securities market was only established in Kazakhstan in the mid-to-late 1990s 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 not as well developed in Kazakhstan, or as strictly enforced, compared to the United States, the United Kingdom and the other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan entities, such as the Bank, may be publicly available to investors in securities issued or guaranteed by such entities than are available to investors in entities organised in the United States, the United Kingdom or the remainder of Western Europe.

Financial instability in any emerging market could cause the price of the Bank's Shares and the GDRs to suffer

Financial instability in any emerging market country tends to adversely affect prices in stock markets and prices for securities of some or all other emerging market countries as investors move their money to more developed markets that they perceive to be more stable. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Kazakhstan and adversely affect the Kazakhstan economy. In addition, during such times, emerging market companies can face severe liquidity constraints if foreign funding sources are withdrawn. Thus, even if the fundamentals of the Kazakhstan economy remain relatively sound, financial instability in any other emerging market country could materially and adversely affect the Bank's business and/or the price of the Shares and the GDRs.

Risk factors relating to operating within the Kazakhstan banking sector

Laws and regulations regarding the Kazakhstan banking sector have only recently been brought into force, are not as developed as in many Western countries and may change rapidly and unexpectedly, which may impose risks on the Bank

The Bank operates in a highly regulated environment; however, like most of Kazakhstan's legislation regarding business activities, Kazakhstan's laws regarding banks and banking activities have only been adopted relatively recently and are subject to change and development, which could, in certain cases, be rapid and unexpected. It is difficult to forecast how changes in banking and financial regulation may affect the Kazakhstan banking system, and no assurance can be given that the regulatory system will not change in a way that will impair the Bank's ability to provide a full range of banking and financial services or to compete effectively, thus materially and adversely affecting the Bank's financial condition or results of operations.

In addition, notwithstanding regulatory standards in Kazakhstan, prospective investors should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the relevant regulators may differ from those applicable to banking operations in countries with more developed regulatory regimes. As a result, investors may not have the benefit of all of the protections available in such other countries.

The future implementation by the FMSA of the recommendations of the Basle II committee may impose constraints on the Bank's business which may materially and adversely affect the Bank's business and financial condition or results of operations. (See "The Banking Sector in Kazakhstan".)

The Bank depends on its banking and other licences

All banking operations in Kazakhstan require licensing by the FMSA which, in addition, licenses securities, insurance and pension services. The Bank has a current licence for all of its banking and other operations. Although the Bank believes it is currently in compliance with its existing material licence and reporting obligations, there is no assurance that the Bank will be able to maintain such licences in the future. The Bank is subject to periodic unannounced reviews by the FMSA, and in its most recent inspection the Bank was found not to be in full compliance with all FMSA regulations, although the Bank believes that such non-compliance was in respect of matters which are not material. However, the loss of a licence, a breach of the terms of the licence by the Bank or failure to obtain any further required licences in the future for whatever reason could have a material adverse effect on the Bank's financial condition or results of operations. If the Bank loses its general banking licence, the Bank will be unable to perform any banking operations.

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

In 2001, the Basel Committee issued a proposal for a new capital adequacy framework to replace the previous Capital Accord issued in 1988. With regard to the risk weightings to be applied to banks' credit exposures, the Basel Committee proposes replacing the existing approach with a system that would use both external and internal credit assessments for determining risk weightings. It is intended that such an approach will also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to banks, securities firms and corporates. As a result, banks providing loans to the Bank may have higher capital requirements and, therefore, the Bank may be subject, along with other Kazakhstan banks, to higher borrowing costs, which may materially and adversely affect the Bank's financial condition or results of operations.

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

In July 2006, the Kazakhstan Parliament adopted Law No. 173 On Competition and Limitation of Monopoly Activity that has replaced the previous anti-monopoly law. The new law extends the definition of dominant (monopoly) position to include up to three entities, even if they are separate and unrelated, if such entities (i) have the biggest market share and (ii) the sum of their market share is 50 per cent. or more of the entire market. In some product areas, the Bank and its two main competitors may account for more than 50 per cent. of the banking market in Kazakhstan. An entity deemed to have a dominant position may become subject to anti-monopoly review by the Kazakhstan Anti-Monopoly Body and, if it is found to be abusing its dominant position, it may be subject to regulation of prices for its products and other types of restrictions and sanctions. The amended anti-monopoly legislation is new and untested in practice and no guidelines have yet been adopted on how the amended legislation would be implemented and whether it will be applicable to banks. Accordingly, it is uncertain how this legislation will be implemented (in particular as to how relevant market share is defined) and what impact this amended legislation may have on the Bank, if implemented — it is possible that this legislation could have a material adverse effect on the Bank's financial condition and results of operations.

Risk factors relating to the Bank

The Bank's rapid growth subjects it to numerous risks, including those in relation to maintenance of asset quality

The Bank's net loan portfolio as at 30 September 2006 was KZT 504,383 million compared to KZT 411,097 million as at 31 December 2005 which in turn represented a 61.5 per cent. increase from KZT 254,590 million in 2004. The significant and rapid increase in the loan portfolio size has increased the Bank's credit exposure and will require continued and improved monitoring by the Bank's management of credit quality and the adequacy of its provisioning levels through the Bank's credit risk management programme. The anticipated increase in the overall level of lending and, in particular, in the level of lending to SMEs as well as to retail customers, may further increase the credit risk faced by the Bank. SMEs and retail customers typically have less financial strength than large companies, historically the Bank's core lending customer base, and negative developments in the Kazakhstan economy could affect these borrowers more significantly than large companies. This could result in higher levels of classified and non-performing loans and, as a result, higher levels of provisioning.

Growth rates such as those experienced by the Bank in the last two years also require the Bank to attract and retain a significant number of qualified personnel, not only to monitor asset quality but also to ensure the appropriate levels of expertise to execute the cross-selling plans of the Bank. In addition, the continued development of relatively new retail and SME credit products requires not only credit assessment skills, but also appropriate risk management and IT systems, some of which have yet to be installed. Failure to manage growth 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 financial condition and results of operations. In addition, the rapid increase of the size of the Bank's loan portfolio will require further equity capital to strengthen the Bank's capital base and any inability to obtain such capital on commercially reasonable terms may materially and adversely affect the Bank's results of operations.

The Bank faces significant competition, which may increase in the future and have an adverse impact on the Bank

Although the Bank believes that it is well positioned to compete in the Kazakhstan banking sector due to its extensive branch network and customer base, it faces competition from a number of existing and prospective participants in the Kazakhstan banking sector. The Bank is subject to competition from both domestic and foreign banks. As at 30 September 2006, there were a total of 34 banks operating in Kazakhstan (excluding NBK and the Development Bank of Kazakhstan ("DBK") both of which are government-owned), of which 14 were banks with foreign ownership, including subsidiaries of foreign banks. Although foreign-owned banks do not currently provide significant domestic competition, some of these institutions have significantly greater resources and cheaper funding sources 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. In addition, regulatory changes may make it easier for foreign banks to increase their market penetration in Kazakhstan. Accordingly, these entities are likely to become competitive with the Bank in the corporate banking sector (and possibly in the retail banking sector) in the longer term. The Bank also expects that DBK, established in 2001, while not licensed to accept deposits or provide transactional services, may become an important competitor in the corporate lending sector. The large number of corporate lenders in Kazakhstan has led banks to find other sources of revenue, primarily in SME and retail banking, where the barriers to entry are lower and a number of the smaller banks are seeking to grow their market share. Moreover, there are relatively few large corporate customers that do not have established banking relationships, which means that competition in this sector is intense. Increased competition may have a material adverse effect on the Bank's financial condition or results of operations. (See "Business of the Bank — Competition" and "The Banking Sector in Kazakhstan".)

Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank

As at 30 September 2006, the Bank's Tier I and total capital adequacy ratios calculated in accordance with FMSA rules were 8.2 per cent. and 15.1 per cent., respectively, compared to the minimum levels of 5 per cent. for Tier I and 10 per cent. for total capital required under the FMSA rules for commercial banks whose shareholder has the status of the parent company of a "conglomerate" under the FMSA rules, as is the case with the Bank. (See "Operating and Financial Review — Capital Adequacy and Liquidity" and "The Banking Sector in Kazakhstan".)

The Bank has depended and will depend on its principal shareholder for support

Although the principal shareholder of the Bank has provided additional capital to the Bank in the past, there is no assurance that this support will continue in the future or that Almex will be able to provide such support. The existing shareholders of the Bank, including the Bank's principal shareholder, have no obligation to inject additional capital in the Bank. In addition, through its ownership of a significant majority of the Bank's voting share capital, Almex has the ability to block any increase in the Bank's capital. Any inability to raise sufficient amounts of capital could substantially limit the Bank's ability to increase the size of its asset base in compliance with applicable capital adequacy requirements and may result in breach of the capital adequacy rules and breach of covenants relating to its capital adequacy contained in certain of its outstanding financing documents. Any such events could materially and adversely affect the Bank's financial condition or results of operations. No assurance can be given that, if the Bank requires a capital increase, the Bank's principal shareholder will approve such increase and/or participate in the subscription for any new shares or otherwise provide financing to the Bank or that the principal shareholder will approve other actions deemed advisable by Management which require shareholders' approval. (See "— Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank".)

Almex's shareholders, Mr. and Mrs. Kulibayev, are, respectively, the son-in-law and daughter of the president of Kazakhstan. Any political uncertainty in Kazakhstan may have a material and adverse effect on Almex and, in turn, the Bank.

Almex owns a substantial percentage of the Bank's shares and its interests may differ from the interests of the Bank's other shareholders and the holders of the GDRs

Due to the size of the ownership interest of Almex, the Bank's principal shareholder (controlled by Mr. Kulibayev and his family), the majority joint shareholders of Almex have the ability to influence significantly the Bank's strategy or business through actions that require approval of the shareholders, including, without limitation, appointment of members of the Board of Directors and any increase in the share capital of the Bank required for funding purposes or otherwise. (See "Principal Shareholders".) There is nothing to prevent the Bank's principal shareholder from engaging in activities that compete directly with the Bank's businesses or activities, which could materially and adversely affect its financial condition or results of operations. The interests of the Bank's principal shareholder may differ significantly from or compete with the Bank's interests or the interests of other shareholders, and there can be no assurance that the Bank's principal shareholder will exercise influence over the Bank in a manner that is in the best interests of the Bank, the Bank's other shareholders or the holders of the GDRs.

In addition, parties directly and indirectly related to Almex and its shareholders have significant transactions and balances with the Bank. (See "Transactions with Related Parties".) A change in the nature of the relationship with these parties could have a material adverse effect on the Bank's financial condition or results of operations.

The Bank is exposed to a number of market risks, including interest rate risk resulting from mismatches between the interest rates on its interest-bearing liabilities and on its interest-earning assets and foreign currency exchange risk resulting from fluctuations in the prevailing foreign currency exchange rates

Although the Bank believes that it has policies and procedures in place together with the appropriately trained staff to measure, monitor and manage both liquidity and market risks, maturity mismatches or any significant volatility in interest rate movements, exchange rates or commodity market prices could have an adverse effect on the Bank's financial condition or results of operations. Management of these risks also requires substantial resources. The failure to appropriately manage risk may materially and adversely affect the Bank's financial condition or results of operations.

The Bank has some open currency exposure and although Kazakhstan regulations set a maximum aggregate currency exposure of 25 per cent. of regulatory capital, to the extent that these risks are not managed correctly, any losses incurred may have a material and adverse effect on the Bank's financial condition or results of operations.

The Bank depends on net interest income and its net interest margin, any decline in which may adversely affect the Bank's profitability

The Bank's net interest margin, which is the net interest income on its average interest earning assets, is a significant factor in determining the Bank's profitability. Net interest margins in Kazakhstan are still generally higher than those in most Western jurisdictions, though interest rates have been declining over the past few years. Interest rates are highly sensitive to many factors beyond the Bank's control, including the reserve policies of the NBK and domestic and international economic and political factors and there can be no assurances that the Bank will be able to protect itself from the negative effects of future interest rate declines. Any declines in the market interest rates as well as increased rates payable on deposits could lead to a reduction in net interest income and net interest margin and materially and adversely affect the Bank's financial condition or results of operations.

Concentrations of the Bank's loan and deposit portfolio subject it to risks from default by its larger borrowers, from exposure to particular sectors of the Kazakhstan economy and withdrawal of large deposits

The Bank's loan portfolio shows industry and borrower concentration. Loans to the Bank's 10 largest customers represented approximately 16 per cent. of the Bank's gross loan portfolio as at 30 September 2006.

As at 30 September 2006, the Bank's exposure to its single largest borrower was KZT 20,170 million, which constituted 3.7 per cent. of the Bank's gross loan portfolio and 19.5 per cent. of its regulatory capital (compared to the statutory maximum of 25 per cent. imposed by the FMSA), as at such date.

In terms of industry concentration, as at 30 September 2006, mortgages, consumer loans, wholesale trade, the construction sector and agriculture accounted for 18 per cent., 15 per cent., 18 per cent., 14 per cent. and 7 per cent., respectively, of the Bank's gross loan portfolio.

The Bank's 10 largest depositors accounted for some 43 per cent. of amounts due to customers as at 30 September 2006 with the two largest depositors accounting for approximately 25 per cent. of amounts due to customers as at the same date. A significant portion of these deposits have been made by parties who are related to the Bank. (See "Transactions with Related Parties".) Although the Bank considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits may have an adverse effect on the Bank's financial condition or results of operations.

A downturn in any of these companies, or in the sectors in which they operate, may negatively impact the financial condition of the companies operating in such sectors, which could have a material adverse effect on the Bank's financial condition or results of operations.

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

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors within it, or corporate or financial information relating to companies or 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 and recognised debt rating reports, 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 difficulties associated with the inability to assess the value of collateral accurately post-enforcement may decrease the accuracy of the Bank's assessments of credit risk. The NBK established a central credit bureau in Kazakhstan in 2004 to facilitate the collection of information and assessment of risk; however, this agency is at a preliminary stage of development and there can be no assurance that this resource will improve the Bank's ability to assess credit risk.

The Bank may not be successful in implementing its strategic plans

According to its strategy, the Bank plans to further expand its revenue base through an increased emphasis on retail and SME banking and other products as well as through selective regional expansion. (See "Business of the Bank — Strategy".)

The expansion of the Bank's business activities to offer new financial products and services exposes it to a number of risks and challenges, including, among others, the following:

- new business activities may require greater marketing and compliance costs than the Bank's traditional services focused on Kazakhstan corporates;
- new business activities may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;
- the Bank may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to its competitors;
- the Bank's competitors, particularly foreign banks, may have substantially greater experience in and resources for the new business activities the Bank wishes to commence, and thus the Bank may not be able to attract customers from its competitors;
- the Bank will need to hire or retrain personnel who are able to supervise and conduct the relevant new business activities, adding significantly to the Bank's cost base; and
- the Bank will need to enhance the capability of its information technology systems to support a broader range of activities and increased retail customer base.

To the extent the Bank further expands its international operations, it will be exposed to additional risks. In particular, it is likely that the Bank will be affected by local licensing and regulations as well as by political and economic developments in other former Soviet Union countries, particularly Russia and the Kyrgyz Republic, such as the recent public unrest and political developments in the Kyrgyz Republic. Any failure to manage such business risks and risks associated with geographic expansion may cause the Bank to incur increased liabilities in respect of such operations. Moreover, the inability of the Bank to successfully integrate and extract value from its newer business areas and acquisitions could adversely affect the Bank's financial condition or results of operations.

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

To meet business challenges and retain the effectiveness of its operations, the Bank must continue to recruit and retain appropriately skilled personnel. The Bank relies on its senior management for the implementation of its strategy and operation of its day-to-day activities. As competition for skilled personnel, especially at the senior management level, is intense, the Bank intends to take additional measures, such as the establishment of a share-based incentive programme, to attract and retain skilled personnel (See "Directors, Senior Management and Corporate Governance — Share Ownership by Management"). If the Bank is unable to retain key members of its senior management and cannot hire new qualified personnel in a timely manner, its financial condition or results of operations could be adversely affected.

The Bank's accounting systems are not as sophisticated or robust as those of companies with a longer history of compliance with IFRS and certain material weaknesses in the Bank's internal controls have been identified by the Bank's independent auditor

Similar to many other companies in emerging markets, the Bank has in the past identified, and may in the future identify, areas of its internal control over financial reporting that need improvement. In connection with its audit by Ernst & Young of the Interim Condensed Consolidated Financial Statements for the nine-month period ended 30 September 2006, Ernst & Young reported material weaknesses in the Bank's internal controls to the Bank's management and proposed recommendations to improve the Bank's internal controls.

Under the applicable international auditing standard, a material weakness is a weakness in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Specifically, Ernst & Young identified weaknesses in the Bank's controls, specifying that the Bank's accounting systems may not be as sophisticated or robust as those banks in jurisdictions with a longer history of compliance with IFRS. In particular:

- the Bank has neither a dedicated IFRS reporting function nor a sufficient number of IFRS specialists for IFRS reporting and, as a result, the Bank's processes to co-ordinate and review the information collected for the preparation of the IFRS financial statements are inadequate as compared with companies with a longer history of compliance with IFRS; and
- the Bank's methodology to assess the allowances for possible loan losses has not been updated to further comply with the recent requirements of IAS 39 "Financial Instruments — Recognition and Measurement" introduced in 2005.

The Bank's auditors considered these deficiencies in determining the nature, timing and extent of the procedures performed as part of the audit of the IFRS Financial Statements. Such deficiencies did not affect their audit opinion on the Interim Condensed Consolidated Financial Statements (see "Audited Consolidated Financial Statements of Joint Stock Company Halyk Savings Bank of Kazakhstan as at and for the nine-month period ended 30 September 2006 — Report of Independent Auditors"). However, the existence of a material weakness could result in material errors in the Bank's financial statements or could delay the Bank's preparation of timely and reliable interim and annual financial statements.

Although it is taking steps to remedy these deficiencies, the Bank may not be successful in remedying these material weaknesses or preventing future material weaknesses. If the Bank is unable to remedy these material weaknesses or prevent future material weaknesses, it may not be able to prevent or detect a material misstatement in its annual or interim IFRS consolidated financial statements.

The Bank's banking business entails operational risks which may have a material adverse effect on the Bank's financial condition or results of operations

The Bank is exposed to operational risk. Operational risk is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Bank is susceptible to and has experienced in the past, among other things, fraud by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems. Given the Bank's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, the Bank's IT systems do not fully support its operations and a number of transactions are processed manually, which may further increase the risk that human error or employee tampering or manipulation will result in losses that may be difficult to detect.

The Bank maintains a system of controls designed to monitor and control operational risk. However, there can be no assurance that the Bank will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, the inadequacy of the Bank's internal processes or systems may result in unauthorised transactions and errors not being detected, or the Bank's insurance may not cover the Bank's losses from such transactions or errors, which may have a material adverse effect on the Bank's financial condition or results of operations.

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

The Bank relies heavily on information systems to conduct its business and is currently upgrading a number of its IT systems, including greater automation of reporting systems and database integration; however, there can also be no assurance that the improved information technology systems will be developed according to schedule or that the new systems will address all of the shortcomings of the current systems.

Furthermore, any failure or interruption in or breach in security of these systems could result in failures or interruptions in the Bank's risk management, deposit servicing and/or loan origination systems or errors in its accounting books and records. Although the Bank has developed back-up systems, currently has two fully equipped disaster recovery centres in Almaty and is in the process of developing a further centre in Astana, and may continue some of its operations through branches in case of emergency, if the Bank's information systems failed, even for a short period of time (for example as a result of the occurrence of a disaster), it might be unable to serve some customers' needs on a timely basis and might lose their business. Likewise, a temporary shutdown of the Bank's information systems may result in the Bank incurring costs associated with information retrieval and verification. In addition, a failure to update and develop the Bank's existing information systems may result in a competitive disadvantage. No assurance can be given that such failures or interruptions will not occur or that the Bank will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions and failure to implement properly any systems could have a material adverse effect on the Bank's financial condition or results of operations.

The Bank's measures to prevent money laundering may not be completely effective

The existence of "black" and "grey" market economies in Kazakhstan, loopholes in legislation and lack of administrative guidance on its interpretation increase the risk of Kazakhstan's financial institutions being used as vehicles for money laundering.

The Bank has implemented measures aimed at preventing it being used as a vehicle for money laundering, including "know your client" policies and the adoption of anti-money laundering and compliance procedures in all its branches. However, there can be no assurance that attempts to launder money at the Bank will not be made or that its anti-money-laundering measures will be completely effective. If the Bank were associated with money laundering or if it were unable to comply with all of the relevant laws regarding financial assistance or money laundering, it could be subject to significant fines as well as harm to its reputation, and its financial condition or results of operations may be materially and adversely affected.

Risk factors relating to the Bank's Shares and GDRs

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

The ownership of voting shares in Kazakhstan banks is subject to certain legislative restrictions under Kazakhstan law. In particular, pursuant to a list prepared by the FMSA (which may be updated from time to time) (a) legal entities registered in certain specified off-shore jurisdictions such as Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria and the Philippines or which have affiliates registered in such jurisdictions (except for international banks having a credit rating of "A" or above from certain rating agencies) or (b) individuals who are participants or shareholders in such legal entities may not directly or indirectly own voting shares in a Kazakhstan bank. Accordingly, holders of GDRs falling under (a) or (b) above and/or who do not disclose the details, among other things, as to their residence will not be entitled to vote through the Depositary at meetings of shareholders, cannot exchange GDRs into Shares and cannot own, hold or dispose of the Shares. Although the Bank has been advised that such restrictions should not prevent a GDR holder registered in any such jurisdiction (or which has an affiliate registered in such jurisdiction) from exercising or benefiting from other rights (including the right to receive dividends and to have the Depositary exercise pre-emptive rights on their behalf such that holders can receive additional GDRs) there is no assurance that the FMSA or any other relevant authority such as a Kazakhstan court will not take a different view thereby restricting all such GDR holders from exercising or benefiting from any such shareholder rights. Moreover, there can be no assurance that the FMSA or any other relevant authority would not interpret the foregoing legislation as restricting such entities or persons from owning GDRs. (See "Description of Share Capital and Certain Requirements of Kazakhstan Law — Summary of the Charter — Disclosure of beneficial ownership.")

The financial markets in Kazakhstan are less developed than in Western jurisdictions and there may be limited or no liquidity with respect to the Shares underlying the GDRs

The trading market for shares in Kazakhstan is currently insignificant and restricted in comparison with Western stock markets, which could lead to the illiquidity of the securities (including the Shares) on the KASE. If there is a trading interruption on the KASE, this could have a negative effect on the price of the underlying shares and indirectly on the GDRs.

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

Sales, or the real or perceived possibility of sales, of a significant number of Shares in the public market could adversely affect prevailing market prices for the Shares and GDRs. Following the Global Offer and the Rights Issue, Almex will hold approximately 63.7 per cent. of the Shares (assuming that the Over-Allotment Put Option is not exercised) and may sell the Shares it owns at any time after the expiration of the 180-day lock-up period from completion of the Global Offer. A minority shareholder, Mr. Tskhai, who owns 7.4 per cent. of the common shares of the Bank prior to the Global Offer and the Rights Issue, has not signed a lock-up agreement. In the absence of any potential lock-up arrangement, Mr. Tskhai could sell his shares at any time. The Bank cannot predict the effect, if any, that market sales of the Shares and GDRs, or the availability of the Shares or GDRs for future sale, will have on the market price of its Shares and the GDRs, but the availability of shares that are eligible for public sale could adversely affect the price of the Shares and the GDRs.

If no trading market develops for the GDRs, investors may experience difficulties in selling the GDRs

The Global Offer represents the first offering of the GDRs. There is no assurance that any active trading market for GDRs will develop or be sustained after the Global Offer or that the Offer Price will correspond to the price at which GDRs will trade in the public market subsequent to the Global Offer.

Shareholders wishing to deposit Shares into the depositary facility and convert them into GDRs will require FMSA consent before making such deposit

Any shareholder wishing to deposit Shares into the depositary facility and convert them into GDRs (including holders of GDRs who have converted their GDRs into Shares and wish to convert back into GDRs) will require the consent of the FMSA for such deposit. There is no minimum shareholding threshold and minority shareholders will therefore also require the FMSA's consent in order to be able to deposit Shares into the depositary facility and receive GDRs. Although the FMSA does not have formal grounds to refuse such consent if application is made in a proper form, there is no guarantee that the FMSA consent will be granted or granted in a timely manner and without cost to the shareholder. Moreover, the lack of free convertibility of Shares into GDRs or the difficulties associated with it may create a pricing differential between the Shares and the GDRs. In particular, former holders of GDRs who have converted their GDRs into Shares may see the value of their investment decline compared to the value it would have retained had the Shares been kept in GDR form.

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

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

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

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

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

There is a risk that GDR holders may be subject to taxation in Kazakhstan

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

As the Shares underlying the GDRs are quoted in Tenge in Kazakhstan, investors may be subject to potential losses arising out of exchange rate risk on the Kazakhstan Tenge and risks associated with the conversion of Tenge proceeds into foreign currency

Investors that purchase GDRs are required to pay for the GDRs in U.S. Dollars. Investors are subject to currency fluctuation risk and convertibility risk since the Shares are quoted in Tenge on the KASE. Dividends on the Shares will also be paid in Tenge, and then converted into U.S. Dollars for distribution to GDR investors. Any depreciation in the Tenge resulting in a decreased value of the Shares or a decreased value of dividend payments could have an adverse effect on holders of the Shares or the GDRs. There can be no assurance that such depreciation will not occur in the future.

There are restrictions on the number of Shares for which GDRs may be exchanged

Pursuant to Kazakhstan Banking Laws, no shareholder may own 10 per cent. or more of the Bank's outstanding Shares without the prior consent of the FMSA. No holder will be able to exchange GDRs for the Bank's Shares if such exchange would result in such holder owning 10 per cent. or more of the Bank's Shares unless such holder has the prior approval of the FMSA. Pursuant to the Deposit Agreement and the terms and conditions of the GDRs, the Depositary will restrict the exchange of GDRs for Shares where the Bank notifies the Depositary that such exchange would result in ownership of Shares exceeding the applicable limit or would otherwise violate applicable laws. In addition, the Bank's share registrar will not record a transfer of Shares if the holding of such Shares by the holder would violate Kazakhstan laws or regulations. Holders who beneficially own more than 10 per cent. of the Bank's outstanding Shares must obtain consent from the FMSA for such ownership interest and notify the FMSA of any changes therein.

Potential investors will experience an effective dilution of their shareholding as a result of the ordinary shares issued in the Rights Issue following the Global Offer

To effect the Rights Issue, the Bank plans to issue ordinary shares to be placed through an open subscription over the period of 30 days, in which placement the Selling Shareholder will participate on the basis of its pre-emptive right as an existing shareholder. The issuance of these ordinary shares will result in an effective dilution to investors purchasing ordinary shares or GDRs in this offering and could adversely affect the market price of the Shares and the GDRs.

If the Rights Issue is not completed, the Bank may not receive and retain the proceeds from the Rights Issue and the Bank's shareholder structure may differ substantially from what is currently contemplated

In the Global Offer, the Selling Shareholder is selling 170,000,000 Shares of the Bank, in the form of GDRs. Prior to the closing of the Global Offer, the Selling Shareholder will irrevocably agree to exercise its pre-emptive right and purchase at least its pro rata portion of approximately 45,485,000 Shares in the Rights Issue that will be launched prior to the Closing Date of the Global Offer. Immediately following the Global Offer, the Selling Shareholder will transfer a substantial portion of the proceeds that it receives from the Global Offer to the Bank in consideration for the Shares to be acquired by the Selling Shareholder pursuant to the Rights Issue. (See "Details of the Rights Issue".) However, under certain circumstances, a regulator or a court of law could invalidate the issuance of these Shares. In addition, the Rights Issue may fail if the Selling Shareholder does not ultimately subscribe for the Shares issued in the Rights Issue or if the relevant authorities do not perform the required registrations or for other reasons.

If the Rights Issue fails and the Bank, the Selling Shareholder and the Underwriters cannot reach an agreement for a lawful and effective transfer of the proceeds that the Bank expects to receive pursuant to the Rights Issue in connection with the Global Offer, the Bank would not receive or retain any proceeds from the Rights Issue in connection with the Global Offer.

CAPITALISATION OF THE BANK

The following table sets out the consolidated capitalisation of the Bank as at 30 September 2006 (i) on an actual basis and (ii) as adjusted to reflect the issuance of the New Shares under the Rights Issue and the completion of the capital increase described below. This information should be read in conjunction with "Use of Proceeds", "Operating and Financial Review", "Selected Consolidated Financial Data" and the Bank's consolidated financial statements, and related notes thereto, included elsewhere in this Prospectus.

	Actual (as at 30 September 2006)		**As adjusted for the Rights Issue and the capital increase authorised on 17 April 2006**(1)	
	(U.S.$ millions)(2)	*(KZT millions)*	*(U.S.$ millions)*(2)	*(KZT millions)*
Liabilities(3)				
Senior long-term debt	1,079.5	137,222	1,079.5	137,222
Subordinated long-term debt	252.5	32,096	252.5	32,096
Total long-term liabilities	1,332.0	169,318	1,332.0	169,318
Shareholders' equity				
Common share capital	155.7	19,787	392.8	49,927
Preferred share capital	123.5	15,705	123.5	15,705
Total share capital(4)	279.2	35,492	516.3	65,632
Share premium reserve	16.7	2,120	16.7	2,120
Treasury shares(5)	(0.3)	(38)	(0.3)	(38)
Retained earnings and other reserves(6)	379.7	48,265	379.7	48,265
Minority interest	6.8	869	6.8	869
Total shareholders' equity	682.1	86,708	919.2	116,848
Common shareholders' equity(7)	*551.7*	*70,134*	*788.8*	*100,274*
Total capitalisation	2,014.0	256,026	2,251.2	286,166

Notes:

(1) On 17 April 2006, the Bank's general meeting of shareholders authorised an issue of 30 million new common shares; 22,065,574 of these shares had been issued and placed by 30 September 2006 and are reflected in the "Actual" column of the table above. The remaining 7,934,426 shares were issued and placed between 30 September 2006 and 19 October 2006 and are reflected in the "As adjusted" column in the table above.

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

(3) Senior long-term debt represents debt that falls due after one year and is not subordinated. Subordinated long-term debt represents subordinated debt that falls due after one year.

(4) As at 30 September 2006, the Bank's issued and paid share capital consisted of 921,082,234 Shares (including treasury shares) and 24,742,000 Non-Voting Preferred Shares and 80,225,222 Non-Voting Convertible Preferred Shares. Each Share is entitled to one vote and dividends are distributed equally among Shares. All Shares are KZT denominated. Preferred Shares are not redeemable and guarantee a nominal dividend amount of 0.01 KZT per Share to comply with the Kazakhstan legislation with regard to preferred shares which requires joint stock companies to guarantee a certain amount of preferred dividends. The remainder of the dividends on Preferred Shares is linked to the Bank's profitability and is paid out only if the Bank is profitable. Preferred Shares generally have no voting rights, except when matters directly affecting such shares arise, and unless payment of dividends on Preferred Shares has been delayed for three months or more from the date they became due.

(5) As at 30 September 2006, the Group held 3,841,816 of the Shares as treasury shares (31 December 2005 — 1,633,610).

(6) Includes property and revaluation reserve of KZT 287 million and available-for-sale revaluation reserve of KZT 631 million.

(7) Common shareholders' equity comprises total shareholders' equity less Preferred Shares and minority interest.

Save as disclosed above, there has been no material change in the Bank's total capitalisation and long-term liabilities since 30 September 2006.

USE OF PROCEEDS

The proceeds attributable to the Selling Shareholder from the Global Offer will be approximately U.S.$680,000,000 assuming no sale of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters' Put Option in full, or approximately U.S.$748,000,000 assuming that the Underwriters sell the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option. The Selling Shareholder has agreed to apply for at least its pro rata entitlement to New Shares offered in the Rights Issue.

The Bank intends to use the proceeds from the subscription of New Shares in the Rights Issue to increase its core capital thereby supporting its growth strategy. The Bank will not receive any proceeds from the sale of GDRs other than to the extent that the proceeds received by the Selling Shareholder may be used to subscribe for New Shares in the Rights Issue. Assuming 55,000,000 New Shares are subscribed in the Rights Issue, the Bank will receive gross proceeds of approximately U.S.$220,000,000. The Bank has agreed to pay certain expenses in an amount of approximately U.S.$1,600,000 in connection with the Global Offer.

SELECTED CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data presented below as at and for the three years ended 31 December 2005, 2004 and 2003 and the nine-month periods ended 30 September 2006 and 2005 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Bank's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003, and audited interim condensed consolidated financial statements, including the notes thereto, as at and for the nine-month periods ended 30 September 2006, contained elsewhere in this Prospectus.

The Bank's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003 have been prepared in accordance with IFRS, and audited interim condensed consolidated financial statements, including the notes thereto, as at and for the nine-month periods ended 30 September 2006 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and each has been audited by Ernst & Young, whose audit reports for the respective periods are included elsewhere in this Prospectus.

Prospective investors should read the summary consolidated financial information in conjunction with the information contained in "Risk Factors", "Capitalisation of the Bank", "Operating and Financial Review", "Business of the Bank", "Selected Statistical and Other Information", the Bank's audited consolidated financial statements including the related notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003, and audited interim condensed consolidated financial statements, including the notes thereto, as at and for the nine-month period ended 30 September 2006, and the other financial data appearing elsewhere in this Prospectus.

	Nine months ended 30 September			Years ended 31 December			
	2006	**2006**	**2005**	**2005**	**2005**	**2004**	**2003**
	(U.S.$ millions)[1]	*(KZT millions)*[2]		*(U.S.$ millions)*[1]	*(KZT millions)*[2]		
Income Statement Data							
Interest income	463.4	56,678	36,706	394.2	52,385	32,950	24,197
Interest expense	(189.4)	(23,164)	(15,275)	(159.2)	(21,156)	(12,759)	(9,423)
Net interest income before impairment charge	274.0	33,515	21,431	235.0	31,229	20,191	14,773
Impairment charge	(87.3)	(10,675)	(9,877)	(90.1)	(11,970)	(7,954)	(4,137)
Net interest income	186.7	22,839	11,555	144.9	19,259	12,237	10,637
Fees and commissions, net	117.7	14,403	11,021	114.8	15,248	9,318	6,803
Other non-interest income	23.1	2,830	3,612	33.3	4,419	3,065	2,819
Operating income[3]	327.6	40,072	26,188	292.9	38,926	24,620	20,259
Other non-interest expense (operating expense)	(150.4)	(18,398)	(12,940)	(147.2)	(19,560)	(14,530)	(11,987)
Income before income tax expense	177.2	21,674	13,247	145.7	19,366	10,091	8,272
Income tax expense	(27.9)	(3,411)	(1,807)	(26.6)	(3,539)	(1,998)	(773)
Net income after income tax expense	149.3	18,263	11,440	119.1	15,828	8,093	7,498
Minority interest	3.7	448	206	1.5	200	5	38
Net income, less minority interest	145.6	17,815	11,234	117.6	15,628	8,088	7,460
Dividends to preferred shareholders	(10.3)[4]	(1,260)[4]	(1,071)[5]	(10.7)[6]	(1,428)[6]	(332)[6]	(351)[6]
Net income attributable to common shareholders[7]	135.3	16,555	10,163	106.9	14,200	7,756	7,109
Basic earnings per share[8]	0.15	18.24	14.79	0.13	16.80	10.10	9.80
Basic earnings per common share[9]	0.15	18.25	20.65	0.22	28.86	96.40	96.07

Notes:

(1) Except for per share data, which are in U.S. Dollars. These are unaudited convenience translations. (See "Presentation of Financial and Certain Other Information" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.)

(2) Except for per share data, which are in Tenge.

(3) Operating income is net interest income, plus net fees and commissions and other non-interest income.

(4) Dividends to preferred shareholders for the nine-month period ended 30 September 2006 are calculated based on the Bank's year-end projections adjusted for the nine-month period.

(5) Dividends to preferred shareholders for the nine-month period ended 30 September 2005 are calculated based on the actual dividend amount paid for 2005 adjusted for the nine-month period.

(6) Dividends actually paid. These amounts are different from "Dividends — preferred shares" in the Bank's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003. In 2003 and 2004, when dividends were linked to the U.S. Dollar/Tenge exchange rate and the Tenge strengthened against the U.S. Dollar, the amount expensed in respect of dividends was greater than the amount paid. In 2005, dividends were linked to inflation, and because there was inflation during the time that elapsed between the balance sheet date and the actual payment date of the dividend, the amount paid was greater than the amount expensed.

(7) Comprises net income after income tax expense, less minority interest and dividends paid to preferred shareholders.

(8) Basic earnings per share is calculated as (a) net income, less minority interest, divided by (b) daily weighted average number of common and Preferred Shares.

(9) Basic earnings per common share is calculated as (a) net income attributable to common shareholders, divided by (b) average number of common shares outstanding, less treasury shares.

	As at 30 September		As at 31 December			
	2006	2006	2005	2005	2004	2003
	(U.S.$ millions)[1]	*(KZT millions)*	*(U.S.$ millions)*[1]	*(KZT millions)*		
Balance Sheet Data						
Assets						
Cash and cash equivalents	638.0	81,099	426.2	57,102	33,123	13,415
Obligatory reserves	364.6	46,347	64.4	8,632	7,578	5,212
Financial assets at fair value through profit or loss	1,030.1	130,942	373.3	50,018	62,382	39,914
Amounts due from credit institutions	11.5	1,463	20.7	2,777	695	7,291
Investment securities	91.3	11,601	90.3	12,099	20,618	9,675[2]
Loans to customers	3,967.8	504,383	3,068.3	411,097	254,590	163,888
Property and equipment	112.1	14,247	81.9	10,979	9,131	7,322
Deferred tax asset	0.7	84	—	—	—	—
Other assets	53.8	6,845	52.0	6,961	5,135	2,805
Total assets	**6,269.8**	**797,012**	**4,177.2**	**559,665**	**393,254**	**249,523**
Liabilities and shareholders' equity						
Amount due to customers	3,788.8	481,631	2,393.1	320,630	231,501	154,846
Amounts due to credit institutions	650.5	82,694	800.7	107,284	76,493	61,877
Debt securities issued	1,075.6	136,730	439.0	58,814	44,940	8,583
Provisions	20.0	2,539	17.0	2,280	1,801	921
Current tax liability	—	—	—	—	—	8
Deferred tax liability	—	—	3.2	425	451	174
Other liabilities	52.8	6,710	43.2	5,789	2,500	1,319
Total liabilities	**5,587.7**	**710,304**	**3,696.2**	**495,221**	**357,686**	**227,727**
Shareholders' equity						
Share capital	279.2	35,492	216.6	29,016	15,759	9,897
— Common shares	155.7	19,787	106.2	14,222	13,285	7,423
— Preferred shares	123.5	15,705	110.4	14,794	2,474	2,474
Share premium reserve	16.7	2,120	16.4	2,192	2,191	2,192
Treasury shares	(0.3)	(38)	(0.1)	(16)	(17)	(16)
Retained earnings and other reserves	379.7	48,265	244.9	32,806	17,417	9,520
Shareholders' equity before adding minority interest	675.3	85,839	477.7	63,998	35,351	21,593
Minority interest	6.8	869	3.3	446	217	203
Total shareholders' equity	**682.1**	**86,708**	**481.0**	**64,444**	**35,568**	**21,796**
Common shareholders' equity[3]	*551.7*	*70,134*	*367.2*	*49,204*	*32,877*	*19,119*
Total liabilities and shareholders' equity	**6,269.8**	**797,012**	**4,177.2**	**559,665**	**393,254**	**249,523**

Notes:

(1) Unaudited convenience translations. (See "Presentation of Financial and Certain Other Information" for information as to the U.S. Dollar/Tenge exchange rate used to calculate U.S. Dollar amounts.)

(2) Comprising KZT 3,232 million of available-for-sale securities, and KZT 6,443 million of held-to-maturity securities which were moved to available-for-sale in 2004. (See "Selected Statistical and Other Information — Investments — Securities Held-to-Maturity").

(3) Common shareholders' equity comprises total shareholders' equity, less minority interest and preferred share equity.

	Nine months ended 30 September		Years ended 31 December		
	2006	2005	2005	2004	2003
	(%, except exchange rates)				
Selected Financial Ratios and Economic Data[1]					
Profitability Ratios					
Return on average common shareholders' equity[2]	43.9[3]	39.3[3]	37.3	29.8	45.2
Return on average total assets[4]	3.3[3]	2.9[3]	3.0	2.4	3.3
Net interest margin[5]	7.2[3]	6.6[3]	6.9	6.8	7.3
Net interest spread[6]	7.1	6.5	6.8	6.8	7.3
Other non-interest expense (operating expense)[7]/ operating income before impairment charge	36.3	35.9	38.4	44.6	49.1
Other non-interest expense (operating expense)[7]/net interest income before impairment charge	54.9	60.4	62.6	72.0	81.1
Other non-interest expense (operating expense)[7]/average total assets	2.7	2.7	4.0	4.5	5.5
Impairment charge/operating income before impairment charge	21.0	27.4	23.5	24.4	17.0
Impairment charge/average gross loans	2.3	3.0	3.4	3.6	2.7
Loan Portfolio Quality[8]					
Classified loans[9]/gross loans	8.9	7.8	9.1	8.6	10.5
Non-performing loans[10]/gross loans	1.7	2.0	1.4	2.0	1.9
Allowance for loan losses/gross loans	6.8	6.1	6.0	6.2	6.3
Allowance for loan losses/classified loans[9]	76.2	78.9	66.1	72.2	60.4
Allowance for loan losses/non-performing loans[10]	412.3	313.2	420.6	317.9	325.6
Balance Sheet Ratios					
Amounts due to customers/total net loans	95.5	89.6	78.0	90.9	94.5
Amounts due to customers/total assets	60.4	63.0	57.3	58.9	62.1
Total net loans/total assets	63.3	70.3	73.5	64.7	65.7
Total shareholders' equity/total assets	10.9	10.2	11.5	9.0	8.7
Liquid assets[11]/total assets	34.1	26.7	23.3	31.6	27.7
Capital Adequacy (Basel ratios)					
Tier 1 capital ratio	12.1	9.1	12.8	9.7	9.0
Total capital ratio	15.2	15.6	17.1	13.7	14.6
Economic Data					
Period end exchange rate (KZT/U.S.$)	127.12	133.89	133.98	130.00	144.22
Average exchange rate for period (KZT/U.S.$)	122.32	135.16	132.88	136.04	149.58
Inflation rate (CPI)	8.6[3]	7.6[3]	7.6	6.9	6.4
GDP growth (real)	10.6[3]	8.9[3]	9.4	9.4	9.2

Notes:

(1) Amounts used in ratios are average monthly balances for the nine-month periods ended 30 September 2006 and 2005 and the year ended 31 December 2005, and average balances for the years ended 31 December 2004 and 2003, which are calculated by adding the opening and closing balances and dividing by two.

(2) Return on average common shareholders' equity is (a) net income attributable to common shareholders, divided by (b) average common shareholders' equity.

(3) Annualised.

(4) Return on average total assets comprises (a) net income after income tax expense, less dividends on Preferred Shares, divided by (b) average total assets.

(5) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.

(6) Net interest spread comprises the difference between the average interest rate earned on interest-earning assets and the average interest rate incurred on interest-bearing liabilities.

(7) Other non-interest expense includes salaries and other employee benefits, administrative and operating expenses, tax other than corporate income tax and provisions against letters of credit and guarantees issued.

(8) Loan quality is calculated using gross loan balances excluding recognised interest.

(9) Classified loans comprise loans that are classified as "Doubtful" categories 3rd to 5th (20 per cent., 25 per cent. and 50 per cent. allowances) and "Loss" (100 per cent. allowance) in accordance with FMSA regulations.

(10) Non-performing loans comprise loans the principal or interest of which is past due by 30 days.

(11) Liquid assets comprise securities plus cash and cash equivalents, obligatory reserves and due from other banks.

BUSINESS OF THE BANK

Overview

The Bank is one of Kazakhstan's leading financial services groups, with the largest customer base and distribution network in Kazakhstan. The Bank is developing as a universal financial services group offering a broad range of services (banking, pensions, insurance, leasing, brokerage and asset management) to its retail, small- and medium-enterprise ("SME") and corporate customers.

The Bank's history dates back to the opening of a branch of the Soviet Sberbank (the Savings Bank of the former Soviet Union) in 1923. The Bank became a separate legal entity wholly owned by the Republic of Kazakhstan in 1993 and, in 1998, was reorganised into an open joint stock company with an unlimited duration. The Bank was privatised in a series of transactions between 1998 and 2001.

As at 30 September 2006, according to statistics published by the FMSA, the Bank had the largest retail deposit base in Kazakhstan (with a 21.7 per cent. market share), as well as the largest portfolio in the fast-growing mortgage loan market (a 21.8 per cent. market share) and had issued the largest number of payment cards (a 50.1 per cent. market share). In addition, the Bank was also the third largest bank in Kazakhstan in terms of total assets. As at 30 September 2006, amounts due to the Bank's retail customers were KZT 207,511 million while total amounts due to customers were KZT 481,631 million, mortgage loans were KZT 97,248 million while total gross loans were KZT 540,613 million and total assets were KZT 797,012 million. For the nine months ended 30 September 2006, the Bank had net income after income tax expense of KZT 18,263 million and operating income (net interest income plus net fees and commissions and other non-interest income) was KZT 40,072 million. As at 30 September 2006, total shareholders' equity was KZT 86,708 million.

As at 30 September 2006, the Bank had approximately 5.9 million retail customers (the largest customer base in Kazakhstan), approximately 62,000 SME customers and approximately 300 corporate customers. With the most extensive retail distribution network in Kazakhstan, the Bank, as at 30 September 2006, served its customers through 593 retail outlets, including regional and district branches in all 14 regions of Kazakhstan as well as through some 700 ATMs, the largest ATM network in Kazakhstan. Other distribution channels used by the Bank include the Internet and mobile banking and in-store points of sale located at certain shopping centres and supermarkets in Kazakhstan. In addition, the Bank also uses the distribution channels established by some of its other business lines, principally the pensions and insurance businesses.

The Bank operates in three core business lines: retail, SME and corporate banking. Through subsidiary companies, the Bank's operations also include pensions, insurance, leasing, brokerage and asset management. According to FMSA statistics as at 30 September 2006, the Bank's pension fund business had the largest market share (27 per cent.) in Kazakhstan and the Bank believes its insurance business had the largest network in the country.

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, traveller's cheques, currency exchange, Internet and mobile banking and ATM services. The Bank's corporate banking business provides a range of wholesale banking products and services (including loans, payroll services and cash management) to corporate and SME business customers, financial institutions and Government entities.

Shares of the Bank were first listed on the Kazakhstan Stock Exchange ("KASE") in 1998. As at 30 September 2006, Holding Group Almex JSC ("Almex") owned 82.7 per cent. of the voting shares of the Bank. (See "Principal Shareholders".)

History — Incorporation, Recapitalisation and Change of Ownership of the Bank

The Bank's history dates back to the opening of a cashier outlet of the Soviet Sberbank (Savings Bank of the former Soviet Union) in Aktobe in 1923, followed by the establishment of a branch in Almaty of the Soviet Sberbank in 1936. The Bank became a separate legal entity wholly owned by the Republic of Kazakhstan in 1993 and, in 1998, reorganised into an open joint stock company with an unlimited duration.

Following the introduction of the privatisation programme in 1998, the Bank's shares were listed on the KASE and the Government gradually decreased its ownership interest in the Bank, selling its last remaining shares in the Bank in November 2001 through a public tender process.

Since the early 1990s, the Bank has been moving towards becoming a more commercially focused bank, aiming to improve service to its customers and provide value to its shareholders. The Bank has undertaken a rationalisation of its branch network, closing unprofitable branches as well as reducing headcount and investing in new technology. The Bank has more recently opened new branches in selected locations, established a pension fund, asset management, insurance, leasing and brokerage operations, opened representative offices in London, Moscow and Beijing, and acquired subsidiary banks in Russia and the Kyrgyz Republic. The Bank has also recently recruited a new senior management team, led by Mr. Grigoriy Marchenko (the former governor of the NBK).

Almex, the Bank's principal shareholder as at the date of this Prospectus, first acquired shares in the Bank in December 2001, when it purchased common shares representing 9.9 per cent. of the Bank's then total voting share capital in the secondary market. Almex increased its ownership interest during 2003 and 2004 in a series of secondary market and capital increase transactions to gain a controlling interest of 77.6 per cent. of the Bank's then total voting share capital in August 2004. As at 30 September 2006, Almex, which is now a regulated banking holding company in accordance with new banking legislation in Kazakhstan, owned 82.7 per cent. of the total voting share capital of the Bank. (See "Principal Shareholders".)

Competitive Strengths

The Bank has the following competitive strengths, which it believes will enable it to retain and strengthen its position as a leading Kazakhstan universal financial services group, offering a broad range of products to retail, SME and corporate customers and to benefit from the growth of the Kazakhstan economy while maintaining high profitability. In particular, the Bank believes that its branch network and its strength in retail banking will allow it to differentiate itself from its two larger competitors as retail banking, driven by the expected economic growth in Kazakhstan, becomes increasingly important.

Largest retail customer base, giving the Bank a strong position to capture future growth and fee and commission income

The Bank believes that it is the pre-eminent retail bank in Kazakhstan and is the largest in terms of the number of retail customers and amounts of retail deposits and retail loans, which were, respectively, approximately 5.9 million customers (compared to the total population of Kazakhstan of approximately 15 million), KZT 207,511 million of retail deposits and KZT 178,253 million of retail loans as at 30 September 2006, representing a market share of 21.7 per cent. (retail deposits) and 17.5 per cent. (retail loans), respectively. The Bank enjoys leading positions across the full range of other retail banking products, including demand deposits (34.9 per cent. market share), consumer loans (12.7 per cent. market share) and mortgages (27.6 per cent. market share, excluding non-bank mortgage companies). Halyk Bank has also issued the largest number of debit or payment cards and is the leading bank in terms of number of card transactions, where it enjoys a 50.1 per cent. market share. As the leading retail bank and provider of payment cards, the Bank generates a relatively high percentage of fee and commission income as compared to its main competitors.

Given the high growth anticipated from retail banking reflecting strong growth in the Kazakhstan economy, management of the Bank expects the Bank's leading position in retail banking to result in higher growth compared with its peers in the near- to mid-term. The retail deposit base also offers a strong funding advantage over other Kazakhstan banks and the large customer base provides significant diversification benefits, as well as enhanced cross-selling opportunities for non-banking products.

Largest branch network in Kazakhstan, enabling the Bank to benefit from further rapid growth in the regions and opportunities for cross-selling

As at 30 September 2006, the Bank's branch network consisted of 593 outlets in 320 cities and towns, representing the largest network in Kazakhstan; it is more than six times the size of the branch network of Kazkommertsbank and two and a half times the size of the branch network of Bank TuranAlem. The Bank's network provides coverage in all 14 regions of Kazakhstan. The Bank believes that the main centres of Almaty and Astana are relatively mature markets for financial services and that growth in the relatively "under-banked" regions is likely to be stronger and therefore the reach of the Bank's large network provides a competitive advantage to better service increasing demand for banking services.

Furthermore, the Bank's segmented branch network model with branches focused on distinct target customer groups — the mass market, middle market and VIPs for retail customers and small and medium businesses for SMEs — enhances its ability to cross sell its range of both banking and non-banking products.

Leading universal financial services group offering a broad product range

The Bank offers a full range of retail and corporate banking products and enjoys leadership positions in Kazakhstan in a number of product segments which the Bank expects will experience significant growth. The Bank's broad product range (from current accounts, payroll services to corporate lending) and its position as one of the leading suppliers of pension, insurance and leasing services in Kazakhstan enhances the acquisition of new customers and cross-selling to existing customers.

Demonstrated ability to manage growth while achieving high returns on equity

In addition to its ability to successfully manage asset growth of over 40 per cent. per annum over the period from 31 December 2003 to 31 December 2005, the Bank has achieved an average annual return on equity of 35 per cent. for the three years to 31 December 2005. This high level of profitability is in part a result of its ability to obtain cheaper funding from its large and relatively stable current account base as well as its high proportion (some 40 per cent.) of its total income derived from fee and commission income, which is less costly than interest income.

High quality assets balanced with well diversified funding sources

Despite the high growth it has experienced in recent years, the Bank has maintained strength on both sides of its balance sheet. Its loan portfolio is well diversified by industry and maturity and the percentage of its non-performing loans to its total loans has decreased over the last three years. The Bank's strength and size in retail banking has also provided it with a high share of cheaper deposit funding. In addition, the Bank's financial strength and high level of profitability has enabled it to access the international capital markets on favourable terms, also assisted by its Standard and Poor's long-term senior credit rating of "BB+", which is in the highest group for Kazakhstan banks. The Bank also maintains relatively strong capitalisation ratios. The Bank's financial strength is also a significant factor in attracting and retaining customers.

Experienced management team with a proven track record

In 2005, the Board of Directors of the Bank recruited a new senior management team, led by Mr. Grigoriy Marchenko (the former governor of the NBK), which it believes will be able to successfully lead the development of the Bank's operations. In particular, the Bank believes that its management's successful prior international banking experience will be a key asset as it seeks to continue to improve its operating performance. The Bank has also been successful in recruiting banking professionals in risk management, treasury, corporate banking and transaction services from international banks.

Widely recognised and trusted brand

Given its unique pre-privatisation history as the only retail bank in Kazakhstan, its high market penetration (with approximately 5.9 million retail customers out of a total Kazakhstan population of approximately 15 million) and its long term relationships with leading Kazakhstan companies and state-owned enterprises, the Bank enjoys broad brand recognition throughout Kazakhstan. Market surveys conducted by the NBK and the Bank's relatively high customer retention compared with its peers support the Bank's belief that its brand is associated with financial strength, which is reinforced by its role in acting as an agent for the payment of Kazakhstan state pensions.

Strategy

The Bank's strategy is to retain and strengthen its position as a leading Kazakhstan universal financial services group offering a broad range of products to retail, SME and corporate customers and to benefit from the expected growth in the Kazakhstan economy. In addition to developing its core banking business in Kazakhstan and neighbouring countries, management is focused on expanding and cross-selling the Bank's other businesses, such as pensions, insurance, leasing, brokerage and asset management. Key elements of the Bank's strategy are summarised below.

Maintain number one position in the Kazakhstan retail banking market to capture growth in Kazakhstan

The Bank is the leader in the Kazakhstan retail banking market both by customer numbers and across a range of products. The Kazakhstan retail banking market is currently experiencing high levels of growth, driven by both economic growth as well as increasing levels of banking usage or penetration, which is increasing from a relatively modest base when compared with more developed economies. Leveraging upon its role as a provider of corporate payroll services, the Bank is also continuing to acquire new retail customers who are employees of its corporate customers.

Expand the Bank's high-margin SME banking platform

In order to extend its existing client base, the Bank intends to target financially strong SMEs by offering them a wide range of financial services, including corporate finance advisory services, currency conversions, insurance and pension fund services, in addition to its more traditional banking products such as deposits, payroll services, payment transfers and loans. Clients are given personalised service through individual account managers who are responsible for both business retention and new customer acquisition. Management of the Bank believes that the SME sector will represent one of the most important areas of growth for the Bank, again largely reflecting the growth of the Kazakhstan economy. Management of the Bank expects that growth in the relatively higher margin SME banking segment will also offset, to some degree, lower margins obtainable in the corporate banking segment due to increased competition.

Further develop the Bank's corporate banking franchise through a wider product range

Utilising its long history and its corporate client relationship management systems, the Bank has been able to develop strong credit relationships with large corporate clients in Kazakhstan and, despite the faster growth in retail and SME loans, corporate loans still make up the majority of the Bank's overall loan portfolio. As increasing competition puts pressure on corporate lending margins, the Bank has been seeking to increase its fee and commission income by providing additional products and services to its corporate customers as a means of maintaining and enhancing profitability, including the full suite of the Bank's product range of services: pensions, insurance, leasing and brokerage and asset management, including providing underwriting services to corporate clients as they begin to access the domestic equity and debt capital markets. The Bank's management believes that additional services provided to corporate customers further deepen the Bank's relationships with its customers and enhances their loyalty, particularly through the Bank's corporate payroll services, which also provide a strong acquisition tool for retail customers.

Maintain and develop the Bank's leading distribution network

The Bank has the largest distribution network in Kazakhstan with 593 banking sales outlets as well as approximately 100 additional outlets distributing and/or administering pension and insurance products. In addition, the Bank has a network of approximately 700 ATMs and over 2,600 point-of-sale terminals. The Bank is continuing to improve its distribution network by upgrading its IT system as well as optimising its productivity by increasing the number of products sold and clients covered per sales outlet. The Bank's strategy also includes the expansion of its online and mobile phone banking services and increasing its number of ATMs (already the largest in Kazakhstan) throughout the country. Through a targeted distribution strategy, with branches segmented into mass market, middle market and VIP banking centres, the Bank is seeking to maximise cross-selling of retail banking and other retail financial products and services, for instance by converting large retail banking deposits into higher-margin asset management products. The Bank is, in particular, continuing to further enhance training for its branch staff and sales agents.

Leverage the Bank's universal banking platform to maximise cross-selling of products and services and to increase its customer base

The Bank's cross-selling strategy is focused on maximising the number of both banking and non-banking financial products sold to existing customers and in winning new customers through exploiting opportunities offered by the Bank's platform. In addition to leading positions in its retail, SME and corporate banking businesses in Kazakhstan, the Bank offers a range of other non-banking financial services, including pensions, insurance and leasing, in each of which it believes it is either the Kazakhstan market leader or one of the leading market participants. The Bank's management believes that its strategy of combining breadth in offering market-leading financial products with superior distribution allows it to cross-sell and acquire new customers more effectively than its competitors.

Selectively expand into attractive neighbouring markets

As part of its growth strategy, the Bank intends to selectively expand its retail, SME and corporate banking operations into neighbouring markets in the region, where it can transfer expertise gained in Kazakhstan in order to develop market leading positions. Markets targeted include the Kyrgyz Republic, adjacent regions of Russia, Azerbaijan and Xinjiang province in Western China. All of these markets have strong trading links with Kazakhstan, have relatively low banking penetration and offer significant opportunities for growth.

Continue to raise standards to achieve operational excellence and efficiency

The Bank has the goal of bringing its operating performance into line with the best international standards, including in relation to IT, risk management, management information systems, marketing and cross-selling. The Bank is in the process of a major IT installation which is designed to improve its internal processes and reporting systems as well as allow for productivity improvements to help improve its cost/income efficiency.

Principal Business Activities

The Bank operates through three core business lines: retail, SME and corporate banking and, in addition, it offers pension, insurance, leasing, brokerage and asset management services through its subsidiary companies. The following table sets out a breakdown of interest income and fee and commission income for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
Activity	**2006**	**2005**	**2005**	**2004**	**2003**
	(KZT millions) *(Interest income and fee and commission income)*				
Retail banking	28,198	15,757	23,655	11,317	5,589
SME banking(1)(2)	10,150	7,961	9,477	—	—
Corporate banking(2)(3)	26,698	22,017	31,543	30,509	24,934
Other(2)(4)	6,700	2,653	3,871	1,241	1,232
Total	**71,745**	**48,388**	**68,546**	**43,067**	**31,756**

Notes:

(1) Segment information for SME banking was not available for the years ended 31 December 2004 and 2003.

(2) SME banking, corporate banking and other are combined into corporate banking in the Bank's audited consolidated financial statements as at and for the years ended 31 December 2005, 2004 and 2003.

(3) Includes SME banking for the years ended 31 December 2004 and 2003.

(4) Includes the income of all of the Bank's subsidiaries, principally in relation to its pensions, insurance, leasing, brokerage and asset management businesses.

Distribution Network

One of the Bank's main strengths is its distribution network. As at 30 September 2006, the Bank's branch network consisted of 593 outlets, 19 regional branches, which reported to the head office, 126 district branches, 405 limited service branches, distributed across all regions of Kazakhstan, each of which reported to its respective regional branch, 4 VIP centres and 39 personal service centres. In addition, as at the same date, the Bank operated a network of approximately 700 ATMs and had over 2,600 in-store point of sale terminals located at shopping centres and supermarkets in Kazakhstan. The Bank's distribution network development strategy focuses on selective expansion, upgrading existing sales outlets and developing remote banking service channels. Each regional and district branch provides a broad range of banking services. In comparison to branches, limited service branches provide a limited number of banking services, such as deposits, utility payments, cash withdrawals, currency exchange, pension collection and money transfers. Small loans of up to KZT 1 million may also be obtained from limited service branches. Other distribution channels used by the Bank include the Internet and mobile banking. In addition, the Bank also uses the distribution channels established by some of the Bank's other business lines, principally its pensions and insurance businesses. Large corporate customers are generally customers of the head office in Almaty. The Bank's head office is responsible for the co-ordination of the branch network operations, marketing strategy and asset and liability management, management of the Bank's financial position and development of its international operations.

Retail Banking

Overview

The Bank's retail banking operations include deposit taking activities (current and term deposits in KZT and foreign currencies), money transfers (including utility payments), credit and debit card services, consumer lending, mortgages and personal banking services. The Bank also provides paying agency services for state pension payments and other social security payments. At 30 September 2006, the Bank had approximately 5.9 million retail customers, representing approximately 33 per cent. of its gross loan portfolio. Retail banking accounted for 41 per cent. of the Bank's interest income and 32 per cent. of the Bank's fee and commission income during the nine months ended 30 September 2006.

Customer Segmentation

In order to better serve the individual needs of its retail customers and to enable the Bank to identify its most profitable customers, the Bank divides its retail customers into the following three segments based on annual income levels: (i) "mass-market" comprises individuals such as production workers, public servants, students and pensioners; (ii) "mid-market" customers are primarily owners of small-sized businesses, mid-level management and specialists, as well as mid-level public servants; and (iii) "VIP" customers who are largely owners and management of large and mid-size companies. The Bank uses this customer segmentation to offer its customers services and products tailored to their individual needs. VIP customers have access to VIP centres with personal fund managers appointed to assist them, and VIP customers also benefit from the private banking department located at the head office as well as brokerage and asset management services. Mid-market customers also benefit from personal service centres, while mass-market customers are served through the Bank's extensive branch network.

Products and Services

Amounts Due to Retail Customers: As at 30 September 2006, the Bank had approximately 7.1 million retail customer accounts, comprising current accounts, term deposit accounts and card accounts. As at the same date, the Bank had amounts due to retail customers of KZT 207,511 million of which approximately KZT 157,117 million were term deposits and approximately KZT 50,394 million were current accounts, having terms generally ranging from 30 days to five years. In terms of volume, KZT denominated and foreign currency denominated deposits were divided almost evenly. According to statistics published by the FMSA the Bank's total market share in amounts due to retail customers was 21.7 per cent. as at 30 September 2006. Amounts due to retail customers represented 43 per cent. of the Bank's total amounts due to customers as at 30 September 2006 compared to 42 per cent. as at 31 December 2005.

Lending: The Bank is active in both the mortgage and consumer lending markets. Loans to individuals represented 33 per cent. of the Bank's gross loan portfolio as at 30 September 2006 compared to 30 per cent. as at 31 December 2005 and 25 per cent. as at 31 December 2004. Of this, mortgage lending represented 18 per cent. and consumer lending represented 15 per cent. of the Bank's gross loan portfolio as at 30 September 2006. As at 30 September 2006, according to NBK statistics, the Bank's total market share in retail lending was 17.5 per cent.

The Bank offers three residential mortgage products: regular mortgages, "Ipoteka Light" mortgages and mortgages under the KMC (Kazakhstan Mortgage Company) programme. "Ipoteka Light" mortgages were launched by the Bank in April 2004. Under the terms of this product, a borrower must make a deposit of at least 15 per cent. of the principal amount of the loan with the Bank, which is pledged with the Bank, along with security over the property. The Bank pays no interest on the deposit and it is recorded as collateral in the Bank's accounts. Regular mortgages generally have only security over the property. The tenor of the Bank's mortgage products ranges from seven to 20 years. They are all offered at a fixed rate of interest; however the Bank has the right to vary rates in accordance with market conditions. Some mortgages are also offered at special rates for employees of the Bank. As at 30 September 2006, 81 per cent. of the Bank's mortgage portfolio had been issued under the Ipoteka Light programme and close to 18 per cent. had been issued as regular mortgages with the balance made under the KMC programme. The Government-sponsored KMC mortgage funding programme in which the Bank participates is designed for public servants. Under the programme, the Bank (along with other banks in Kazakhstan) accepts applications for Tenge denominated mortgages, processes the applications (including reviewing eligibility) and advances funds. According to statistics published by the FMSA, at 30 September 2006 the Bank had a 21.8 per cent. share in the mortgage market of Kazakhstan and 27.6 per cent. market share, excluding KMC and other specialised mortgage companies.

Consumer loans are to a large extent (90 per cent. of aggregate consumer loans as at 30 September 2006) represented by salary-backed loans with a maturity of up to three years, targeting the Bank's mass- and mid-market retail customer base and introduced in 2002. In addition, the Bank offers revolving loans (card overdrafts) to its retail customers. Salary-backed and revolving loans are only available to employees of those companies which have a payroll agreement with the Bank and the service is accessible through the customer's salary card (See "Corporate Banking — Corporate Payroll Schemes"). These loans are partially secured by the borrower's salary.

Other consumer loans (including car loans) together represent a small portion of the Bank's aggregate loan portfolio, although the Bank expects to introduce an expanded car loan programme in the medium term once its new information technology systems are fully integrated. At present the Bank does not advance consumer loans to finance the purchase of "white" goods (household appliances, etc.), though the Bank may enter this market in the future.

Retail Card Services: The Bank has been instrumental in developing the retail card market in Kazakhstan. The Bank was the first bank in Kazakhstan to start issuing cards and to develop a point-of-sale terminal system and is also a 25 per cent. owner of JSC National Processing Centre which provides payment clearing and card processing services to clients in Kazakhstan. At 30 September 2006, though 20 banks in Kazakhstan now offer cards, the Bank had issued 50 per cent. of all cards in circulation and owned 26.5 per cent. of point-of-sale terminals, according to FMSA statistics. In addition to its own cards, the Bank distributes cards for VISA, MasterCard, American Express, VISA Electron, Cirrus and Maestro and provides card processing services for other Kazakhstan banks. As at 30 September 2006, the Bank had issued a total of approximately two million cards, over 90 per cent. of which were salary cards. Some salary cards include an overdraft facility and are issued by the Bank primarily to employees of companies for which it administers payroll schemes. (See "— Corporate Banking — Products and Services — Corporate Payroll Schemes".) The Bank's Management believes that it will be able to expand the issuance of credit cards when it implements an automated credit scoring system, which depends on the full implementation of services by Kazakhstan's recently created national consumer credit bureau of which the Bank is a founding member.

ATM Services: The Bank operates the largest ATM network in Kazakhstan, consisting of approximately 700 operating ATMs as at 30 September 2006. In addition, customers of the Bank may use ATMs of other Kazakhstan banks for a small fee per withdrawal. The volume of cash withdrawals through the Bank's ATM network was KZT 353 billion for the nine months ended 30 September 2006, compared to KZT 287 billion for the year ended 31 December 2005, and KZT 202 billion for the year ended 31 December 2004.

In November 2004 the Bank introduced a new service called "Card to Card", which enables real time transfer of funds between holders of the Bank's cards using an ATM. Eligible card holders may also now obtain a credit line via an ATM application. During 2005, the Bank introduced a number of new products for card holders, including mobile banking services that allow the Bank's customers to access account information and transfer money using mobile phones and other wireless communication units. By introducing new products and expanding its customer base the Bank increased its total earnings generated from payment card services by 40 per cent. to KZT 3,820 million for the nine months ended 30 September 2006 against KZT 2,738 million for the nine months ended 30 September 2005 and by 63 per cent. to KZT 4,007 million for the year ended 31 December 2005 against KZT 2,465 million for the year ended 31 December 2004 which in turn increased by 47 per cent. from KZT 1,679 million for the year ended 31 December 2003.

The Bank believes that it is currently the only bank in the former Soviet Union to have entered into an agreement with the China Union Pay international payment system ("China Union Pay") enabling the Bank to offer services to China Union Pay card holders on the Bank's network. The agreement also allows the Bank's card holders to access China Union Pay's services in China.

Sales, Service and Distribution Channels

In addition to its branch and ATM networks, its Internet and mobile banking services, and in-store point of sale terminals, the Bank also takes advantage of the JSC Accumulating Pension Fund of Halyk Bank of Kazakhstan's and JSC Kazakhinstrakh's network of agents throughout Kazakhstan to promote and cross sell its retail services.

SME Banking

Overview

The Bank's SME banking operations include providing loans to SMEs as well as payroll services, transactional services, leasing, insurance, pensions, cards and trade finance. In order to direct its services more accurately to the SME sector, the Bank separated its SME business from its corporate business in 2004. The Bank believes that the SME sector will represent one of the most important growth areas in the Kazakhstan economy. At 30 September 2006, the Bank had approximately 62,000 SME customers, representing approximately 15 per cent. of its gross loan portfolio. SME business contributed 12.9 per cent. of the Bank's interest income and 18.9 per cent. of its fee and commission income for the nine months ended 30 September 2006.

Customer Segmentation

The Bank classifies its SME customers as those businesses that have a total credit exposure to the Bank of up to U.S.$5-7 million (depending on the region). In order to better serve the needs of its SME customers, the Bank further classifies those customers with loan exposures over KZT 75 million (approximately U.S.$600,000) as being medium sized enterprises and those with loan exposures of under KZT 75 million as being small sized enterprises, although limits vary from region to region.

Products and Services

Lending: Most loans to SMEs are secured by real estate, other fixed assets, inventory and future receivables and have maturities ranging from one month to 10 years. The Bank has continued to increase its lending to SMEs and as at 30 September 2006, its loans to SMEs amounted to KZT 80,050 million, an increase of 25 per cent. from KZT 63,920 million as at 31 December 2005, which was in turn an increase of 29 per cent. from KZT 49,360 million as at 31 December 2004. The Bank offers its SME customers standardised lending programmes which are designed to meet different business requirements and depend on the collateral available and the tenor of the loan. In addition, some SME loans are granted under government-sponsored budgetary and agricultural co-financing programmes. The Bank's dedicated programme for small businesses originally evolved from the micro-lending programmes developed by the EBRD for the top Banks in Kazakhstan. During the last two years the Bank has been developing its own small business programmes to include, among other things, start-up companies. The Bank is also introducing its trade finance services to its SME customers. (See "— Corporate Banking — Products and Services — Trade Finance".) The FMSA does not publish statistics showing SME lending as separate from corporate lending and therefore there is no official market share information available for the SME business.

SME Card Services: In order to promote card product sales for SMEs, a new Card Products Sales Department was created at the Bank's head office in February 2005, with card sales centres in some of the Bank's branches. One of the card products offered to medium business customers is a system whereby customs payments can be made to the Kazakhstan government via cards. The customs payment can be effected directly by the customer at one of the 124 specially adapted POS terminals in customs stations countrywide. The Bank is the only bank in Kazakhstan to offer this service; it was initially introduced in 2003. Income from the customs payment card project for the nine months ended 30 September 2006 was KZT 81.4 million. In the short term, the Bank intends to enhance and further develop the customs payment card project to include, among other things, payment of transit cargoes. The Bank also intends to extend the issue of its corporate cards to the majority of its medium business customers by the end of 2007.

Sales, Service and Distribution Channels

Both medium and small business customers are serviced at the Bank's branches. In 2004, the Bank created a specialised department, the main function of which is to further develop the Bank's SME business. In 2005, the department was divided into two units, focusing on small businesses and medium sized businesses, respectively. In 2006, the Bank opened its first "all for small business" centres in Almaty, Shymkent and Pavlodar. These centres focus on providing all types of financial services for small businesses, including relevant consultancy, small business lending, notary and retail services. The entire SME network is engaged in cross-selling the Bank's pension, insurance, payroll, card and leasing services.

Corporate Banking

Overview

The Bank's corporate banking operations include lending, trade finance, transactional services, payroll services, underwriting, liquidity and asset management. The Bank has historically had a very strong corporate banking franchise having close relationships with many of Kazakhstan's leading private and state-owned companies, including KazMunayGas, Kazakhmys, Kazakhstan Temir Zholy, Petrokazakhstan and Kazakhtelecom. One of the Bank's strengths has been its strong deposit base which has enabled it to provide competitive corporate lending. At 30 September 2006, the Bank had approximately 300 corporate customers, representing approximately 52 per cent. of its gross loan portfolio. Corporate customers contributed 42.1 per cent. of total interest income and 18.9 per cent. of total fee and commission income during the nine months ended 30 September 2006. According to statistics published by the NBK (which include lending to SMEs), as at 30 September 2006, the Bank had a share of approximately 11.3 per cent. of the Kazakhstan corporate lending market.

Customer Segmentation

The Bank classifies its corporate customers (as opposed to SME customers) as those whose businesses either: (i) have a total credit exposure above U.S.$5-7 million (depending on the region); or (ii) have an annual turnover exceeding U.S.$25 million; or (iii) are part of a larger business group.

Products and Services

Corporate Deposit Accounts: As at 30 September 2006, the Bank had some KZT 74.7 billion on its corporate current accounts and as at the same date, the Bank had approximately KZT 139.7 billion of term deposits, having terms generally ranging from overnight to 365 days. According to statistics published by the FMSA, the Bank's corporate deposits (including those of SMEs) of KZT 322,462 million represented approximately 10.9 per cent. of the total market share for Kazakhstan banks as at 30 September 2006. Amounts due to corporate customers represented 56.8 per cent. of the Bank's total amounts due to customers as at 30 September 2006 compared to 57.5 per cent. as at 31 December 2005.

Corporate Lending: Loans to large corporate customers consist principally of secured loans with maturities ranging from one month to 10 years. The Bank has continued to increase its lending to corporates and its loans to its corporate customers amounted to KZT 282,309 million as at 30 September 2006, an increase of KZT 39,813 million from KZT 242,496 million as at 31 December 2005, which was in turn an increase of 29 per cent. from KZT 154.8 billion as at 31 December 2004. Major sectors of corporate lending are: residential and commercial construction, agriculture, energy and mining. Loan portfolio quality is monitored regularly by the Bank's Risk Management Department (which reports to the Bank's Management Board) to ensure adequate provisioning ratios. (See "Asset, Liability and Risk Management".) Unsecured loans account for less than 1 per cent. of the Bank's corporate loan portfolio. Corporate loans are usually secured by real estate, other fixed assets, inventory and cash receivables. The largest single exposure to any one borrower as at 30 September 2006 was approximately 3.7 per cent. of the Bank's gross loan portfolio, or KZT 20,170 million, and the top 10 exposures amounted to 16 per cent. of the gross loan portfolio or KZT 87,101 million. According to statistics published by the NBK (which include lending to SMEs), as at 30 September 2006, the Bank had a share of approximately 11.3 per cent. in the Kazakhstan corporate lending market.

Trade Finance: The Bank intends to expand its trade finance business, including documentary operations such as issuing letters of credit and guarantees. The Bank's trade finance facilities include (i) short-term trade financing (up to 12 months) and (ii) long-term facilities (up to 10 years), principally covered by Export Credit Agencies (including Euler Hermes Kreditversicherungs-AG, COFACE, Export-Import Bank of the United States and SACE S.p.a.), for financing the import of capital goods. As at 30 September 2006, the aggregate amount drawn by the Bank and outstanding under its on-lending trade finance facilities was KZT 53,436 million, compared to KZT 80,505 million as at 31 December 2005 and KZT 67,872 million as at 31 December 2004.

Corporate Payroll Services: The Bank provides payroll services to approximately 1.5 million employees of over 5,000 entities including KazMunayGas, Kazakhmys and Kazakhstan Temir Zholy, as well as the Bank's own employees. Employees taking part in this service are issued with salary cards and can take advantage of the various programmes on offer to salary card holders. Generally, the Bank charges fees and commissions to the employers taking part in this service, though the employees themselves are not charged for the service, other than transaction costs and interest charges when using their cards.

Other Corporate Banking Products and Services: The Bank's main growth areas in the corporate sector are cash management, interest rate, commodity and foreign exchange hedging and investment banking. The Bank believes it was the first Bank in Kazakhstan to create a separate business unit responsible for cash management. The Bank's corporate relationship managers are also responsible for cross-selling pension, insurance and leasing services. (See "— Other Business Activities".)

Corporate Card Services: Corporate cards are issued to corporate customers for payment of general and administrative expenses. At the customer's option, various limits and restrictions on the use of the corporate card account can be set for security purposes. Customs payment cards are also available to corporate customers. (See "— SME Banking — Products and Services — SME Card Services".) Salary cards are issued to employees of large corporates having corporate payroll schemes with the Bank. (See "— Corporate Payroll Schemes".)

Sales, Service and Distribution Channels

The Bank, as part of its strategic plans, aims to maintain and develop its customer base in the corporate banking sector and to this end has introduced a relationship management service with two dedicated departments located at its head office in Almaty, through which companies are able to obtain a broad range of corporate banking services from a dedicated relationship management officer or team. The relevant relationship managers are responsible for agreeing commercial terms with their corporate customers, with managers at branch level providing technical support.

Other Business Activities

Pension Fund

The Bank's pensions arm, JSC Accumulative Pension Fund of Halyk Bank of Kazakhstan ("Halyk Pension Fund") was established on 8 January 1998. In 1998, a statutory pension scheme was introduced in Kazakhstan, and there are currently 14 pension funds (including one state-owned fund) providing pension fund services. All employees in Kazakhstan are required to pay 10 per cent. of their wages/salary into a fund of their choosing, with payments being withheld at source. The pensions benefits are based solely on contribution and the relevant fund's gains and no defined benefit pensions are available.

Halyk Pension Fund, an 85 per cent.-owned subsidiary of the Bank, is authorised to collect pension contributions, provide pension payments, manage pension assets and develop pension programmes for its customers in Kazakhstan. As at 30 September 2006, Halyk Pension Fund had over 1.6 million customers and had pension assets under management of KZT 224 billion which, according to FMSA statistics, represented 27 per cent. of the aggregate pension assets of the Kazakhstan pension system, making it the largest pension fund in Kazakhstan, with its next largest competitor having an 18 per cent. market share. As of 30 September 2006, Halyk Pension Fund shareholders' equity was KZT 5,645 million, and it had net income of KZT 2,973 million for the nine months ended 30 September 2006.

At present there is a shortage of financial instruments in Kazakhstan suitable for investment by Halyk Pension Fund, thus restricting investment opportunities. Liberalisation of permitted pension asset investments is currently under way, along with the development of new instruments (for example, securitisations, public and private partnerships, derivatives and state and municipal securities).

The organisations whose employees' funds are invested with Halyk Pension Fund include government entities, corporates and the Bank itself. Employees are free to move their pension accruals to a new pension fund provider up to twice a year without a penalty. Halyk Pension Fund has the largest branch network in Kazakhstan, with 17 branches, 12 regional offices, 28 services centres located in branches of the Bank, 28 service centres located in the offices of its main corporate customers, six agencies and 449 agents selling their pension fund products. Halyk Pension Fund is focused on introducing and developing innovative technologies and cross-selling package products, such as discounted Halyk Bank mortgage rates and beneficial saving rates on large deposits being available to certain Halyk Pension Fund customers.

Insurance

The Bank's insurance arm, JSC Kazakhinstrakh ("Kazakhinstrakh"), is a non-life insurance company providing a full package of general insurance services to all types of legal entities and individuals across a broad range of industry sectors. A majority interest in Kazakhinstrakh was acquired by the Bank from Almex in October 2006, taking its holding to some 90 per cent., of which 10.0 per cent. is held by Halyk Pension Fund. Up to 30 September 2006, the Bank owned 33 per cent. of Kazakhinstrakh and it was accounted in the Bank's consolidated financial statements using the equity method. Kazakhinstrakh has the biggest branch and agency network among insurance companies in Kazakhstan with 16 branches and 75 agencies located throughout Kazakhstan and more than 2,000 agents, some of whom are located within the Bank's branch network. According to the FMSA, at 30 September 2006, Kazakhinstrakh was the third largest general insurance company in Kazakhstan with a 10.3 per cent. market share and had over 200,000 corporate and individual customers.

Kazakhinstrakh is a successor of the former Soviet Union's insurance system in Kazakhstan, which was created as a separate legal entity in 1995 and privatised in 2001. As at 30 September 2006, Kazakhinstrakh had total assets of KZT 5,917 million, net income for the nine months ended 30 September 2006 of KZT 355 million, with KZT 3,047 million of net premiums written (reflecting high levels of re-insurance), KZT 3,584 million in liabilities and KZT 2,333 million as shareholders' equity.

The Kazakhstan insurance market has been growing at between 40 and 50 per cent. per annum for the last six years, reflecting the growth in the Kazakhstan economy and the increasing penetration of financial products.

In November 2005 Kazakhinstrakh created a wholly-owned life insurance company — JSC Halyk Life — which began operations in April 2006, adding a further product to the Bank's product range. Halyk Life is now wholly owned by the Bank.

Leasing

Through its wholly-owned subsidiary, JSC Halyk Leasing ("Halyk Leasing"), the Bank provides operating lease financing to most industrial sectors of the Kazakhstan economy including construction, oil and gas, mining, transport, agriculture and food processing. As at 30 September 2006, Halyk Leasing had a leasing portfolio of KZT 4,610 million, which it believes to be one of the largest in Kazakhstan. It is headquartered in Almaty and has representative offices in Aktau and Atyrau towns. It also takes advantage of the "Leasing Classic" programme, which it runs jointly with the Bank, allowing it to make use of the Bank's wide branch network throughout Kazakhstan.

A large portion of Halyk Leasing's customers are corporate (SMEs and large companies) customers of the Bank and the Bank is actively engaged in selling Halyk Leasing's products, particularly to SMEs. The average lease term is four years, at the end of which the ownership title of the leased property is transferred to the lessee for no further payment. The Kazakhstan tax regulations applicable to leasing are beneficial to the clients in that the leased asset is recorded on the client's balance sheet and full amortisation/depreciation is tax deductible during the lease term. The client also benefits from not having to provide additional collateral other than the leased equipment itself. It has the advantage for Halyk Leasing that it retains legal title to the leased equipment throughout the lease term. The customer also derives a tax benefit because value added tax is not chargeable in Kazakhstan on certain equipment imported for leasing purposes.

All income which Halyk Leasing receives from its leasing business is based on a margin charged on the lease payments made by customers above the funding costs charged to it by the Bank. Interest income received from certain leases is exempt from corporate income tax. In the case of customers who default on their lease payments, the leased assets are taken back, though in the year ending 31 December 2005 this occurred in respect of only 2 per cent. of the lease portfolio.

Brokerage and Asset Management

The Bank provides brokerage, advisory, capital markets, investment banking and asset management services through its subsidiary JSC Halyk Finance ("Halyk Finance"). Halyk Finance, a wholly-owned subsidiary of the Bank, was established on 10 November 2004 and operates from the Bank's head office. As at 30 September 2006, Halyk Finance had total assets of KZT 10,258 million, shareholder's equity of KZT 710 million, and net income for the nine-month period ended 30 September 2006 of KZT 6 million.

As at 30 September 2006, the client securities portfolio under management with Halyk Finance had a marked-to-market value of KZT 552 million. Halyk Finance also engages in proprietary trading for the Bank, within the limits prescribed by the FMSA. Halyk Finance has also acted as an underwriter on several domestic bond issues and believes that it is the leading underwriter on the domestic market. At 30 September 2006, it had 38 brokerage clients, comprising 10 corporate clients and 28 individuals. Halyk Finance is actively working with the Bank to offer its products to the Bank's retail customers as well as to its SME and corporate customers and is currently engaged in a training programme for branch staff to assist in the selling of mutual funds.

Other Banking and Financial Services

The Bank through its treasury department is also an active participant in the foreign exchange markets and has a licence to engage in certain precious metal transactions in Kazakhstan and abroad.

International Banking

The Bank provides services for customers engaged in international trading. Currently, the Bank has representative offices in Beijing, London and Moscow through which it intends to diversify its clientele and the range of banking products it offers in international trade finance.

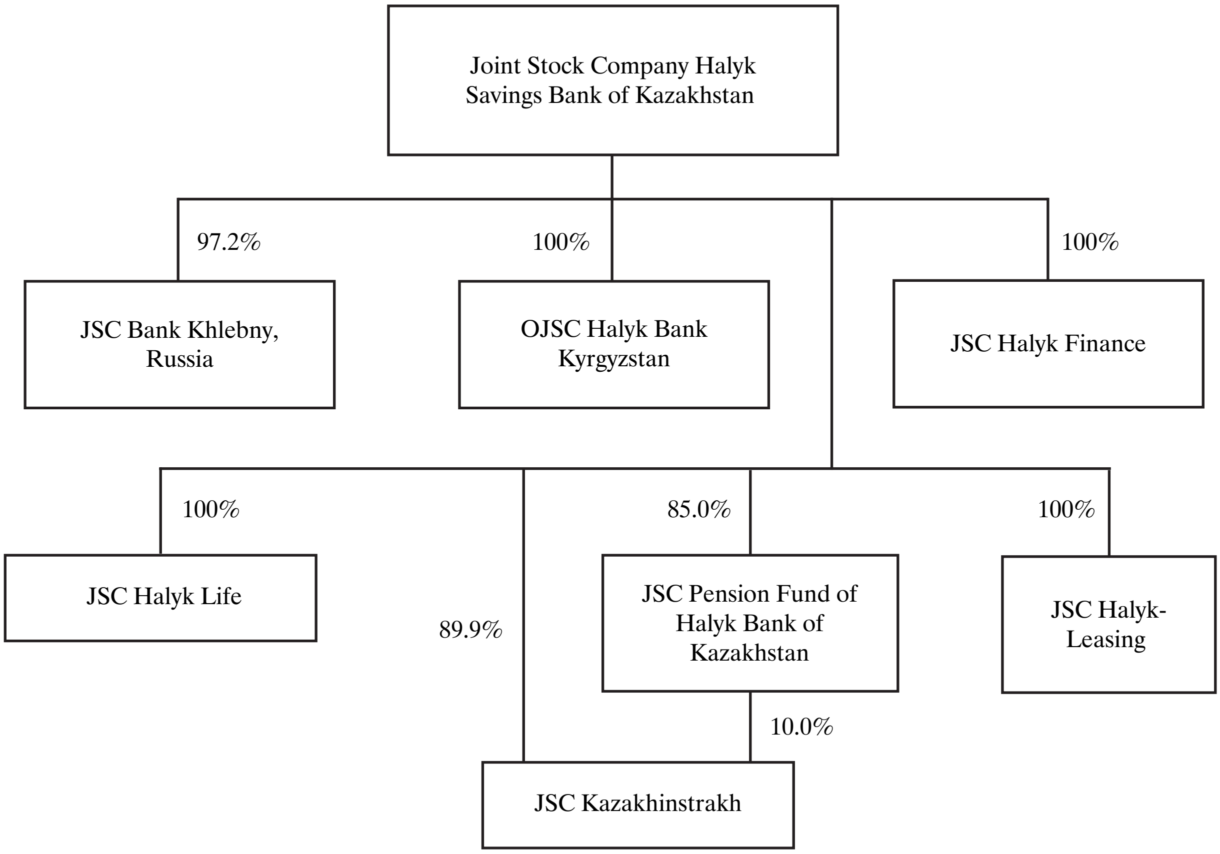
In addition, the Bank has two foreign subsidiaries, OJSC Halyk Bank Kyrgyzstan ("Halyk Bank Kyrgyzstan") and JSC Bank Khlebny ("Bank Khlebny"). The Bank believes that these two subsidiaries are an important part of its strategy of building a regional financial service group and of leveraging its experience gained in Kazakhstan and among other things is planning training programmes for the staff of the two banks.

Halyk Bank Kyrgyzstan, is a commercial bank incorporated in the Kyrgyz Republic and specialises in SME banking services. In September 2004, the Bank acquired OJSC Kairat Bank for a total consideration of U.S. $1.3 million and renamed the bank as Halyk Bank Kyrgyzstan. As at 30 September 2006, Halyk Bank Kyrgyzstan had total assets of SOM 1,246 million and shareholders' equity of SOM 202 million, and net income for the nine months ended 30 September 2006 of SOM 19 million. The Bank has successfully introduced a number of retail and SME banking products in the Kyrgyz market. The Bank intends to replicate the same strategy in other countries in the Central Asian region.

JSC Bank Khlebny, is a regional Russian bank in the Chelyabinsk industrial region, which has strong links to the Kazakhstan industrial sector due to its location along the Russia-Kazakhstan border. The Bank acquired a 76.88 per cent. interest in Bank Khlebny in April 2004 for a total consideration of approximately U.S.$1.2 million. In 2005 the Bank made an additional contribution of RUR 56 million to the share capital of Bank Khlebny. The Bank is currently in the process of buying out remaining minority interests in Bank Khlebny in order to increase its holding to 100 per cent. As at 30 September 2006, Bank Khlebny had total assets of RUR 94 million and shareholders' equity of RUR 75 million and net income for the nine months ended 30 September 2006 of RUR 2 million. The Bank's management believes that this acquisition will allow the Bank to take advantage of the growing levels of trade between the Chelyabinsk region and Kazakhstan, especially in the construction, mining and oil and gas sectors.

Subsidiaries

The following chart shows the Bank's principal subsidiaries as of the date of this Prospectus:



Properties

As at 30 September 2006, the total net book value of the fixed assets (comprising land, buildings, computer hardware and others) of the Bank was KZT 14,247 million, with the Bank's property assets being revalued in 1997. The Bank leases 39 per cent. of its branch offices and retail outlets from third parties pursuant to long-term renewable leases and owns the remaining 61 per cent. of its offices. In 2004, the Bank paid a total amount of approximately KZT 140 million under its leases. In 2005, the Bank paid a total amount of approximately KZT 293 million under its leases. For the nine months ended 30 September 2006, the Bank has paid a total amount of approximately KZT 366 million under its leases. There are no charges on any of the Bank's properties securing indebtedness of the Bank. The Bank's properties are maintained by the Property Management Division of the Bank.

Information Systems

The Bank has made substantial investments in technology with the aim of improving customer service, increasing its operating efficiencies, imposing risk control systems and enhancing its overall competitive position. In 2005, the Bank's information technology related capital expenditures were approximately KZT 1,800 million, compared to approximately KZT 1,600 million in 2004. The Bank has budgeted approximately KZT 2,800 million in capital expenditures for information technology in 2006. This budget includes expenses for software and software licences, mainly from SAP and Microsoft, which are expected to amount to approximately KZT 1,400 million, representing 50 per cent. of the total budgeted amount, approximately KZT 800 million (30 per cent.) for both computers and servers and approximately KZT 600 million (20 per cent.) for telecommunication equipment. (See "Business of the Bank — Strategy — Continue to raise standards to achieve operational excellence and efficiency".)

Currently, the Bank's operating software is not fully integrated and certain data/information from its branches is still processed manually and sent to the head office for processing. In 2005, the Bank launched the Mobile Banking system for customers to manage their card accounts via their mobile phones, completed the introduction of a collateral monitoring and management system, successfully completed a pilot project for the implementation of an SAP BW data warehouse, and developed an HP Open View used for management of IT infrastructure. In 2005 the Bank updated the following systems and software: Customer Contacts, Know Your Customer, its Unified Database on Material Damage caused to the Bank, and the Unified Database on Contracts. By the end of 2006, the Bank plans to complete the second stage of the implementation of the SAP BW data warehouse, which will allow compiling various management and regulatory reports. The Bank plans to complete the introduction of a fixed assets accounting, procurement and technical support, controlling, planning and budgeting system (SAP R/3, BPS). In 2005, the systems in the largest retail branch were fully centralised and the Bank is currently in the final stages of replicating its centralised retail system in most of its main branches. In 2006, a centralised Oracle CDH customer database was introduced.

In 2006 the Bank launched the CobIT (IT governance support) and ITIL (IT service management) systems. The Bank believes that the introduction of these systems will increase the efficiency and transparency of its IT management. The Bank has recently acquired a new T-24 system provided by Temenos which will be installed over the next two years and will replace the entire IT platform for the Bank, integrating all of its banking and operational functions. The Bank considers information technology to be an integral component of its daily operations and is committed to continued investment in information technology to support the efficient growth of its operations. The Bank's management believes that this upgrade will significantly improve its risk management capabilities, asset and liability management, liquidity management and monitoring of lending activities. The Bank's management also expects that the improvements to its IT systems will enable it to improve overall management and business efficiency. The Bank's critical IT systems have "hot" reserve systems. In case of main server failures or building destruction, two recovery systems based in Almaty will be activated with no loss of transaction data. A further recovery system is currently under construction in Astana.

Security and Anti-money Laundering

The Bank has implemented security procedures and policies for all of its locations. Each new branch is initially reviewed by the Bank's Legal, Security, Risk Management and Internal Audit Departments to ensure compliance with the Bank's procedures and policies. All of the Bank's branches contain video surveillance systems and most of its ATMs are monitored by a camera.

The Bank maintains a strict anti-money laundering policy in relation to all of its customers. The Bank interviews most applicants and performs background investigations. All applicants are required to provide the Bank with identification documents, as well as their Kazakhstan tax identification number.

Insurance Cover

The Bank has a number of insurance policies provided by Kazakhinstrakh, including obligatory employers' liability insurance (coverage KZT 4,981 million), voluntary employees' medical insurance (coverage varies depending on package), accident insurance (coverage KZT 6,030 million), voluntary insurance of entrepreneurship risk (coverage KZT 293 million) and obligatory vehicle owners insurance (coverage varies).

In addition, the Bank carries group insurance for the Bank's cardholders provided by AIG Kazakhstan Insurance Company (coverage varies).

All policies are generally renewable annually.

Employees

As at 30 September 2006, the Bank had 8,865 employees, of whom approximately 87.4 per cent. were employed in the branches and retail outlets in Kazakhstan. As at 30 September 2006, the Bank employed 8,021 full-time employees and 844 part-time employees. As at the same date, the average age of the Bank's employees was approximately 34 years. The following table sets out the number of employees of the Bank as at the dates indicated:

	As at 30 September	As at 31 December		
	2006	2005	2004	2003
Head office	1,116	959	1,010	877
Branches and retail outlets	7,749	7,422	7,446	7,176
Total	**8,865**	**8,381**	**8,456**	**8,053**

Although there are currently no labour unions in the Bank or its subsidiaries, some employees of the Bank are members of some local labour unions. The Bank has never experienced any industrial action or other work stoppages resulting from labour disputes.

The Bank does not provide pension, retirement, health or similar benefits to its employees in Kazakhstan, though it does make some small payments to employees of its non-Kazakhstan subsidiaries.

Training Programmes

The Bank traditionally uses internal and external training programmes to improve the skills of its personnel and to incorporate modern management approaches and technologies into its day-to-day operations. In 2005, more than 1,200 employees participated in external seminars and conferences, including programmes for regional specialists in Kazakhstan, CIS and Europe, and in-house corporate training sessions.

While the Bank's specific training programmes have been adjusted to reflect the Bank's strategy recently adopted by the new management team, the Bank intends to continue to offer employees training on client relations and customer service issues, risk management, IT and banking products. Employees of regional branches remain an important target group for training activity.

The Bank's "Halyk Training Center" was opened in Almaty in March 2006 to provide training to all of the Group's employees.

Competition

As at 30 September 2006, there were 34 commercial banks operating in Kazakhstan. The Bank considers Kazkommertsbank and Bank TuranAlem as its major competitors among the large domestic banks. The commercial banks in Kazakhstan can be divided into three groups: large local banks, such as the Bank, Kazkommertsbank and Bank TuranAlem; banks under foreign ownership, such as ABN AMRO Bank, Citibank and HSBC; and smaller local banks. Management believes that the Bank is in a strong position to compete in the Kazakhstan banking sector due to its large branch network and customer base.

At 30 September 2006, there were 14 banks under foreign ownership in Kazakhstan, including nine subsidiaries of foreign banks. 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 lower cost funding base than the Bank, may become the Bank's main long-term competitors in the corporate banking sector. Foreign banks also bring international experience in servicing customers, and they target the key corporate customers of the Kazakhstan banks as well as foreign companies operating in Kazakhstan.

The following table sets out certain financial information as at 30 September 2006 relating to the Bank and the banks the Bank considers to be its major competitors in the Kazakhstan banking sector:

	Assets	**Shareholders' Equity**
	(KZT millions)	
Bank TuranAlem	1,444	126
Kazkommertsbank	1,378	103
Halyk Bank	798	81
Alliance Bank	672	44
ATF Bank	590	50
Bank CenterCredit	514	35
Bank Caspian	201	16
Nurbank	160	18
Temir Bank	138	26
Eurasian Bank	131	15
Total — Top 10 Banks	3,112	513
Other	3,466	112
Total	**6,578**	**625**

Source: Regular monthly non-consolidated reports to the FMSA, prepared in accordance with FMSA requirements, the results of which may differ from the audited financial statements of the relevant bank.

The Bank's main competitors in the mortgage sector are Kazkommertsbank and Bank TuranAlem. The Bank also faces competition from the KMC mortgage programme due to its low interest rates. (See "— Principal Business Activities — Retail Banking — Products and Services".)

Overall there are 14 pension funds currently operating in Kazakhstan. The Bank operates the largest pension fund by assets in Kazakhstan, its two biggest competitors being the State Pension Fund and UlarUmit Pension Fund. In the absence of further mergers or changes of marketing strategies, management considers the Bank's main competitors in this sector to be insignificant. The Bank also faces potential competition in the long term from mid-size pension funds, such as Grantum and BTA Kazakhstan, and other smaller pension funds in the aggregate.

The Bank's main competitors in the insurance market are Eurasia, BTA Insurance and Insurance Company London-Almaty.

Legal Proceedings

From time to time and in the normal course of business, the Bank is subject to legal actions and complaints.

The Group is not and has not 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 document a significant effect on the financial position or profitability of the Group.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

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

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

The National Bank of Kazakhstan and the FMSA

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

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

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

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

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

Banking

Structure of the Banking System of Kazakhstan

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

Banking Reform and Supervision

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

In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, in the mid 1990s the NBK required commercial banks to adopt recapitalisation and corporate enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the NBK, now the FMSA. In 2003, all banks were requested to develop and install internal risk management systems.

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

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

The FMSA, which currently includes what was the NBK's Banking Supervision Department, will continue to focus on ensuring financial solvency and protection of depositors while encouraging banks to diversify their activities in the financial services sector (for example, by managing pension and investment funds and establishing leasing and insurance companies).

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

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

In December 1999, a self-funded domestic deposit insurance scheme was established and as at 30 September 2006, 33 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. As of 2004, only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Current legislation requires the FMSA to approve any acquisition of a shareholding of 10 per cent. or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity holding 10 per cent. or more of a Kazakhstan bank must have a minimum required credit rating from one of the major rating agencies.

On 22 November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel Accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives. Further, the new regulations establish reduced capital adequacy ratios for banks with a shareholder that is a parent company of banking conglomerate. Such reduced rates are 5 per cent. for the Tier I ratio (compared to a generally applicable ratio of 6 per cent.) and 10 per cent. for the total capital adequacy ratio (compared to a generally applicable ratio of 12 per cent.).

Besides having the status of a parent company of a banking conglomerate, Almex also maintains the status of a bank holding company. A bank holding company is an entity, whether domestic or foreign, that owns more than 25 per cent. of the voting shares of a Kazakhstan bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

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

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

Commercial Banks

According to the NBK, as at 30 September 2006, there were 34 commercial banks in Kazakhstan, excluding the NBK and the 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 2001, the Government established the DBK to provide medium- and long-term financing and otherwise facilitate industrial projects in Kazakhstan. DBK was established with a charter fund of KZT 30 billion. Within the commercial banking sector, DBK is not considered a competitor of banks as it is not licensed to accept commercial or retail deposits or to provide corporate settlement services.

In November 2001, the Government divested its remaining 33 per cent. stake in the Bank by means of privatisation through a public auction. In February 2004, the entire share capital of ExímBank Kazakhstan, formerly a state-owned bank, was sold by tender. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the FMSA, and currently JSC Nauryz Bank is in the process of liquidation as required by a court ruling in November 2005.

On 24 December 2005, the FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards. As of 30 September 2006, 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.

Foreign Capital in Banking Sector

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

As at 30 September 2006, there were 14 banks with foreign participation operating in Kazakhstan, including ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Kazakhstan. Under relevant legislation, a bank "with foreign participation" is defined as a bank with more than one-third foreign ownership. Banks with less than one-third foreign ownership are considered domestic banks.

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

Industry Trends

According to the FMSA, the total capital of commercial banks increased 44.9 per cent. in 2003, 48.8 per cent. in 2004, 69.3 per cent. in 2005 and 52.7 per cent. in the nine months ended 30 September 2006, amounting to approximately KZT 625 billion as of that date. In the first nine months of 2006, the total assets of such banks increased by 45.7 per cent. and, as at 30 September 2006, amounted to approximately KZT 6,578 billion. During the nine months ended 30 September 2006, the aggregate liabilities of such banks increased by 46.1 per cent. and amounted to approximately KZT 5,953 billion as at 30 September 2006 and their aggregate net income increased by 24.5 per cent. in the nine months ended 30 September 2006, amounting to KZT 88 billion. The share of total assets of the second-tier banks in Kazakhstan's gross domestic product as at 30 September 2006 amounted to 75.4 per cent. as compared to 60.6 per cent. as at 31 December 2005, 48.5 per cent. as at 31 December 2004 and 37.7 per cent. as at 31 December 2003.

The FMSA has recently been encouraging banks in Kazakhstan to increase their provisions against potential non-performing loans. The Bank has been following these recommendations and has increased its statutory provisions accordingly.

Claims in Bankruptcy

Article 74-2 of the Law on Banks effective as of the date of this Prospectus provides that proceeds of the bankruptcy estate of an insolvent bank should be distributed among its creditors in the following order: (i) claims by individuals for compensation for wrongful death or damage to health; (ii) claims for payment under employment contracts; (iii) claims by the organisation which conducted mandatory deposit insurance in the amount it compensated for the insured deposits according to calculations provided by the insolvent bank; (iv) claims by individual depositors with respect to their accounts held and money transfers made with the insolvent bank as well as claims under deposits made on account of pension assets of pension funds; deposits of insurance companies that were made up of assets acquired under a "life insurance" policy; (v) claims by charitable and Second World War veterans' organisations, as well as organisations of invalids, with respect to their accounts held with the insolvent bank; (vi) claims of secured creditors; (vii) tax claims and payments under loans provided by the Government; (viii) all other creditors' claims. Shareholders and GDR holders will only receive a distribution of any amounts remaining after all claims of creditors are paid in full.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Bank's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this review are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors". In this document, the consolidated financial statements presented are those of the Bank. This discussion is based on the audited consolidated financial statements and audited interim condensed consolidated financial statements of the Bank and should be read in conjunction with its audited consolidated financial statements and audited interim condensed consolidated financial statements and the accompanying notes appearing elsewhere in this Prospectus. Unless otherwise indicated, all of the financial data and discussions thereof are based upon the Bank's audited consolidated financial statements as at and for the years ended 31 December 2005, 2004 and 2003 prepared in accordance with IFRS and audited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2006 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". IFRS differs in certain material respects from generally accepted accounting principles in the United States ("US GAAP"). (See "Presentation of Financial and Certain Other Information".)

Overview

The Bank is one of Kazakhstan's leading financial services groups, with the largest customer base and distribution network in Kazakhstan. The Bank is developing as a universal financial services group offering a broad range of services (banking, pensions, insurance, leasing, brokerage and asset management) to its retail, SME and corporate customers.

As at 30 September 2006, according to statistics published by the FMSA, the Bank had the largest retail deposit base in Kazakhstan (with a 21.7 per cent. market share), as well as the largest portfolio in the fast-growing mortgage loan market (a 21.8 per cent. market share) and had issued the largest number of payment cards (a 50.1 per cent. market share). In addition, the Bank was also the third largest bank in Kazakhstan in terms of total assets. As at 30 September 2006, amounts due to the Bank's retail customers were KZT 207,511 million while total amounts due to customers were KZT 481,631 million, mortgage loans were KZT 97,248 million, while total gross loans were KZT 504,383 million and total assets were KZT 797,012 million. For the nine months ended 30 September 2006, the Bank had net income after income tax expense of KZT 18,263 million and operating income (net interest income plus net fees and commissions and other non-interest income) was KZT 40,072 million. As at 30 September 2006, total shareholders' equity was KZT 86,708 million. The Bank's management has set medium-term targets for net interest margin of 6 per cent. and for cost/income ratio (being operating expense/operating income before impairment charge) of less than 35 per cent. No assurance can be given as to whether or when the Bank can or will attain these objectives.

As at 30 September 2006, the Bank had approximately 5.9 million retail customers (the largest customer base in Kazakhstan), approximately 62,000 SME customers and approximately 300 corporate customers. With the most extensive retail distribution network in Kazakhstan, the Bank, as at 30 September 2006, served its customers through 593 retail outlets, including regional and district branches in all 14 regions of Kazakhstan as well as through some 700 ATMs, the largest ATM network in Kazakhstan. Other distribution channels used by the Bank include the Internet and mobile banking and in-store points of sale located at certain shopping centres and supermarkets in Kazakhstan. In addition, the Bank also uses the distribution channels established by some of its other business lines, principally the pensions and insurance businesses.

The Bank operates in three core business lines: retail, SME and corporate banking. Through subsidiary companies, the Bank's operations also include pensions, insurance, leasing, brokerage and asset management. According to FMSA statistics as at 30 September 2006, the Bank's pension fund business had the largest market share in Kazakhstan (27 per cent.) and the Bank believes its insurance business had the largest network in the country.

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, traveller's cheques, currency exchange, Internet and mobile banking and ATM services. The Bank's corporate banking business provides a range of wholesale banking products and services (including loans, payroll services and cash management) to corporate and SME business customers, financial institutions and Government entities.

Key Factors Affecting the Bank's Results of Operations and Financial Condition

The Bank's financial condition and results of operations are affected by numerous factors. It believes that the following are of particular importance:

Recent Growth in Kazakhstan Economy

Substantially all of the Bank's operations and customers are located in Kazakhstan. Recent economic growth in Kazakhstan has driven demand for the Bank's products and services by enabling it to expand its customer base and sell more to existing customers. The Bank has relatively high exposures to the retail, agriculture, construction, real estate and wholesale trade sectors, which have experienced significant growth in recent years. Accordingly, the Bank's financial condition and results of operations are dependent upon economic conditions prevailing in Kazakhstan as a whole and in these sectors in particular.

Opportunities Resulting from Market Segmentation

Opportunities to service the banking needs of customers in the retail, SME and corporate segments have continued to emerge as the financial market develops and banking penetration increases. For example, as the funding needs of corporate and SME customers have grown, so too has the Bank's interest income on its loan portfolio and fee and commission income earned from providing specialised products and services to this customer base. More recently, as disposable personal income continues to grow, the Bank has pursued opportunities in Kazakhstan's retail market by increasing its range of mortgage and consumer finance products to retail customers.

Combination of Fee and Commission Income and Interest Income Revenue Streams

In recent years, both interest income and fee and commission income have been major contributors to the Bank's revenues. The Bank has deliberately targeted this revenue mix in order to mitigate adverse effects on interest income resulting from potential changes in interest rates, which reflect, to a certain degree, short-term and long-term rates in Kazakhstan and the U.S., and inflation expectations in Kazakhstan.

Ability to Manage Costs

The Bank believes it has effective controls on costs, which have grown less rapidly than revenues in recent years. Although the Bank has spent significant sums to improve its branch network and information technology infrastructure, these targeted improvements have served as platforms for increasing revenue growth. Furthermore, the Bank believes it enjoys a low interest expense level relative to the Kazakhstan banking industry.

Credit Quality

The Bank believes its existing lending policies and procedures are among the most conservative in the Kazakhstan banking sector and result in high credit quality of its loan portfolio. It periodically reviews its lending policies and procedures in light of current economic trends. (See "Asset, Liability and Risk Management — Lending Policies and Procedures".)

Provisioning Policies

The Bank complies with provisioning requirements as mandated by the FMSA. In order to establish adequate allowances for impairment of loans, other assets and off-balance sheet risks in accordance with applicable regulatory requirements, the Bank uses impairment rates based on NBK and FMSA regulations. (See "Asset, Liability and Risk Management — Loan Classification and Provisioning Policy".) Provisioning policies under IFRS differ from those under Kazakhstan law. After taking impairment charges based on the provisioning rates required by the FMSA, the Bank reassesses the allowances on an annual or more frequent basis to ensure that the amounts approximate the difference between the 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 loan. Specifically, for IFRS purposes, the Bank makes provisions for losses on individually significant loans on a case-by-case basis and makes provisions for losses made on pools of homogenous loans and pools of individually significant loans that are not specifically impaired based on historical loss data. Actual provisions established take into account the value of any collateral or third party guarantees. Accordingly, the actual provision levels may differ from the provisioning rates used for regulatory purposes.

Taxes

Taxes in Kazakhstan to which the Bank is subject include value added tax, income tax, social taxes, and other taxes. The current statutory income tax rate in Kazakhstan is 30 per cent. The Bank's effective tax rate was 15.7 per cent. for the nine-month period ended 30 September 2006 and 18.3 per cent., 19.8 per cent. and 9.3 per cent. for the years ended 31 December 2005, 2004 and 2003, respectively. The Bank's effective tax rate is generally less than the statutory rate because not all of the Bank's income is taxable. For example, interest received on residential mortgages and Government securities is currently not taxable. However, tax legislation may change in the future and, if it does, the Bank's effective tax rate could increase substantially.

Kazakhstan tax regulations generally do not provide for the filing of consolidated income tax returns. Accordingly, the Bank and its subsidiaries file individual tax returns. The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC Bank Khlebny and OJSC Halyk Bank Kyrgyzstan, are subject to taxation in the Republic of Kazakhstan. HSBK (Europe) B.V. is subject to income tax in The Netherlands. JSC Bank Khlebny is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Kyrgyz Republic. Kazakhstan has concluded a double taxation treaty with each of these jurisdictions, such that a credit towards income tax in Kazakhstan is given for income tax paid on dividends in these jurisdictions. From 1 January 2007, changes to the Kazakhstan tax code will provide for the exemption of dividends from income tax irrespective of whether they are received from subsidiaries in Kazakhstan or abroad.

Critical Accounting Policies

The Bank's accounting policies are integral to understanding the financial condition and results of operations presented in the audited consolidated financial statements and the related notes thereto. The Bank's significant accounting policies are described in Note 3 to the consolidated financial statements appearing elsewhere in this Prospectus. The preparation of these financial statements requires the Bank's 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 reported period. On an ongoing basis, the Bank's management evaluates its estimates and judgements, including those related to allowance for losses, investments, income taxes, contingencies, fair value of financial instruments and properties, and litigation and arbitration. Management bases its estimates and judgements 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 Bank's management believes that the following critical significant accounting policies require more critical judgements or estimates or involve a relatively greater degree of complexity in the application of accounting policies that affect the Bank's financial condition and results of operations:

Allowances for Impairment of Financial Assets

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

These allowances, in particular allowances for loan losses, involve significant estimates and are regularly evaluated by the Bank's management for adequacy. The allowances are based on the Bank's own loss experience and management's judgement of 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 audited consolidated financial statements have been determined on the basis of existing economic and political conditions. (See "Asset, Liability and Risk Management — Loan Classification and Provisioning Policy".) The Bank is not in a position to predict what changes in such 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 for the related period. When a loan is not collectible, it is written off against the related allowance for impairment; subsequent recoveries of amounts previously written off decrease the amount of provision for loan impairment in the consolidated statement of income.

Income Taxes

Taxes in Kazakhstan to which the Bank is subject include value added tax, income tax, social taxes, and other taxes. Implementing regulations are often unclear or non-existent and few precedents have been established. Tax declarations, together with other legal compliance areas (for example, 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, which makes the estimation, accrual and accounting for taxes a part of the Bank's critical accounting policies.

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 recognised for taxable temporary differences (i) except where the deferred income tax liability 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 or loss and (ii) 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.

Deferred income tax assets are recognised for all 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: (i) 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 as the transaction, affects neither the accounting profit nor taxable profit nor loss; and (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognised 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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Future taxable profit could be materially different from amounts estimated, in which case the carrying amount would need to be adjusted.

Valuation of Trading and Investment Securities

Trading and investment securities are initially recognised at the fair value of the consideration paid, net of any transaction costs incurred. Investment securities held-to-maturity are subsequently measured at amortised cost using the effective interest method, with allowance for impairment estimated on a case-by-case basis. Trading securities and investment securities available-for-sale are subsequently measured at fair value, based on market values as at the date of the balance sheet.

In determining estimated fair value, securities are valued at the last trade price if quoted on an exchange, or the last bid price if traded over-the-counter. When market prices for trading securities are not available, fair value is determined by reference to price quotations for similar instruments traded in different markets or objective and reliable management estimates of the amounts that can be realized. When no information on market prices for investment securities available-for-sale or similar instruments is available, the fair value of debt securities with fixed maturities is estimated as the discounted future cash flows using current interest rates, and securities that do not have fixed maturities are stated at cost, less allowance for diminution in value. (See "Selected Statistical and Other Information — Investments — Overview".)

Reporting of Preferred Shares Within Equity

The Bank has issued convertible and non-convertible Preferred Shares. The Preferred Shares are classified as equity as they are not redeemable and guarantee only a nominal dividend amount of KZT 0.01 per share to comply with Kazakhstan legislation which requires joint stock companies to guarantee dividends on Preferred Shares. The remainder of any dividend on Preferred Shares is paid only if the Bank is profitable. Preferred Shares generally have no voting rights, except as to matters directly affecting such shares, unless payment of dividends on Preferred Shares has been delayed for three months or more from the date they became due.

Results of Operations for the Nine Months ended 30 September 2006 and 30 September 2005

Net Income

The following table presents the main components of the Bank's net income and certain income statement ratios for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	2005	2006/2005	
	(KZT millions)[1]		*(KZT millions)*	*(%)*
Net Income:				
Interest income	56,678	36,706	19,972	54.4
Interest expense	(23,164)	(15,275)	7,889	51.6
Net interest income before impairment	33,515	21,431	12,084	56.4
Impairment charge	(10,675)	(9,877)	798	8.1
Net interest income	22,839	11,555	11,284	97.7
Fee and commissions, net	14,403	11,021	3,382	30.7
Other non-interest income	2,830	3,612	(782)	(21.7)
Operating income[2]	40,072	26,188	13,884	53.0
Other non-interest expense (operating expense)	(18,398)	(12,940)	(5,458)	42.2
Income before income tax expense	21,674	13,247	8,427	63.6
Income tax expense	(3,411)	(1,807)	(1,604)	88.8
Net income after income tax expense	18,263	11,440	6,823	59.6
Minority interest	(448)	(206)	(242)	117.5
Net income, less minority interest	17,815	11,234	6,581	58.6
Dividends to preferred shareholders	(1,260)[3]	(1,071)[4]	(189)	(17.6)
Net income attributable to common shareholders	16,555	10,163	6,392	62.9
Profitability ratios:				
Return on average common shareholders' equity[5][6]	43.9%	39.3%		
Return on average total assets[5][7]	3.3%	2.9%		
Net interest margin[5][8]	7.2%	6.6%		
Other non-interest expense (operating expense)[9]/operating income before impairment charge	36.3%	35.9%		
Impairment charge/operating income before impairment charge	21.0%	27.4%		
Basic earnings per share, Tenge[10]	18.24	14.79		
Basic earnings per common share, Tenge[11]	18.25	20.65		

Notes:

(1) Except for percentages and per share data.

(2) Operating income is net interest income, plus net fees and commissions and other non-interest income.

(3) Dividends to preferred shareholders for the nine-month period ended 30 September 2006 are calculated based on the Bank's year-end projections adjusted for the nine-month period.

(4) Dividends to preferred shareholders for the nine-month period ended 30 September 2005 are calculated based on the actual dividend amount paid for 2005 adjusted for the nine-month period.

(5) Annualised. Amounts used in ratios are average monthly balances for the periods.

(6) Return on average common shareholders' equity is (a) net income attributable to common shareholders, divided by (b) average common shareholders' equity.

(7) Return on average total assets comprises (a) net income after income tax expense, less dividends on Preferred Shares, divided by (b) average total assets.

(8) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.

(9) Other non-interest expense includes salaries and other employee benefits, administrative and operating expenses, tax other than corporate income tax, depreciation and amortisation expenses and other provisions against letters of credit and guarantees issued.

(10) Basic earnings per share is calculated as (a) net income, less minority interest, divided by (b) daily weighted average number of Shares and Preferred Shares.

(11) Basic earnings per common share is calculated as (a) net income attributable to common shareholders, divided by (b) average number of common shares outstanding, less treasury shares.

The Bank's net income after income tax expense for the nine months ended 30 September 2006 was KZT 18,263 million, an increase of KZT 6,823 million, or 59.6 per cent., compared to KZT 11,440 million for the corresponding period in 2005. The increase was mainly attributable to increases in interest income of KZT 19,972 million, or 54.4 per cent., and in net fees and commission income of KZT 3,382 million, or 30.7 per cent., which were partially offset by increases in interest expense of KZT 7,889 million, or 51.6 per cent., other non-interest expense of KZT 5,458 million, or 42.2 per cent., and income tax expense of KZT 1,604 million, or 88.8 per cent.

Interest Income

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

	Nine months ended 30 September		Variation	
	2006	2005	2006/05	
	(KZT millions)		*(KZT millions)*	*(%)*
Interest income on loans to customers	50,128	33,056	17,072	51.6
Interest income on securities	3,456	2,747	709	25.8
Interest income on cash and cash equivalents and amounts due from credit institutions	3,095	903	2,192	242.7
Interest income, total	**56,678**	**36,706**	**19,972**	**54.4**

Total interest income increased by KZT 19,972 million, or 54.4 per cent., to KZT 56,678 million in the nine months ended 30 September 2006 from KZT 36,706 million in the corresponding period in 2005, mainly due to an increase in interest income on loans to customers.

Interest income on loans to customers increased by KZT 17,072 million, or 51.6 per cent., to KZT 50,128 million in the first nine months of 2006 from KZT 33,056 million in the corresponding period in 2005. This increase was primarily due to increases in the volume of loans made, average interest rates and the share of consumer loans, which typically bear higher interest rates, within the loan portfolio. Gross loans to customers increased by KZT 103,595 million, or 23.7 per cent., to KZT 540,613 million as at 30 September 2006 from KZT 437,018 million as at 31 December 2005. This increase was primarily due to an overall increase in lending activity. (See "Selected Statistical and Other Information — The Bank's Loan Portfolio — Loans to Customers".) Average net loans in foreign currencies represented 54.2 per cent. of the Bank's total average net loan portfolio as at 30 September 2006, compared to 58.7 per cent. as at 30 September 2005. (For an explanation on how average loans in foreign currencies and the Bank's total average loan portfolio were calculated in each period, see "Selected Statistical and Other Information — Average Balances".)

Interest on securities, principally treasury bills, Government bonds, short-term notes issued by the NBK and Eurobonds issued by the Government, increased by KZT 709 million, or 25.8 per cent., to KZT 3,456 million for the nine months ending 30 September 2006 from KZT 2,747 million for the corresponding period in 2005. The increase resulted from a larger volume of trading, as a consequence of which excess liquidity typically was invested during the period, as well as higher yields on domestic interest-bearing instruments. (See "Selected Statistical and Other Information — Investments — Financial Assets at Fair Value through Profit or Loss".)

Interest on cash and cash equivalents and amounts due from credit institutions increased by KZT 2,192 million, or 242.7 per cent., to KZT 3,095 million for the nine months ending 30 September 2006 from KZT 903 million for the corresponding period in 2005, mainly attributable to excess liquidity being invested into short-term deposits and loans to credit institutions during the period.

The following table sets out the effective average annual interest rates on the Bank's interest-earning Tenge and foreign currency assets for the periods indicated:

	Nine months ended 30 September					
	2006			2005		
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
	(%)					
Loans to customers	15.7	20.2	12.0	14.3	17.9	11.8
Amounts due from credit institutions	4.4	3.9	5.1	3.0	3.1	2.8
Financial assets at fair value through profit or loss	5.0	4.8	6.1	4.2	3.7	7.2
Available-for-sale investment securities	8.5	8.0	11.9	6.9	6.5	10.0
Average interest rates on interest-earning assets	**12.3**	**13.7**	**10.7**	**11.4**	**12.6**	**10.3**

Average interest rates on the loan portfolio increased to 15.7 per cent. for the nine months ended 30 September 2006 from 14.3 per cent. in the corresponding period in 2005. The increase in average rates on the loan portfolio was primarily due to the increased share of consumer loans, which typically bear higher interest rates, within the loan portfolio.

Average annual rates on deposits with other banks increased to 4.4 per cent. for the nine months ended 30 September 2006 from 3.0 per cent. for the corresponding period in 2005. The increase in average rates on deposits with other banks was primarily due to increased interbank interest rates resulting from increases in LIBOR. Average interest rates on the financial assets at fair value through profit or loss portfolio increased to 5.0 per cent. for the nine months ended 30 September 2006 from 4.2 per cent. in the corresponding period in 2005. Average interest rates on the available-for-sale securities portfolio for the nine months ended 30 September 2006 and the corresponding period in 2005 were 8.5 per cent. and 6.9 per cent., respectively. The increases in average rates on the financial assets at fair value through profit or loss and available-for-sale securities portfolios were primarily due to increased interbank interest rates resulting from increases in Kazakhstan treasury rates.

Interest Expense

The following table sets out the principal components of the Bank's interest expense for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	2005	2006/05	
	(KZT millions)		*(KZT millions)*	*(%)*
Interest expense on amounts due to customers	11,867	8,883	2,984	33.6
Interest expense on debt securities issued	6,472	3,319	3,153	95.0
Interest expense on amounts due to credit institutions	4,825	3,074	1,751	57.0
Interest expense, total	**23,164**	**15,275**	**7,889**	**51.6**

Total interest expense increased by KZT 7,889 million, or 51.6 per cent., to KZT 23,164 million for the nine months ended 30 September 2006 from KZT 15,275 million for the corresponding period in 2005 primarily due to increases in the volume of deposits accepted and debt securities issued.

Interest expense on amounts due to customers increased by KZT 2,984 million, or 33.6 per cent., to KZT 11,867 million for the nine months ended 30 September 2006 from KZT 8,883 million for the corresponding period in 2005 due to an increase in customer deposits. Average annual interest-bearing customer account balances (corporate and retail) increased by 35 per cent. to KZT 389,526 million for the nine months ended 30 September 2006 from KZT 288,492 million for the corresponding period in 2005 due to higher balances of customer term deposits. The Bank's customer deposits in foreign currencies are denominated substantially in U.S. Dollars and, to a lesser extent, in Euro. Average foreign currency customer deposit balances for the nine-month periods ended 30 September 2006 and 2005 accounted for 45.5 per cent. and 44.6 per cent., respectively, of the total average balances of customer accounts for each nine-month period. (For an explanation of how average interest-bearing customer account balances, average foreign currency customer deposit balances and total average balances of customer accounts were calculated for each period, see "Selected Statistical and Other Information — Average Balances".)

Interest expense on debt securities issued increased by KZT 3,153 million, or 95.0 per cent., to KZT 6,472 million for the nine-month period ended 30 September 2006 from KZT 3,319 million for the corresponding period in 2005, primarily as a result of increased issuances of debt securities.

Interest expense on amounts due to credit institutions increased by KZT 1,751 million, or 57.0 per cent., to KZT 4,825 million for the nine-month period ended 30 September 2006 from KZT 3,074 million for the corresponding period in 2005. The increase was primarily attributable to increased levels of longer-term term deposits from other credit institutions. Average foreign currency balances on deposits and loans from credit institutions accounted for 13.3 per cent. of total average interest-bearing liabilities for the nine-month period ended 30 September 2006 and 17.7 per cent. for the corresponding period in 2005. (For an explanation of how average foreign currency balances on deposits and loans from credit institutions and total average interest-bearing liabilities were calculated in each period, see "Selected Statistical and Other Information — Average Balances".)

The following table sets out the average interest rates payable by the Bank on its Tenge and foreign currency interest-bearing liabilities for the periods indicated:

	Nine months ended 30 September					
	2006			**2005**		
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
				(%)		
Amounts due to customers	4.0	4.4	3.6	4.1	3.9	4.4
Debt securities issued	8.4	8.0	8.9	8.7	9.8	7.8
Amounts due to credit institutions	6.4	9.6	5.5	5.2	9.8	4.9
Average interest rates on interest-bearing liabilities	**5.2**	**5.5**	**4.9**	**4.9**	**4.7**	**5.0**

The average interest rates paid on interest-bearing customer balances for the nine-month periods ended 30 September 2006 and 2005 were 4.0 per cent. and 4.1 per cent., respectively.

However, average interest rates for Tenge-denominated amounts due to customers increased to 4.4 per cent. for the nine-month period ended 30 September 2006 from 3.9 per cent. for the corresponding period of 2005 due to increases in interest rates generally on Tenge-denominated deposits, while average interest rates on foreign currency-denominated amounts due to customers decreased to 3.6 per cent. from 4.4 per cent. over the same periods due to decreases in rates on foreign currency-denominated instruments, following trends in the domestic market.

Average interest rates on amounts due to credit institutions increased to 6.4 per cent. in the first nine months of 2006 from 5.2 per cent. in the corresponding period of 2005. This increase was primarily due to increases in LIBOR and the increasing share of Tenge-denominated deposits within the deposit portfolio.

Average interest rates on securities issued decreased to 8.4 per cent. in the first nine months of 2006 from 8.7 per cent. in the corresponding period of 2005. This decrease was primarily due to significant decreases in average interest rates on Tenge-denominated securities issued, which, in turn, was caused by the issuance of medium-term Tenge securities to international investors at a comparatively lower rate than those of previously-issued Tenge-denominated securities.

Net Interest Income Before Impairment

The following table sets out certain data and ratios on net interest income before impairment for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	2005	2006/05	
	(KZT millions, except percentages)		*(KZT millions)*	*(%)*
Interest income	56,678	36,706	19,972	54.4
Interest expense	(23,164)	(15,275)	(7,889)	51.6
Net interest income before impairment	**33,515**	**21,431**	**12,084**	**56.4**
Net interest income before impairment charge/operating income before impairment charge	66.0%	59.4%		
Net interest margin[(1)(2)]	7.2%	6.6%		

Notes:

(1) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.

(2) Annualised.

Net interest income before impairment charge increased by KZT 12,084 million, or 56.4 per cent., to KZT 33,515 million for the nine-month period ended 30 September 2006 from KZT 21,431 million for the corresponding period in 2005. The increases in net interest income before impairment charge as a percentage of operating income before impairment charge and net interest margin were mainly attributable to the increased share of consumer loans within the loan portfolio. (See "Selected Statistical and Other Information — The Bank's Loan Portfolio".)

Impairment Charge

The following table sets out certain data and ratios on impairment charge for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	2005	2006/05	
	(KZT millions, except percentages)		*(KZT millions)*	*(%)*
Impairment charge	(10,675)	(9,877)	(798)	8.1
Allowance for loan losses/total gross loans	6.7%	6.0%		
Impairment charge/operating income before impairment charge	21.0%	27.4%		

For the nine-month period ended 30 September 2006, the Bank's impairment charge was KZT 10,675 million, an increase of KZT 798 million, or 8.1 per cent., compared to KZT 9,877 million for the corresponding period in 2005. The reason for the increases in impairment charge and allowance for loan losses as a percentage of total loans was management's decision to downgrade the classification of certain of the Bank's existing borrowers. The reason for the decrease in impairment charge as a percentage of operating income before impairment charge was growth in fee and commission income, which resulted in increased operating income before impairment charge. For the nine-month period ended 30 September 2006, the Bank's net write-offs were KZT 47 million (representing gross write-offs of KZT 2,631 million less KZT 2,584 million in recoveries), compared to KZT 1,865 million for the corresponding period in 2005 (representing gross write-offs of KZT 2,726 million less KZT 861 million in recoveries).

Fees and Commissions

Net fee and commission income increased by KZT 3,382 million, or 30.7 per cent., to KZT 14,403 million for the nine-month period ended 30 September 2006, compared to KZT 11,021 million for the corresponding period in 2005, primarily as a result of increases in fee and commission income from pension fund and asset management, bank transfers and cash operations, while fee and commission expense remained stable.

Fee and Commission Income

The following table sets out information on the Bank's fee and commission income for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	**2005**	**2006/05**	
	(KZT millions)		*(KZT millions)*	*(%)*
Pension fund and asset management	4,510	2,088	2,422	116.0
Bank transfers	4,049	3,052	997	32.7
Cash operations	1,845	1,221	624	51.1
Maintenance of customer accounts	980	1,084	(104)	(9.6)
Letters of credit and guarantees issued	967	1,384	(417)	(30.1)
Customers' pension payments	785	644	141	21.9
Utilities payments	710	647	63	9.7
Payment card maintenance	307	323	(16)	(5.0)
Foreign currency operations	216	562	(346)	(61.6)
Other	699	677	22	(3.2)
Fee and commission income, total	**15,067**	**11,682**	**3,385**	**29.0**

Fee and commission income increased by KZT 3,385 million or 29.0 per cent. to KZT 15,067 million for the nine-month period ended 30 September 2006, from KZT 11,682 million for the corresponding period in 2005. In the nine-month period ended 30 September 2006, the Bank earned KZT 4,510 million in pension fund and asset management fees and commissions, compared to KZT 2,088 million in the corresponding period in 2005. This KZT 2,422 million, or 116.0 per cent., increase was mainly attributable to increases in volumes and the market value of funds under management, net of commissions, and to an increase in commissions earned on mark-to-market capital appreciation gains. Fees from bank transfers increased by KZT 997 million, or 32.7 per cent., to KZT 4,049 million for the nine-month period ended 30 September 2006, compared to KZT 3,052 million for the corresponding period in 2005, primarily as a result of an increase in the volume of bank transfers. Fees from cash operations increased by KZT 624 million, or 51.1 per cent., to KZT 1,845 million in the nine-month period ended 30 September 2006, from KZT 1,221 million for the corresponding period in 2005, due to an increased volume of cash operations while fees from letter of credit and guarantees and foreign currency operations decreased by KZT 417 million, or 30.1 per cent., and KZT 346 million, or 61.6 per cent., respectively, due to changes in customers' payments from documentary operations to open account transfers and changes in charges for foreign exchange transactions.

Fee and Commission Expense

The following table sets out information on the Bank's fee and commission expense for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	**2005**	**2006/05**	
	(KZT millions)		*(KZT millions)*	*(%)*
Payment cards	345	272	73	26.8
Bank transfers	109	94	15	16.0
Foreign currency operations	84	157	(73)	(46.5)
Other	127	138	(11)	(8.0)
Fee and commission expense, total	**664**	**661**	**3**	**0.5**

Fee and commission expense increased by KZT 3 million, or 0.5 per cent., to KZT 664 million for the nine-month period ended 30 September 2006, compared to KZT 661 million for the corresponding period in 2005, primarily as a result of an increase in fee expense from payment cards of KZT 73 million, or 26.8 per cent., to KZT 345 million for the nine-month period ended 30 September 2006, compared to

KZT 272 million for the corresponding period in 2005, due to increased volumes of transactions through payment card accounts. Fee expenses from foreign currency operations decreased by KZT 73 million, or 46.5 per cent. to KZT 84 million in the first nine months of 2006 from KZT 157 million for the corresponding period of 2005 due to lower commissions paid to suppliers of foreign banknotes. (See "Business of the Bank — Principal Business Activities".)

Other Non-Interest Income

The following table sets out certain information on the Bank's other non-interest income for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	**2005**	**2006/05**	
	(KZT millions)		*(KZT millions)*	*(%)*
Gains less losses from foreign currencies	2,506	1,319	1,187	90.0
(Losses less gains)/gains less losses from financial assets at fair value through profit or loss	(646)	1,358	(2,004)	(147.6)
Share of income of associates	125	143	(18)	(12.6)
Gains less losses from available-for-sale securities	25	278	(253)	(91.0)
Other non-interest income	820	515	305	(59.2)
Other non-interest income, total	**2,830**	**3,612**	**(782)**	**(21.7)**

Total other non-interest income decreased by KZT 783 million, or 21.7 per cent., to KZT 2,830 million for the nine-month period ended 30 September 2006, compared to KZT 3,612 million for the corresponding period in 2005.

Gains less losses from foreign currencies increased by KZT 1,187 million, or 90.1 per cent., to KZT 2,506 million for the nine-month period ended 30 September 2006 from KZT 1,319 million for the corresponding period in 2005, mainly due to increases in volumes of foreign currency dealing and spreads on foreign exchange operations. Gains less losses from financial assets at fair value through profit or loss decreased by KZT 2,004 million, or 147.6 per cent., to a net loss of KZT 646 million for the nine-month period ended 30 September 2006, compared to a net gain of KZT 1,358 million for the corresponding period in 2005. Share of income of associate decreased by KZT 18 million, or 12.6 per cent., to KZT 125 million for the nine-month period ended 30 September 2006, from KZT 143 million for the corresponding period in 2005, primarily as a result of losses at JSC National Processing Center and Halyk Private Equity. Gains less losses from available-for-sale securities decreased by KZT 253 million, or 91.0 per cent., to KZT 25 million for the nine-month period ended 30 September 2006, from KZT 278 million for the corresponding period in 2005. Other non-interest income, comprising gains from disposals of fixed assets and other assets, increased by KZT 305 million, or 59.2 per cent., to KZT 820 million for the nine-month period ended 30 September 2006, compared to KZT 515 million for the corresponding period in 2005. The loss on financial assets at fair value through profit or loss during the nine-month period ended 30 September 2006 was incurred as the result of significant upward movements in U.S. and Kazakhstan treasury rates that negatively affected the value of those assets.

Other Non-Interest Expense

The following table sets out the composition of the Bank's other non-interest expense and certain ratios for the periods indicated:

	Nine months ended 30 September		Variation	
	2006	2005	2006/05	
	(KZT millions, except percentages)		*(KZT millions)*	*(%)*
Salaries and other employee benefits	10,419	7,479	2,940	39.3
Administrative and operating expenses	5,083	3,909	1,174	30.0
Depreciation and amortisation expenses	1,717	978	739	75.6
Taxes other than income tax	912	460	452	98.3
Other provisions(1)	267	113	154	136.3
Other non-interest expense, total	**18,398**	**12,940**	**5,458**	**42.2**
Other non-interest expense (operating expense)(2)/ operating income before impairment charge	36.3%	35.9%		

Notes:

(1) Other provisions represent allowances for off-balance sheet items, including letters of credit and guarantees issued.

(2) Other non-interest expense includes salaries and other employee benefits, administrative and operating expenses, tax other than corporate income tax, depreciation and amortisation expenses and other provisions against letters of credit and guarantees issued.

Other non-interest expense increased by KZT 5,458 million or 42.2 per cent. for the nine-month period ended 30 September 2006 to KZT 18,398 million from KZT 12,940 million for the corresponding period in 2005. The increase was primarily attributable to increases in salaries and other employee benefits and administrative and operating expenses.

Salaries and other employee benefits increased by KZT 2,940 million, or 39.3 per cent., for the nine-month period ended 30 September 2006 to KZT 10,419 million from KZT 7,479 million for the corresponding period in 2005 due to an increase in salary levels over the period, particularly for junior-level employees and the introduction of bonus programmes for front office staff.

Administrative and operating expenses increased by KZT 1,174 million, or 30.0 per cent., to KZT 5,083 million for the nine-month period ended 30 September 2006 from KZT 3,909 million for the corresponding period in 2005, mainly due to increases in expenses for repair and maintenance, resulting from the upgrade of branches and establishment of four new personal service centres and "all for small business" centres, and professional services, mainly resulting from the Eurobond issuance in May 2006.

Depreciation and amortisation expenses increased by KZT 739 million, or 75.6 per cent., to KZT 1,717 million for the nine-month period ended 30 September 2006 from KZT 978 million for the corresponding period in 2005. The increase was mainly attributable to an increase in depreciation and amortisation expense in buildings, transportation and other fixed assets in line with the increase in the Bank's fixed assets over the period.

Taxes other than income taxes, comprising value added tax ("VAT"), property tax, withholding income tax and social tax, increased by KZT 452 million, or 98.3 per cent., to KZT 912 million for the nine-month period ended 30 September 2006, compared to KZT 460 million for the corresponding period in 2005, primarily as a result of increased levels of withholding tax on the Bank's external borrowings, property tax and social tax.

Other provisions, comprising allowances for off-balance sheet items, including letters of credit and guarantees issued, increased by KZT 154 million, or 136.3 per cent., to KZT 267 million for the nine-month period ended 30 September 2006, compared to KZT 113 million for the corresponding period in 2005, primarily as a result of an increase in financial commitments and contingencies issued during the period.

As a result of the factors described above, the above ratio was 36.3 per cent. for the nine-month period ended 30 September 2006 as compared to 35.9 per cent. for the year ended 31 December 2005.

Taxation

The Bank reported income tax expense of KZT 3,411 million for the nine-month period ended 30 September 2006, and KZT 1,807 million for the corresponding period in 2005.

The Bank's effective tax rate was 15.7 per cent. for the nine-month period ended 30 September 2006 and 13.6 per cent. for the corresponding period in 2005. The Bank's effective tax rate for the nine-month period ended 30 September 2006 increased primarily due to the removal of income tax benefits on interest income on loans issued for equipment modernisation.

The Bank's effective tax rate is not equivalent to the statutory tax rate because certain interest income, principally interest on mortgage loans and Government securities, is tax-exempt. (See "— Key Factors Affecting the Bank's Results of Operations and Financial Condition — Taxes".)

The following tables set out certain information on the Bank's income tax expense and deferred tax assets and liabilities for the periods indicated:

	Nine months ended 30 September	
	2006	**2005**
	(KZT millions, except percentages)	
Current tax charge	(3,921)	(1,993)
Deferred tax benefit	509	186
Income tax expense	**3,411**	**1,807**
Effective tax rate	15.7%	13.6%

Deferred tax assets and liabilities comprise:

	As at 30 September	
	2006	**2005**
	(KZT millions)	
Tax effect of deductible temporary differences:		
Loans to customers	1,076	342
Deferred tax asset	1,076	342
Tax effect of taxable temporary differences:		
Property and equipment	(992)	(767)
Deferred tax liability	(992)	(767)
Net deferred tax asset/(liability)	**84**	**(425)**

Temporary differences on loans to customers as at 30 September 2006 and 30 September 2005 relate to up-front fees received on loans taxed for statutory tax purposes at the time of receipt of such fees and impairment charges on loans to customers.

Minority Interest in Net Income

Minority interest in net income increased by KZT 242 million, or 117.5 per cent., to KZT 448 million for the nine-month period ended 30 September 2006, compared to KZT 206 million for the corresponding period in 2005, primarily as a result of net income growth of JSC Accumulative Pension Fund of Halyk Bank Kazakhstan, of which the Bank owned 85 per cent.

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

Net Income

The following table presents the main components of the Bank's net income and certain income statement ratios for the periods indicated:

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions)(1)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Net income:							
Interest income	52,385	32,950	24,197	19,435	59.0	8,753	36.2
Interest expense	(21,156)	(12,759)	(9,423)	(8,397)	65.8	(3,336)	35.4
Net interest income before impairment	31,229	20,191	14,773	11,038	54.7	5,418	36.7
Impairment charge	(11,970)	(7,954)	(4,137)	(4,016)	50.5	(3,817)	92.3
Net interest income	19,259	12,237	10,637	7,022	57.4	1,600	15.0
Fees and commissions, net	15,248	9,318	6,803	5,930	63.6	2,515	37.0
Other non-interest income	4,419	3,065	2,819	1,354	44.2	246	8.7
Operating income(2)	38,926	24,620	20,259	14,306	58.1	4,361	21.5
Other non-interest expense (operating expense)	(19,560)	(14,530)	(11,987)	(5,030)	34.6	(2,543)	21.2
Income before income tax expense	19,366	10,091	8,272	9,275	91.9	1,819	22.0
Income tax expense	(3,539)	(1,998)	(773)	(1,541)	77.1	(1,225)	158.5
Net income after income tax expense	15,828	8,093	7,498	7,735	95.6	595	7.9
Minority interest	(200)	(5)	(38)	(195)	3,900	33	(86.8)
Net income, less minority interest	15,628	8,088	7,460	7,540	93.2	628	8.4
Dividends paid to preferred shareholders	(1,428)(3)	(332)(3)	(351)(3)	(1,096)	330.1	19	(5.4)
Net income attributable to common shareholders(4)	14,200	7,756	7,109	6,444	83.1	647	9.1
Profitability rates:							
Return on average common shareholders' equity(5)(6)	37.3%	29.8%	45.2%				
Return on average assets(6)(7)	3.0%	2.4%	3.3%				
Net interest margin(6)(8)	6.9%	6.8%	7.3%				
Other non-interest expense (operating expense)(9)/operating income before impairment charge	38.4%	44.6%	49.1%				
Impairment charge/operating income before impairment charge	23.5%	24.4%	17.0%				
Basic earnings per share, Tenge(10)	16.8	10.1	9.8				
Basic earnings per common share, Tenge(11)	28.9	96.4	96.1				

Notes:

(1) Except for percentages and per share data.

(2) Operating income is net interest income, plus net fees and commissions and other non-interest income.

(3) Dividends actually paid. These amounts are different from "Dividends—preferred shares" in the Bank's audited consolidated financial statements, including the notes thereto, as at and for the years ended 31 December 2005, 2004 and 2003. In 2003 and 2004, when dividends were linked to the U.S. Dollar/Tenge exchange rate and the Tenge strengthened against the U.S. Dollar, the amount expensed in respect of dividends was greater than the amount paid. In 2005, dividends were linked to inflation, and because there was inflation during the time that elapsed between the balance sheet date and the actual payment date of the dividend, the amount paid was greater than the amount expensed.

(4) Comprises net income after income tax expense, less minority interest and dividends paid to preferred shareholders.

(5) Return on average common shareholders' equity is (a) net income attributable to common shareholders, divided by (b) average common shareholders' equity.

(6) Amounts used in ratios are average monthly balances for the year ended 31 December 2005 and average balances for the years ended 31 December 2004 and 2003, which are calculated by adding the opening and closing balances and dividing by two.

(7) Return on average total assets comprises (a) net income after income tax expense, less dividends on Preferred Shares, divided by (b) average total assets.

(8) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.

(9) Other non-interest expense includes salaries and other employee benefits, administrative and operating expenses, tax other than corporate income tax, depreciation and amortisation expenses and other provisions against letters of credit and guarantees issued.

(10) Basic earnings per share is calculated as (a) net income, less minority interest, divided by (b) daily weighted average number of Shares and Preferred Shares.

(11) Basic earnings per common share is calculated as (a) net income attributable to common shareholders, divided by (b) average number of common shares outstanding, less treasury shares.

The Bank's net income after income tax expense for 2005 was KZT 15,828 million, compared to KZT 8,093 million for 2004 and KZT 7,498 million for 2003.

The increase of KZT 7,735 million, or 95.6 per cent., in reported net income for 2005, compared to 2004, was primarily attributable to a KZT 19,435 million, or 59.0 per cent., increase in interest income, reflecting principally a higher average balance of interest-earning assets in addition to growth in average interest rates on interest-earning assets from 11.2 per cent. in 2004 to 11.7 per cent. in 2005 and, to a lesser extent, increases of KZT 5,930 million, or 63.6 per cent., in net fee and commission income and KZT 1,354 million, or 44.2 per cent., in other non-interest income. (For an explanation of how average balances of interest-earning assets was calculated in each period, see "Selected Statistical and Other Information — Average Balances".) The increase in the average balance of interest-earning assets was mainly due to higher volumes of lending.

The increase of KZT 595 million, or 7.9 per cent., in reported net income for 2004, compared to 2003, was primarily attributable to a KZT 8,753 million, or 36.2 per cent., increase in interest income, reflecting principally a higher average balance of interest-earning assets and, to a lesser extent, increases of KZT 2,515 million, or 37.0 per cent., in net fee and commission income and KZT 246 million, or 8.7 per cent., in non-interest income. (For an explanation of how average balances of interest-earning assets was calculated in each period, see "Selected Statistical and Other Information — Average Balances".) The increase in the average balance of interest-earning assets was mainly due to higher volumes of lending and was partially offset by the decline in average interest rates on interest-earning assets from 12.0 per cent. in 2003 to 11.2 per cent. in 2004.

Interest Income

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

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Interest on loans to customers	47,549	28,447	21,594	19,102	67.1	6,853	31.7
Interest on securities	3,450	3,520	2,354	(70)	(2.0)	1,166	49.5
Interest on cash and cash equivalents and amounts due from credit institutions	1,386	983	248	403	41.0	735	296.4
Interest income, total	**52,385**	**32,950**	**24,197**	**19,435**	**59.0**	**8,753**	**36.2**

Total interest income increased by KZT 19,435 million, or 59.0 per cent., to KZT 52,385 million in 2005 from KZT 32,950 million in 2004, mainly due to increases of KZT 19,102 million, or 67.1 per cent., in interest income on loans to customers and KZT 403 million, or 41.0 per cent., in interest from deposits with other banks in 2005. In 2004, interest income increased by KZT 8,753 million, or 36.2 per cent., compared to interest income of KZT 24,197 million for 2003, mainly reflecting an increase of KZT 6,853 million, or 31.7 per cent., in interest income on loans to customers.

Interest income on loans to customers increased by KZT 19,102 million, or 67.1 per cent., in 2005 to KZT 47,549 million from KZT 28,447 million in 2004, after having increased by KZT 6,853 million, or 31.7 per cent., in 2004 from KZT 21,594 million in 2003. The increase in interest income on loans to customers in 2005, compared to 2004, and in 2004, compared to 2003, was primarily attributable to increases in the Bank's average balances of its net loan portfolio by KZT 124,832 million, or 60 per cent., to KZT 334,071 million in 2005 from KZT 209,239 million in 2004, and by KZT 64,387 million, or 44 per cent., in 2004 from KZT 144,852 million in 2003. (For an explanation of how average balances of the Bank's loan portfolio were calculated in each period, see "Selected Statistical and Other Information — Average Balances".) The growth in the average balances of the Bank's loan portfolio was attributable to an overall increase in the growth rate of lending activity, especially retail customers and to a lesser degree SMEs. (See "Selected Statistical and Other Information — The Bank's Loan Portfolio — Loans to Customers".) Loans to retail customers increased by KZT 63,618 million, or 95 per cent., as at 31 December 2005 to KZT 130,602 million from KZT 66,984 million as at 31 December 2004, after having increased by KZT 48,334 million, or 259 per cent., as at 31 December 2004 from KZT 18,650 million as at 31 December 2003. Loans to SMEs increased by KZT 14,560 million, or 29 per cent., as at 31 December 2005 to KZT 63,920 million from KZT 49,360 million as at 31 December 2004, after having increased by KZT 9,826 million, or 25 per cent., as at 31 December 2004 from KZT 39,534 million as at 31 December 2003.

Interest on securities, principally treasury bills, Government bonds, short-term notes issued by the NBK and Eurobonds issued by the Government, decreased by KZT 70 million, or 2.0 per cent., in 2005 to KZT 3,450 million from KZT 3,520 million in 2004 after having increased by KZT 1,166 million, or 49.5 per cent., in 2004 from KZT 2,354 million in 2003. The decrease in 2005 compared to 2004 resulted from decreases in average interest rates earned on the securities portfolio, especially on Government securities, and the increase in 2004 compared to 2003 resulted from the increase in the average balance of the Bank's securities portfolio. (For an explanation of how average balances of the Bank's securities portfolio were calculated in each period, see "Selected Statistical and Other Information — Average Balances".) (See "Selected Statistical and Other Information — Investments — Financial Assets at Fair Value through Profit or Loss".)

Interest on amounts due from credit institutions increased by KZT 403 million, or 41.0 per cent., in 2005 to KZT 1,386 million from KZT 983 million in 2004, after having increased KZT 735 million, or 296.4 per cent., in 2004 from KZT 248 million in 2003. The increase in 2005 compared to 2004, and in 2004 as compared to 2003, was mainly attributable to the higher levels of deposits with other banks.

The following table sets out the effective average annual interest rates[1] payable to the Bank on its interest-earning Tenge and foreign currency assets for the periods indicated:

	31 December 2005			31 December 2004			31 December 2003		
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
					(%)				
Loans to customers	14.2	17.5	12.0	13.6	17.4	10.7	14.9	19.3	12.4
Amounts due from credit institutions	3.5	3.8	3.4	5.0	2.4	5.4	1.6	4.3	1.2
Financial assets at fair value through profit or loss	4.2	3.7	7.2	4.6	3.9	7.3	6.3	5.9	8.5
Available-for-sale investment securities	7.5	7.1	10.2	5.5	6.2	4.5	7.6	7.4	8.5
Average interest rates on interest-earning assets	**11.7**	**12.9**	**10.5**	**11.2**	**13.1**	**9.3**	**12.0**	**14.2**	**10.5**

Average interest rates on the loan portfolio increased to 14.2 per cent. in 2005 from 13.6 per cent. in 2004 as a result of higher interest rates on consumer and mortgage loans, which are the fastest-growing segments of the Bank's overall loan portfolio. Average interest rates on the loan portfolio declined to 13.6 per cent. in 2004 from 14.9 per cent. in 2003, reflecting the general decrease in market interest rates in that year. Average loans in foreign currencies represented 59 per cent. of the Bank's total average loan portfolio as at 31 December 2005, compared to 56 per cent. as at 31 December 2004 and 64 per cent. as at 31 December 2003. In 2005, the amount of foreign currency-denominated loans in the Bank's loan portfolio increased as a result of customer demand, which resulted from the lower rates available on foreign currency loans, compared to Tenge-denominated loans.

(1) The rates set out in this table are calculated in a different manner from the rates in "Note 22. Risk Management Policies — Interest Rate Risk" to the Bank's audited consolidated financial statements as at and for the years ended 31 December 2005, 2004 and 2003. (For a description of how these rates were calculated, see "Selected Statistical and Other Information — Average Balances".)

Average interest rates on financial assets at fair value through profit or loss decreased to 4.2 per cent. in 2005 from 4.6 per cent. and 6.3 per cent. in 2004 and 2003, respectively.

Average interest rates earned on the securities portfolio for 2005, 2004 and 2003 were 4.5 per cent., 5.3 per cent. and 5.8 per cent., respectively.

Average annual rates on amounts due from credit institutions increased from 1.6 per cent. in 2003 to 5.0 per cent. in 2004 and decreased to 3.5 per cent. in 2005.

Interest Expense

The following table sets out the principal components of the Bank's interest expense for the periods indicated:

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Interest on amounts due to customers	11,873	8,026	6,629	3,847	47.9	1,397	21.1
Interest on debt securities issued	4,909	1,639	659	3,270	199.5	980	148.7
Interest on amounts due to credit institutions	4,375	3,094	2,135	1,281	41.4	959	44.9
Interest expense, total	**21,156**	**12,759**	**9,423**	**8,397**	**65.8**	**3,336**	**35.4**

Total interest expense increased by KZT 8,397 million, or 65.8 per cent., to KZT 21,156 million in 2005 from KZT 12,759 million in 2004, after having increased by KZT 3,336 million, or 35.4 per cent., in 2004 from KZT 9,423 million in 2003. Total interest expense increased during 2004 and 2005 due to the growth in the Bank's deposit base and increases in both borrowings from credit institutions and significant issuances of debt securities on the domestic market, partially offset by a slight reduction in average interest rates paid on customer accounts.

Interest expense on amounts due to customers increased by KZT 3,847 million, or 47.9 per cent., to KZT 11,873 million in 2005 from KZT 8,026 million in 2004, after having increased by KZT 1,397 million, or 21.1 per cent., in 2004 from KZT 6,629 million in 2003. The year on year increases for 2005 and 2004 resulted mainly from an overall increase in customer deposits. Average annual interest-bearing amounts due to customers (corporate and retail) increased by KZT 103,074 million, or 53.4 per cent., to KZT 296,248 million in 2005 from KZT 193,174 million in 2004, after having increased by KZT 47,292 million, or 32.4 per cent., in 2004 from KZT 145,882 million in 2003. The increase in amounts due to customers, including interest-bearing deposits, in both 2005 and 2004, the prior year-on-year period, respectively, was attributable to the improved economy and increased consumer confidence in banks generally. The Bank's amounts due to customers in foreign currencies are substantially denominated in U.S. Dollars and, to a lesser extent, in Euro. Average foreign currency amounts due to customers for 2005, 2004 and 2003 accounted for 46 per cent., 42 per cent. and 51 per cent., respectively, of the total average amounts due to customers for each year. (For an explanation of how average interest-bearing amounts due to customers and average foreign currency amounts due to customers were calculated in each period, see "Selected Statistical and Other Information — Average Balances".)

Interest expense on debt securities issued increased by KZT 3,270 million, or 199.5 per cent., to KZT 4,909 million in 2005 from KZT 1,639 million in 2004, primarily as a result of the Bank's issue of KZT 11 billion in debt securities in 2005, which contributed to an overall increase in the amount of interest to be paid. In 2004 as a result of subordinated debt issues, interest paid on debt securities increased by KZT 980 million, or 148.7 per cent., to KZT 1,639 million compared to KZT 659 million in 2003.

Interest expense on amounts due to credit institutions increased by KZT 1,281 million, or 41.4 per cent., to KZT 4,375 million in 2005 from KZT 3,094 million in 2004, after having increased by KZT 959 million, or 44.9 per cent., in 2004 from KZT 2,135 million in 2003. These increases were primarily attributable to higher levels of borrowings from OECD-based banks, which amounted to KZT 97,540 million in 2005, compared to KZT 64,365 million in 2004 and KZT 52,111 million in 2003, and an increase in interest paid on foreign currency borrowings. Average foreign currency balances on deposits and loans from credit institutions accounted for 18 per cent. in 2005, and 22 per cent. in each of 2004 and 2003, of the total average interest-bearing liabilities for each year. (For an explanation of how average foreign currency balances on deposits and loans from credit institutions and total average interest-bearing liabilities were calculated in each period, see "Selected Statistical and Other Information — Average Balances".)

The following table sets out the average interest rates payable by the Bank on its Tenge and foreign currency interest-bearing liabilities for the periods indicated:

	Years ended 31 December								
	2005			2004			2003		
	(All currencies)	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*	*(All currencies)*	*(KZT)*	*(Foreign currency)*
					(%)				
Amounts due to customers	4.0	4.3	3.7	4.2	3.9	4.5	4.5	4.2	4.9
Debt securities issued	9.3	9.5	9.1	6.1	7.3	5.4	10.1	16.9	6.6
Amounts due to credit institutions	5.3	2.8	5.5	4.4	1.1	4.7	4.5	4.5	4.5
Average interest rates on interest-bearing liabilities	**4.9**	**4.9**	**4.9**	**4.4**	**4.0**	**4.7**	**4.7**	**4.5**	**4.8**

The average interest rates paid on interest-bearing customer balances for 2005, 2004 and 2003 were 4.0 per cent., 4.2 per cent., and 4.5 per cent., respectively. The average interest rate paid on deposits and loans from credit institutions decreased from 4.5 per cent. in 2003 to 4.4 per cent. in 2004 and increased to 5.3 per cent. in 2005 due to longer-term borrowings and growth in base rates. The average interest rate on securities issued increased in 2005 to 9.3 per cent. from 6.1 per cent. in 2004 due to issuance of domestic debt securities with inflation-linked coupons within the securities issued portfolio which were affected by a higher inflation rate in 2005, and the longer-tenor securities issued by the Bank. The average interest rate on securities issued decreased in 2004 to 6.1 per cent. from 10.1 per cent. in 2003 due to a general decrease in interest rate levels in Kazakhstan.

Net Interest Income Before Impairment

The following table sets out certain data and ratios from the periods indicated:

	Years ended 31 December			Variation			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions, except percentages)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Interest income	52,385	32,950	24,197	19,435	59.0	8,753	36.2
Interest expense	(21,156)	(12,759)	(9,423)	(8,397)	65.8	(3,336)	35.4
Net interest income before impairment	**31,229**	**20,191**	**14,773**	**11,038**	**54.7**	**5,418**	**36.7**
Net interest income before impairment charge/operating income before impairment charge	61.4%	62.0%	60.6%				
Net interest margin(1)	6.9%	6.8%	7.3%				

Note:

(1) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.

Net interest income before impairment charge increased by KZT 11,038 million, or 54.7 per cent., to KZT 31,229 million in 2005 from KZT 20,191 million in 2004, after having increased by KZT 5,418 million, or 36.7 per cent., in 2004 from KZT 14,773 million in 2003. The decrease in net interest income before impairment charge as a percentage of operating income before impairment charge in 2005 was due to a higher volume of fee and commission income driving growth in operating income before impairment charge, while the increase in 2004 was due to growth in the retail portfolio from a low base in the previous year. The increase in net interest margin in 2005 was due to an increase in the average interest rate earned on the loan portfolio, while the decrease in 2004 was mainly attributable to competitive market pressures. (See "Selected Statistical and Other Information — The Bank's Loan Portfolio".)

Impairment Charge

The following table sets out certain data for the periods indicated:

	Years ended 31 December			Variation			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions, except percentages)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Impairment charge	(11,970)	(7,954)	(4,137)	(4,016)	50.5	(3,817)	92.3
Allowance for loan losses/total gross loans	5.9%	6.1%	6.0%				
Impairment charge/operating income before impairment charge	23.5%	24.4%	17.0%				

In 2005, the Bank's impairment charge increased by KZT 4,016 million, or 50.5 per cent., to KZT 11,970 million, compared to KZT 7,954 million in 2004, which in turn was an increase of KZT 3,817 million, or 92.3 per cent., from KZT 4,137 million in 2003. In 2005, the Bank's net write-offs were KZT 2,529 million (representing gross write-offs of KZT 3,648 million less KZT 1,119 million in recoveries), compared to KZT 1,941 million in 2004 (representing gross write-offs of KZT 2,236 million less KZT 295 million in recoveries) and KZT 1,917 million in 2003 (representing gross write-offs of KZT 2,166 million less KZT 249 million in recoveries). The reason for the decrease in the impairment charge as a percentage of operating income before impairment charge in 2005 was growth in fee and commission income, which resulted in increased operating income before impairment charge, while the reason for the increase in 2004 was growth in the retail portfolio.

Fees and Commissions

Net fee and commission income increased by KZT 5,930 million, or 63.6 per cent., in 2005 to KZT 15,248 million from KZT 9,318 million in 2004, primarily as a result of increases in fee income from pension fund and asset management, bank transfers and letter of credit and guarantees after having increased by KZT 2,515 million, or 37.0 per cent., in 2004 from KZT 6,803 million in 2003, primarily as a result of increases in fee income from bank transfers and cash operations.

Fee and Commission Income

The following table sets out information on the Bank's fee and commission income for the periods indicated:

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Bank transfers	4,312	2,381	1,530	1,931	81.1	851	55.6
Pension fund and asset management	3,115	790	972	2,325	294.3	(182)	(18.7)
Cash operations	2,225	1,860	1,200	365	19.6	660	55.0
Letters of credit and guarantees issued	1,796	1,195	741	601	50.3	454	61.3
Maintenance of customer accounts	894	753	653	141	18.7	100	15.3
Customers' pension payments	894	635	449	259	40.8	186	41.4
Utilities payments	861	724	576	137	18.9	148	25.7
Foreign currency operations	781	647	535	134	20.7	112	20.9
Payment card maintenance	529	540	540	(11)	(2.0)	—	—
Other	752	592	363	160	27.0	229	63.1
Fee and commission income, total	**16,161**	**10,117**	**7,559**	**6,044**	**59.7**	**2,558**	**33.8**

Fee and commission income increased by KZT 6,044 million, or 59.7 per cent., in 2005 to KZT 16,161 million from KZT 10,117 million in 2004, after having increased by KZT 2,558 million, or 33.8 per cent., in 2004 from KZT 7,559 million in 2003. The increase in 2005, compared to 2004, was primarily attributable to an increased volume of operations, in particular transfer operations, which include transfers relating to debit card accounts and transfers of funds between corporate accounts, cash operations and trade finance operations. Fees from banking services for pension payments increased by KZT 259 million, or 40.8 per cent., to KZT 894 million in 2005 from KZT 635 million in 2004, after having increased by KZT 186 million, or 41.4 per cent., in 2004 from KZT 449 million in 2003. These increases in 2005 and 2004 as compared to prior years resulted from increases in fees from pension payments made through the Bank's ATM system, a service introduced in 2004. In 2005, the Bank earned KZT 3,115 million in pension fund and asset management fees and commissions, compared to KZT 790 million in December 2004. This KZT 2,325 million, or 294.3 per cent., increase in 2005 was mainly attributable to an increase in asset management fees to KZT 2,323 million in 2005 from KZT 553 million in 2004 and an increase of fees from pension asset collection to KZT 792 million in 2005 from KZT 237 million in 2004. Fees from pension asset collection increased due to a significant increase in the fair value of pension assets in 2005 and an increase in the maximum collection fee for pension assets introduced by the Government of Kazakhstan effective 1 January 2005.

Fee and Commission Expense

The following table sets out information on the Bank's fee and commission expense for the periods indicated:

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions)			(KZT millions)	(%)	(KZT millions)	(%)
Payment cards	382	344	260	38	11.0	84	32.3
Foreign currency operations	218	217	268	1	0.5	(51)	(19.0)
Bank transfers	126	83	60	43	51.8	23	38.3
Other	187	155	167	32	20.6	(12)	(7.2)
Fee and commission expense, total	**913**	**798**	**755**	**115**	**14.4**	**43**	**5.7**

Fee and commission expense increased by KZT 115 million, or 14.4 per cent., in 2005 to KZT 913 million from KZT 798 million in 2004, after having increased by KZT 43 million, or 5.7 per cent., in 2004 from KZT 755 million in 2003. The increases in 2005 and 2004 were primarily attributable to increases in the number of payment cards issued and growth of transfer operations. (See "Business of the Bank — Principal Business Activities".)

Other Non-Interest Income

The following table sets out certain information on the Bank's other non-interest income for the periods indicated:

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions)			(KZT millions)	(%)	(KZT millions)	(%)
Gains less losses from foreign currencies	1,894	1,991	1,111	(97)	(4.9)	880	79.2
Gains less losses from financial assets at fair value through profit or loss	1,363	165	827	1,198	726.1	(662)	(80.0)
Gains less losses from available-for-sale securities	342	104	442	238	228.8	(338)	(76.5)
Share of income of associate	249	196	69	53	27.0	127	184.1
Other non-interest income	571	608	370	(37)	(6.1)	238	64.3
Other non-interest income, total	**4,419**	**3,065**	**2,819**	**1,354**	**44.2**	**246**	**8.7**

Other non-interest income increased by KZT 1,354 million, or 44.2 per cent., to KZT 4,419 million in 2005 from KZT 3,065 million in 2004, and by KZT 246 million, or 8.7 per cent., to KZT 3,065 million in 2004 from KZT 2,819 million in 2003.

Gains less losses from foreign currencies decreased by KZT 97 million, or 4.9 per cent., to KZT 1,894 million in 2005 from KZT 1,991 million in 2004, after an increase of KZT 880 million, or 79.2 per cent., to the 2004 amount from KZT 1,111 million in 2003. The decline in gains loss losses from foreign currencies in 2005 reflects book losses from translation of the Bank's open foreign currency positions from foreign currency to Tenge, which outweighed foreign exchange gains from dealing operations. The increase in 2004 was mainly due to translation gains of KZT 772 million, as opposed to a loss of KZT 113 million in 2003. Gains less losses from financial assets at fair value through profit or loss increased by KZT 1,198 million, or 726.1 per cent., to KZT 1,363 million in 2005 from KZT 165 million in 2004 and decreased by KZT 662 million, or 80.0 per cent., in 2004 from KZT 827 million in 2003. The increase in gains less losses from financial assets at fair value through profit or loss in 2005 was mainly attributable to unrealised revaluation of local Ministry of Finance securities with maturities of over one year. Gains less losses from available-for-sale securities increased by KZT 238 million, or 228.8 per cent., in 2005 to KZT 342 million compared to KZT 104 million in 2004 as a result of selling a large portfolio of U.S. Treasury securities. Selling the portfolio of Ministry of Finance securities in 2003 and low trading volumes in 2004 were the main factors behind decreases of gains less losses from available-for-sale securities and financial assets at fair value through profit or loss respectively in 2004. Share of income of associate increased by KZT 53 million, or 27.0 per cent. to KZT 249 million in 2005 from KZT 196 million in 2004 and increased in 2004 from KZT 69 million in 2003. The increase in share of income of associate was due to the growth in net income of JSC Kazakhinstrakh. Other non-interest income, comprising gains from disposals of fixed assets and other assets, decreased by KZT 37 million, or 6.1 per cent., to KZT 571 million in 2005 from KZT 608 million in 2004 and increased to the 2004 amount from KZT 370 million in 2003.

Other Non-Interest Expense

The following table sets out the composition of the Bank's other non-interest expense and certain ratios for the periods indicated:

	Years ended 31 December			Variations			
	2005	2004	2003	2005/04		2004/03	
	(KZT millions, except percentages)			*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Salaries and other employee benefits	11,236	6,877	5,285	4,359	63.4	1,592	30.1
Administrative and operating expenses	5,242	4,513	3,575	729	16.2	938	26.2
Depreciation and amortisation expenses	1,330	1,112	1,007	218	19.6	105	10.4
Taxes other than income tax	1,255	1,042	735	213	20.4	307	41.8
Other provisions[1]	496	987	1,385	(491)	(49.7)	(398)	(28.7)
Other non-interest expense, total	**19,560**	**14,530**	**11,987**	**5,030**	**34.6**	**2,543**	**21.2**
Other non-interest expense (operating expense)[2]/ operating income before impairment charge	38.4%	44.6%	49.1%				

Notes:

(1) Other provisions represent allowances for off-balance sheet items, including letters of credit and guarantees issued.

(2) Other non-interest expense includes salaries and other employee benefits, administrative and operating expenses, tax other than corporate income tax, depreciation and amortisation expenses and other provisions against letters of credit and guarantees issued.

Other non-interest expense increased by 34.6 per cent. in 2005 to KZT 19,560 million from KZT 14,530 million in 2004, after having increased by 21.2 per cent. in 2004 from KZT 11,987 million in 2003. The increase in other non-interest expense for each year-on-year period was mainly attributable to increases in salaries and benefits and in administrative and operating expenses. Salaries and other employee benefits increased by KZT 4,359 million, or 63.4 per cent., in 2005 to KZT 11,236 million from KZT 6,877 million in 2004, after having increased by KZT 1,592 million, or 30.1 per cent., in 2004 from

KZT 5,285 million in 2003. While the number of employees of the Bank did not significantly change in 2005 and 2004, the increase in salaries and other employee benefits in both years was primarily attributable to an average 30 per cent. increase in salaries of all employees of the Bank in each of 2005 and 2004 with a view to bringing salary levels in the Bank closer to market rates.

Administrative and operating expenses increased by KZT 729 million, or 16.2 per cent., to KZT 5,242 million in 2005 compared to KZT 4,513 million in 2004, after having increased by KZT 938 million, or 26.2 per cent., in 2004 from KZT 3,575 million in 2003, due to increases in most expenses, particularly repair and maintenance and insurance of customer deposits, which were partially offset in 2005 by a decrease in professional service expense.

Depreciation and amortisation increased by KZT 218 million, or 19.6 per cent., in 2005 to KZT 1,330 million compared to KZT 1,112 million in 2004 and increased by KZT 105 million, or 10.4 per cent., in 2004 from KZT 1,007 million in 2003. The increases in 2005 and 2004 were attributable to a corresponding increase in the carrying value of capital assets in each respective year.

Taxes other than income taxes increased by KZT 213 million, or 20.4 per cent., in 2005 to KZT 1,255 million from KZT 1,042 million in 2004, and increased by KZT 307 million, or 41.8 per cent., in 2004 from KZT 735 million in 2003. The increase in 2004 mainly reflected an increase in VAT of KZT 180 million.

Taxation

The Bank reported income tax expense of KZT 3,539 million in 2005, KZT 1,998 million in 2004 and KZT 773 million in 2003.

The Bank's effective tax rate was 18.3 per cent., 19.8 per cent. and 9.3 per cent. in 2005, 2004 and 2003, respectively. The Bank's effective tax rate for 2005 decreased due to increases in tax-exempt income from long term loans to modernise equipment, Government securities and other non-taxable income, while in 2004 it increased, compared to 2003, mainly because the Bank's non-taxable income from investments in Government and other qualifying securities decreased from KZT 1,680 million in 2003 to KZT 882 million in 2004. The Bank's effective tax rate is not equivalent to the statutory rate because certain interest income, principally interest on mortgage loans and Government and state and agency securities, is not treated as taxable income. (See "— Key Factors Affecting the Bank's Results of Operations and Financial Condition — Taxes".)

The following tables set out certain information on the Bank's income tax expense and deferred tax assets and liabilities for the periods indicated:

	Year ended 31 December		
	2005	2004	2003
	(KZT millions)		
Current tax charge	(3,564)	(1,721)	(709)
Current tax of prior periods	—	—	110
Deferred tax benefit/(charge)	26	(277)	(174)
Income tax expense	(3,538)	(1,998)	(773)
Effective tax rate	18.3%	19.8%	9.3%

Deferred tax assets and liabilities comprise:

	As at 31 December		
	2005	2004	2003
	(KZT millions)		
Tax effect of deductible temporary differences:			
Loans to customers	342	—	91
Deferred tax asset	342	—	91
Tax effect of taxable temporary differences:			
Property and equipment	(767)	(451)	(265)
Deferred tax liability	(767)	(451)	(265)
Net deferred tax liability	(425)	(451)	(174)

Temporary differences on loans to customers as at 31 December 2005 relate to up-front fees received on loans taxed for statutory tax purposes at the time of receipt of such fees. Temporary differences on loans to customers as at 31 December 2003 relate to provisions for other losses.

Minority Interest in Net Income

Minority interest in net income increased by KZT 195 million, or 3,900 per cent., to KZT 200 million for 2005, compared to KZT 5 million in 2004, as a result of growth in net income of JSC Accumulative Pension Fund of Halyk Bank of Kazakhstan. The 2004 amount represented a decrease of KZT 33 million, or 86.8 per cent., from KZT 38 million in 2003, reflecting a decrease of net income of JSC Accumulative Pension Fund of Halyk Bank of Kazakhstan.

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

Total Assets

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

	As at 30 September		As at 31 December					
	2006	% of total	2005	% of total	2004	% of total	2003 (restated)	% of total
	(KZT millions, except percentages)							
Assets:								
Cash and cash equivalents	81,099	10.2	57,102	10.2	33,123	8.4	13,415	5.4
Obligatory reserves	46,347	5.8	8,632	1.5	7,579	1.9	5,212	2.1
Financial assets at fair value through profit or loss	130,942	16.4	50,018	8.9	62,382	15.9	39,914	16.0
Amounts due from credit institutions	1,463	0.2	2,777	0.5	695	0.2	7,291	2.9
Investment securities	11,601	1.5	12,099	2.2	20,619	5.2	9,675(1)	3.9(2)
Loans to customers	504,383	63.3	411,097	73.5	254,590	64.7	163,888	65.7
Property and equipment	14,247	1.8	10,979	2.0	9,131	2.3	7,322	2.9
Other assets	6,845	0.9	6,961	1.2	5,135	1.3	2,805	1.1
Total assets	**797,012**	**100.0**	**559,665**	**100.0**	**393,254**	**100.0**	**249,523**	**100.0**

Notes:

(1) Comprising KZT 3,232 million of available-for-sale securities, and KZT 6,443 million of held-to-maturity securities, which were moved to available-for-sale in 2004. (See "Selected Statistical and Other Information — Investments — Securities Held-to-Maturity".)

(2) Comprising 1.3 per cent. of total represented by available-for-sale securities and 2.6 per cent. of total represented by held-to-maturity securities.

As of 30 September 2006, the Bank had total assets of KZT 797,012 million, reflecting an increase of KZT 237,347 million, or 42.4 per cent., from 31 December 2005, which was mainly attributable to increases of KZT 93,286 million, or 22.7 per cent., in the net loan portfolio and KZT 80,924 million, or 161.8 per cent., in financial assets at fair value through profit or loss and, to a lesser extent, KZT 23,997 million, or 42.0 per cent., in cash and cash equivalents and KZT 37,715 million, or 436.9 per cent., in obligatory reserves.

At 31 December 2005, the Bank had total assets of KZT 559,665 million, reflecting an increase of KZT 166,411 million, or 42.3 per cent., from 31 December 2004, which was primarily attributable to a KZT 156,507 million, or 61.5 per cent., increase in the net loan portfolio and a KZT 23,979 million, or 72.4 per cent., increase in cash and cash equivalents.

At 31 December 2004, the Bank had total assets of KZT 393,254 million, reflecting an increase of KZT 143,731 million, or 57.6 per cent., from KZT 249,523 million as at 31 December 2003, which was mainly attributable to an increase in the net loan portfolio and, to a lesser extent, increases in cash and cash equivalents and financial assets at fair value through profit or loss.

The growth in the loan portfolio in each of these periods was attributable to an overall increase in lending activity, especially to retail and SME customers. Lending to retail customers increased in the nine months ended 30 September 2006 by 36.5 per cent., and in 2005 and 2004 by 95.0 per cent. and 259.2 per cent., respectively, while loans to SME customers grew 25.2 per cent. in the first nine months of 2006, and 29.5 per cent. and 24.9 per cent. in 2005 and 2004, respectively. Loans to corporate customers increased 16.4 per cent. in the first nine months of 2006, and in 2005 and 2004 by 56.7 per cent. and 33.2 per cent., respectively.

The growth in financial assets at fair value through profit or loss to 30 September 2006 from 31 December 2005 was attributable to excess liquidity experienced by the Bank as a result of funding growing faster than the loan portfolio. The excess liquidity was typically invested in short-term deposits and loans to credit institutions and the financial assets at fair value through profit or loss portfolio.

The growth in obligatory reserves to 30 September 2006 from 31 December 2005 was attributable to a change in the NBK's minimum reserve requirements, stipulating generally higher obligatory reserve levels for the Bank.

The growth in cash and cash equivalents to 30 September 2006 from 31 December 2005 was attributable to the change in the balance in the Bank's correspondent account with the NBK and overnight deposits and deposits of less than 90 days.

Total Liabilities

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

	As at 30 September		As at 31 December					
	2006	**% of total**	**2005**	**% of total**	**2004**	**% of total**	**2003 (restated)**	**% of total**
	(KZT millions, except percentages)							
Liabilities:								
Amounts due to customers	481,631	67.8	320,630	64.7	231,501	64.7	154,846	68.0
Amounts due to credit institutions	82,694	11.6	107,284	21.7	76,493	21.4	61,876	27.2
Debt securities issued	136,730	19.2	58,814	11.9	44,940	12.6	8,583	3.8
Provisions	2,539	0.4	2,279	0.5	1,801	0.5	921	0.4
Current tax liability	—	—	—	—	—	—	8	—
Deferred tax liability	—	—	425	0.1	451	0.1	174	0.1
Other liabilities	6,710	0.9	5,789	1.2	2,500	0.7	1,319	0.6
Total liabilities	**710,304**	**100.0**	**495,221**	**100.0**	**357,686**	**100.0**	**227,727**	**100.0**

As at 30 September 2006, the Bank had total liabilities of KZT 710,304 million, reflecting an increase of KZT 215,083 million, or 43.4 per cent., as compared to 31 December 2005. The increase in total liabilities to 30 September 2006 from 31 December 2005 was primarily attributable to an increase in amounts due to customers of KZT 161,001 million, reflecting an increase in the corporate deposit base and, to a lesser extent, in the retail deposit base, and an increase in debt securities issued of KZT 77,916 million, in particular U.S.$300 million in senior notes placed with international institutional investors in May 2006, partially offset by a decrease in amounts due to credit institutions of KZT 24,590 million.

At 31 December 2005, the Bank had total liabilities of KZT 495,221 million, reflecting an increase of KZT 137,535 million, or 38.5 per cent., compared to KZT 357,686 million as at 31 December 2004. The Bank's total liabilities increased by KZT 129,959 million, or 57.1 per cent., as at 31 December 2004 compared to KZT 227,727 million as at 31 December 2003. The increase in total liabilities from 31 December 2004 to 31 December 2005 was primarily attributable to an increase in amounts due to customers of KZT 89,129 million, an increase in bank borrowings of KZT 30,791 million and an increase in debt securities issued of KZT 13,874 million. The increase in total liabilities from 31 December 2003 to 31 December 2004 was mainly attributable to an increase in customer deposit balances and the issue of debt securities.

Shareholders' Equity

As at 30 September 2006, the Bank's total shareholders' equity amounted to KZT 86,708 million (10.9 per cent. of total assets), reflecting an increase of KZT 22,264 million, or 34.5 per cent., over the total shareholders' equity as at 31 December 2005. Shareholders' equity in the nine months ended 30 September 2006 increased due to an increase in the retained earnings and other reserves from KZT 32,806 million as at 31 December 2005 to KZT 48,265 million, as at 30 September 2006 and an increase in share capital from KZT 29,016 million as at 31 December 2005 to KZT 35,492 million as at 30 September 2006 as a result of an issuance of Shares and Non-Voting Convertible Preferred Shares. On 19 April 2006 the Bank's general meeting of shareholders authorised 30 million new Shares, of which 22,065,574 Shares were issued and placed during the nine month period ended 30 September 2006 for total consideration of KZT 5,565 million and 7,934,426 Shares were issued and placed between 1 October 2006 and 19 October 2006 for total consideration of KZT 1,984 million. During the nine month period ended 30 September 2006 the Bank also issued and placed Non-Voting Convertible Preferred Shares for total consideration of KZT 911 million.

As at 31 December 2005, the Bank's total shareholders' equity amounted to KZT 64,444 million (11.5 per cent. of total assets), reflecting an increase of KZT 28,876 million, or 81.2 per cent., over the total shareholders' equity as at 31 December 2004. Shareholders' equity as at 31 December 2005 increased due to the issue of Shares and Non-Voting Convertible Preferred Shares, and an increase in retained earnings and other reserves from KZT 17,417 million in 2004 to KZT 32,806 million as at 31 December 2005. The Bank's total shareholders' equity amounted to KZT 35,568 million as at 31 December 2004, or 9.0 per cent. of total assets compared to KZT 21,796 million as at 31 December 2003, or 8.7 per cent. of total assets. Shareholders' equity increased in 2004 as a result of a Share issue and an increase in retained earnings. In August 2005 the Bank announced a ten-to-one split of the Shares outstanding as of that date following a resolution of shareholders in May 2005. Subsequently, during the year ended 31 December 2005, shareholders authorised and issued 74,887,521 Non-Voting Convertible Preferred Shares.

The Bank paid dividends on Preferred Shares in the aggregate amount of KZT 1,428 million, KZT 332 million and KZT 354 million for 2005, 2004 and 2003, respectively. For 2006, the Bank estimates that dividends on Preferred Shares will total KZT 1,260 million, which, together with dividends to be declared for the rest of 2006, will be paid subject to approval of the Bank's annual shareholders' meeting.

The Bank paid no dividends on its Shares in 2005, 2004 and 2003. In June 2006, the Bank paid a dividend of KZT 1.35 per Share, for a total amount of KZT 1,331 million.

For more information, see "Risk Factors — Risks Relating to the Bank — Any unavailability of adequate capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank".

Funding and liquidity

As at 30 September 2006, 67.8 per cent. of the Bank's total liabilities were represented by accounts due to customers, 11.6 per cent by amounts due to credit institutions and 19.2 per cent. by debt securities issued. At 31 December 2005 these amounts were 64.7 per cent., 21.7 per cent. and 11.9 per cent., respectively.

Total amounts due to customers increased by KZT 161,001 million, or 50.2 per cent., to KZT 481,631 million as at 30 September 2006. The Bank intends to further increase its domestic funding through increased term deposits, which the Bank regards as a stable source of short- and medium-term funding.

The Bank is a market leader in terms of retail deposits and according to FMSA statistics at 1 October 2006, has the largest share of retail deposits as a proportion of total liabilities among the 10 largest banks in Kazakhstan. Deposits from individuals accounted for 43.1 per cent. of total amounts due to customers and 29.2 per cent. of total liabilities as at 30 September 2006 and 42.2 per cent. and 27.3 per cent., respectively, as at 31 December 2005. Corporate (including Government entities) deposits accounted for 56.8 per cent. of total amounts due to customers and 38.6 per cent. of total liabilities as at

30 September 2006 and 57.5 per cent. and 37.3 per cent., respectively, as at 31 December 2005. (See "Selected Statistical and Other Information — The Bank's Funding Sources — Customer Accounts".)

Amounts due to credit institutions decreased by KZT 24,590 million, or 22.9 per cent., to KZT 82,684 million as at 30 September 2006 due to the repayment of a U.S.$100 million syndicated loan facility and certain other international borrowings. (See "Selected Statistical and Other Information — The Bank's Funding Sources — Other Sources of Funding — Amounts Due to Credit Institutions".)

Amounts of debt securities issued increased by KZT 77,916 million, or 132.5 per cent., to KZT 136,730 million as at 30 September 2006 from KZT 58,814 million as at 31 December 2005 due to the issuance of debt securities, including the U.S.$300 million notes due 2013 placed on international markets.

Over the course of the past few years the Bank and its subsidiaries have entered into a number of financing arrangements with commercial banks and international financial institutions, as well as in the domestic and international capital markets. (See "Selected Statistical and Other Information — The Bank's Funding Sources — Other Sources of Funding — Outstanding Senior Notes" and "— Subordinated Debt Securities".)

As at 30 September 2006, 65.5 per cent. of the Bank's liabilities had a maturity of less than one year, while 65.8 per cent. of its assets had a maturity of less than one year. (See "Asset, Liabilities and Risk Management — Maturity Analysis".) The Bank believes that its management of assets and liabilities has allowed the Bank to maintain prudent levels of liquidity.

The following table sets out the Bank's reserves requirement ratio calculated in accordance with the requirements of the NBK as at the dates indicated[(1)]:

	As at 30 September 2006	As at 31 December 2005	2004	2003
	(unaudited)			
Reserve requirements/average customer account balances plus qualified international borrowings	8.1%	19.2%	22.5%	8.9%

Note:

(1) With effect from July 2006, the requirement for placing obligatory reserves with the NBK of a minimum monthly average of 6 per cent. of average customer account balances plus qualified international borrowings has been changed to 6 per cent. of all domestic liabilities and 8 per cent. of all non-domestic liabilities and notes and subordinated debt instruments (regardless of residence of the creditor).

Capital Expenditures

The following table provides information on the Bank's capital expenditures for the periods indicated:

	Nine months ended 30 September 2006	Years ended 31 December 2005	2004	2003
	(KZT millions)			
Buildings	1,936	556	609	279
Computer and banking equipment	1,192	1,338	1,710	339
Vehicles	524	299	131	89
Other fixed assets	1,819	986	590	665
Intangible assets	602	405	175	111
Capital expenditures, total	**6,073**	**3,584**	**3,215**	**1,484**

Capital expenditures increased by KZT 2,489 million, or 69.4 per cent., to KZT 6,073 million for the nine months ended 30 September 2006 from KZT 3,584 million for the year ended 31 December 2005, primarily due to an increase in buildings expenditure of KZT 1,380 million to KZT 1,936 million from KZT 556 million resulting from the opening of VIP centres for retail customers and "all for small business" centres for SME customers. The largest expenditures were for software (KZT 602 million), networks (KZT 344 million) and hardware (KZT 280 million). The remaining amounts budgeted for information technologies related capital expenditure programmes that are expected to be utilised in 2006 include KZT 749 million on software, KZT 530 million on hardware and KZT 65 million on networks.

Capital expenditures increased by KZT 369 million, or 11 per cent., to KZT 3,584 million for the year ended 31 December 2005 from KZT 3,215 million for the year ended 31 December 2004, primarily due to a KZT 858 million increase in investments in other fixed assets, including telecommunications equipment, furniture and security systems, a KZT 168 million increase in purchases of new armoured and passenger vehicles for the Bank's fleet, and a KZT 230 million increase in expenditures in intangible assets mainly due to the purchase of banking software such as SAP, Landocs and various Colvir software modules, partially offset by declines in investment in buildings, and in computer and banking equipment.

Off-Balance Sheet Arrangements

The Bank 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 and letters of credit, expose the Bank to credit risk and are not reflected in the Bank's consolidated balance sheet. The Bank'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.

The table below provides details on the Bank's consolidated credit commitments, guarantees and commercial letters of credit as at the dates indicated:

	As at 30 September 2006	Years ended 31 December		
		2005	2004	2003
		(KZT millions)		
Guarantees	27,580	29,330	44,595	20,344
Commercial letters of credit	20,354	16,107	15,526	7,794
Commitments to extend credit	18,683	17,000	104,964	39,207
Guarantees, commercial letters of credit and commitments to extend credit, gross	66,618	62,437	165,085	67,345
Less cash collateral against letters of credit	(386)	(766)	(762)	(1,437)
Less provisions	(2,539)	(2,280)	(1,801)	(921)
Credit commitments, guarantees and commercial letters of credit, net	**63,692**	**59,391**	**162,522**	**64,987**

Net credit commitments, guarantees and commercial letters of credit increased by KZT 4,301 million, or 7.2 per cent., to KZT 63,692 million for the nine months ended 30 September 2006 from KZT 59,391 million for the year ended 31 December 2005, primarily attributable to an increase in commercial letters of credit of KZT 4,247 million, and an increase in commitments to extend credit of KZT 1,683 million, which were partly offset by a decrease in guarantees of KZT 1,750 million.

As at 30 September 2006, the top 10 guarantees (by amount) accounted for approximately 47 per cent. of the Bank's total financial guarantees and represented approximately 15 per cent. of the Bank's total shareholders' equity, compared to approximately 56 per cent. and 25 per cent., respectively, for the year ended 31 December 2005. The decrease in the concentration of the guarantee portfolio was due to the increase in volumes of guarantees issued to SME customers. The top 10 letters of credit (by amount) accounted for approximately 83 per cent. of the Bank's total commercial letters of credit and represented approximately 18 per cent. of the Bank's total shareholders' equity, compared to approximately 74 per cent. and 18 per cent., respectively, for the year ended 31 December 2005. The significant decrease in credit commitments in 2005 was attributable to the Bank's decision to introduce uncommitted facilities.

The following table sets out the residual maturity of the Bank's consolidated guarantees, commercial letters of credit and commitments to extend credit for the periods indicated:

	As at 30 September 2006						
		Residual maturity of contingent liabilities					
	Total balance	Up to 30 days	1 to 3 months	3 to 6 months	Up to 1 year	Over 1 year	Overdue contingent liabilities
	(KZT millions)						
Guarantees	27,580	2,423	4,291	5,908	4,777	10,181	—
Commercial letters of credit	20,354	2,480	3,571	6,090	5,006	3,206	—
Commitments to extend credit	18,683	1,235	922	1,676	2,606	12,244	—
Total guarantees, commercial letters of credit and commitments to extend credit, gross	**66,618**	**6,139**	**8,784**	**13,674**	**12,389**	**25,631**	**—**

Provisions for contingent liabilities

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for its on-balance sheet operations. As at 30 September 2006, the provision for contingent liabilities was KZT 2,539 million, compared to KZT 2,280 million as at 31 December 2005, KZT 1,801 million as at 31 December 2004 and KZT 921 million as at 31 December 2003.

Foreign Currency Position

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

	As at 30 September 2006	As at 31 December		
		2005	2004	2003
Net balance sheet position (U.S.$ millions)(1)	212.1	147.8	(29.4)	4.4
Net balance sheet position (expressed in KZT millions)(2)	26,963	19,802	(3,818)	633
/total capital(1)(3)	25.5%	23.7%	(8.4)%	2.1%
/total liabilities(2)	3.8%	4.0%	(1.1)%	0.3%
/foreign currency liabilities(2)	7.4%	7.0%	(1.9)%	0.5%
Net long/(short) position (U.S.$ millions)(1)	71.4	39.3	(77.6)	3.6
Net long/(short) position (expressed in KZT millions)(1)	9,076	5,262	(10,085)	518
/regulatory capital(1)(4)	8.8%	6.6%	(23.7)%	1.8%

Notes:

(1) Unaudited.

(2) Audited.

(3) Consolidated total capital (Tier I and Tier II, less investments) is calculated in accordance with BIS Guidelines. (See "— Capital Adequacy and Liquidity".)

(4) Unconsolidated regulatory capital (Tier I and Tier II, less investments) is calculated in accordance with FMSA prudential requirements, not BIS Guidelines. As calculated under FMSA requirements, regulatory capital was KZT 103,489 million as at 30 September 2006 and KZT 80,293 million, KZT 42,509 million and KZT 28,704 million as at 31 December 2005, 2004 and 2003, respectively.

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

Capital Adequacy and Liquidity

The capital adequacy requirements currently in effect in Kazakhstan exceed guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements (the "BIS Guidelines"). (See "Kazakhstan Currency and Banking Regulation".) The FMSA requires banks to maintain a Tier I capital adequacy ratio of minimum 6 per cent. and total capital adequacy ratio of minimum 12 per cent. compared to 4 per cent. and 8 per cent., respectively, recommended by the BIS Guidelines. However, there are two major differences between FMSA capital adequacy methodology and BIS Guidelines: (i) Tier I capital is calculated over total on-balance sheet assets as opposed to risk-weighted assets as per BIS guidelines; and (ii) current period earnings are included in the Tier II part of total capital whereas BIS guidelines include those in Tier I capital. In addition, for a bank with a regulated banking holding company (that is, an entity holding more than 25.0 per cent. of its voting share capital, alone or together with affiliated companies) among its shareholders, the Tier I capital adequacy ratio is reduced to 5.0 per cent. and the total capital adequacy ratio is reduced to 10.0 per cent. (See "Risk Factors — Risks Relating to the Bank — Any unavailability of adequate capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would adversely affect the Bank".)

The following table sets out the Bank's capital adequacy ratios calculated in accordance with the requirements of the FMSA and the NBK as at the dates indicated:

	FMSA's minimum requirements	As at 30 September 2006	As at 31 December		
			2005	2004	2003
		(unaudited)			
Capital adequacy ratios					
Share capital	Not less than KZT 2 billion	KZT 70.1 billion	KZT 49.2 billion	KZT 32.9 billion	KZT 19.1 billion
K1 — Tier I capital to total assets	5%(1)	8.2%	8.5%	6.3%	6.1%
K2 — Total capital to assets weighted for risk	10%(1)	15.1%	15.7%	12.7%	13.9%
K4 — Current liquidity ratio	Greater than 30%	153.6%	90.9%	111.1%	96.8%
K5 — Short-term liquidity ratio	Greater than 50%	120.1%	71.6%	109.0%	91.4%
K6 — Investments into fixed assets and non-financial assets to equity	Not more than 50% of bank's regulatory capital(2)	14.1%	15.1%	23.4%	27.0%
Maximum aggregate net long/(short) open foreign currency position(3)	25% of bank's regulatory capital	8.8%	6.6%	(23.7)%	1.8%
Maximum net long/(short) open position in U.S. Dollars(4)	12.5% of bank's regulatory capital	7.7%	5.0%	(24.5)%	1.4%
Maximum net long/(short) open position in Russian Roubles(5)	5% of bank's regulatory capital	(0.1)%	0.6%	0.3%	0.7%
Maximum net long open position in Kyrgyz Soms(5)	5% of bank's regulatory capital	0.5%	0.2%	—	—
Maximum aggregate on-balance sheet and off-balance sheet exposure to related parties	Must not exceed regulatory capital	6.6%	6.9%	9.0%	12.2%
Maximum exposure to any single:					
— unrelated party	Not more than 25% of bank's regulatory capital	19.5%	12.8%	19.0%	16.5%
— related party	Not more than 10% of bank's regulatory capital	8.2%	4.2%	5.9%	25.4%
— on unsecured loans	Not more than 10% of bank's regulatory capital	0.8%	2.5%	0.9%	0.2%
Funds placement into internal assets ratio	Not less than 100%	127.4%	131.1%	131.5%	147.9%

Notes:

(1) Under new FMSA regulations, K1 and K2 ratios should be not less than 6 per cent. and 12 per cent., while for commercial banks whose shareholders have the status of a bank holding company under the FMSA rules, these ratios should exceed 5 per cent. and 10 per cent., respectively.

(2) The FMSA's new definition of "regulatory capital" is the sum of Tier I, Tier II (to the extent it does not exceed Tier I capital) and Tier III (to the extent that Tier III does not exceed 250 per cent. of Tier I calculated to cover market risk) capital less equity investments. Tier I capital is the sum of share capital plus share premium plus revenue reserves plus paid-in perpetual financial instruments (to the extent that they do not exceed 15 per cent. of Tier I capital) less intangible assets. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk-weighted assets), subordinated debt (but not more than 50 per cent. of Tier I capital) plus paid-in perpetual financial

instruments not included in Tier I. Tier III is the sum of Tier III subordinated debt plus Tier II subordinated debt not included in the calculation of Tier II Capital.

(3) Effective September 2006, the FMSA tightened currency position regulations for the aggregate foreign currency position from 30 per cent. of regulatory capital down to 25 per cent. and for the hard currency (rated "A" or higher) position from 15 per cent. down to 12.5 per cent. Effective February 2005, the FMSA tightened currency position regulations for the short soft (rated "B" to "A") currency position from 15 per cent. down to 5 per cent., which is also the level for the long soft currency position.

(4) Open currency position (short or long) in currencies of countries rated "A" or higher by Standard & Poor's or an equivalent rating from another recognised international rating agency.

(5) Currency position in currencies of countries rated above "B" but lower than "A" by Standard & Poor's or an equivalent rating from another recognised international rating agency.

For purposes of the above ratios:

- Under Kazakhstan law, "share capital" includes paid-in common share capital and preferred share capital. A bank's share capital may only be formed with cash contributions. The sources of contributions to commercial banks' share capital are subject to certain limitations and specific disclosure requirements.
- The current liquidity ratio is the ratio of monthly average highly liquid assets to monthly average demand liabilities. For this purpose, "highly liquid assets" include cash, refined precious metals, certain securities issued by the Government, the NBK or certain other Kazakhstan entities, call deposits with the NBK and with banks with an appropriate credit rating, overnight loans to such banks and securities issued by foreign governments with an appropriate credit rating. Demand liabilities include call deposits, interbank overnight deposits and other specified short-term or undated liabilities.
- The short-term liquidity ratio is calculated as the ratio of average monthly assets with a maturity of not more than three months, including highly liquid assets, to average monthly liabilities with a term of not more than three months, including demand liabilities. A bank may include within its assets for this purpose certain securities issued by the Government or the NBK that are not included in the calculation of highly liquid assets if liabilities secured by those securities are included in the calculation of liabilities for this purpose.
- For purposes of calculating the current or short-term liquidity ratio, capital regulations provide that certain assets should not be included in the computation, including claims on non-residents established in jurisdictions that have not assumed information exchange obligations, and if a bank has outstanding unpaid obligations to its creditors or depositors or has violated Kazakhstan's legislation on payments and money transfers during the relevant reporting period, the liquidity ratios shall be deemed to be not satisfied, irrespective of the actual position.
- As from June 2006, the FMSA has introduced three new limits in relation to currency liquidity. The current currency liquidity limit (to be greater than 0.9) is calculated as foreign currency-denominated high liquidity assets averaged monthly divided by paid-on-demand liabilities in the same currency averaged monthly. The short-term currency liquidity limit is calculated similarly to the current currency liquidity limit by taking assets/liabilities with maturities less than three months; this ratio should be greater than 0.8. Similarly, the medium-term currency liquidity limit is calculated by taking assets/ liabilities with maturities less than one year; this ratio should be greater than 0.6. Limits are calculated for each foreign currency where liabilities denominated in such currency exceed 1 per cent. of the monthly averaged liabilities of a bank.
- As from June 2006, the FMSA's limit on maximum aggregate credit exposure to related parties (including on-balance and off-balance sheet exposures) of 100 per cent. of regulatory capital has been replaced with the requirement that the sum of exposures to one borrower where each exposure exceeds 10 per cent. of regulatory capital should not exceed eight times the bank's regulatory capital.

The following table gives certain information regarding the Bank's Tier I and Tier II capital and its risk-weighted capital adequacy ratio as at the dates indicated based on BIS Guidelines and the consolidated financial statements of the Bank:

	Nine months ended 30 September	Year ended 31 December		
	2006	2005	2004	2003
	(KZT millions, except percentages)			
Tier I capital	83,548	62,622	32,253	18,396
Tier II capital	23,450	22,524	13,972	12,326
Gross Tier I and Tier II available capital	106,998	85,146	46,225	30,722
Less investments	(1,330)	(1,443)	(686)	(632)
Tier I and Tier II capital	105,668	83,703	45,539	30,091
Total risk-weighted assets	692,978	488,432	331,564	205,498
Tier I capital adequacy ratio	12.1%	12.8%	9.7%	9.0%
Total risk-weighted capital adequacy ratio(1)	15.2%	17.1%	13.7%	14.6%

Note:

(1) Tier I + Tier II/total risk-weighted assets.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the Bank as at and for the periods indicated. Accordingly, the information below should be read in conjunction with the consolidated financial statements, including the notes thereto, prepared in accordance with IFRS and included elsewhere in this Prospectus and the information included in "Operating and Financial Review".

Certain of the information included below has been derived from management accounts, being the unaudited accounts prepared from the Bank's accounting records, and used by the Bank's management for monitoring and control purposes.

Average Balances

The following table sets out the average balances of assets and liabilities of the Bank for the periods indicated. For purposes of the following tables, the average balances represent the average of monthly balances for the nine months ended 30 September 2006 and the year ended 31 December 2005, and the average of the opening and closing balances for the years ended 31 December 2004 and 2003. Calculation of these balances on a "weighted average" or "daily" basis could result in differences and such differences could be material.

	Nine months ended 30 September 2006			Years ended 31 December 2005			2004			2003		
	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]
	(KZT millions, except percentages)											
Assets												
Interest-earning assets												
Loans to customers												
KZT	198,453	29,318	20.2%	137,843	24,102	17.5%	91,606	15,899	17.4%	52,700	10,159	19.3%
Foreign currency	235,098	20,810	12.0%	196,228	23,447	11.9%	117,634	12,548	10.7%	92,152	11,435	12.4%
Total	**433,551**	**50,128**	**15.7%**	**334,071**	**47,549**	**14.2%**	**209,239**	**28,447**	**13.6%**	**144,852**	**21,594**	**14.9%**
Amounts due from credit institutions[2]												
KZT	53,602	1,556	3.9%	13,882	528	3.8%	2,634	64	2.4%	1,827	79	4.3%
Foreign currency	39,954	1,539	5.2%	25,550	859	3.4%	16,980	919	5.4%	13,624	169	1.2%
Total	**93,556**	**3,095**	**4.4%**	**39,432**	**1,386**	**3.5%**	**19,614**	**983**	**5.0%**	**15,451**	**248**	**1.6%**
Securities												
KZT	80,485	2,725	4.5%	60,259	2,750	4.6%	48,423	2,749	5.7%	28,932	1,619	5.6%
Foreign currency	16,646	730	5.9%	15,892	700	4.4%	17,872	771	4.3%	11,999	736	6.1%
Total	**97,131**	**3,456**	**4.8%**	**76,150**	**3,450**	**4.5%**	**66,295**	**3,520**	**5.3%**	**40,931**	**2,354**	**5.8%**
Total interest-earning assets												
KZT	332,540	33,599	13.7%	211,984	27,380	12.9%	142,662	18,712	13.1%	83,460	11,857	14.2%
Foreign currency	291,699	23,079	10.7%	237,669	25,006	10.5%	152,486	14,238	9.3%	117,775	12,340	10.5%
Total interest-earning assets	**624,239**	**56,678**	**12.3%**	**449,653**	**52,386**	**11.7%**	**295,148**	**32,950**	**11.2%**	**201,234**	**24,197**	**12.0%**

	Nine months ended 30 September 2006			Years ended 31 December 2005			2004			2003		
	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]
						(KZT millions)						
Non-interest earning assets												
Cash and non-interest deposits	28,580			17,435			7,649			3,746		
Obligatory reserves	5,498			1,247			6,395			4,869		
Property and equipment	11,813			9,832			8,227			7,184		
Other non-interest earning assets	10,592			9,014			3,970			2,369		
Total non-interest earning assets	56,483			37,528			26,241			18,168		
Total assets	**680,721**			**487,180**			**321,389**			**219,403**		

Notes:

(1) Average rates on foreign currency assets and liabilities are based on U.S. Dollar rates. Foreign currency assets and liabilities mainly include U.S. Dollars, but the Bank also has foreign currency assets and liabilities denominated in other OECD-based currencies.

(2) Including overnight deposits and correspondent accounts.

	Nine months ended 30 September 2006			Years ended 31 December 2005			2004			2003		
	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]
						(KZT millions, except percentages)						
Liabilities												
Interest-bearing liabilities												
Amounts due to credit institutions[2]												
KZT	21,825	1,549	9.6%	5,594	154	2.8%	5,805	62	1.1%	2,940	132	4.5%
Foreign currency	79,422	3,275	5.5%	76,471	4,221	5.5%	63,879	3,032	4.7%	44,765	2,003	4.5%
Total	**101,248**	**4,825**	**6.4%**	**82,065**	**4,375**	**5.3%**	**69,684**	**3,094**	**4.4%**	**47,705**	**2,135**	**4.5%**
Amounts due to customers												
KZT	211,951	6,983	4.4%	158,908	6,827	4.3%	111,991	4,369	3.9%	71,717	2,983	4.2%
Foreign currency	181,258	4,884	3.6%	137,340	5,046	3.7%	81,182	3,657	4.5%	74,165	3,646	4.9%
Total	**393,209**	**11,867**	**4.0%**	**296,248**	**11,873**	**4.0%**	**193,174**	**8,026**	**4.2%**	**145,882**	**6,629**	**4.5%**
Debt securities issued												
KZT	59,211	3,518	8.0%	24,287	2,308	9.5%	9,810	721	7.3%	2,207	374	16.9%
Foreign currency	44,646	2,954	8.9%	28,515	2,601	9.1%	16,951	918	5.4%	4,318	285	6.6%
Total	**103,857**	**6,472**	**8.4%**	**52,802**	**4,909**	**9.3%**	**26,761**	**1,639**	**6.1%**	**6,526**	**659**	**10.1%**
Total interest-bearing liabilities												
KZT	292,987	12,051	5.5%	188,790	9,289	4.9%	127,607	5,152	4.0%	76,864	3,489	4.5%
Foreign currency	305,327	11,113	4.9%	242,326	11,868	4.9%	162,013	7,607	4.7%	123,248	5,934	4.8%
Total interest-bearing liabilities	**598,313**	**23,164**	**5.2%**	**431,115**	**21,156**	**4.9%**	**289,619**	**12,759**	**4.4%**	**200,113**	**9,423**	**4.7%**

	Nine months ended 30 September 2006			Years ended 31 December								
				2005			2004			2003		
	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]	Average balance	Interest	Average rate[1]
	(KZT millions)											
Tax liabilities	43			67			317			91		
Provisions	2,543			1,882			1,361			490		
Other non-interest bearing liabilities	11,556			10,019			1,409			717		
Total non-interest bearing liabilities	14,142			**11,968**			**3,087**			**1,298**		
Total liabilities	**612,455**			**443,084**			**292,706**			**201,411**		

Notes:

(1) Average rates on foreign currency assets and liabilities are based on U.S. Dollar rates. Foreign currency assets and liabilities mainly include U.S. Dollars, but the Bank also has foreign currency assets and liabilities denominated in other OECD-based currencies.

(2) Including amounts due to the Government.

Interest-Earning Assets, Yields, Margins and Spreads

The following table shows the net interest income, yields, margins and spreads for the Bank for the periods indicated:

	Nine months ended 30 September		Years ended 31 December		
	2006	2005	2005	2004	2003
	(KZT millions, except percentages)				
Net Interest Income before Impairment					
KZT	21,548	12,834	18,091	13,560	8,368
Foreign currency	11,966	8,597	13,138	6,631	6,405
Total	**33,515**	**21,431**	**31,229**	**20,191**	**14,773**
Yield[1]					
KZT	13.7%	12.6%	12.9%	13.1%	14.2%
Foreign currency	10.7%	10.3%	10.5%	9.3%	10.5%
Average	**12.3%**	**11.4%**	**11.7%**	**11.2%**	**12.0%**
Margin[2]					
KZT	8.7%	8.3%	8.5%	9.5%	10.0%
Foreign currency	5.5%	5.1%	5.5%	4.3%	5.4%
Average	**7.2%**	**6.6%**	**6.9%**	**6.8%**	**7.3%**
Spread[3]					
KZT	8.2%	7.8%	8.0%	9.1%	9.7%
Foreign currency	5.8%	5.3%	5.6%	4.6%	5.7%
Average	**7.1%**	**6.5%**	**6.7%**	**6.8%**	**7.3%**

Notes:

(1) Yield represents interest income as a percentage of average interest-earning assets taken as monthly averages for the nine months ended 30 September 2006 and 2005 and the year ended 31 December 2005, and annual averages for the years ended 31 December 2004 and 2003.

(2) Margin represents net interest income as a percentage of average interest-earning assets.

(3) Spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.

Analysis of Changes in Net Interest Income

The following table presents certain information regarding changes in interest income and interest expense of the Bank during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (1) changes in volume (changes in average outstanding balances multiplied by the prior period's average interest rate) and (2) changes in interest rate (changes in average interest rate multiplied by the average outstanding balances at the end of the period). Net changes attributable to changes in both volume and interest rate have been allocated proportionately to the changes in volume and the changes in interest rate:

	As at 30 September 2006/2005			As at 31 December 2005/2004			As at 31 December 2004/2003		
	Increase/(Decrease) due to changes in			Increase/(Decrease) due to changes in			Increase/(Decrease) due to changes in		
	Volume	Rate	Total	Volume	Rate	Total	Volume	Rate	Total
	(KZT millions)								
Interest Income									
Loans to customers									
KZT	10,598	(5,382)	5,216	8,025	178	8,203	7,500	(1,760)	5,740
Foreign currency	4,645	(7,282)	(2,637)	8,384	2,515	10,899	3,162	(2,049)	1,113
Amounts due from credit institutions									
KZT	1,510	(482)	1,028	273	191	464	35	(50)	(15)
Foreign currency	484	196	680	464	(524)	(60)	42	708	750
Securities									
KZT	923	(948)	(25)	672	(671)	1	1,091	39	1,130
Foreign currency	33	(3)	30	(85)	14	(71)	360	(325)	35
Total Interest Income	**18,193**	**(13,901)**	**4,292**	**17,733**	**1,703**	**19,436**	**12,190**	**(3,437)**	**8,753**
Interest Expenses									
Amounts due to credit institutions									
KZT	447	948	1,395	(2)	94	92	129	(199)	(70)
Foreign currency	163	(1,109)	(946)	598	591	1,189	855	174	1,029
Amounts due to customers									
KZT	2,279	(2,123)	156	1,830	628	2,458	1,675	(289)	1,386
Foreign currency	1,614	(1,776)	(162)	2,530	(1,141)	1,389	345	(334)	11
Debt securities issued	4,746	(3,183)	1,563	1,595	1,675	3,270	2,042	(1,061)	981
Total Interest Expenses	**9,249**	**(7,243)**	**2,006**	**6,551**	**1,847**	**8,398**	**5,046**	**(1,709)**	**3,337**
Net changes in net interest income	**8,944**	**(6,658)**	**2,286**	**11,182**	**(144)**	**11,038**	**7,144**	**(1,728)**	**5,416**

Return on Assets and Equity

The following table sets out certain selected financial ratios of the Bank for the periods indicated:

	Nine months ended 30 September 2006	Nine months ended 30 September 2005	Years ended 31 December 2005	Years ended 31 December 2004	Years ended 31 December 2003
	(KZT millions, except percentages)				
Net income after income tax expense	18,263	11,440	15,828	8,093	7,498
Average total assets	680,721(1)	470,740(1)	487,180(1)	321,389	219,403
Average common shareholders' equity	52,760(1)	35,995(1)	38,081(1)	25,998	15,720
Average common shareholders' equity/average total assets	7.8%(1)	7.6%(1)	7.8%(1)	8.1%	7.2%
Net income/:					
average total assets	3.3%(2)	2.9%(2)	3.0%	2.4%	3.3%
average common shareholders' equity	43.9%(2)	39.3%(2)	37.3%	29.8%	45.2%
Dividends to preferred shareholders	1,260(3)	1,071(4)	1,428	332	351
Net income attributable to common shareholders	16,555	10,163	14,200	7,756	7,109
Dividends paid to common shareholders	—	1,331	1,331	—	—
Dividend payout ratio	—	13.1%	9.4%	—	—

Notes:

(1) Average amounts and ratios are based on monthly averages.

(2) Annualised.

(3) Dividends paid on Preferred Shares during the nine-month period ended 30 September 2006 are calculated based on the Bank's year-end projections adjusted for the nine-month period.

(4) Dividends paid on Preferred Shares during the nine-month period ended 30 September 2005 are calculated based on the actual dividend amount paid for 2005 adjusted for the nine-month period.

The Bank's Loan Portfolio

Loans to Customers

Loans to customers represent the largest part of the Bank's assets. As at 30 September 2006, the Bank had total loans to customers, net of allowance for loan impairment, of KZT 504,383 million, or 63.3 per cent. of total assets, an increase of KZT 93,286 million, or 22.7 per cent., from the 31 December 2005 amount. As at 31 December 2005, the Bank had total loans to customers, net of allowance for loan impairment, of KZT 411,097 million, or 73.5 per cent. of total assets, an increase of KZT 156,507 million, or 61.5 per cent., from the 31 December 2004 amount. As at 31 December 2004, the Bank had total loans to customers, net of allowance for loan impairment, of KZT 254,590 million, or 64.7 per cent. of total assets, an increase of KZT 90,702 million, or 55.3 per cent., from the 31 December 2003 amount of KZT 163,888 million, or 65.7 per cent. of total assets. Loans to the Bank's 10 largest customers represented approximately 16 per cent. of the gross loan portfolio as at 30 September 2006, compared to approximately 12 per cent. as at 31 December 2005, 16 per cent. as at 31 December 2004 and 22 per cent. as at 31 December 2003. As at 30 September 2006, the Bank's exposure to the single largest borrower was KZT 20,170 million, constituting 3.7 per cent. of total gross loans to customers, compared to 2.4 per cent. in 2005, 3.0 per cent. in 2004 and 6.8 per cent. in 2003.

Average interest rates on the loan portfolio increased to 15.7 per cent. for the nine months ended 30 September 2006, from 14.2 per cent. in 2005 and 13.6 per cent. in 2004, due to growing volumes and share of loans to retail and SME customers, which typically bear higher interest rates.

The average balance of the Bank's net loans to customers for the nine months ended 30 September 2006 was KZT 433,551 million, compared to KZT 334,071 million in 2005, KZT 209,239 million in 2004 and KZT 144,852 million in 2003.

The following table provides a breakdown of gross loans granted by the head office and by the branches as at the dates indicated:

	As at 30 September 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Head office	280,322	51.9	244,186	55.9	154,895	57.1	118,105	67.7
Branches	252,256	46.7	192,142	44.0	116,059	42.8	56,313	32.3
Subsidiaries	8,035	1.5	690	0.2	174	0.1	—	—
Gross loans, total	**540,613**	**100.0**	**437,018**	**100.0**	**271,128**	**100.0**	**174,418**	**100.0**

Distribution of Loans by Type of Borrower

The Bank serves a large number of small, medium and large Kazakhstan businesses, as well as individuals.

The following table (derived from management accounts) sets out certain information relating to the Bank's gross loan portfolio by reference to the type of borrower as at the dates indicated:

	As at 30 September 2006	As at 31 December		
		2005	2004	2003
		(KZT millions)		
Large corporations	282,309	242,496	154,784	116,234
Small and medium businesses	80,050	63,920	49,360	39,534
Individuals	178,254	130,602	66,984	18,650
Gross loans, total	**540,613**	**437,018**	**271,128**	**174,418**

Loans to large corporations increased by KZT 39,813 million, or 16.4 per cent., to KZT 282,309 million as at 30 September 2006 from the 31 December 2005 amount. Loans to large corporations increased by KZT 87,712 million, or 56.7 per cent., to KZT 242,496 million as at 31 December 2005 from KZT 154,784 million as at 31 December 2004, which in turn represented an increase of KZT 38,550 million, or 33.2 per cent., from KZT 116,234 million as at 31 December 2003.

Loans to SMEs increased by KZT 16,130 million or 25.2 per cent., to KZT 80,050 million as at 30 September 2006 from the 31 December 2005 amount. Loans to SMEs increased by KZT 14,560 million, or 29.5 per cent., to KZT 63,920 million as at 31 December 2005 from KZT 49,360 million as at 31 December 2004, which in turn represented an increase of KZT 9,826 million, or 24.9 per cent., from KZT 39,534 million as at 31 December 2003.

Loans to individuals increased by KZT 47,652 million, or 36.5 per cent., to KZT 178,254 million as at 30 September 2006 from the 31 December 2005 amount. Loans to individuals increased by KZT 63,618 million, or 95.0 per cent., to KZT 130,602 million as at 31 December 2005 from KZT 66,984 million as at 31 December 2004, which in turn represented an increase of KZT 48,334 million, or 259.2 per cent., from KZT 18,650 million as at 31 December 2003, when the active expansion of retail lending began.

Distribution of Loans by Sector

During the past few years, the Bank has focused on increasing the share of lending to retail and SME customers, as well as diversifying its loan portfolio (apart from retail loans) by industries and regions.

The following table sets out the composition of the Bank's gross loan portfolio by economic sector as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Retail loans:								
— mortgage loans	97,248	18.0	78,680	18.0	36,664	13.5	4,439	2.5
— consumer loans	81,005	15.0	51,922	11.9	30,320	11.2	14,211	8.1
Wholesale trade	95,639	17.7	60,924	13.9	26,917	9.9	28,709	16.5
Construction	74,334	13.7	54,461	12.5	35,851	13.2	16,524	9.5
Agriculture	39,268	7.3	38,019	8.7	34,043	12.6	27,435	15.7
Retail trade	29,609	5.5	33,909	7.8	8,673	3.2	5,808	3.3
Real estate	14,555	2.7	12,494	2.9	9,133	3.4	4,021	2.3
Oil and gas	13,143	2.4	16,380	3.8	26,191	9.7	13,898	8.0
Transportation	11,357	2.1	8,440	1.9	4,587	1.7	4,389	2.5
Food industry	9,126	1.7	3,743	0.9	(1)	(1)	(1)	(1)
Energy	6,821	1.3	7,279	1.7	6,892	2.5	3,114	1.8
Hotel industry	4,860	0.9	3,323	0.8	(1)	(1)	(1)	(1)
Metallurgy	4,530	0.8	3,968	0.9	4,362	1.6	7,033	4.0
Mining	3,716	0.7	6,587	1.5	4,566	1.7	12,237	7.0
Machinery	2,473	0.5	2,708	0.6	(1)	(1)	(1)	(1)
Consumer goods and automobile trade	2,303	0.4	2,149	0.5	(1)	(1)	(1)	(1)
Communication	1,648	0.3	1,433	0.3	(1)	(1)	(1)	(1)
Research and development	1,485	0.3	8,307	1.9	8,018	3.0	3,730	2.1
Other	47,492	8.8	42,292	9.7	34,911	12.9	28,870	16.6
Gross loans, total	**540,613**	**100.0**	**437,018**	**100.0**	**271,128**	**100.0**	**174,418**	**100.0**

Note:

(1) For this period included in "Other".

As at 30 September 2006, mortgage loans, wholesale trade, consumer loans, construction, agriculture and retail trade accounted for approximately 18 per cent., 18 per cent., 15 per cent., 14 per cent., 7 per cent. and 6 per cent., respectively, of the total gross loan portfolio. Growth in the loan portfolio in recent years was mainly driven by growth in mortgage and consumer loans, as well as increased lending to customers in the wholesale trade and construction sectors.

Composition by Maturity

The following table sets out certain information relating to the maturity profile of the Bank's gross loan portfolio as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
On demand	3,475	0.6	1,500	0.3	2,241	0.8	—	—
Less than one month	28,215	5.2	14,045	3.2	14,754	5.4	13,743	7.9
Between one and three months	34,910	6.5	29,165	6.7	34,678	12.8	12,459	7.1
Between three months and one year	230,954	42.7	137,930	31.6	83,155	30.7	45,668	26.2
Between one and three years	124,035	22.9	190,720	43.6	104,635	38.6	68,468	39.3
Over three years	119,024	22.0	63,658	14.6	31,665	11.7	34,080	19.5
Gross loans, total	**540,613**	**100.0**	**437,018**	**100.0**	**271,128**	**100.0**	**174,418**	**100.0**

The increase of KZT 55,366 million, or 87.0 per cent., in loans maturing over three years to KZT 119,024 million, or 22.0 per cent. of the total gross loan portfolio, as at 30 September 2006, from KZT 63,658 million, or 14.6 per cent. of the total gross loan portfolio, as at 31 December 2005, and the increase of KZT 31,993 million, or 101.0 per cent. of the total gross loan portfolio, to the 31 December 2005 amount from KZT 31,665 million, or 11.7 per cent. of the total gross loan portfolio, as at 31 December 2004, were primarily attributable to the significant growth for the nine months ended 30 September 2006 of the mortgage portfolio, where average maturities are generally longer, as well as increasing volumes of longer-term lending to existing corporate and SME customers. The Bank expects the maturity profile to increase further also as the result of more competition in the sector, especially with respect to corporate and SME customers. The decrease of KZT 66,685 million, or 35.0 per cent., in loans with maturities of between one and three years to KZT 124,035 million, or 22.9 per cent. of the total gross loan portfolio, as at 30 September 2006, from KZT 190,720 million, or 43.6 per cent. of the total gross loan portfolio, as at 31 December 2005, was primarily attributable to the introduction into the Bank's standard credit documentation of an unconditional right for the Bank to call for early repayment of loans. Since the early repayment is subject to 10 months' prior notice from the Bank, these loans are classified into the "between three months and one year" category. The increase of KZT 86,085 million, or 82.3 per cent., in loans with maturities of between one and three years to the 31 December 2005 amount from KZT 104,635 million, or 38.6 per cent. of the total gross loan portfolio, as at 31 December 2004, was primarily attributable to the significant growth of the retail portfolio in 2005, as well as increasing volumes of longer-term lending to corporate and SME customers.

The increase of KZT 93,024, or 67.4 per cent., in loans with maturities of between three months and one year to KZT 230,954 million, or 42.7 per cent. of the total gross loan portfolio, as at 30 September 2006, from KZT 137,930 million, or 31.6 per cent. of the total gross loan portfolio, as at 31 December 2005, was primarily due to reclassification of certain longer tenor loan facilities into short-term as described in the paragraph above. Loans with maturities of between three months and one year increased by KZT 54,775 million, or 65.9 per cent., to the 31 December 2005 amount from KZT 83,155 million, or 30.7 per cent. of the total gross loan portfolio, as at 31 December 2004, while the share of such loans in the total gross loan portfolio remained relatively stable.

Composition of Loan Portfolio by Currency

As at 30 September 2006, non-Tenge loans comprised 52.8 per cent. of the Bank's loan portfolio, compared to 59.0 per cent. as at 31 December 2005, 53.5 per cent. as at 31 December 2004 and 58.3 per cent. as at 31 December 2003. U.S. Dollar obligations are the most significant element of non-Tenge denominated loans. The general trend of growth in the Tenge-denominated part of the loan portfolio in recent years is attributable to the Bank's policy of promoting lending in Tenge resulting from higher liquidity and higher net interest margin earned on Tenge assets.

The following table sets forth an analysis of the exposure by currency of the Bank's gross loan portfolio as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	255,433	47.2	179,298	41.0	126,037	46.5	72,795	41.7
Foreign currencies	285,180	52.8	257,720	59.0	145,091	53.5	101,623	58.3
Gross loans, total	**540,613**	**100.0**	**437,018**	**100.0**	**271,128**	**100.0**	**174,418**	**100.0**

Analysis of Loan Portfolio Quality

The following table provides information on the Bank's gross loan portfolio by credit quality classification[(1)] as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Standard loans	289,033	53.5	267,019	61.1	201,438	74.3	123,008	70.5
Doubtful 1st category	199,834	37.0	125,959	28.8	39,242	14.5	20,844	12.0
Doubtful 2nd category	2,498	0.5	3,530	0.8	5,905	2.2	11,168	6.4
Doubtful 3rd category	20,908	3.9	20,615	4.7	3,765	1.4	3,277	1.9
Doubtful 4th category	2,393	0.4	1,031	0.2	6,781	2.5	5,716	3.3
Doubtful 5th category	9,268	1.7	6,003	1.4	3,064	1.1	5,972	3.4
Loss loans	16,679	3.1	12,861	2.9	10,933	4.0	4,433	2.5
Gross loans, total	**540,613**	**100.0**	**437,018**	**100.0**	**271,128**	**100.0**	**174,418**	**100.0**

Note:

(1) See "Asset, Liability and Risk Management — Loan Classification and Provisioning Policy — NBK/FMSA Classification and Provisioning Guidelines".

During 2005 and the nine months ended 30 September 2006, the Bank introduced a more conservative loan classification and provisioning policy, which generally resulted in a higher share of loans provided for at a rate of 5.0 per cent. (included in Doubtful first category). The Bank anticipates that the FMSA will further strengthen classification/provisioning requirements starting from 2007.

The increases of Doubtful first category loans to KZT 199,834 million, or 37.0 per cent. of total gross loans, as at 30 September 2006, from KZT 125,959 million, or 28.8 per cent. of total gross loans, as at 31 December 2005, and to the 31 December 2005 amount from KZT 39,242 million, or 14.5 per cent. of total gross loans, as at 31 December 2004, were due to the adoption of stricter loan classification/ provisioning policies under FMSA regulations by the Bank during 2005, prescribing minimum 5.0 per cent. allowances for all partially (less than 50 per cent.) collateralised loans on which the borrowers experience temporary financial difficulties, but nevertheless are repaying their loan principal and interest without delay and in full.

The following table(1) provides information on the Bank's loan loss reserves for each credit quality classification as at the dates indicated:

	30 September 2006			31 December 2005			31 December 2004			31 December 2003		
	Total exposure	Total reserves	Reserves/ exposure	Total exposure	Total reserves	Reserves/ exposure	Total exposure	Total reserves	Reserves/ exposure	Total exposure	Total reserves	Reserves/ exposure
	(KZT millions)		*(%)*	*(KZT millions)*		*(%)*	*(KZT millions)*		*(%)*	*(KZT millions)*		*(%)*
Standard loans	289,033	51	—	267,019	—	—	201,438	—	—	123,008	—	—
Doubtful 1st category	199,834	9,743	4.9	125,959	6,083	4.8	39,242	1,923	4.9	20,844	985	4.7
Doubtful 2nd category	2,498	246	9.8	3,530	350	9.9	5,905	563	9.5	11,168	1,060	9.5
Doubtful 3rd category	20,908	4,016	19.2	20,615	4,012	19.5	3,765	659	17.5	3,277	593	18.1
Doubtful 4th category	2,393	572	23.9	1,031	252	24.4	6,781	1,642	24.2	5,716	1,374	24.0
Doubtful 5th category	9,268	4,476	48.3	6,003	2,907	48.4	3,064	1,328	43.3	5,972	2,465	41.3
Loss loans	16,679	16,217	97.2	12,861	12,317	95.8	10,933	10,423	95.3	4,433	4,052	91.4
Net IFRS adjustment	—	908	—	—	—	—	—	—	—	—	—	—
Gross loans, total	**540,613**	**36,229**	**6.7**	**437,018**	**25,921**	**5.9**	**271,128**	**16,538**	**6.1**	**174,418**	**10,529**	**6.0**

Note:

(1) This table contains provisions established in accordance with FMSA guidelines, as adjusted to comply with IAS 39 requirements. (See "— Key Factors Affecting the Bank's Results of Operations and Financial Conditions — Provisioning Policies".) As at 30 September 2006 such difference amounted to KZT 908 million.

NPLs and Write-offs

As at 30 September 2006, the aggregate amount of non-performing loans on which interest accrual was suspended amounted to KZT 8,787 million, or 1.7 per cent. of total loans. As at 31 December 2005, 2004 and 2003, such loans amounted to KZT 6,163 million, KZT 5,203 million and KZT 3,234 million, respectively, and represented 1.4 per cent., 2.0 per cent. and 1.9 per cent. of total loans, respectively. (See "Asset, Liability and Risk Management — Portfolio Supervision and Non-performing Loans".)

The following table sets out an analysis of the Bank's allowance for interest-earning and other assets for the periods indicated:

	Nine months ended 30 September		Years ended 31 December		
	2006	2005	2005	2004	2003
	(KZT millions)				
Beginning balance of allowance for interest-earning and other assets	26,055	16,614	16,614	10,601	8,382
Charge	10,675	9,877	11,970	7,954	4,137
Write-offs	(2,717)	(2,738)	(3,648)	(2,236)	(2,166)
Recoveries	2,585	862	1,119	295	249
Ending balance of allowance for interest-earning and other assets	**36,597**	**24,614**	**26,055**	**16,614**	**10,601**
Net write-offs	(132)	(1,876)	(2,529)	(1,941)	(1,917)

The increase in impairment charge during the nine months ended 30 September 2006 compared to the nine months ended 30 September 2005 is attributable to the general increase in the loan portfolio and the more conservative provisioning policy of the Bank in 2006. Although the level of gross write-offs during the nine months ended 30 September 2006 was KZT 21 million lower than during the comparable period in 2005, the level of recoveries during the nine months ended 30 September 2006 increased substantially compared to the nine months ended 30 September 2005 due to an increase in recoveries relating to write-offs during the nine months ended 30 September 2006 and prior periods. (See "Asset, Liability and Risk Management — Write-off Policy".)

The following table provides information as to amounts past due as at the dates indicated:

	As at 30 September 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions) (unaudited)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Period past due								
Up to 1 month	665	7.0	742	10.7	1,029	16.5	859	21.0
1-3 months	1,122	11.9	1,249	18.1	508	8.2	1,048	25.6
3-6 months	572	6.1	2,721	39.4	1,884	30.2	2,186	53.4
6-9 months	7,079	74.9	2,162	31.3	2,795	44.8	—	—
9-12 months	—	—	13	0.2	—	—	—	—
1-5 years	14	0.1	18	0.3	16	0.3	—	—
More than 5 years	—	—	—	—	—	—	—	—
Past due, total	**9,452**	**100.0**	**6,905**	**100.0**	**6,232**	**100.0**	**4,093**	**100.0**

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

	As at 30 September 2006		As at 31 December					
			2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Legal entities	29,493	81.4	23,692	91.4	16,081	97.2	9,951	94.5
Individuals	5,828	16.1	2,229	8.6	456	2.8	579	5.5
Pool reserves	908	2.5	—	—	—	—	—	—
Allowances for interest-earning assets, total	36,229	100.0	25,921	100.0	16,537	100.0	10,529	100.0

The following table provides information on the movements in other provisions between the dates indicated:

	Guarantees and commitments
	(KZT millions)
31 December 2002	60
Charge	1,385
Write-offs	(524)
31 December 2003	921
Charge	987
Write-offs	(106)
31 December 2004	1,801
Charge	496
Write-offs	(18)
31 December 2005	2,280
Charge	267
Write-offs	(8)
30 September 2006	2,539

Allowances for impairment of assets are deducted from the related assets. Provisions for claims, guarantees and commitments are recorded in liabilities.

The following table sets out certain ratios in respect of write-offs as at the dates indicated:

	As at 30 September 2006	As at 31 December 2005	2004	2003
		(%)		
Net write-offs/gross loans	—	0.6	0.7	1.1
Net write-offs/opening allowance balance	0.5	15.2	18.3	22.9
Recoveries(1)/write-offs	95.1	30.7	13.2	11.5

Note:

(1) Recoveries may relate to write-offs in more than one period.

Collateralisation of Loan Portfolio

The following table sets out certain information relating to the collateralisation of the Bank's gross loan portfolio as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Collateralised	538,548	99.6	434,096	99.3	269,065	99.2	174,153	99.8
Loans collateralised by securities and precious metals	—	—	—	—	518	0.2	860	0.5
Loans collateralised by real estate	286,184	52.9	237,924	54.4	103,077	38.0	49,849	28.6
Loans collateralised by deposits	32,297	6.0	19,832	4.5	6,929	2.6	471	0.3
Loans collateralised by guarantees	46,425	8.6	46,912	10.7	19,630	7.2	6,914	4.0
Loans collateralised by other assets (including future cash receivables)	173,642	32.1	129,428	29.6	138,911	51.2	116,059	66.5
Uncollateralised	2,065	0.4	2,922	0.7	2,063	0.8	265	0.2
Gross loans, total	**540,613**	**100.0**	**437,018**	**100.0**	**271,128**	**100.0**	**174,418**	**100.0**

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, commodities and other commercial goods, as well as cash deposits, securities and personal third party and corporate guarantees. (See "Asset, Liability and Risk Management — Lending Policies and Procedures — Collateralisation".)

Amounts Due from Credit Institutions

Loans to and deposits with other financial institutions represent a relatively small percentage of the Bank's total assets (0.2 per cent. as at 30 September 2006, 0.5 per cent. as at 31 December 2005, 0.2 per cent. as at 31 December 2004 and 2.9 per cent. as at 31 December 2003). Time deposits with other credit institutions reflect the Bank's use of the interbank market as placements of excess liquidity for a relatively short period of time. In general, deposits with other financial institutions are made for liquidity management purposes.

The following table provides a breakdown of amounts due from credit institutions as at the dates indicated:

	As at 30 September 2006	As at 31 December 2005	2004	2003
	(KZT millions)			
Time deposits	1,398	2,085	695	7,307
Loans to local financial institutions	66	691	—	—
Gross loans to, and deposits with, credit institutions, total	1,463	2,777	695	7,307
Less allowance for impairment	—	—	—	(16)
Net loans to, and deposits with, credit institutions, total	**1,463**	**2,777**	**695**	**7,291**

The following table sets out information on interest rates and maturities of the Bank's amounts due from credit institutions at the dates indicated:

	30 September 2006		31 December 2005		31 December 2004		31 December 2003	
	(%)	*(Maturity)*	*(%)*	*(Maturity)*	*(%)*	*(Maturty)*	*(%)*	*(Maturity)*
Time deposits	7.8-12	2007-2009	4.0-12.0	2006-2008	4.1-14.5	2005	8.0-13.6	2004
REPO	5.3-7.5	Nov. 2006 - Aug. 2007	—	—	—	—	—	—
Loans to local financial institutions	13	Sep. 2008	4.1	2006	—	—	—	2004

Investments

Overview

As at 30 September 2006, the Bank's aggregate securities portfolio amounted to KZT 142,543 million, an increase of KZT 80,426 million, or 129.5 per cent., from the 31 December 2005 amount, due to placement of excess liquidity into NBK notes, T-bills of the Republic of Kazakhstan, Eurobonds of Kazakhstan banks and bonds of the Development Bank of Kazakhstan. As at 31 December 2005, the Bank's aggregate securities portfolio amounted to KZT 62,117 million, a decrease of KZT 20,883 million, or 25.2 per cent., from the 31 December 2004 amount, due to the introduction of a new investment policy that seeks to reach an optimum size of the securities portfolio without sacrificing capacity of the Bank (a) to fund itself under contingency liquidity scenarios, (b) to have an adequate amount of highly liquid securities for collateral management purposes, and (c) to stabilise net interest income after increasing by 67 per cent. in 2004 compared to 2003. As at 31 December 2004, the Bank's aggregate securities portfolio amounted to KZT 83,000 million, an increase of KZT 33,411 million, or 67.4 per cent., from the 31 December 2005 amount of KZT 49,589 million, due to an increase in the Bank's portfolio of investment securities available-for-sale mainly as a result of the increase in the size of the Bank's portfolio of U.S. treasury bills, which was partly offset by a small decrease in the Bank's trading securities portfolio.

Starting December 2002, the Bank classified its securities portfolio as (i) trading securities, (ii) investment securities available-for-sale, and (iii) investment securities held-to-maturity. From 1 January 2005, due to revision of IAS 39, a new category of financial instruments has been introduced, "Financial assets at fair value through profit or loss", which includes trading financial assets as well as any financial assets assigned to this category at initial recognition that are measured on a fair value basis. (See "Operating and Financial Review — Critical Accounting Policies — Valuation of Trading and Investment Securities".)

The following table shows a breakdown of securities held by the Bank as at the dates indicated:

	As at 30 September 2006	As at 31 December		
		2005	2004	2003
		(KZT millions)		
Financial assets at fair value through profit or loss	130,942	50,018	62,382	39,914
Investment securities:				
Available-for-sale	11,601	12,099	20,618	3,232
Held-to-maturity	—	—	—	6,443
Securities, total	**142,543**	**62,117**	**83,000**	**49,589**

Financial Assets at Fair Value through Profit or Loss

Securities purchased with the intention of recognising short-term profits (held for trading) are classified as trading portfolio and financial assets that are designated on initial recognition as those to be measured at fair value with fair value changes in profit or loss (designated) are classified as financial assets at fair value through profit or loss. After initial recognition, those assets are measured at fair value with gains or losses on re-measurement recognised at fair value in net profit or loss. Changes in the estimated fair value are included in the accompanying consolidated statements of income within gains less losses from securities. In determining 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. When market prices are not available or if liquidating the Bank's position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or objective and reliable management estimates of the amounts that can be realised.

The following table shows a breakdown of the Bank's portfolio of financial assets at fair value through profit or loss as at the dates indicated:

	As at 30 September 2006	As at 31 December 2005	2004	2003
		(KZT millions)		
NBK notes	66,720	23,160	27,006	23,958
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	30,543	19,527	27,747	9,208
US Treasury securities	9,971	—	—	—
Eurobonds of Kazakhstan banks	7,162	1,665	1,549	2,494
Sovereign bonds of the Republic of Kazakhstan	6,550	4,674	4,883	4,086
Bonds of the Development Bank of Kazakhstan	4,451	992	1,191	169
Corporate bonds	4,382	—	—	—
Corporate bonds of OECD-based banks	1,165	—	—	—
Equity securities of Kyrgyz corporations	78	—	5	—
Financial assets at fair value through profit or loss	**130,942**	**50,018**	**62,382**	**39,914**
Subject to repurchase agreements	211	—	200	5,657

As at 30 September 2006, the Bank's financial assets at fair value through profit or loss were KZT 130,942 million, an increase of KZT 80,924 million, or 161.8 per cent., from the 31 December 2005 amount, due to increased investments, mainly in highly liquid securities, including NBK notes, T-bills of the Republic of Kazakhstan, and bonds of Kazakhstan banks including the Development Bank of Kazakhstan. As at 31 December 2005, the Bank's financial assets at fair value through profit or loss were KZT 50,018 million, a decrease of KZT 12,364 million, or 19.8 per cent., from the 31 December 2004 amount, due to selling a large portfolio of Ministry of Finance treasury bills. As at 31 December 2004, the Bank's financial assets at fair value through profit or loss were KZT 62,382 million, an increase of KZT 22,468 million, or 56.3 per cent., from the 31 December 2003 amount of KZT 39,914 million, due to an increase in the size of the portfolio of Ministry of Finance treasury bills, which grew by KZT 18,539 million from KZT 9,208 million as at 31 December 2003, reflecting the Bank's policy of increasing its holding of liquid securities.

The following table sets out information on interest rates and maturities of the Bank's trading securities portfolio as at the dates indicated:

	30 September 2006		31 December 2005		31 December 2004		31 December 2003	
	(%)	(Maturity)	(%)	(Maturity)	(%)	(Maturity)	(%)	(Maturity)
NBK notes	3.9-4.6	2006	2.1-2.4	2006	3.0-6.8	2005	4.7-5.4	2004
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	2.7-7.9	2006	3.1-8.4	2006-2014	4.0-8.6	2005-2014	5.7-16.9	2004-2013
US Treasury securities	5.1-5.3	2006	—	—	—	—	—	—
Eurobonds of Kazakhstan banks	7.3-9.5	2007-2015	7.9-10.1	2007-2013	6.0-8.6	2007-2010	7.4-8.6	2007-2013
Sovereign bonds of the Republic of Kazakhstan	11.1	2007	11.1	2007	11.1	2007	11.1	2007
Bonds of the Development Bank of Kazakhstan	4.8-9.8	2007-2026	7.1-8.5	2007	7.1-7.4	2007-2013	8.5	2007
Corporate bonds	3.9-10.9	2009-2015	—	—	—	—	—	—
Corporate bonds of OECD-based banks	4.0-4.8	2009-2010	—	—	—	—	—	—

Investment Portfolio

The Bank classifies its investment securities into two categories: (i) securities that are not classified by the Bank as held-to-maturity or financial assets at fair value through profit or loss are included in the available-for-sale portfolio; and (ii) securities with fixed maturities and fixed or determinable payments that the Bank's management has both the positive intent and the ability to hold to maturity are classified as held-to-maturity. The Bank classifies investment securities depending upon the intent of the Bank's management at the time of the purchase. The Bank classified investment securities as held-to-maturity up to the financial year ended 31 December 2003. In 2004, such securities were transferred from held-to-maturity investment securities to the available-for-sale grouping, following a change of intent with regard to the underlying securities.

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, referenced to the current market value of another instrument which is substantially the same, and discounted cash flow analysis.

Securities held-to-maturity are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Securities Available-for-Sale

The following tables give a breakdown of the Bank's portfolio of available-for-sale securities, and interest rates and maturities, as at the dates indicated:

	As at 30 September 2006	As at 31 December		
		2005	2004	2003
	(KZT millions)			
Corporate bonds	6,552	6,548	4,758	301
Bonds of Kazakhstan banks	2,692	2,625	820	848
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,757	2,644	—	1,827
NBK notes	599	—	472	107
Treasury bills of the Kyrgyz Republic	—	282	—	—
US Treasury bills	—	—	14,211	—
Local municipal bonds	—	—	357	—
Sovereign bonds of the Republic of Kazakhstan	—	—	—	148
Available-for-sale investment securities	**11,601**	**12,099**	**20,618**	**3,232**
Subject to repurchase agreements	—	—	3,652	1,182

	As at 30 September 2006		As at					
			31 December 2005		31 December 2004		31 December 2003	
	(%)	*(Maturity)*	*(%)*	*(Maturity)*	*(%)*	*(Maturity)*	*(%)*	*(Maturity)*
Corporate bonds	6.3-10.5	2017	3.5-9.6	2006-2014	6.9-10.7	2005-2014	7.5-10.9	2004-2009
Bonds of Kazakhstan banks	5.9-12.0	2014	7.0-13.5	2007-2013	7.0-20.1	2005-2010	10.5-13.3	2004-2010
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4.3-8.5	2014	2.8-3.5	2006-2008	—	—	5.5-6.1	2005-2010
NBK notes	—	—	—	—	1.7-1.9	2005	4.6-4.9	2004
Treasury bills of the Kyrgyz Republic	—	—	4.5-7.3	2007-2013	—	—	—	—
U.S. Treasury bills	—	—	—	—	1.7-4.7	2005-2012	—	—
Local municipal bonds	—	—	—	—	6.0-8.5	2005-2008	—	—

Securities Held-to-Maturity

The Bank's portfolio of securities held-to-maturity in 2003 consisted of Government securities, corporate bonds and bonds issued by municipalities, but in 2004 all securities as at that date in the portfolio of securities held-to-maturity were moved to available-for-sale, reflecting the Bank's management's change of intention not to hold these securities to maturity.

The Bank's Funding Sources

Amounts due to customers represent the largest part of the Bank's funding sources. The availability of amounts due to customers is influenced by factors such as prevailing interest rates, market conditions and levels of competition, although the Bank believes that its customer base is 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 a range of banking products and services. As at 30 September 2006, the Bank's total amount due to customers was KZT 481,631 million which, according to FMSA statistics, represented 13 per cent. of the total amounts due to customers in the Kazakhstan banking system as of that date. The Bank has a large number of corporate customers, including many of the country's leading industrial and natural resource sector companies and trading corporations as well as a number of SMEs and individuals. Other sources of funding include foreign and local interbank borrowings, and placement of debt securities domestically and on the international market.

The issuance of the Notes is one of the steps being taken by the Bank's management in an effort to diversify and lengthen the maturity of its funding sources.

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

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Amounts due to customers								
Current accounts	145,933	20.5	112,967	22.8	79,378	22.2	58,488	25.7
Term deposits	335,311	47.2	206,896	41.8	151,361	42.3	94,920	41.7
Guarantee and other restricted accounts	386	0.1	766	0.2	762	0.2	1,437	0.6
Total amounts due to customers	**481,631**	**67.8**	**320,630**	**64.7**	**231,501**	**64.7**	**154,846**	**68.0**
Amounts due to credit institutions	82,694	11.6	107,284	21.7	76,493	21.4	61,877	27.2
Debt securities issued	136,730	19.2	58,814	11.9	44,940	12.6	8,583	3.8
Other[1]	9,249	1.3	8,493	1.7	4,752	1.3	2,422	1.1
Liabilities, total	**710,304**	**100.0**	**495,221**	**100.0**	**357,686**	**100.0**	**227,727**	**100.0**

Note:

(1) Comprising tax, provisions and other liabilities.

Customer Accounts

The Bank's amounts due to customers consist of customer current accounts and term deposits, amounting to 67.8 per cent. of the Bank's total liabilities as at 30 September 2006. 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 deposits offered by the Bank.

Deposits by Account and Customer Type

The following table sets out a breakdown of the Bank's current and term deposits as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004	2003
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	
Current accounts						
Commercial entities	74,721	15.5	64,588	20.1	37,010	33,308
Individuals	50,394	10.5	37,913	11.8	30,892	23,675
Government entities	20,818	4.3	10,466	3.3	11,476	1,506
Current accounts, total	**145,933**	**30.3**	**112,967**	**35.2**	**79,378**	**58,488**
Term deposits						
Individuals	157,117	32.6	97,444	30.4	81,413	65,105
Commercial entities	139,744	29.0	92,026	28.7	69,949	29,815
Government entities	38,450	8.0	17,427	5.4	—	—
Term deposits, total	**335,311**	**69.6**	**206,896**	**64.5**	**151,361**	**94,920**
Guarantee and other restricted accounts	386	0.1	766	0.2	762	1,437
Customer accounts, total	**481,631**	**100.0**	**320,630**	**100.0**	**231,501**	**154,846**

Customer Accounts by Currency

The following tables set out certain information relating to the amounts due to customers in Tenge and foreign currency as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Amounts due to customers in Tenge	250,174	51.9	159,728	49.8	135,919	58.7	88,063	56.9
Amounts due to customers in foreign currencies	231,456	48.1	160,902	50.2	95,583	41.3	66,782	43.1
Customer accounts, total	**481,631**	**100.0**	**320,630**	**100.0**	**231,501**	**100.0**	**154,846**	**100.0**

Customer Accounts by Maturity

The following table sets out information on the maturity profile of the Bank's time deposits as at the dates indicated:

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
On demand	145,933	30.3	112,967	35.2	76,565	33.1	51,982	33.6
Less than one month	81,681	17.0	38,991	12.2	25,099	10.8	25,991	16.8
Between one and three months	25,049	5.2	18,631	5.8	26,865	11.6	16,679	10.8
Between three months and one year	153,733	31.9	88,642	27.6	72,424	31.3	30,336	19.6
Between one and three years	63,134	13.1	58,250	18.2	26,645	11.5	16,986	11.0
Over three years	12,102	2.5	3,148	1.0	3,903	1.7	12,872	8.3
Customer accounts, total	**481,631**	**100.0**	**320,630**	**100.0**	**231,501**	**100.0**	**154,846**	**100.0**

Deposits by Sector

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

	As at 30 September 2006		As at 31 December 2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Individuals and entrepreneurs	207,511	43.1	135,357	42.2	112,305	48.5	88,780	57.3
Metallurgy	89,500	18.6	636	0.2	—	—	—	—
Oil and gas	48,494	10.1	99,769	31.1	42,857	18.5	15,361	9.9
Financial sector	44,842	9.3	5,422	1.7	678	0.3	1,437	0.9
Other transportation	31,490	6.5	4,760	1.5	3,659	1.6	1,629	1.1
Construction	14,650	3.0	22,891	7.1	5,363	2.3	3,966	2.6
Wholesale trade	12,919	2.7	5,908	1.8	2,090	0.9	2,647	1.7
Energy	4,458	0.9	10,391	3.2	11,858	5.1	4,308	2.8
Transportation of oil and gas	3,161	0.7	6,267	2.0	20,694	8.9	11,336	7.3
Other	24,606	5.1	29,228	9.1	31,999	13.8	25,382	16.4
Customer accounts, total	**481,631**	**100.0**	**320,630**	**100.0**	**231,501**	**100.0**	**154,846**	**100.0**

As at 30 September 2006, total deposits of individuals and entrepreneurs represented 43.1 per cent. of total amounts due to customers. In addition, customers in the oil and gas sector and construction sector customers represented 10.1 per cent. and 3.0 per cent. of total deposits, respectively. As at 30 September 2006, the Bank's 10 largest customers accounted for approximately 43 per cent. of total amounts due to customers (31 December 2005 – 39 per cent.). The largest single customer as of the same date accounted for approximately 19 per cent. of total amounts due to customers (31 December 2005 – 27 per cent.). The Bank believes that in the event of withdrawal of funds, the Bank would be given sufficient notice so as to arrange for the necessary funds to enable repayment.

Other Sources of Funding

Amounts Due to Credit Institutions

The following table sets out the composition of the Bank's amounts due to credit institutions outstanding as at the dates indicated, by reference to the currency of such borrowings:

	As at 30 September 2006	As at 31 December 2005	2004	2003
		(KZT millions)		
Tenge	17,242	18,122	6,570	4,197
Foreign currencies	65,452	89,162	69,923	57,680
Amounts due to credit institutions, total	**82,694**	**107,284**	**76,493**	**61,877**

The following table sets out certain information relating to balances due to credit institutions by type of account, as at the dates indicated:

	As at 30 September 2006	As at 31 December 2005	2004	2003
		(KZT millions)		
Loans and deposits from OECD-based banks	67,998	97,540	64,365	52,111
Loans and deposits from Kazakhstan banks	9,985	1,100	5,311	2,441
Loans and deposits from non-OECD-based banks	1,438	2,145	3,453	226
Overnight deposits	1,200	3,851	900	3,481
Loans from other financial institutions	915	1,414	58	81
Loans from the European Bank for Reconstruction and Development ("EBRD")	652	679	658	1,379
Correspondent accounts	505	557	948	197
Loans from the Small Business Development Fund ("SBDF")	—	—	800	1,961
Amounts due to credit institutions, total	**82,694**	**107,284**	**76,493**	**61,877**

The following table sets out information on interest rates and maturities of the Bank's amounts due to credit institutions as at the dates indicated:

	30 September 2006		31 December 2005		31 December 2004		31 December 2003	
	(%)	(Maturity)	(%)	(Maturity)	(%)	(Maturity)	(%)	(Maturity)
Loans and deposits from OECD-based banks	3.0-7.7	2006-2014	3.8-7.8	2006-2012	2.4-6.9	2005-2009	2.9-6.1	2004-2009
Loans and deposits from Kazakhstan banks	4.8-6.5	2007	4.0-8.0	2006	2.0-5.3	2005-2006	1.0-6.0	2004
Loans and deposits from non-OECD-based banks	4.0-6.6	2006-2012	4.7-6.0	2006-2012	3.9-6.0	2005-2012	1.6-6.0	2004-2012
Loans from other financial institutions	5.9-8.2	2007-2012	2.4-7.3	2006-2012	2.4	2008	2.4	2008
Loans from the EBRD	6 month LIBOR + 2.0	2006	6 month LIBOR + 4.3	2006	6 month LIBOR + 4.3	2006	3.9-6.4, 6 month LIBOR + 4.3	2004-2006
Overnight deposits	2.6	2006	4.0-5.0	2006	2.0-2.5	2005	1.0	2004
Loans from the SBDF	—	—	—	—	7.8	2005	4.3-7.8	2004-2005

Trade Finance Facilities

The Bank in the course of its ordinary banking activities regularly borrows from international banks under trade-related loan facilities. The tenor of such trade-related facilities typically varies from 1 month up to 10 years depending on the nature of the underlying trade transaction. Some of these trade-related facilities financing import of equipment and capital goods are partially covered by Export Credit Agencies of OECD countries, including Euler Hermes Kreditversicherungs-AG of Germany, COFACE of France, US Exim Bank, SACE S.p.a. of Italy and others. As at 30 September 2006, the aggregate amount outstanding under such trade-related facilities was KZT 53,436 million, compared to KZT 80,505 million as at 31 December 2005 and KZT 67,872 million as at 31 December 2004.

Outstanding Senior Notes

In May 2004, the Bank registered with the FMSA a KZT 35 billion senior note facility, and, as of the date of this Prospectus, the Bank has issued senior notes under this programme in the aggregate principal amount of KZT 14 billion. In the nine month period ended 30 September 2006, the Bank registered a further KZT 70 billion under this programme with the FMSA, and, as of the date of this Prospectus, the Bank has issued senior notes under this programme in the aggregate amount of KZT 27 billion. In October 2004, the Bank issued its first Eurobonds for a principal amount of U.S.$200 million. These

Eurobonds are listed on the Luxembourg Stock Exchange and the KASE, are repayable in October 2009 and have a coupon rate of 8.125 per cent. per annum. In May 2006, HSBK (Europe) B.V., a wholly-owned subsidiary of the Bank, issued notes in a principal amount of U.S.$300 million, unconditionally and irrevocably guaranteed by the Bank. These notes are listed on the Luxembourg Stock Exchange, are redeemable in October 2013 and have a coupon rate of 7.75 per cent. per annum.

The following tables give a breakdown of the Bank's senior debt securities, and investments and maturities, as at the dates indicated:

	As at 30 September	As at 31 December		
	2006	2005	2004	2003
	(KZT millions)			
USD denominated bonds	65,536	26,918	26,019	—
KZT denominated bonds	40,411	5,106	4,752	—
RUR denominated bonds	1	48	21	—
Unsubordinated debt securities issued	105,948	32,072	30,792	—
Less: unsubordinated debt securities held	(1,314)	(1,314)	—	—
Unsubordinated debt securities issued, total	**104,634**	**30,758**	**30,792**	**—**

	As at 30 September 2006		As at 31 December					
			2005		2004		2003	
	(%)	(Maturity)	(%)	(Maturity)	(%)	(Maturity)	(%)	(Maturity)
USD denominated bonds	7.8-8.1	2009-2013	8.1	2009	8.1	2009	—	—
KZT denominated bonds	5.0-7.3	2007-2009	5.0	2007	5.0	2007	—	—
RUR denominated bonds	—	On demand	—	On demand	—	On demand	—	—

Covenants in Financing Documents

Under various financing documents, the Bank is obliged to maintain certain financial ratios and observe certain covenants, particularly with regard to capital adequacy, financial indebtedness, creation of security interests and distributions of dividends to common shareholders. As at the date of this Prospectus, the Bank is in compliance with these covenants.

Subordinated Debt Securities

In May 2004, the Bank registered with the FMSA its first bond programme for an aggregate principal amount of KZT 35 billion, under which the Bank has issued subordinated bonds denominated in Tenge in the aggregate principal amount of KZT 21 billion. In March 2006, the Bank registered its second bond programme in the aggregate principal amount of KZT 70 billion, under which the Bank has issued subordinated bonds in the aggregate principal amount of KZT 4 billion. The subordinated bonds are 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. In addition to these issuances, the Bank has issued additional Tenge- and U.S. Dollar-denominated subordinated notes in recent years.

The following tables give a breakdown of the Bank's subordinated debt securities, and interest rates and maturities, as at the dates indicated:

	As at 30 September	As at 31 December		
	2006	2005	2004	2003
	(KZT millions)			
Fixed rate KZT denominated bonds	20,405	20,608	12,080	4,145
Reverse inflation-indexed KZT denominated bonds	5,034	3,675	—	—
Inflation indexed KZT denominated bonds	3,971	—	—	—
USD denominated bonds	3,791	3,790	2,069	4,168
Subordinated debt securities issued	33,201	28,073	14,149	8,583
Less subordinated debt securities held by the Group	(1,105)	(17)	—	—
Subordinated debt securities issued, total	**32,096**	**28,056**	**14,149**	**8,583**

	As at 30 September 2006		As at 31 December					
			2005		2004		2003	
	(%)	*(Maturity)*	*(%)*	*(Maturity)*	*(%)*	*(Maturity)*	*(%)*	*(Maturity)*
Fixed rate KZT denominated bonds	7.5-10.6	2009-2016	7.5-9.6	2009-2015	7.5-9.0	2007-2014	8.0-9.0	2007-2009
Reverse inflation indexed KZT denominated bonds	15.0 less inflation rate	2015	15.0 less inflation rate	2015	—	—	—	—
Inflation indexed KZT denominated bonds	Inflation rate plus 1.0	2014	—	—	—	—	—	—
USD denominated bonds	8.0-11.8	2007	8.0-11.8	2007	11.8	2007	11.8	2007

ASSET, LIABILITY AND RISK MANAGEMENT

General

The principal risks inherent in the Bank's business are liquidity risk, interest rate risk, foreign currency exchange rate risk and credit risk. The Bank monitors and manages the mismatch of maturities, the size and degree of its interest rate and foreign currency exchange rate exposure and credit quality in order to minimise the effect of these risks on profitability, while ensuring sufficient liquidity and capital adequacy. Through its asset and liability management, the Bank aims to structure its balance sheet in light of liquidity, interest rate and foreign currency exchange risks, as well as demands for credit, existing asset-liability positions and general market conditions.

The Bank's asset, liability and risk management functions are divided among the Management Board, the Assets and Liabilities Management Committee ("ALCO"), credit committees located in branches and in the head office, the Risk Management Department and the Treasury. The Bank's asset and liability management policy is formulated by the Management Board and approved by the Board of Directors. The ALCO establishes major balance sheet parameters for use in asset and liability management and, with the assistance of the Risk Management Department and the Treasury, monitors compliance with them. The Risk Management Department is responsible for coordinating the establishment and development of the Bank's risk management systems in various departments, assessing and analysing associated risks, supervision of the Bank's compliance with the prudential standards established by the NBK and analysis of activities of other market participants. Until 2002, the responsibilities of the Risk Management Department were performed by a division of the Financial Department; in 2002, these functions were transferred to the Risk Management Department.

The Risk Management Department is an independent department reporting directly to the Chairman of the Management Board. Units of the Risk Management Department supervise different activities. The Financial Risks Unit is involved in management of market, interest rate, liquidity and counterparty credit risks (e.g. country and financial institutions). The Operational Risks Unit develops the framework for operational risk management in the Bank. The Methodology and Portfolio Analysis Unit is responsible for detailed credit portfolio analysis, reporting, certain portfolio limits and provisioning procedures. The Project Risks Unit, SME Credit Risks Unit and Standard Products Risks Units are engaged in the credit risk management process for large corporates, the SME sector and retail loan portfolio, respectively, and apart from reviewing credit applications made to the head office and applications which exceed the approval limit of branch credit committees, these units are closely involved in portfolio monitoring, policy-making activities and product development (an advisory function).

Branch and head office credit committees are responsible for managing credit risk. Three credit committees are located in each of the 19 regional branches: one each for small and medium-sized businesses, with shared responsibilities depending on the complexity of products/applications, and the Retail Lending Credit Committee. The authority of branch credit committees is limited to certain amounts and conditions as approved by the Management Board. Four main credit committees exist within the Bank's head office: the Retail Lending Credit Committee, two Branch Network Credit Committees and the Head Office Credit Committee. The responsibilities of each head office credit committee include decision making on credit applications of large corporates (the Head Office Credit Committee) and processing corporate and individual loan applications that exceed the approval limit of the credit committees located in branches (the Branch Network Credit Committee and the Retail Credit Committee, respectively).

Asset and Liability Management Committee

The ALCO has seven members and is chaired by the Chairman of the Management Board. The ALCO reports directly to the Management Board. The ALCO is responsible for formulating and overseeing the implementation of the asset and liability management strategy of the Bank. The functions of the ALCO include regular monitoring of the Bank's balance sheet structure, capital adequacy, interest-sensitive assets and liabilities, maturity gap, liquidity position, certain characteristics of the loan portfolio, interest income and expense on various assets and liabilities and conditions in foreign currency and financial markets. The ALCO is also responsible for determining base interest rates on consumer and corporate loans and, together with the Head Office Credit Committee, sets overall interest rate levels and terms for both interest-earning assets and interest-bearing liabilities and makes decisions regarding maturities and pricing of assets and liabilities.

Funding and Liquidity

The Bank's funding and liquidity management policy is designed to deal with both business-as-usual and contingency scenarios. Under the business-as-usual scenario, the Bank seeks to ensure that funding sources are well diversified and within internal funding targets. Under contingency scenarios, the Bank's policy seeks to ensure that the Bank has sufficient resources of liquidity (liquid assets and access to sources of liquidity) to withstand a range of potential liquidity crises without impairing its solvency and maintains normal levels of customer business, access to customer and professional market funding, cost of funding (beyond acceptable limits) and compliance with NBK regulations. Customer accounts and deposits are the key sources of the Bank's funding, given that the Bank started out as a savings bank. At 30 September 2006 the Bank had the largest market share (21.7 per cent.) in the retail deposit market, according to FMSA statistics. Amounts due to customers accounted for 68 per cent. of total liabilities as at 30 September 2006 and 65 per cent. of total liabilities in 2004 and 2005 and are split roughly equally between retail and corporate. The Bank's international debt capital market financing aims to gradually reduce the Bank's most expensive liabilities and further diversify and lengthen the maturity of the Bank's funding base. For a more detailed breakdown of the Bank's sources of funds, see "Selected Statistical and Other Information — The Bank's Funding Sources".

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

	As at 30 September 2006	As at 31 December 2005	2004	2003
		(%)		
Loans/assets (excluding accrued income on loans)	66.8	76.6	67.4	66.9
Loans/amounts due to customers (excluding accrued income on loans)	110.5	133.7	114.5	107.7
Loans/shareholders' equity (excluding accrued income on loans)	613.9	665.0	745.2	765.4
Liquid assets[(1)]/total assets	34.1	23.3	31.6	27.7
Liquid assets[(1)]/total amounts owed to customers	56.4	40.7	53.7	44.6

Note:

(1) Liquid assets comprise available-for-sale investment and financial assets at fair value through profit or loss, cash and cash equivalents, obligatory reserves and amounts due from credit institutions.

Maturity Analysis

The following tables summarise the Bank's monetary assets and monetary liabilities by maturity as at the dates indicated and contain certain information regarding the liquidity risk facing the Bank:

	As at 30 September 2006						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
	(KZT millions)						
Monetary assets:							
Cash and cash equivalents	28,737	48,159	4,203	—	—	—	81,099
Obligatory reserves	—	—	—	—	—	46,347	46,347
Financial assets at fair value through profits or loss	130,942	—	—	—	—	—	130,942
Amounts due from credit institutions	—	—	—	931	533	—	1,463
Available-for-sale investment securities:	11,601	—	—	—	—	—	11,601
Loans to customers	3,475	28,215	34,910	230,954	124,035	119,024	540,613
Deferred tax asset	—	—	—	84	—	—	84
Other assets	—	815	318	1,379	—	1,330	3,842
Total monetary assets	**174,755**	**77,190**	**39,431**	**233,347**	**125,568**	**166,701**	**815,991**
Monetary Liabilities:							
Amounts due to customers	145,933	81,681	25,049	153,733	63,134	12,102	481,631
Amounts due to credit institutions	505	10,079	7,263	28,467	20,574	15,805	82,694
Debt securities issued	1	—	—	3,791	40,411	92,528	136,730
Provisions	2,539	—	—	—	—	—	2,539
Other liabilities	—	2,961	772	2,329	127	—	6,189
Total monetary liabilities	**148,978**	**94,721**	**33,083**	**188,320**	**124,246**	**120,435**	**709,782**
Net position	25,777	(17,531)	(6,348)	45,028	322	46,266	106,209
Accumulated gap	25,777	8,246	14,594	59,621	59,943	106,209	

	As at 31 December 2005						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
	(KZT millions)						
Monetary assets:							
Cash and cash equivalents	29,104	26,231	1,766	—	—	—	57,102
Obligatory reserves	—	—	—	—	—	8,632	8,632
Financial assets at fair value through profits or loss	50,018	—	—	—	—	—	50,018
Amounts due from credit institutions	—	—	1,446	1,120	210	—	2,777
Available-for-sale investment securities	12,099	—	—	—	—	—	12,099
Loans to customers	1,500	14,045	29,165	137,930	190,720	63,658	437,018
Other assets	998	1,225	113	626	—	1,453	4,414
Total monetary assets	**93,718**	**41,501**	**32,491**	**139,677**	**190,930**	**73,743**	**572,060**
Monetary liabilities:							
Amounts due to customers	112,967	38,991	18,631	88,642	58,250	3,148	320,630
Amounts due to credit institutions	557	14,938	14,575	38,295	30,356	8,563	107,284
Debt securities issued	48	—	—	—	7,719	51,047	58,814
Provisions	2,280	—	—	—	—	—	2,280
Current and deferred tax liability	—	—	—	425	—	—	425
Other liabilities	858	1,039	1,079	790	304	—	4,069
Total monetary liabilities	**116,708**	**54,968**	**34,285**	**128,152**	**96,629**	**62,759**	**493,501**
Net position	(22,990)	(13,467)	(1,794)	11,525	94,301	10,984	78,559
Accumulated gap	(22,990)	(36,456)	(38,250)	(26,725)	67,575	78,559	

	As at 31 December 2004						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
				(KZT millions)			
Monetary assets:							
Cash and cash equivalents	11,872	11,276	9,976	—	—	—	33,123
Obligatory reserves	—	—	—	—	—	7,578	7,578
Financial assets at fair value through profit or loss	62,382	—	—	—	—	—	62,382
Amounts due from credit institutions	—	23	413	259	—	—	695
Available-for-sale investment securities	6,626	—	—	13,993	—	—	20,618
Loans to customers	2,241	14,754	34,678	83,155	104,635	31,665	271,128
Other assets	3,653	808	—	—	—	—	4,460
Total monetary assets	**86,773**	**26,861**	**45,068**	**97,406**	**104,635**	**39,244**	**399,986**
Monetary liabilities:							
Amounts due to customers	76,565	25,099	26,865	72,424	26,645	3,903	231,501
Amounts due to credit institutions	948	6,933	11,457	39,415	17,662	77	76,493
Debt securities issued	21	—	513	—	38,533	5,872	44,940
Provisions	1,801	—	—	—	—	—	1,801
Current and deferred tax liability	—	—	—	—	451	—	451
Other liabilities	2,041	15	70	183	191	—	2,500
Total monetary liabilities	**81,376**	**32,047**	**38,905**	**112,023**	**83,482**	**9,853**	**357,686**
Net position	5,397	(5,186)	6,162	(14,616)	21,153	29,390	42,300
Accumulated gap	5,397	210	6,373	(8,243)	12,910	42,300	

	As at 31 December 2003						
	On demand	Less than one month	One to three months	Three months to one year	One to three years	Over three years	Total
				(KZT millions)			
Monetary assets:							
Cash and cash equivalents	12,357	—	1,058	—	—	—	13,415
Obligatory reserves	—	—	—	—	—	5,212	5,212
Financial assets at fair value through profit or loss	39,914	—	—	—	—	—	39,914
Amounts due from credit institutions	24	—	—	7,267	—	—	7,291
Available-for-sale investment securities	3,232	—	—	—	—	—	3,232
Held-to-maturity investments securities	—	—	450	3,106	1,768	1,120	6,443
Loans to customers	—	13,743	12,459	45,669	68,468	34,080	174,418
Other assets	2,661	199	—	—	—	—	2,860
Total monetary assets	**58,188**	**13,942**	**13,967**	**56,041**	**70,236**	**40,411**	**252,786**
Monetary liabilities:							
Due to customers	51,982	25,991	16,679	30,336	16,986	12,872	154,846
Due to credit institutions	197	13,338	2,211	28,916	16,196	1,019	61,877
Debt securities issued	—	—	—	37	4,130	4,416	8,583
Provisions	921	—	—	—	—	—	921
Current tax liability	—	—	—	—	8	—	8
Deferred tax liability	—	—	—	—	174	—	174
Other liabilities	779	15	373	91	61	—	1,319
Total monetary liabilities	**53,878**	**39,344**	**19,263**	**59,379**	**37,556**	**18,307**	**227,727**
Net position	4,310	(25,402)	(5,296)	(3,338)	32,680	22,104	25,059
Accumulated gap	4,310	(21,091)	(26,387)	(29,725)	2,955	25,059	

The tables above do not include the effect of allowances for impairment of loans to customers and other assets amounting to KZT 36,597 million, KZT 26,055 million, KZT 16,614 million and KZT 10,585 million as at 30 September 2006 and 31 December 2005, 2004 and 2003, respectively. There was no accumulated negative liquidity gap up to one year as at 30 September 2006 in view of excess liquidity experienced by the Bank and which was placed into highly liquid short-term assets. The accumulated negative liquidity gap up to one year at 31 December 2005 was KZT 26,725 million.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the repricing characteristics of assets and liabilities. The principal objective of the Bank's interest rate risk management activities is to enhance profitability by limiting the effect of adverse interest rate movements and increasing interest income by managing interest rate exposure. The Bank monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments. This analysis includes any trading and investment securities, as well as commercial banking assets and liabilities.

The following table summarises the effective average interest rates by currencies:

	30 September 2006		31 December 2005		31 December 2004		31 December 2003	
	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies
				(%)				
Financial assets at fair value through profit or loss	4.8	6.1	3.7	7.2	3.9	7.3	5.9	8.5
Amounts due from credit institutions	3.9	5.2	3.8	3.4	2.4	5.4	4.3	1.2
Available-for-sale investment securities	8.0	11.9	7.1	10.2	6.2	4.5	7.4	8.5
Held-to-maturity investment securities	—	—	—	—	—	—	7.3	9.5
Loans to customers	20.2	12.0	17.5	12.0	17.4	10.7	19.3	12.4
Amounts due to customers, including current accounts	4.4	3.6	4.3	3.7	3.9	4.5	4.2	4.9
Amounts due to credit institutions	9.6	5.5	2.8	5.5	1.1	4.8	4.5	4.5
Debt securities issued	8.0	8.9	9.5	9.1	7.4	5.4	16.9	6.6

Management believes that the structure of its balance sheet, including the short-term structure of its major assets and liabilities, reduces the Bank's exposure to interest rate risk. 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 ability of the Bank to reprice its assets and liabilities. While the majority of its loans are at fixed interest rates, the Bank believes that its sensitivity to interest rate changes is largely reduced by the relatively short-term maturity of approximately 25 per cent. of its loan portfolio and its ability under the majority of its loan agreements to change the applicable rate of interest. Furthermore, in the event of material changes in circumstances, the Bank is also entitled to call for early repayment of loans and starting from early 2006 the standard loan agreement has contained a condition allowing the Bank to call for early loan repayment at an advance notice. Accordingly, a substantial portion of the Bank's assets are susceptible to repricing prior to maturity that mitigates interest rate risk. In addition, in October 2005, the Bank introduced an interest rate gap limit with ALCO ensuring compliance on a monthly basis. Nevertheless, as the average maturity of the Bank's loan portfolio increases, it will, without a matching increase in the average maturity of its liabilities, face increasing interest rate risk. Currently, the Bank does not use derivative instruments to reduce its interest rate exposure.

Foreign Currency Risk Management

The Tenge/U.S. Dollar exchange rate has been subject to fluctuation in recent years. The Tenge appreciated against the U.S. Dollar by 7.3 per cent. in 2003 and further by 9.3 per cent. in 2004. In 2005, the Tenge depreciated against the U.S. Dollar by 1.7 per cent. For the nine months ended 30 September 2006, the Tenge appreciated against the U.S. Dollar by 4.9 per cent.

The Bank is subject to exchange rate risk due to adverse movements in currency exchange rates in the currencies in which the Bank maintains assets or liabilities. As discussed below, the Bank is also exposed to the effects of fluctuations in the foreign currency exchange rates on its cash flows. The Bank's foreign currency position arises primarily through its purchases and sales of foreign exchange (primarily U.S. Dollars) on the spot market and the mismatch of foreign currency assets and liabilities. Currently, the Bank does not use any derivative instruments to limit its foreign exchange risk. Since September 2004, the Bank has applied value at risk ("VaR") methodology to calculate its exposure to foreign exchange. The Risk Management Department provides daily monitoring of internal VaR limits established for the Treasury Department. VaR calculations cover open foreign currency positions exceeding 5 per cent. of regulatory capital (currently U.S.$ and Euro) and the whole portfolio. Currently, the Bank does not hold any significant open positions in other currencies, and as soon as the position in some currency exceeds the established threshold it will automatically be included in VaR calculations. Regulation and monitoring of the open foreign currency position of banks is carried out by the FMSA. According to the current FMSA regulations, a bank's net open foreign currency position relative to its capital must not exceed 25 per cent. Also, there are regulations on the open currency position on each currency. Net open currency positions on the currencies of countries having a rating above "A" on Standard & Poor's scale or similar rating of other major rating agencies and Euro are limited to 12.5 per cent. of a bank's capital. For the currencies of countries having a rating below "A" on Standard & Poor's scale or a similar rating of other major rating agencies, net open currency positions are limited to 5 per cent. of a bank's capital. The FMSA defines an open currency position as an excess of a bank's liabilities over its assets in the same currency. When liabilities in one currency are larger than assets, the bank runs a short position and vice versa. While position in each currency is calculated and monitored separately, the bank's net position is taken as a difference between the sum of all long positions and the sum of all short ones. On a weekly basis, the Bank furnishes to the FMSA a report on maintenance of positions in each currency and net currency position. (For the net open foreign currency positions of the Bank at various dates, see "Operating and Financial Review — Foreign Currency Position".)

The following table sets out the Tenge-equivalent amount of monetary assets and liabilities denominated in different currencies as at the dates indicated:

	30 September 2006			31 December 2005		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
			(KZT millions)			
Monetary assets:						
Cash and cash equivalents	5,341	75,758	81,099	24,556	32,545	57,102
Obligatory reserves	37,479	8,868	46,347	8,632	—	8,632
Financial assets at fair value through profit or loss	112,313	18,630	130,942	42,687	7,331	50,018
Amounts due from credit institutions	1,316	148	1,463	1,330	1,446	2,777
Available-for-sale investment securities	10,418	1,183	11,601	9,623	2,475	12,099
Loans to customers	255,433	285,180	540,613	179,298	257,720	437,018
Deferred tax asset	84	—	84	—	—	—
Other assets	2,417	1,425	3,842	3,970	444	4,414
	424,800	391,191	815,991	270,097	301,962	572,060
Monetary liabilities:						
Amounts due to customers	250,174	231,456	481,631	159,728	160,902	320,630
Amounts due to credit institutions	17,242	65,452	82,694	18,122	89,162	107,284
Debt securities issued	71,120	65,611	136,730	28,084	30,729	58,814
Provisions	2,539	—	2,539	2,279	—	2,280
Deferred tax liability	—	—	—	425	—	425
Other liabilities	4,480	1,709	6,189	2,702	1,367	4,069
	345,554	364,228	709,782	211,340	282,160	493,501
Net balance sheet position	79,246	26,963	106,209	58,757	19,802	78,559

	31 December 2004			31 December 2003		
	KZT	Other foreign currencies	Total	KZT	Other foreign currencies	Total
			(KZT millions)			
Monetary assets:						
Cash and cash equivalents	10,142	22,981	33,123	4,821	8,594	13,415
Obligatory reserves	7,578	—	7,578	5,212	—	5,212
Financial assets at fair value through profit or loss	54,753	7,629	62,382	33,166	6,748	39,914
Amounts due from credit institutions	—	695	695	237	7,054	7,291
Available-for-sale investment securities	5,022	15,596	20,618	443	2,789	3,232
Held-to-maturity investment securities	—	—	—	3,462	2,981	6,443
Loans to customers	126,037	145,090	271,128	72,795	101,623	174,418
Other assets	3,757	703	4,460	2,546	315	2,860
	207,291	192,695	399,986	122,682	130,104	252,786
Monetary Liabilities:						
Due to customers	135,919	95,583	231,501	88,063	66,782	154,846
Due to credit institutions	6,570	69,923	76,493	4,197	57,680	61,877
Debt securities issued	15,206	29,734	44,940	4,415	4,168	8,583
Provisions	1,801	—	1,801	921	—	921
Current tax liability	451	—	451	8	—	8
Deferred tax liability	—	—	—	174	—	174
Other liabilities	1,227	1,273	2,500	477	841	1,319
	161,173	196,513	357,686	98,255	129,471	227,727
Net balance sheet position	46,118	(3,818)	42,300	24,426	633	25,059

The above table does not include the effect of allowances for impairment of loans to customers and other assets totalling KZT 36,597 million, KZT 26,055 million, KZT 16,614 million and KZT 10,585 million as of 30 September 2006 and 31 December 2005, 2004 and 2003, respectively. Freely convertible currencies represent mainly U.S. Dollar amounts, but also include currencies from other OECD countries. The Bank's principal cash flows (revenues, operating expenses) are largely generated in Tenge. As a result, future movements in the exchange rate between the Tenge and the U.S. Dollar or Euro will affect the carrying value of the Bank's U.S. Dollar-denominated monetary assets and liabilities.

Credit Risk Management

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank limits the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or counterparty, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by borrower, industry sector and region are set up by the Management Board. Credit risk is monitored by the Management Board on a continuous basis and subject to annual or more frequent reviews. The exposure to any one borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are recommended by the Risk Management Department and set by the Credit Committees. (See "— Lending Policies and Procedures", "Selected Statistical and Other Information — Loan Classification and Provisioning Policy" and "Selected Statistical and Other Information — Portfolio Supervision and Non-Performing Loans".)

Lending Policies and Procedures

General

The FMSA has strict guidelines applicable to the credit process of banks. FMSA regulations limit the exposure to any single borrower or group of borrowers to 10 per cent. of a bank's equity for related parties, to 25 per cent. of a bank's equity for non-related parties and to 10 per cent. of a bank's equity for unsecured loans irrespective of whether the borrower is a related or non-related party. The Bank's credit approval process is based on NBK and FMSA regulations and internal procedures established by the Management Board and approved by the Board of Directors.

Corporate and SME Customers

All applications for credit by corporate and SME customers must be submitted to the Bank on standard forms. Depending on the amount and the borrower, the application is reviewed and approved by a credit committee located in either a branch, the Branch Network Credit Committee or the Head Office Credit Committee. The Credit Analysis Department based in the head office prepares credit proposals based on applications made to the head office, applications above U.S.$3 million (or equivalent) made to the branches and performs the preliminary review of any application above U.S.$1 million (or equivalent) before being submitted to the relevant credit decision making body. The Risk Management Department with its staff located in both the head office and branches undertakes a thorough analysis of each credit applicant, including carrying out feasibility studies, financial analysis, financial standing and reputation and experience of the potential borrower. Once such analysis is completed, the Risk Management Department prepares its recommendation on each application in terms of overall risks related to the project, the borrower and the related industry sector. The credit analysis takes a number of items into consideration, including (i) the ability to repay, (ii) financial condition of the borrower, (iii) value of the collateral, (iv) management of the borrower, (v) purpose of the loan and (vi) the industry of the borrower. Information is obtained from various external sources including the state taxation authorities where appropriate. If the loan is collateralised and as required by the Bank's policy, the Legal Department makes a legal assessment of the collateral being offered, including valuation, legality and enforceability. The Bank also employs independent legal advisers and appraisers, from time to time, to review the loan agreements and other legal documentation involved in the lending process and to make an independent assessment of the collateral value.

At the moment the Bank is currently reviewing rating systems designed by leading international suppliers and plans to finalise the tender process in early 2007. The purchase and implementation of a new advanced rating system is expected in mid 2007 and in the intervening period the Bank will continue to use its own system. This new credit rating model will rank the Bank's corporate and SME customers in accordance with their financial creditworthiness and allow for improvements in the Bank's credit decision-making process.

All credit limits for each of the credit committees are established by the Management Board based on the recommendation of the Risk Management Department.

Retail Clients

Loan applications from individuals (which require information on income, collateral provided, purpose and terms of lending as well as information as to the co-borrowers if applicable) primarily are initiated by retail managers, who introduce credit requests to Branch Retail Credit Committees, normally consisting of five members representing the Risk Management Department, the Sales Department, the Legal Department and the Collateral Assessment Department, chaired by a branch deputy head for retail business. There is a special procedure for micro-credit applications (named "Narodnaya" and "Narodnaya +"), where the relevant heads of Branch Retail Departments are authorised to approve individual loans for amounts not exceeding branch limits (in the range of KZT 0.5-1.5 million depending on the programme and other criteria) without approval of the relevant credit committee. Otherwise, such credit applications are submitted to Branch Retail Credit Committees and further on to the Retail Credit Committee of the head office in case the branch limit is exceeded or conditions deviate from the standard ones.

Depending on the amount of the credit application, the terms of credit and the collateral, the Branch Retail Credit Committee is permitted to make decisions of up to KZT 5 million on individual loans and up to KZT 180 million on mortgage loans. In other cases (e.g. when either the terms of the requested facility are not in compliance with the requirements of the Retail Lending Policy, or requested amounts exceed a limit set for a branch) the branch must submit an application to the Retail Credit Committee of the Head Office requesting credit approval.

Whether an application is forwarded to the Retail Credit Committee of the head office, or a bank's employee makes an application for lending (depending on the programme), or a client of a certain (e.g. VIP) category applies for a loan, or particular alteration of procedures and/or limits for branches concerning the retail business of the Bank is considered necessary, the Retail Credit Committee of the head office reviews such applications.

Collateralisation

The Bank seeks to reduce its credit risk by requiring collateral from most of its borrowers. In particular, all corporate loans under the Bank's Business Medium and Business Light Programmes (see "Business of the Bank — Principal Business Activities — Corporate Banking") (and all the retail bank loans excluding consumer loans made under the salary programme) are collateralised. Collateral on loans extended by the Bank includes but is not limited to real estate, machinery and motor vehicles, marine ships, industrial equipment, industrial goods, food-stock and other commercial goods, receivables and individual property rights, as well as cash deposits, securities and individual third party and corporate guarantees. The Bank estimates the net realisable value of the collateral provided and regularly monitors the quality and safekeeping 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
Cash	100%
Guarantees from financial institutions	100%
Government debt securities	100%
Real estate	70-80%
Commodities	50-70%
Fixed assets	50-70% less amortisation
Equity securities	100%, at market value
Receivables	10-50%
Third party and corporate guarantees	On a case-by-case basis

The Bank believes that it has a satisfactory record in enforcing its securities and attempts to resolve security enforcement through out-of-court procedures 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 by sequestration of a debtor's property or funds held in accounts with other banks in a court of law.

Loan Classification and Provisioning Policy

General

The Head Office Credit Committee is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto based on reports provided by the Risk Management Department. In order to establish adequate allowances, loans are classified by their perceived risk criteria in accordance with the Bank's policy and the requirements of IFRS taking into account NBK classifications and provisioning guidelines. The Risk Management Department also conducts evaluations of other assets and off-balance sheet contingent liabilities.

FMSA Classification and Provisioning Guidelines

Until 2003, banks classified their portfolio and established allowances for loan losses under an FMSA policy based on event-oriented criteria relying primarily on the timeliness of a borrower's payment of interest and principal. Effective 2003, the FMSA revised its policies regarding loan classifications and requirements for provisions to conform these to the guidelines provided under IFRS. In order to establish adequate allowances for the impairment of loans, other assets and off-balance sheet risks in accordance with applicable regulatory requirements, the Bank uses impairment rates based on FMSA regulations. Provisioning policies under IFRS differ from those under Kazakhstan law. After taking impairment charges based on the provisioning rates required by the FMSA, the Bank reassesses the allowances on an annual or more frequent basis to ensure that the amounts approximate the difference between the 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 loan. Specifically, for IFRS purposes, the Bank makes provisions for losses on individually significant loans on a case-by-case basis and makes provisions for losses made on pools of homogenous loans and pools of individually significant loans that are not specifically impaired based on historical loss data. Actual provisions established take into account the value of any collateral or third party guarantees. Accordingly, the actual provision levels may differ from the provisioning rates used for regulatory purposes.

Pursuant to revised FMSA guidelines, the Head Office Credit Committee, in classifying the Bank's loans and off-balance sheet exposures, performs detailed credit reviews and assesses the borrower's financial condition, its rating (if any) and operating results, 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, if there have been any extensions of interest or principal payments granted or if 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.

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, which classification is verified by the Risk Management Department. At present, the Risk Management Department uses classifications as set out in the NBK regulations that are broadly as follows:

Standard loans — The financial condition of the borrower is assessed as stable and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. In case there are some minor negative indicators, the Bank has confidence that the borrower will be able to cope with such (temporary) difficulties. Interest and principal are repaid in full and in a timely fashion. The borrower is considered as having the capability of repaying the loan in accordance with its terms and conditions. Security provided for the loan must cover at least 100 per cent. of the outstanding amount, not less than 75 per cent. in case of highly liquid collateral (which may include a Government guarantee, bank guarantee with an individual rating not lower than AA– from one of the rating agencies, corporate guarantee with an individual rating not lower than AA, cash collateral, Government securities or precious metals, the value of which covers 100 per cent. of the exposure).

Doubtful 1st category — There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower is repaying the loan principal and the interest without delay and in full. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 2nd category — There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. However, due to temporary difficulties the borrower is repaying the loan with delays and/or not in full. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 3rd category — There is evidence of 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 can be considered unstable and raises concerns as to the ability of the borrower to improve its current financial performance, thus casting doubt on the borrower's ability to repay the loan and the interest in full. However, despite severe deterioration of financial health the borrower manages to repay the loan and interest in full and without a delay. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 4th category — There is evidence of 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 can be considered unstable and raises concerns as to the ability of the borrower to stabilise and improve its current financial performance and impairs the borrower's ability to repay the loan and the interest in full. The borrower is repaying the loan with delays and/or not in full. The value of collateral covers at least 50 per cent. of the Bank's exposure.

Doubtful 5th category — The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative shareholders' equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The quality of collateral though can be classified as satisfactory (normally not highly liquid but covering not less than 100 per cent. of the borrower's outstanding debt) and unsatisfactory (the value of which covers nearly but not less than 50 per cent. of the borrower's outstanding debt).

Loss — 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 and the collateral value is negligible. The loan is uncollateralised or the value of the collateral covers less than 50 per cent. of the borrowers' outstanding debt.

The loan classifications described above are used to determine the adequacy of the allowance for impairment of loans and the adequacy of the allowance for other assets and off-balance sheet risks for regulatory purposes in accordance with NBK and FMSA requirements. Having determined impairment charges based on the NBK and FMSA regulations, the Bank reassesses the allowances in accordance with IFRS requirements. The following provisioning rates are used by the Bank to establish regulatory allowances:

Classification Categories	Provisioning Rate(s)
Standard loans	—
Doubtful 1st category	5%
Doubtful 2nd category	10%
Doubtful 3rd category	20%
Doubtful 4th category	25%
Doubtful 5th category	50%
Loss loans	100%

Portfolio Supervision and Non-performing Loans

The Risk Management Department provides monthly reports to the Management Board detailing all aspects of the Bank's credit activity.

Non-performing loans comprise the portion of principal or interest which is past due for more than 30 days. Problem loans comprise loans where the payment of principal is past due or interest is past due for more than 60 days. When a loan is placed on non-performing status, the Bank ceases to recognise interest income accrual in the Bank's accounting records. A non-performing loan is restored to accrual status when all arrears have been paid and it is considered likely that the customer will continue timely performance. A non-performing loan may also be restored to accrual status if it is determined that the repayment of principal and interest is reasonably assured of collection, such as in the case when all amounts due under a loan are fully collateralised by cash or marketable securities and actions have commenced to foreclose on the collateral.

Write-off Policy

The Bank writes off loans, net of the realisable value of the collateral, when it is evident that a loss has been sustained and no amounts will be collected.

Systems Risk Management

Information technologies ("IT") and the impact of potential systems failures have become increasingly significant with the growth in the volume of transactions involving computers, servers and telecommunications networks; in particular the importance of online management information systems has increased. Accordingly, the Bank has devoted substantial resources to ensure the development and reliability of its computer and related systems. For example, the Bank maintains a "hot" reserve (as described below) of all of its crucially important servers. As part of its system risk management, the Bank prepares and stores backup files for all banking activities and conducts testing to monitor the functioning of its computer systems and backup procedures on a weekly basis. Although the Bank's management believes that existing systems allow the Bank to adequately measure and monitor its exposure to liquidity, interest rate, foreign exchange and other market risks, the Bank is currently upgrading its IT systems, which it expects to complete by the end of 2007, allowing it to centrally manage its customer database and to provide better quality data to assist in processing and analysing specific risks inherent to its operations. (See "Business of The Bank — Information Systems".)

The Bank intends to make large investments in IT to improve client service, and increase effectiveness and competitiveness. The Bank's budget for the development of IT was KZT 1.6 billion in 2004 and KZT 1.8 billion in 2005. In 2006, the Bank's budget includes planned IT investments of KZT 2.8 billion, with an IT budget approximately 15-20 per cent. higher in 2007 than in 2006.

The Bank's activity connected with IT is regulated by internal rules and procedures approved by the Management Board of the Bank. The Bank's IT systems administration is controlled by the Security Division which is independent from IT management. In 2006 the Bank launched the CobIT (IT governance support) and ITIL (IT service management) systems. The Bank believes that the introduction of these systems will increase the efficiency and transparency of its IT management. The Bank considers IT to be an integral component of its daily operations and is committed to continued investment in IT to support the efficient growth of its operations.

The Bank continues to upgrade its processes which will allow full integration of the banking and payment systems as well as centralisation of the customer database. In 2005, the Bank launched the Mobile Banking system for customers to manage their card accounts via their mobile phones, completed the introduction of a collateral monitoring and management system, successfully finished the pilot project for the implementation of a SAP BW data warehouse and developed an HP Open View used for management of IT infrastructure. In 2005, the Bank updated its Customer Contacts, Know Your Customer, The Unified Database on Material Damage caused to the Bank and The Unified Database on Agreements systems and software. During 2006, the Bank completed the second stage of the implementation of its SAP BW data warehouse, which will allow it to compile various management reports. The Bank also plans to complete the introduction of fixed assets accounting, procurement and technical support, controlling, planning and budgeting system (SAP R/3, BPS). In 2005, the systems in its largest retail branch were fully centralised, and currently the Bank is finalising replication of the centralised retail system in most of its main branches. In 2006 a centralised Oracle CDH customer database was introduced.

The Bank uses a flexible, scalable and reliable information platform based on the industry database and UNIX servers with RISC processors. As the standard for the critically important applications, the Bank uses DBMS Oracle, servers of SUN and HP firms, operation systems Sun Solaris and HP UX. For other applications the Bank uses Intel servers with the Windows operating system. The Bank's main servers are supported by a "hot" reserve, which is a continuously operating backup server used to ensure minimum data loss in the event of a major failure of the main servers. There is an information reservation of the database on a magnetic carrier every day. Magnetic copies are stored in a separate building located approximately six to seven kilometres from the main and reserve servers. All main servers are supplied with electricity by two uninterruptible power supplies. The Bank has technical support for its Sun, HP equipment and Oracle software. The Bank's critical IT systems have "hot" reserve systems. In case of main server failures or building destruction, two recovery systems based in Almaty will be activated without losing transactions. Currently there is another recovery system being constructed in Astana.

The Bank believes it has the largest and most developed multi-service corporate network among the Second Tier banks of Kazakhstan. The network uses the IP protocol, which is built on the equipment of Cisco Systems.

Money Laundering Risk Management

The existence of "black" and "grey" market economies in Kazakhstan, the presence of organised crime in the economy, loopholes in legislation (including, but not limited to, tax legislation) and the lack of administrative guidance on its interpretation increase the risk of Kazakhstan's financial institutions being used as vehicles for money laundering. The Bank has implemented measures aimed at preventing it being used as a vehicle for money laundering.

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

General

Pursuant to the laws of Kazakhstan and the Bank's charter (the "Charter"), the control and management of the Bank is divided among the shareholders, the Board of Directors and the Management Board. The shareholders have the exclusive authority to approve certain material issues of the Bank, including the election of the Board of Directors. The shareholders participate in the control and management of the Bank through actions taken at general meetings of shareholders. The Board of Directors supervises the Management Board. The Management Board is headed by a Chairman who is responsible for the day-to-day management of the Bank. In addition, the Bank has various collegial decision-making bodies, including a number of credit committees in head office and branches, a problem loan recovery committee, and the ALCO.

In January 2005, the general meeting of shareholders appointed Mr. Grigoriy Marchenko, formerly Chairman of the NBK and Chairman of the National Securities Commission of Kazakhstan, as Chairman of the Management Board. Since joining the Bank, Mr. Marchenko has appointed a number of new members to the senior management team of the Bank.

Board of Directors

In accordance with the Charter, the members of the Bank's Board of Directors are elected at the annual general meeting of shareholders and must be approved by the FMSA. Members of the Board of Directors may not be members of the Management Board, except for the Chairman of the Management Board.

The Board of Directors is responsible for setting strategic policy for the Bank, nominating members of the Management Board, determining and overseeing the remuneration of the Management Board members and convening annual and extraordinary General Meetings of Shareholders. Subject to special arrangements, the directors are elected at each annual General Shareholders' Meeting and generally serve a one-year term. The Bank is currently actively searching for two more non-executive directors who, upon appointment, will meet the UK Combined Code's test for independence. Discussions are already underway and it is the intention of the Bank to appoint the new non-executive directors as soon as possible after completion of the Global Offer. As at the date of this Prospectus, the Board of Directors consists of the following members:

Name	Position(s)	Year Born
Alexander Pavlov	Chairman of the Board, Independent Non-Executive Director(1)	1953
Kamilya Arstanbekova	Chairwoman of JSC Accumulative Pension Fund of Halyk Bank of Kazakhstan	1963
Kairat Satylganov	General Director, Holding Group Almex JSC	1965
Grigoriy Marchenko	Chairman of Management Board of the Bank	1959
Kadyrzhan Damitov	Independent Non-Executive Director(1)	1959

Note:

(1) Non-executive directors are considered to be independent in accordance with the JSC Law (but may not necessarily be so considered under the UK Combined Code). (See "— Corporate Governance".)

Alexander Pavlov, Chairman of the Board, Independent Non-Executive Director. Mr. Pavlov has an MBA degree from Rutgers University. Between 1994 and 2004 he worked as a government official for the Republic of Kazakhstan. He started as Minister of Finance and later became Deputy Prime Minister, progressing to First Deputy Prime Minister. From 2000 to 2004 he served as Vice President and Vice Chairman of the Board of Directors of Kazakhmys. In 2004 Mr. Pavlov became an external consultant to Halyk Bank and has since then acted as Chairman of the Board of Directors of Halyk Bank.

Kamilya Arstanbekova, Chairwoman of JSC Accumulative Pension Fund of Halyk Bank of Kazakhstan. Ms. Arstanbekova studied at the Almaty Institute of People's Economy where she obtained a degree in Finance and Lending. From 1991 to 1995, she worked at Alem Bank, Kazakhstan where she was Deputy Head of the Foreign Debt Service Department, Head of the Lending Department, an Economist and Senior Specialist. For four months, from May to September 1995, she was Head of the Foreign Debt Service Department at Eximbank Kazakhstan. From October 1995 to August 1998, she was Head of the

Commercial Department and Deputy Chairman of the Management Board for Almaty Merchant Bank (ATF Bank). Ms. Arstanbekova has held her present position as Chairwoman of the Management Board of JSC Accumulative Pension Fund of Halyk Bank of Kazakhstan since September 1998.

Kairat Satylganov, General Director, Holding Group Almex JSC. Mr. Satylganov studied at the Kazakhstan State Academy of Administration where he earned a degree in Economics. Between 1992 and 1993 he worked as Chief Accountant at the Embassy of Kazakhstan in the United States. From 1993 to 1997 he was the Chief Economist at Bank TuranAlem, before becoming Deputy Chairman of the Management Board of Bank TuranAlem in 1997. Between 1997 and 2002 he acted as Deputy Chairman and then Chairman of the Management Board of ATF Bank. In 2002, Mr. Satylganov became Chairman of the Management Board of Halyk Bank. In 2004 he took up the role of General Director of the Board of Directors of Halyk Bank, representing Almex.

Grigoriy Marchenko, Chairman of the Management Board of the Bank. Mr. Marchenko graduated from Moscow State Institute of International Relations in 1984 with honours. Between 1992 and 1994, he was an assistant to the Vice President of the Republic of Kazakhstan. In 1994, he was appointed as Deputy Chairman of the NBK. In 1996, he became the Chairman of the National Securities Commission of the Republic of Kazakhstan. Mr. Marchenko was the President of DB Securities (Kazakhstan) JSC from 1997 to 1999. From 1999 to 2004, he served as Governor of the NBK. In 2004, he was appointed as First Deputy Prime Minister of the Republic of Kazakhstan and then Adviser to the President of the Republic of Kazakhstan. Mr. Marchenko has been in his current position since January 2005.

Kadyrzhan Damitov, Independent Non-Executive Director. Mr. Damitov holds a PhD from the Moscow Finance Institute. Between 1994 and 1997 he served as Deputy Chairman of the Central Bank in Kazakhstan, before becoming First Deputy Minister of Economy and later Adviser to the Minister of Economy. He held this position until 1998, at which time he became Chairman of the NBK. He held this position until 1999. From 1999 to 2000, Mr. Damitov acted as Adviser to the President of the Republic of Kazakhstan. Between 2000 and 2004 he served as Deputy Chairman of ABN AMRO Kazakhstan before becoming adviser to the CEO of UK TMK Mining Company between 2004 and 2006.

Management Board

The Management Board, which meets weekly, is responsible for the day-to-day management of the Bank and implements the decisions of the General Meetings of Shareholders and the Board of Directors. The Management Board consists of nine members, which are elected by the Board of Directors for a period of three years. As at the date of this Prospectus, the Management Board consists of the following members:

Name	Position(s)	Year Born
Grigoriy Marchenko	Chairman of the Management Board	1959
Nailiya Abdulina	Deputy Chairman, Finance and Accounting	1946
Askar Yelemessov	Deputy Chairman, Asset Management and International Network	1968
Kozhakhan Abenov	Deputy Chairman, Treasury, Investment Banking, International Activity	1971
Marat Zairov	Deputy Chairman, SME Banking	1968
Marat Satubaldin	Deputy Chairman, Retail Banking	1964
Umut Shayakhmetova	Deputy Chairman, Corporate Banking	1969
Askar Kussainov	Deputy Chairman, Information Technologies	1962
Vasiliy Simachev	Deputy Chairman, Security	1950

Grigoriy Marchenko, Chairman of the Management Board. See biography above.

Nailiya Abdulina, Deputy Chairman of the Management Board. Ms. Abdulina graduated from Almaty Institute of People's Economy in 1981 with a degree in accounting. Between 1998 and 2005, she served as the Deputy Chairman of the Management Board of the NBK. She joined the Bank in 2005 as Adviser to Chairman of the Management Board. In March 2006, she was appointed as Deputy Chairman of the Management Board.

Askar Yelemessov, Deputy Chairman of the Management Board, Asset Management and International Network. Mr. Yelemessov graduated from Moscow State University in 1990 with a degree in economics.

In 1994, he received an M.B.A. from Washington University, St. Louis. Between 1994 and 1996, he was an Adviser to the Chief Executive Officer of Kazkommertsbank. From 1996 to 1998, Mr. Yelemessov worked as a Deputy Chairman of Bank Caspian, Bank TuranAlem, and the Bank. From 1998 to 2004, he served as the Vice President and then the President of DB Securities (Kazakhstan) JSC. In 2004, he became the Deputy Governor of the NBK. In 2006, Mr. Yelemessov was appointed as the Vice Minister of Finance of the Republic of Kazakhstan. He was appointed as a Deputy Chairman of the Bank with effect from 1 December 2006.

Kozhakhan Abenov, Deputy Chairman, Treasury, Investment Banking and International Activity. Mr. Abenov graduated from Moscow Physics and Technical Institute in 1994 with a degree in applied mathematics and physics. In 1996, he received a master's degree from the University of Maryland, USA. In the 1990s, Mr. Abenov held various positions in ABN AMRO Bank Kazakhstan, including Member of the Management Board. Since April 2002, he has served as Counsellor of the General Director of KazTransGaz JSC. In April 2004, Mr. Abenov was appointed as Managing Director of National Company KazMunayGaz. He has been a Deputy Chairman of the Bank since October 2004.

Marat Zairov, Deputy Chairman, Client Relationships. Mr. Zairov graduated from Moscow State University in 1992 with a bachelor's degree in economics and from Kazakhstan State Law Academy in 2000 with a degree in law. Between 1993 and 1994, he held various positions in Kazpisheprom Kazakhstan State Cooperation Association, the Ministry of Finance of the Republic of Kazakhstan and Alemsystem Financial and Investment Corporation. From 1994 to 1997, Mr. Zairov worked in Alem Bank Kazakhstan, Exim Bank and Kazkommertsbank. Prior to joining the Bank in August 2000, Mr. Zairov worked as a Deputy Chairman of Bank TuranAlem and held management positions in OJSC Temirbank. Mr. Zairov has been in his current position since August 2000.

Marat Satubaldin, Deputy Chairman, Retail Sales. Mr. Satubaldin graduated from the Almaty Institute of People's Economy in 1985. He has worked in the Kazakhstan banking system since 1994. He worked as Head of the Payment Cards Department in Bank TuranAlem JSC from February 1997 to February 1999. From March 1999 until January 2001, he served as President of Kurmet Pension Fund. In February 2001, Mr. Satubaldin was appointed as a Director of the Retail Sales Support Department at Kazkommertsbank. He joined the Bank in January 2002 as Managing Director and has been a Deputy Chairman of the Bank since February 2005.

Umut Shayakhmetova, Deputy Chairman, Lending. Ms. Shayakhmetova graduated in 1993 from the University of People's Friendship in Moscow. In 1996, she received an MBA from Rutgers University, New Jersey. In 1997, she joined ABN AMRO Bank Kazakhstan and held various positions in project finance teams and later became Chairman of the Management Board of ABN AMRO Asset Management. From March 2001 to November 2004, Ms. Shayakhmetova worked as Deputy Chairman of the Management Board of ABN AMRO Bank. She has been a Deputy Chairman of the Bank since November 2004.

Askar Kussainov, Deputy Chairman, Information Technologies. Mr. Kussainov graduated in 1984 from Moscow State University. In 1990, he received a degree in physics and mathematics. From December 1997 to July 1998, Mr. Kussainov was a professor at Washington State University, USA. From 1998 to 2003, he worked as Executive Director of Kazakhtelecom and, from 2003 to 2005, he was a representative of Kazakhtelecom in Russia. He has been a Deputy Chairman of the Bank since February 2005.

Vasiliy Simachev, Deputy Chairman, Security. Mr. Simachev graduated from Kazakhstan State University with a bachelor's degree in law in 1973. From 1995 to 2001, he served as the First Deputy Minister of Internal Affairs of the Republic of Kazakhstan. From 2001 to 2002, he worked as executive director of Kazkommertsbank. In 2002, Mr. Simachev was reappointed as the First Deputy Minister of Internal Affairs of the Republic of Kazakhstan, which position he held until January 2004, when he joined the Bank as a Managing Director responsible for supervision of security issues. Mr. Simachev has held his current position since May 2004.

Conflicts of Interest

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

Share Ownership by Management

As at 30 November 2006 (being the latest practicable date before the date of this Prospectus), none of the members of the Board of Directors or the Management Board owned shares of the Bank nor have any options been granted. The management of the Bank is contemplating establishing a share-based incentive programme but such programme has yet to be finalised and is subject to approval of the Board of Directors and shareholders.

Management Loans

The following table sets out the principal amounts of outstanding loans and guarantees extended to members of the Management Board and Board of Directors as at 30 September 2006.

	As at 30 September 2006
	(KZT thousands)
Payable on demand	—
One to three years	—
Over three years	46,246
Total	**46,246**

As at 30 September 2006, the total amount of outstanding loans extended to members of the Management Board and Board of Directors comprised 0.05 per cent. of the Bank's total shareholders' equity. There are no outstanding loans, guarantees (or other contingent liabilities) extended by the Bank to any member of the Management Board or Board of Directors other than those discussed above.

Management Compensation

In accordance with the Charter, the amount of remuneration to be paid to members of the Board of Directors is subject to approval by the general meeting of shareholders, and the amount of remuneration to be paid to members of the Management Board and its Chairman is subject to determination and approval by the Board of Directors. In 2005, the Bank paid a total amount in remuneration to the members of its Board of Directors and Management Board of KZT 819 million.

Corporate Governance

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

Corporate governance best practice in Kazakhstan is set out in the Kazakhstan Corporate Management Code. The Kazakhstan Corporate Management Code sets out recommendations for applying the principles of corporate governance by Kazakhstan joint-stock companies. The JSC Law also requires that at least one-third of the members of a company's board of directors should be independent, an independent director under Kazakhstan law being a person who (i) is not and has not been an affiliated person of the company during three years preceding his/her election to the board of the company (other than holding a position of an independent director of the company); (ii) is not an affiliated person of an affiliated person of the company; (iii) is not a subordinate of officers of the company or the affiliated company of the company; (iv) is not, and has not been, the auditor to the company during three years preceding his/her election to the board; and (v) has not participated as an auditor in the audit of the company in the last three years. The Kazakhstan Corporate Management Code was approved by the Expert Council for Securities Market Matters under the NBK in September 2002 and compliance is mandatory for all companies with shares listed (listing category A) on the Kazakhstan Stock Exchange. The Bank currently complies with the provisions of the Kazakhstan Corporate Management Code and the JSC Law in all material aspects. The Bank also intends to comply as far as it considers practicable with the UK Combined Code.

At an extraordinary general meeting of shareholders scheduled to be held on 20 December 2006, Shareholders are being asked to vote on a resolution to approve amendments to the Charter, code of corporate governance and terms of the Board of Directors. As mentioned above, the Bank is looking to appoint a further two independent non-executive directors ("INEDs") who will qualify as INEDs under the UK Combined Code. Following the appointment of the INEDs, the Board of Directors will establish audit, nomination and remuneration committees and set their respective terms of reference.

Executive Committees of the Management Board

Assets and Liabilities Management Committee

As at the date of this Prospectus, the ALCO members were as follows:

Name	Position(s)
Grigoriy Marchenko	Chairman of the Management Board
Nailiya Abdulina	Deputy Chairman
Kozhakhan Abenov	Deputy Chairman
Umut Shayakhmetova	Deputy Chairman
Aliya Karpykova	Managing Director, Risks
Askar Smagulov	Director of the Treasury
Maulet Sabanshiev	Director of the Operations Department

For a description of the duties of the ALCO, see "Asset, Liability and Risk Management — Asset and Liability Management Committee".

Credit Committees

The following committees located at the head office of the Bank are responsible for administering the Bank's internal credit policy:

- Head Office Credit Committee — responsible for credit decisions with respect to risk exposure to corporate clients.
- Branch Network Credit Committee — responsible for credit decisions with respect to risk exposure to SME clients in excess of the established limits of each branch.
- Retail Lending Credit Committee — responsible for credit decisions with respect to risk exposure to retail customers.

In addition, each district and regional branch has its own retail lending credit committees. Such committees are permanent committees of the Bank that are responsible for the implementation of the internal credit policy of the Bank on retail lending through branches. These regional credit committees report to the Branch Network Credit Committee. (See also "Asset, Liability and Risk Management — Lending Policies and Procedures".)

Disciplinary Committee

The Disciplinary Committee is responsible for monitoring the Bank's and its employees' compliance with applicable laws of Kazakhstan and with the Bank's internal policies and regulations. If any violations are found, the Disciplinary Committee takes appropriate disciplinary action. The Disciplinary Committee reports to the Management Board.

Service Contracts

All members of the Management Board have entered into service agreements with the Bank, which, among other things, provide standard employment terms. Under the service agreements, employment can typically be terminated upon a 30-day notice period. Such service agreements do not provide for any severance benefits upon termination of employment.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the ownership of the Bank's outstanding common shares as at 1 November 2006:

Shareholder	Number of Common Shares as at 1 November 2006	Percentage of Common Shares as at 1 November 2006	Expected Number of Common Shares post Global Offer[(1)]	Expected Percentage of Common Shares post Global Offer[(1)]	Expected Number of Common Shares post Rights Issue[(2)]	Expected Percentage of Common Shares post Rights Issue[(2)]
Holding Group Almex JSC	765,884,043	82.78%	578,884,043	62.57%	624,414,649	63.70%
Mr. Yakov Tskhai	68,860,770	7.44%	68,860,770	7.44%	68,860,770	7.03%
Others, including Central Depositary	90,426,751	9.77%	277,426,751	29.99%	286,896,145	29.27%
Outstanding common shares, total	**925,171,564**	**100.00%**	**925,171,564**	**100.00%**	**980,171,564**	**100.00%**

Notes:

(1) This calculation assumes that the Over-Allotment GDRs are sold in full and that there is no exercise of the Underwriters' Put Option.

(2) This calculation is based on the assumption that Almex will subscribe for only its pro rata entitlement in respect of the Rights Issue and that Mr. Tskhai and other existing shareholders will not participate in the Rights Issue and unsubscribed Shares are sold by the Bank in Kazakhstan. In the event that no other existing shareholders exercise their pro rata entitlements in respect of the Rights Issue and Almex subscribes for all of the Rights Issue, its holding of common shares will be 633,884,043, representing 64.67 per cent. of the Bank's Shares.

Almex

Based on information available to the Bank, as at the date of this Prospectus, Mr. Timur A. Kulibayev, together with his family, beneficially owns 100 per cent. of Almex and, accordingly, Mr. and Mrs. Kulibayev indirectly hold the controlling stake in the Bank. Mr. Kulibayev is a son-in-law of the President of Kazakhstan. The controlling shareholder has the ability to influence significantly the Bank's business through his ability to control all actions that require shareholder approval, including any increase of share capital and appointment of members of the Board of Directors; however, the controlling shareholder is not entitled to interfere in the day-to-day management of the Bank and has the same voting rights per share as other shareholders. Mr. Kulibayev currently serves as a first vice president of JSC Kazakhstan Holding Company on Managing State Assets Samruk ("Samruk"), which holds government stakes in such national companies as KazMunayGas, Kazakhstan Temir Zholy, Kazakhtelecom and others. As a consequence of Mr. Kulibayev's recent appointment, Samruk is now reported as an indirectly-related party to the Bank. (See "Transactions with Related Parties".)

Almex is a holding company, which, in addition to its controlling interest in the Bank, has interests in Kazakhstan companies also engaged in insurance activities, such as AON Kazakhstan CJSC and Kazakhinstrakh (in which the Bank currently owns the balance of 89.9 per cent.), and in another holding company, Caspian Financial Industrial Group LLP. Almex's interest in the Bank accounts for over 95 per cent. of its total assets.

Almex's business address is Azerbayeva 58, 050059 Almaty, Kazakhstan.

Other

The common shares referred to in the "Others, including Central Depositary" line in the table above are owned by various minority shareholders in Kazakhstan and offshore and represent shares in free float.

For a discussion on the history of the ownership of the Bank see "Business of the Bank — Overview — History — Incorporation, Recapitalisation and Change of Ownership of the Bank".

TRANSACTIONS WITH RELATED PARTIES

For a description of the definition of related parties under IAS 24 "Related Party Disclosures", see Note 25 to the audited consolidated financial statements and Note 18 of the audited interim condensed consolidated financial statements included elsewhere in this Prospectus.

The following table provides information on the Bank's related party transactions as at the dates or for the periods indicated:

	As at or for the nine months ended 30 September 2006		As at or for the year ended 31 December					
			2005		2004		2003	
	Related party transactions	% of total	Related party transactions	% of total	Related party transactions	% of total	Related party transactions	% of total
				(KZT millions)				
Loans to customers, gross at interest rates ranging from 8% to 28%	4,005	0.7	753	0.2	5,970	2.2	4,265	2.4
Shareholders	3,959		681		5,840		4,263	
Management	46		72		130		2	
Amounts due to customers at interest rates ranging from 4% to 8%	123,548	25.7	495	0.2	72,981	31.5	30,455	19.7
Shareholders	123,167		99		72,880		30,189	
Management	304		213		—		—	
Associates	77		183		101		267	
Guarantees at interest rates ranging from 3% to 4%	966	3.5	2,562	8.7	1,200	2.7	524	2.6
Shareholders	955		2,562		1,200		523	
Management	—		—		—		1	
Associates	10		—		—		—	
Interest income	197	0.4	106	0.2	359	1.3	441	2.0
Shareholders	195		99		356		441	
Management	2		7		3		—	
Interest expense	1,727	14.6	(27)	0.2	(1,040)	13.0	(1,318)	19.9
Shareholders	1,720		(12)		(1,039)		(1,316)	
Management	4		(7)		—		—	
Associates	3		(8)		—		(2)	
Fee and commission income	98	0.7	6	—	169	1.7	15	0.2
Shareholders	92		5		165		11	
Associates	6		2		4		5	

In the above table, "Shareholders" transactions for the nine-month period ended 30 September 2006 comprise both "Shareholders — indirectly related" transactions (mostly transactions with Samruk (including its subsidiaries), where Mr. Kulibayev, one of the controlling shareholders of Almex, has served as a first vice-president since January 2006) and "Shareholders — directly related" transactions (mostly transactions with entities controlled by Almex's shareholders). "Management" transactions comprise loans to and deposits from members of the Management Board and the Board of Directors. "Associates" transactions for the nine-month period ended 30 September 2006 comprise transactions with associated companies, primarily transactions with Kazakhinstrakh, which was accounted for under the equity method in the interim condensed consolidated financial statements for the nine-month period ended 30 September 2006 and prior consolidated financial statements. The Bank acquired a controlling stake in Kazakhinstrakh in October 2006 and will be fully consolidating Kazakhinstrakh going forward.

Kazakhstan law, including the JSC Law and Banking Law, require that related party transactions are made at market terms and conditions. In accordance with the JSC Law, decisions with respect to related party transactions (i) shall be made by the board of directors, and (ii) directors that may have a conflict of interest shall not vote with respect to such decisions. In addition, state-owned companies, including Samruk, are subject to the State Procurement Law, which requires all state-owned companies to conduct a public tender for any purchase of goods or services with a contract size exceeding approximately 4,000 times the monthly calculation index (established annually by the budget law (currently 1,030 Tenge) or approximately U.S.$32,000 at current exchange rates) aimed at ensuring that state-owned companies enter transactions only on market terms and conditions.

As of 31 December 2004 and 2003 and for the years then ended, balances and transactions with related parties included transactions with JSC KazMunayGas, where Mr. Kulibayev, one of the controlling shareholders of Almex, served as a senior officer.

FMSA regulation has set a threshold of 10 per cent. of capital for loans to a single related party and the Bank is currently in compliance with the requirements of the FMSA. (See "Operating and Financial Review — Capital Adequacy and Liquidity".)

See "Directors, Senior Management and Employees" for a discussion of loans to members of the Bank's Board of Directors and Management Board.

In October 2006 Almex sold its 56 per cent. stake in Kazakhinstrakh to the Bank for consideration of KZT 4.7 billion.

SHARE PRICE

The Bank's Shares are listed and traded on the KASE. The prices of the Shares as quoted on the official list of the KASE are expressed in Kazakhstan Tenge. The Bank's Shares started trading on the KASE on 29 July 1998 following the initial public offer of the Shares.

The Bank's common shares are listed in the "A" Category by the decision of the KASE's Exchange Board from 29 July 1998.

The following table sets forth the reported high and low closing prices and average daily trading volumes of the Shares on the KASE during each of the periods indicated:

Calendar Period	KASE Closing Price of Shares High	KASE Closing Price of Shares Low	Average Daily Trading Volume[1]
	(KZT)	*(KZT)*	*Shares*
2003			
First Quarter	109.00	109.00	7,697
Second Quarter	180.00	180.00	100
Third Quarter	120.00	120.00	450
Fourth Quarter	120.00	110.00	1,137
2004			
First Quarter	120.00	110.00	153
Second Quarter	163.38	110.00	2,783,948
Third Quarter	790.64	110.00	1,737,907
Fourth Quarter	25,751.08[2]	110.00	2,842
2005			
First Quarter	163.38	130.00	13,303
Second Quarter	405.00	130.00	174,270
Third Quarter	405.00	44.00[3]	148,377
Fourth Quarter	200.00	38.00	40,993
2006			
January	240.00	135.00	5,091
February	320.00	255.00	7,455
March	405.00	300.00	3,867
April	420.00	345.00	47,590
May	360.00	337.38	11,523
June	345.00	250.00	29,351
July	280.00	255.00	319,133
August	320.00	238.00	8,731
September	310.00	235.00	9,236
October	300.00	250.70	7,258
November	440.00	255.00	2,534
December (to 12 December)	480.02	351.00	86,228

Source: KASE

Notes:

(1) Based on the actual number of days in a month on which Shares were traded.

(2) The Bank is aware of a small number of transactions in the Shares in this quarter at a premium to the prior and subsequent market price.

(3) The change in the market price in the second half of 2005 was attributable to the 1:10 split of common shares in August of 2005.

On 12 December 2006, the closing price of the Shares on the KASE was KZT 480.02 per Share. As of 14 November 2006, the Bank had 27,768 common shareholders and 35 preferred shareholders.

DIVIDEND POLICY

On 19 April 2006, the annual general meeting of shareholders approved the first dividend in respect of the Shares in an amount of KZT 1.35 per Share representing a dividend payout ratio of 8.5 per cent. based on full year 2005 net income attributable to common shareholders' equity. This dividend was payable to shareholders of record on 14 June 2006.

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

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

The JSC Law prohibits payment of dividends if the Bank's "equity capital" is negative or would become negative as a result of such payment or if the Bank is insolvent under Kazakhstan bankruptcy legislation or would be as a result of such payment. Under the JSC Law and the Charter, the Bank may distribute dividends on its Shares based on its interim results (as determined by the Board of Directors), as appears to the Board of Directors to be justified by the financial position of the Bank. With respect to annual dividends, a majority of the Board of Directors recommends dividends to the general meeting of shareholders, which then approves the dividends by majority vote. The general meeting of shareholders or the Board of Directors' meeting, as appropriate, should establish the date on which payment of the dividends in question begins. The shareholders' right to receive dividends, once declared, does not lapse.

The list of shareholders entitled to receive dividends is drawn up on a record date preceding the date on which payment of the dividends becomes due.

No dividend may be paid on any Share unless all outstanding dividends declared on the Preferred Shares have been paid in full and dividends per Share may not exceed those paid in the same period on the Preferred Shares.

Except as otherwise provided by the rights and restrictions attached to any class of Shares, all dividends will be declared and paid on all Shares which have been fully paid and placed.

Except as provided by the rights and restrictions attached to any class of Shares, the holders of Shares will, under the JSC Law, be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. A liquidator may divide among the shareholders *in specie* the whole or any part of the assets of the Bank.

See "Taxation" for information regarding taxes payable on dividends.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF KAZAKHSTAN LAW

GDR holders will be able to exercise their rights with respect to the Shares underlying the GDRs only in accordance with the provisions of the Deposit Agreement and the relevant requirements of the laws of Kazakhstan. See "Terms and Conditions of the GDRs" for more information.

Share capital

As of 1 November 2006, the Bank's authorised and issued share capital consists of 925,171,564 Shares, 24,742,000 Non-Voting Preferred Shares and 80,225,222 Non-Voting Convertible Preferred Shares, each Preferred Share having an annual minimum dividend of 1 tin (KZT 1/100). The Bank currently has no intention to issue any additional Preferred Shares.

At an extraordinary general meeting of the Bank held on 14 November 2006 it was resolved to increase the authorised share capital of the Bank by the issue of 200 million additional Shares.

The Bank intends to offer 55 million of the newly authorised shares for placement under the Rights Issue with any of such shares that are not taken up by existing shareholders exercising pre-emptive rights being placed through a public offer to investors in Kazakhstan.

At an extraordinary general meeting of the Bank to be held on 20 December 2006, it will be proposed to shareholders (and the Selling Shareholder, holding over 82.78 per cent. of the Shares of the Bank as at 1 November 2006, has confirmed that it will be voting in favour of such resolution) to adopt the new Charter referred to under the heading "Summary of the new Charter and applicable provision of the JSC Law" in this section, conditional upon Admission and subject to registration with the Ministry of Justice.

The Bank has no convertible securities, exchangeable securities or securities with warrants in issue, other than the Non-Voting Convertible Preferred Shares, which may be converted into Shares at the option of the Bank.

Save as disclosed below:

(a) there have been no changes in the issued capital of the Bank or the number or classes of shares of which such capital is composed in the three-year period ending on 31 December 2005; and

(b) no capital of the Bank is under option or is, or will, immediately following Admission, be agreed, conditionally or unconditionally, to be put under option.

The provisions of Article 16 of the JSC Law (which confers on the holders of shares rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up wholly in cash) will apply to the balance of the authorised but unissued ordinary share capital of the Bank.

All shares are in registered form in the shareholders' register of the Bank, maintained by an independent third-party registrar in book-entry form. Ownership of the Bank's shares is evidenced by an extract from the share register of the Bank.

The following table shows the changes in the issued share capital of the Bank between 1 January 2003 and 1 December 2006:

Periods	Description	Number of shares issued	Total number of shares issued and outstanding at the end of period
1 January 2003 to 31 December 2003	Purchase of treasury Shares	(16,958) Shares	98,810,613 shares, including: 74,068,613 Shares, 24,742,000 Non-Voting Preferred Shares
1 January 2004 to 31 December 2004	Issue of Shares, purchase of treasury Shares	13,100,888 Shares, (9,264) Shares	111,902,237 shares, including: 87,160,237 Shares, 24,742,000 Non-Voting Preferred Shares
1 January 2005 to 31 December 2005	Issue of Shares, 1:10 split of Shares, issue of Non-Voting Convertible Preferred Shares, sale of treasury Shares	2,574,778 Shares, 74,887,521 Non-Voting Convertible Preferred Shares, 3,290 Shares	997,012,571 shares, including: 897,383,050 Shares, 24,742,000 Non-Voting Preferred Shares, 74,887,521 Non-Voting Convertible Preferred Shares

Periods	Description	Number of shares issued	Total number of shares issued and outstanding at the end of period
1 January 2006 to 1 December 2006	Issue of Shares, issue of Non-Voting Convertible Preferred Shares, purchase of treasury Shares	30,000,000 Shares, 5,337,701 Non-Voting Convertible Preferred Shares, (2,213,636) Shares	1,030,136,636 Shares, including: 925,169,414 Shares, 24,742,000 Non-Voting Preferred Shares, 80,225,222 Non-Voting Convertible Preferred Shares

Summary of the new Charter and applicable provision of the JSC Law

The Charter provides that the Bank's principal objective is to make profit. The Bank's objects are set out in full in Clause 9 of the Charter.

The new Charter to be proposed to an extraordinary general meeting of shareholders to be held on 20 December 2006 will include provisions to the following effect:

Share rights

Subject to the provisions of the JSC Law and without prejudice to any rights attached to any existing shares or class of shares, the Bank may issue Shares and Preferred Shares and any other instruments convertible into Shares.

Subject to the Charter and to provisions of the JSC Law, the unissued shares of the Bank (whether forming part of the original or any increased capital) may be allotted by the Board of Directors.

Voting rights

Voting may be open or secret and every member shall have one vote for each fully paid share of which he is the holder and the holders of the Preferred Shares shall generally not be entitled to vote.

No resolution of Shareholders in writing shall be effective without a quorum (which is 50 per cent. or more of the voting shares except in the case of a reconvened meeting where the initial meeting was not quorate, in which case 40 per cent. of the voting shares are required for a quorum).

Dividends and other distributions

The JSC Law and the Charter set out the procedure for determining the dividends that the Bank distributes to its shareholders. Subject to the provisions of the JSC Law, the Bank may by an ordinary resolution declare dividends in accordance with the respective rights of Shareholders.

The JSC Law prohibits payment of dividends if the company's "equity capital" is negative or would become negative as a result of such payment or if the Bank is insolvent under Kazakhstan bankruptcy legislation or would be as a result of such payment. Under the JSC Law and the Charter, the Bank may distribute dividends on its Shares based on its interim results (as determined by the Board of Directors), as appears to the Board of Directors to be justified by the financial position of the Bank. With respect to annual dividends, a majority of the Board of Directors recommends dividends to the general meeting of shareholders, which then approves the dividends by majority vote. The general meeting of shareholders or the Board of Directors, as appropriate, should establish the date on which payment of the dividends in question begins. The shareholders' right to receive dividends, once declared, does not lapse. There are no specific provisions concerning payments of dividends to non-resident holders.

The list of shareholders entitled to receive dividends is drawn up on the record date preceding the date on which payment of the dividends become due.

No dividend may be paid on any Share unless all outstanding dividends declared on the Preferred Shares have been paid in full.

If the Bank has received the written consent of the Shareholder concerned, then it may pay dividends with respect to the Bank's shares in the form of authorised shares of the Bank or bonds issued by the Bank (but not in the form of any other type of securities).

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Bank's shares will, under the JSC Law, be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. A liquidator may divide among the Shareholders *in specie* the whole or any part of the assets of the Bank.

Variation of rights

Pursuant to the JSC Law, there are two types of shares: ordinary and preferred. Each type has attached to it the rights set out in the JSC Law. These rights may be extended by a company's charter (although the Charter does not purport to extend such rights) but they cannot be restricted.

Rights of holders of Preferred Shares

A Preferred Share gives to its holder a preferential right, as compared to holders of Shares, to:

(a) an annual dividend in the amount of one tiyn (i.e. one hundredth of a Tenge per Preferred Share), provided always that it shall be not less than the dividend paid on Shares in the same period; and

(b) participate in the Bank's assets on a winding-up of the Bank in priority to holders of Shares.

A Preferred Share does not give its holder the right to vote at a general meeting of the Bank's shareholders, except:

(a) at a general meeting of shareholders that considers any issue, where the decision may lead to the limitation of the rights of holders of Preferred Shares. Decisions on such issues may be taken only if approved by holders of not less than two-thirds of the issued Preferred Shares;

(b) at a general meeting of shareholders that reviews a question about the reorganisation of the Bank or its winding up; or

(c) if dividends on Preferred Shares are not paid in full amount within three months from the expiry date stipulated for its payment.

Each holder of Preferred Shares that has the right to vote at a general meeting of shareholders and is present thereat in person or through his representative shall have one vote for each Preferred Share held.

Unpaid and bought-back shares

The JSC Law states that, until a share is paid in full, a company must not instruct the share to be credited to the personal account of the would-be acquirer. Instead, the share will be credited to the personal account of the company itself with the registrar. Therefore, a share cannot be placed unless it is fully paid-up.

Shares which have been bought back by a company are credited to the same personal account of the company with the registrar.

No dividends accrue or are payable on unplaced shares or shares bought back by a company, such shares are not counted for the purposes of determining a quorum, and such shares do not carry the right to vote.

Transfer of shares

To transfer a share, the holder (or its representative) must sign a written order and submit it to the registrar or nominee for execution, or give suitable electronic instructions as permitted by legislation. The registrar or nominee will execute a buy order by pairing it with a sell order, and vice versa.

All dealings with the shares of the Bank must be registered by way of making entries on the personal accounts in the registry system or the nominee's books. Legal title to a share arises from the moment when the transaction is so registered (unless each party to the transaction has a different nominee, in which case legal title arises from the moment when the transaction is registered in the personal accounts of each nominee in the Kazakhstan central depositary).

An extract from the personal account of a shareholder in the registry system or a nominee's books is evidence of that holder's legal right to a share.

A registrar or nominee can refuse to register a transaction if the documents submitted do not conform to legislative requirements.

In addition, the FMSA has the right (by notifying the relevant issuer, the registrar and the central depositary) to suspend trading in securities by blocking all or certain personal accounts in the registry or nominee systems if legal requirements establishing (i) the rights and interests of investors when acquiring securities, or (ii) the terms and procedures for trading securities, have been violated.

A fee will ordinarily be payable to the registrar or nominee for registering the transfer, under contractual terms.

Alteration of share capital

The Bank may from time to time by a three-quarters majority of voting shares at a general meeting of shareholders (but by no other method) increase its share capital by way of declaring additional shares and then placing declared shares.

Purchase of own shares

Subject to the JSC Law and without prejudice to any relevant special rights attached to any class of shares, the Bank may purchase any of its own shares of any class with the consent of the relevant shareholder using a valuation methodology which has been approved in advance by a general meeting of shareholders. Such shares will be credited to the Bank's personal account with the registrar.

The Bank cannot purchase any of its shares which are being placed in a primary offering, and cannot purchase its own shares before the confirmation by the FMSA of the results of the placement of shares.

Subject to the JSC Law, a shareholder may request the Bank to buy back shares belonging to the shareholder, which the Bank must do within 30 days of receipt by it from the shareholder of a duly formalised request.

Shares being bought back by the Bank cannot exceed 25 per cent. of the total number of placed shares of the Bank, and the consideration paid for such purchase cannot exceed 10 per cent. of the size of the Bank's equity capital.

Authority to issue shares

Under the JSC Law, within the number of authorised shares, the Directors may place shares by board resolution unless otherwise prescribed by the Charter. Any decision must state the maximum amount of shares that may be allotted under it.

Pre-emption rights

Under the JSC Law, a shareholder of the Bank has a pre-emptive right to acquire newly-placed shares of the Bank.

Within 10 days from the date upon which the Bank takes a decision to place a specified number of shares, it must make an offer to each existing shareholder (either by written notification or by way of publication in the mass media) to acquire the shares pro rata to its shareholding at the placement price established by the Bank in the decision. Each shareholder then has 30 days from the date of such notification or publication to submit an application to acquire shares (i.e. to exercise its pre-emptive right). Upon the expiry of this 30-day period, the right to submit an application will lapse.

General meetings

The Board of Directors must convene and the Bank must hold general and annual general meetings of shareholders in accordance with the requirements of the JSC Law. The Board of Directors may call general meetings at such times as it determines. In addition, a general meeting may be convened on the written request of any holder of Shares representing not less than 10 per cent. of the issued Shares.

Shareholders are entitled to receive not less than 30 days' notice (and in the case of voting by absentee ballot, 45 days' notice) of the holding of any general meeting.

The general meeting of shareholders shall have exclusive competence to determine certain matters, including, inter alia, the following:

(a) the introduction of amendments and supplements to, or the approval of new versions of, the Charter;

(b) the voluntary reorganisation or winding-up of the Bank;

(c) any increase in the charter capital of the Bank or any change in the type of any authorised shares of the Bank which have not been placed;

(d) the approval of the Bank's corporate governance code (the "Bank's Corporate Governance Code") and introduction of amendments and supplements thereto;

(e) the determination of the quantity and the expiry dates of the powers of the Board of Directors, the selection of members of the Board of Directors and early termination of their powers, as well as determination of the amount and payment terms of remuneration to members of the Board of Directors;

(f) the appointment of an auditing company to undertake the audit of the Bank; and

(g) approval of incentive programmes for the Bank's employees, members of the Management Board and the Board of Directors including employee share ownership plans or other share-based incentive plans and any amendments thereto.

Matters referred to in paragraphs (a) to (d) above shall require the approval by a majority of not less than three-quarters of the total number of voting shares of the Bank.

The general meeting of shareholders has a right to cancel any decision made by any other management body of the Bank on issues related to the internal organisation of the Bank.

Directors

The Charter provides that the number of Directors shall be determined by the general meeting of shareholders. Directors shall be appointed by shareholders by way of cumulative voting (whereby each shareholder has the number of votes equal to the number of shares it owns multiplied by the number of directors to be elected and has the right to give all such votes completely to one candidate or to be distributed among several candidates for the Board of Directors. Candidates collecting the majority of votes are considered to be selected members of the Board of Directors. If two or more candidates gain an equal number of votes then an additional election is carried out with regard to such candidates).

The quorum required for a duly convened meeting of the Board of Directors shall comprise at least 50 per cent. of the members of the Board of Directors, including at least one independent director, save that where any matter for determination by the Board of Directors relates to a transaction with an affiliate of the Bank, the quorum required for a duly convened meeting of the Board of Directors shall comprise not less than two members of the Board of Directors who have no interest (or are deemed to have no interest) in the relevant transaction. Each member of the Board of Directors has one vote. Decisions of the Board of Directors are made by a simple majority of votes of members of the Board of Directors present at the meeting unless otherwise stipulated by the JSC Law or the Charter (see below regarding necessary approvals by independent directors).

A director shall not be required to hold any shares in the capital of the Bank by way of qualification.

A general meeting of shareholders has a right to terminate early the powers of all or any members of the Board of Directors and to remove any member of the Board of Directors from their office.

The Board of Directors shall, subject as set out below in the paragraph headed "Independent Directors", have exclusive competence to determine certain matters, including the following:

(a) decisions regarding the placement of shares, including the price and number of the Bank's shares to be placed including the approval of any offering document in connection with the listing of the Bank's shares or depositary receipts on international stock exchanges;

(b) the determination of quantity and expiry dates of powers of the Management Board, the selection of the chairman of the Management Board and members of the Management Board, and early termination of their powers;

(c) recommendations of the amount of salary and payment terms of remuneration and bonuses to the members of the Board of Directors (including the chairman of the Management Board) and the determination of the amount of salary and payment terms of remuneration and bonuses to members of the Management Board;

(d) the making of decisions on the conclusion of major transactions (being a transaction or combination of inter-related transactions which result or may result in the purchase or disposal by the Bank of assets representing 25 per cent. or more of the total value of the Bank's assets) and related party transactions;

(e) the approval of the strategic plan of development of the Bank;

(f) recommendations on the amount of dividends to be paid by the Bank on its common shares based on end of year results; and

(g) the approval of special terms of remuneration of the Bank's employees other than the members of the Board of Directors, including the granting of options over the Bank's shares and the changes to such terms in accordance with the employee incentive plan approved by the general meeting of shareholders.

Independent Directors

Independent directors, being members of the Board of Directors who are determined by the Board of Directors to be independent in accordance with the provisions of the JSC Law ("Independent Directors"), shall represent not less than one-third of the total members of the Board of Directors. Independent Directors may meet without the other members of the Board of Directors being present to consider issues of general management of the Bank.

The Board of Directors shall only make decisions on any of the following matters, or shall only propose any of the following matters be resolved at a general meeting of the shareholders, where a majority of the members of the Board of Directors, including a majority of the Independent Directors, approves such decision at the relevant meeting of the Board of Directors:

(a) entering into any transaction between any shareholders of the Bank holding more than 10 per cent. of the Bank's issued Shares and the Bank, provided that the size of such transaction will equal or exceed 50 (fifty) per cent. of the total size of the Bank's equity capital;

(b) preliminary approval of any changes and additions to the Charter;

(c) preliminary approval of the code of corporate governance of the Bank and any amendments and/or changes thereto;

(d) changes in the terms of reference or membership of the committees of the Board of Directors;

(e) the placement of the Bank's Shares in excess of 25 per cent. of the total number of the Bank's issued Shares;

(f) the conclusion of major transactions (being a transaction or combination of inter-related transactions which result or may result in the purchase or disposal by the Bank of assets representing 25 per cent. or more of the total amount of the Bank's assets);

(g) the conclusion of a transaction or combination of inter-related transactions resulting in the potential buyback by the Bank of its outstanding Shares or a sale of the Bank's Shares that were purchased by the Bank representing 25 per cent. or more of the total number of outstanding Shares to be purchased or sold;

(h) an increase in the Bank's liabilities for amounts equal to 50 per cent. or more of the equity capital of the Bank;

(i) proposal on voluntary dissolution or reorganization of the Bank;

(j) termination of listing from stock exchanges in Kazakhstan or other countries; and

(k) recommendation of an audit company for the annual audit of the Bank.

Remuneration of Directors

The remuneration of Directors shall be determined by the shareholders following the recommendation of the Board of Directors.

Permitted interests of Directors

Subject to the provisions of the JSC Law, and provided that he has disclosed to the Board of Directors the nature and extent of any material interest of his, a Director notwithstanding his office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the Bank in which the Bank is otherwise interested;

(b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Bank or in which the Bank is otherwise interested or as regards which the Bank has any powers of appointment; and

(c) shall not, by reason of his office, be accountable to the Bank for any remuneration or benefit which he derives from any such office or employment, or from any such transaction or arrangement, or from any interest in any such body corporate, and no such office, employment, transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

Restrictions on voting

Save as otherwise provided by the Charter, a member of the Board of Directors shall not vote on any resolution of the Board of Directors or of a committee of the Board of Directors concerning any matter in which he has to his knowledge, directly or indirectly, an interest (other than his interest in shares or bonds or other securities of, or otherwise in or through, the Bank) or duty which (together with any interest of a person connected with him) is material, unless his interest arises only because the resolution concerns any of the following matters:

(a) his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, bonds or other securities of the Bank or any of its subsidiary undertakings as a holder of securities, or his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, bonds, or other securities by the Bank or any of its subsidiary undertakings for subscription, purchase or exchange;

(b) any arrangement for the benefit of employees of the Bank or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any member of the Board of Directors or member of the Management Board as such, any privilege or advantage not accorded to the employees to whom the arrangement relates; and

(c) any contract concerning any insurance which the Bank is empowered to purchase or maintain for, or for the benefit of, any member of the Board of Directors or the Management Board.

Borrowing powers

Subject to the JSC Law and the Charter, the Board of Directors may exercise all the powers of the Bank to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Bank or of any third party. There is no requirement on the Directors to restrict the borrowings of the Bank or its subsidiaries.

Disclosure of beneficial ownership

A list of shareholders that have the right to participate in a meeting of shareholders and vote at the meeting will be prepared by the Bank's registrar on the basis of information recorded in the register of shareholders of the Bank. However, any shareholder holding Shares through a nominee and whose identity is not disclosed to the FMSA shall not be entitled to vote at a meeting of shareholders. Holders of GDRs will be able to exercise their voting rights in accordance with and subject to the limitations set out in Condition 12 (*Voting of Shares*) of "Terms and Conditions of the GDRs". These GDR holders will also be able to exchange GDRs for Shares in accordance with the Deposit Agreement.

Further, ownership of the voting shares of Kazakhstan banks is also subject to certain legislative restrictions under Kazakhstan law. Specifically, (a) pursuant to a list prepared by the FMSA (which may be updated from time to time) legal entities registered in certain specified offshore jurisdictions such as Andorra, Liechtenstein, Liberia, Monaco, the Marshall islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria and the Philippines or which have affiliates registered in such jurisdictions (except for international banks having a credit rating of "A" or above from certain rating agencies) or (b) physical persons who are participants or shareholders in such legal entities may not directly or indirectly own voting shares of a bank in Kazakhstan, including Shares. Accordingly, holders of GDRs falling under (a) or (b) above and/or who do not disclose the details, among other things, as to their residence will not be entitled to vote through the Depositary at Meetings of Shareholders, cannot exchange GDRs into Shares and cannot own, hold or dispose of the Shares. Although the Bank has been advised that such restrictions should not prevent a GDR holder registered in any such jurisdiction (or which has an affiliate registered in such jurisdiction) from exercising or benefiting from other rights (including the right to receive dividends and to have the Depositary exercise pre-emptive rights on their behalf such that holders can receive additional GDRs) there is no guarantee that the FMSA or any other relevant authority such as a Kazakhstan court will not take a different view thereby restricting all such GDR holders from exercising or benefiting from such shareholder rights. Moreover, there can be no assurance that the FMSA or any other relevant authority would not interpret the foregoing legislation as restricting such entities or persons from owning GDRs. In addition, any physical person or legal entity becoming a "major shareholder" or, for legal entities, a "bank holding" company in relation to the Bank should obtain the prior written permission of the FMSA. A major shareholder and bank holding company means a person directly or indirectly owning or voting 10 or 25 per cent., respectively, of the voting shares or who can otherwise influence the decisions of the Bank on the basis of an agreement or otherwise as set out by FMSA regulations.

Mandatory Offers

Under the JSC Law a person either alone or jointly with its affiliated persons acquiring 30 or more per cent. of the Shares of the Bank is required to make an offer to the remaining minority Shareholders to buy out their Shares at the market price. Any failure by the acquiror to make such an offer would result in the acquirer being obligated to reduce its shareholding below 29 per cent.

Related party transactions

Related party transactions should be approved by the majority of non-interested members of the Board of Directors or, if all Directors are interested, by the decision of a meeting of shareholders made by the majority of non-interested shareholders or by simple majority vote if all shareholders are interested.

TERMS AND CONDITIONS OF THE GDRS

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

The Global Depositary Receipts ("GDRs") represented by this certificate are denominated in U.S. Dollars and are each issued in respect of four common shares (the "Shares") in Joint Stock Company Halyk Savings Bank of Kazakhstan (the "Bank") pursuant to and subject to an agreement expected to be dated 20 December 2006, and made between the Bank and Deutsche Bank Trust Company Americas in its capacity as depositary (the "Depositary") (such agreement, as amended from time to time, being hereinafter referred to as the "Deposit Agreement"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed Joint Stock Company Halyk Savings Bank of Kazakhstan as Custodian (in its capacity as custodian, the "Custodian") to receive and hold on its behalf any relevant documentation respecting certain Shares (the "Deposited Shares") and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to their holdings of GDRs. In these terms and conditions (the "Conditions"), references to the "Depositary" are to Deutsche Bank Trust Company Americas and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "Custodian" are to Joint Stock Company Halyk Savings Bank of Kazakhstan in its capacity as Custodian or any other custodian from time to time appointed under the Deposit Agreement and references to the "Main Office" mean, in relation to the relevant Custodian, its head office in the city of Almaty or such other location of the head office of the Custodian in Kazakhstan as may be designated by the Custodian with the approval of the Depositary (if outside the city of Almaty) or the head office of any other custodian from time to time appointed under the Deposit Agreement.

References in these Conditions to the "Holder" of any GDR shall mean the person or persons registered on the books of the Depositary maintained for such purpose (the "Register") as holder. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the certificates in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the specified office of the Depositary and each Agent (as defined in Condition 17) and at the Main Office of the Custodian. Terms used in these Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement. Holders of GDRs have contractual rights against the Bank under Clause 19 of the Deposit Agreement and The Contracts (Rights of Third Parties) Act 1999 which provide that if the Bank fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce the relevant provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the "Depositary" in respect of that number of Deposited Shares to which the GDRs of which he is the Holder relate. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement on behalf of any Holder of a GDR or any other person.

1. WITHDRAWAL OF DEPOSITED PROPERTY AND FURTHER ISSUES OF GDRS

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

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

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

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

(d) the delivery to the Depositary of a duly executed and completed certificate, which will include, among other things, certification to the effect set out in Condition 12.1(a) and (b), substantially in the form set out either (i) in Schedule 3, Part B, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Regulation S GDRs, or (ii) in Schedule 3, Part D, to the Deposit Agreement, if Deposited Property is to be withdrawn or delivered in respect of surrendered Rule 144A GDRs.

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

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

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

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

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

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

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

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

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

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

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

1.7 Unless requested in writing by the Bank to cease doing so, and notwithstanding the provisions of Condition 1.4, the Depositary may execute and deliver GDRs or issue interests in a Master Regulation S GDR or a Master Rule 144A GDR, as the case may be, prior to the receipt of Shares (a "Pre-Release"). The Depositary may, pursuant to Condition 1.1, deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such GDR has been Pre-Released. The Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release.

Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom GDRs or Deposited Property are to be delivered (the "Pre-Releasee") that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the Depositary in its capacity as such and for the benefit of the Holders, (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the Depositary, disposing of such Deposited Property or GDRs, as the case may be), other than in satisfaction of such Pre-Release, (iv) agrees to indicate the Depositary as owner of such Deposited Property in its records and to hold such Deposited Property in trust for the Depositary until such Deposited Property is delivered to the Depositary or the Custodian and (v) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Deposited Property, (b) at all times fully collateralised with cash or such other collateral as the Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the Depositary on not more than five business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than 30 per cent. of the total number of GDRs then outstanding; provided, however, that the Depositary reserves the right to disregard such limit from time to time by reason of events beyond the Depositary's control due to (a) a decrease in the aggregate number of GDRs outstanding that causes existing Pre-Release transactions to exceed the limits stated above or (b) temporary market liquidity issues resulting in a Pre-Releasee requiring a reasonable amount of time to acquire shares to close out such Pre-Release transaction. The Depositary may otherwise, with the prior written consent of the Bank, change such limit for purposes of general application from time to time. The Depositary will also set dollar limits with respect to such transactions hereunder with any particular Pre-Releasee hereunder on a case by case basis as the Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations in connection herewith, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a transaction anticipated hereunder (and shall not, for the avoidance of doubt, constitute Deposited Property hereunder).

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

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

2. SUSPENSION OF ISSUE OF GDRS AND OF WITHDRAWAL OF DEPOSITED PROPERTY

The Depositary shall be entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its opinion practicable for it to do so, the Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Bank in writing that the Deposited Shares or GDRs or any depositary receipts corresponding to Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the Depositary that any such Shares are eligible for resale pursuant to Rule 144A. Further, the Depositary may suspend the withdrawal of Deposited Property during any period when the Register, or the register of shareholders of the Bank is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or advisable by the Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the Deposit Agreement. The Depositary shall restrict the withdrawal of Deposited Shares where the Bank notifies the Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Bank's constitutive documents or would otherwise violate any applicable laws.

3. TRANSFER AND OWNERSHIP

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

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

4. CASH DISTRIBUTIONS

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

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

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

5. DISTRIBUTIONS OF SHARES

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

6. DISTRIBUTIONS OTHER THAN IN CASH OR SHARES

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

7. RIGHTS ISSUES

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

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

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

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

(d)

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

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

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

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

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

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

8. CONVERSION OF FOREIGN CURRENCY

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

9. DISTRIBUTION OF ANY PAYMENTS

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

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

10. CAPITAL REORGANISATION

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

11. WITHHOLDING TAXES AND APPLICABLE LAWS

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

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

12. VOTING OF SHARES

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

The Bank has agreed with the Depositary that it will promptly provide the Depositary notice of any meeting of the shareholders of the Bank and the agenda therefor and request the Depositary in writing to prepare, in consultation with the Bank, written requests containing voting instructions by which each Holder (and through it, any ultimate beneficial owner of the relevant GDRs) may give instructions to the Depositary to vote for or against each and any resolution specified in the agenda for the meeting or abstain from voting, which the Depositary shall send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be the same as the corresponding record date set by the Bank or as near as practicable thereto) as soon as practicable after receipt of the same by the Depositary in accordance with Condition 23. In such voting instruction, each Holder will be required to disclose in the manner required under Kazakhstan law the identity of ultimate beneficial owners of the relevant GDRs wishing to exercise voting rights at the relevant meeting and will be required to certify on behalf of the relevant beneficial owner in such voting instruction that (a) such owner is not a person subject to Article 17.5 of the Kazakhstan Law on Banks and Banking Activity (as such law may be amended from time to time), in that it is not (i) a legal entity registered in Andorra, Liechtenstein, Liberia, Monaco, the Marshall Islands, Nauru, the Cook Islands, Guatemala, Indonesia, Burma (Myanmar), Nigeria or the Philippines (or such jurisdictions as may be specified under the said Article 17.5 from time to time) or which has an affiliate registered in any such jurisdiction (unless such entity is an international bank having a credit rating of "A" or above from, among others, Moody's Investors Service, Inc., Standard & Poor's Ratings Services, Fitch Ratings Ltd. or Capital Intelligence Ltd.), or (ii) a physical person who is a participant or a shareholder in such legal entity; (b) such owner owns less than 10 per cent. of the outstanding Shares of the Bank (or such other percentage as shall at the relevant time require an approval from the FMSA and any other relevant regulatory authority) or in case it owns more than 10 per cent. (or such percentage, as the case may be), it has obtained the required approvals; and (c) such beneficial owner has validly appointed the Depositary as its representative to attend the meeting and to vote on its behalf and has granted the Depositary the authority to appoint a representative to attend the meeting and vote. If no such certification is provided to the Depositary by a Holder (an "Uncertified Holder"), the Depositary will not exercise any voting rights in relation to the Deposited Shares which are represented by the GDRs which are held by the Uncertified Holder and such voting rights shall lapse. The Bank has also agreed to provide to the Depositary appropriate proxy forms to enable a Holder to allow the ultimate beneficial owners of the relevant GDRs and the Depositary to appoint a representative to attend the relevant meeting and vote on behalf of such owners.

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

Depositary and the Bank and otherwise in accordance with applicable law confirming the ownership and beneficial interest of the Holder and/or ultimate beneficial owner of the relevant GDRs as of the record date established by the Depositary.

12.3 The Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares in accordance with the voting instructions it has received.

12.4 The Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which valid voting instructions and certifications have been received. If no valid voting instructions or certifications are received by the Depositary in accordance with Conditions 12.1 and 12.2 or if voting instructions or certifications are deemed not to have been received (either because no voting instructions or certifications are returned to the Depositary or because the voting instructions or certifications have not been timely returned to the Depositary or they are incomplete, illegible or unclear) from a Holder and/or ultimate beneficial owner of the relevant GDRs, as the case may be, with respect to any or all of the Deposited Shares represented by such Holder's GDRs on or before the record date specified by the Depositary, the Depositary shall not exercise voting rights in relation to such Deposited Shares and such voting rights shall lapse.

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

12.6 Where the Depositary is to vote in respect of each and any resolution in the manner described in Condition 12.3 the Depositary shall notify the Chairman of the Bank and designate a representative to attend such meeting or otherwise cause to be voted the Deposited Shares in the manner required by this Condition 12.

12.7 The Depositary and the Bank are entitled to amend this Condition 12 and Clause 5 of the Deposit Agreement from time to time by written notice to the GDR Holders where the Depositary or the Bank considers it necessary or advisable to do so in order to comply with applicable Kazakhstan law. By continuing to hold the GDRs, all Holders shall be deemed to have agreed to the provisions of this Condition 12 and Clause 5 of the Deposit Agreement as such terms may be amended from time to time in order to comply with applicable Kazakhstan law and/or reflect the removal of restrictions imposed under Kazakhstan law.

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

This summary must be read subject to the detailed terms of Condition 12 and while this summary reflects the voting process expected to be followed in the context of current requirements of Kazakhstan law, it should be noted that this is a developing area subject to change. Notice periods described below may be insufficient to enable Holders to give their voting instructions to the Depositary.

The Bank will send a notice to the Depositary no later than 30 days prior to any meeting of shareholders and no later than 45 days in case of a resolution to be adopted by postal ballots. The Depositary shall then promptly send notice of the meeting to all Holders along with a voting instructions form in accordance with the Conditions. The voting instructions and certifications received in accordance with the Deposit Agreement on or prior to the cut-off time specified by the Depositary will be provided by the Depositary to the Custodian, together with any power of attorney and any other supporting documentation required by the Deposit Agreement and/or applicable Kazakhstan law to exercise voting rights in respect of the Deposited Shares. At the relevant meeting, a person authorised by the Depositary will attend the meeting and vote in accordance with instructions received from the Holders or, in the case of a resolution to be adopted by a postal ballot, will complete the relevant ballot(s) in accordance with instructions received.

Only Holders who have disclosed required information to Joint Stock Company Central Securities Depository (the "Kazakhstan Central Depositary") will have voting rights in respect of their GDRs. In this regard, the Bank will, no later than 30 days prior to any meeting of shareholders, send a shareholder record request to its local registrar. Within 24 hours of receipt, the local registrar will forward such request to the Kazakhstan Central Depositary. The Kazakhstan Central Depositary, no later than the following day after *the receipt of the request from the registrar, shall send the request to the Custodian. The Custodian, no later than the day following receipt of the request from the Kazakhstan Central Depositary will forward the request to the Depositary. The Depositary shall, as soon as practicable but not later than the 20th day after receipt of the request from the Custodian, provide to the Custodian a copy of its register of Holders and copies of the certifications and other evidence received from the Holders pursuant to Conditions 12.1 and 12.2. The Custodian shall pass on the information received from the Depositary to the Kazakhstan Central Depositary within 23 days of receipt of the request from the Kazakhstan Central Depositary. Kazakhstan Central Depositary shall forward such information to the local registrar within 24 hours, who in turn will have 24 hours to provide to the Bank a list of shareholders eligible to vote.*

13. RECOVERY OF TAXES, DUTIES AND OTHER CHARGES, AND FEES AND EXPENSES DUE TO THE DEPOSITARY

The Depositary shall not be liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "Charges") shall be payable by the Holder thereof to the Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The Depositary may sell (whether by way of public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) for the account of the Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of such sale any Charges, and any fees or expenses due to the Depositary from the Holder pursuant to Condition 16, and subsequently pay any surplus to the Holder. Any request by the Depositary for the payment of Charges shall be made by giving notice pursuant to Condition 23.

14. LIABILITY

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

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

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

14.4 The Depositary and its agents may engage or be interested in any financial or other business transactions with the Bank or any of its subsidiaries or affiliates, or in relation to the Deposited

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

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

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

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

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

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

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

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

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

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

14.14 Neither the Depositary nor the Bank nor any of their respective agents shall be liable to any owner of GDRs for any indirect, special, punitive or consequential damages.

14.15 Subject as provided in the Deposit Agreement, the Depositary may delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons, whether being a joint Depositary of the Deposit Agreement or not, all or any of the powers, authorities and discretions vested in the Depositary by the Deposit Agreement and such delegation may be made upon such terms and subject to such conditions, including power to sub-delegate and subject to such regulations as the Depositary may in the interests of the Holders think fit. No such delegation or sub-delegation shall relieve the Depositary of any of its obligations or duties under the Deposit Agreement. Subject as aforesaid, any delegation by the Depositary shall be on the basis that the Depositary is acting on behalf of the Holders and the Bank in making such delegation and the Bank shall not in any circumstances and the Depositary shall not (provided that it shall have exercised reasonable care in the selection of such delegate) be bound to supervise, or be in any way responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of any misconduct or default on the part of, any such delegate or sub-delegate. However, the Depositary shall, if practicable, and if so requested by the Bank, pursue (at the Bank's expense and subject to receipt by the Depositary of such indemnity and security for costs as the Depositary may reasonably require) any legal action it may have against such delegate or sub-delegate arising out of any such loss caused by reason of any such misconduct or default. The Depositary shall, within a reasonable time of any such delegation or any renewal, extension or termination thereof, give notice thereof to the Bank. Any delegation under this Condition which includes the power to sub-delegate shall provide that the delegate shall, within a specified time of any sub-delegation or amendment, extension or termination thereof, give notice thereof to the Bank and the Depositary.

14.16 The Depositary may, in the performance of its obligations hereunder, instead of acting personally, employ and pay an agent, whether a solicitor or other person, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. No such employment of an agent shall relieve the Depositary of any of its obligations or duties under the Deposit Agreement.

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

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

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

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

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

15. ISSUE AND DELIVERY OF REPLACEMENT GDRS AND EXCHANGE OF GDRS

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

16. DEPOSITARY'S FEES, COSTS AND EXPENSES

16.1 The Holders, the beneficial owners and the persons depositing Shares or surrendering Regulation S/Rule 144A GDRs for cancellation agree to pay the following fees of the Depositary:

(a) For the issue of Regulation S/Rule 144A GDRs (other than upon the issue of Regulation S/Rule 144A GDRs pursuant to the initial offering) or the cancellation of Regulation S/Rule 144A GDRs upon the withdrawal of Regulation S/Rule 144A Shares: U.S.$0.05 or less per Regulation S/Rule 144A GDR issued or cancelled, in accordance with the following sliding scale:

GDR Price	**Fee per GDR**
U.S.$0.10 — U.S.$4.99	U.S.$0.03
U.S.$5.00 — U.S.$9.99	U.S.$0.04
U.S.$10.00 — U.S.$10.00>	U.S.$0.05

(except for issuances and cancellations covered by paragraph (i) below);

(b) for the issue of Regulation S/Rule 144A GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed Regulation S/Rule 144A GDR certificates: a sum per Regulation S/Rule 144A GDR certificate which is determined by the Depositary to be a reasonable charge to reflect the work, costs and expenses involved;

(c) for issuing Regulation S/Rule 144A GDR certificates in definitive registered form (other than pursuant to paragraph (b) above): a sum per Regulation S/Rule 144A GDR certificates which is determined by the Depositary to be a reasonable charge to reflect the work, costs (including, but not limited to, printing costs) and expenses involved;

(d) for receiving and paying any cash dividend or other cash distribution on or in respect of the Regulation S/Rule 144A Shares: a fee of U.S.$0.02 or less per Regulation S/Rule 144A GDR for each such dividend or distribution, in accordance with the following sliding scale:

If Net After Tax	**Fee per GDR**
U.S.$0.250 — U.S.$0.250>	U.S.$0.020
U.S.$0.200 — U.S.$0.249	U.S.$0.017
U.S.$0.150 — U.S.$0.199	U.S.$0.015
U.S.$0.100 — U.S.$0.149	U.S.$0.012
U.S.$0.050 — U.S.$0.099	U.S.$0.010
U.S.$0.025 — U.S.$0.049	U.S.$0.005
U.S.$0.020 — U.S.$0.024	U.S.$0.004
U.S.$0.015 — U.S.$0.019	U.S.$0.003
U.S.$0.010 — U.S.$0.014	U.S.$0.002

(e) in respect of any issue of rights or distribution of Shares (whether or not evidenced by Regulation S/Rule 144A GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution (except where converted to cash): U.S.$0.05 or less per outstanding Regulation S/Rule 144A GDR for each such issue of rights, dividend or distribution;

(f) for the operation and maintenance costs associated with the administration of the Regulation S/Rule 144A GDRs: an annual fee of U.S.$0.02 or less per Regulation S/Rule 144A GDR (such fee to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions), provided however, that if the Depositary imposes a fee under this paragraph (f), then the total of fees assessed under this paragraph (f), combined with the total of fees assessed under paragraph (d) above, shall not exceed U.S.$0.02 per Regulation S/Rule 144A GDR in any calendar year;

(g) for the expenses incurred by the Depositary, the Custodian or their respective agents in connection with inspections of the relevant share register maintained by the local registrar, if applicable: U.S.$0.01 per Regulation S/Rule 144A GDR (such fee to be assessed against Holders of record as at the date or dates set by the Depositary as it sees fit and collected at the sole discretion of the Depositary by billing such Holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions);

(h) for the issue of Regulation S/Rule 144A GDRs pursuant to a change for any reason in the number of Shares represented by each Regulation S/Rule 144A GDR, regardless of whether or not there has been a deposit of Shares to the Custodian or the Depositary for such issuance: a fee of U.S.$0.05 or less per Regulation S/Rule 144A GDR (or portion thereof); and

(i) for transferring interests from and between the Regulation S/Rule 144A and the Rule 144A/Regulation S GDRs: a fee of up to U.S.$0.05 per GDR.

16.2 The Holders, beneficial owners, persons depositing Shares for deposit and persons surrendering Regulation S/Rule 144A GDRs for cancellation and for the purpose of withdrawing Regulation S/Rule 144A Shares shall be responsible for the following charges:

(a) taxes (including applicable interest and penalties) and other governmental charges;

(b) such registration fees as may from time to time be in effect for the registration of Deposited Shares or other Deposited Property on the share register and applicable to transfers of Deposited Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(c) such facsimile transmission and delivery expenses as are expressly provided in this Deposit Agreement to be at the expense of the person depositing or withdrawing Shares or Holders and beneficial owners of Regulation S/Rule 144A GDRs;

(d) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(e) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations applicable to Shares, Regulation S/Rule 144A Shares, Regulation S/Rule 144A GDRs and Regulation S/Rule 144A GDR certificates in definitive registered form; and

(f) the fees and expenses incurred by the Depositary, the Custodian or any nominee in connection with the delivery or servicing of Regulation S/Rule 144A Shares.

17. AGENTS

17.1 The Depositary shall be entitled to appoint one or more agents (the "Agents") for the purpose, inter alia, of making distributions to the Holders. No such appointment of an Agent shall relieve the Depositary of any of its obligations or duties under the Deposit Agreement.

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

18. LISTING

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

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

19. THE CUSTODIAN

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

20. RESIGNATION AND TERMINATION OF APPOINTMENT OF THE DEPOSITARY

20.1 Subject as may be otherwise agreed by the Bank and the Depositary, the Bank may terminate the appointment of the Depositary under the Deposit Agreement by giving at least 90 days' prior notice in writing to the Depositary and the Custodian, and the Depositary may resign as Depositary by giving at least 90 days' prior notice in writing to the Bank and the Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depositary to the Holders in accordance with Condition 23 and, if the GDRs are at that time admitted to the official list of the Financial Services Authority and admitted to trading on the London Stock Exchange, to the Financial Services Authority and the London Stock Exchange.

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

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

21. TERMINATION OF DEPOSIT AGREEMENT

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

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

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

22. AMENDMENT OF DEPOSIT AGREEMENT AND CONDITIONS

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

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

23. NOTICES

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

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

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

24. REPORTS AND INFORMATION ON THE BANK

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

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

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

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

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

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

25. COPIES OF BANK NOTICES

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

26. MONEYS HELD BY THE DEPOSITARY

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

27. SEVERABILITY

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

28. GOVERNING LAW

28.1 The Deposit Agreement and the GDRs are governed by, and shall be construed in accordance with, English law. The rights and obligations attaching to the Deposited Shares will be governed by Kazakhstan law.

28.2 The Bank has irrevocably appointed its London representative office currently at 68 Lombard Street, London EC3V 9LJ, United Kingdom as its agent in England to receive service of process in any Proceedings in England. If for any reason the Bank does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders and the Depositary of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

28.3 The courts of England are to have jurisdiction to settle any disputes (each a "Dispute") which may arise out of or in connection with the GDRs and accordingly any legal action or proceedings arising out of or in connection with the GDRs ("Proceedings") may be brought in such courts. The Depositary and the Bank irrevocably submit to the non-exclusive jurisdiction of such courts and waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

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

28.5 Under the terms of the Deposit Agreement, the Depositary or the Bank may elect, by notice in writing to the other party, that the Dispute be resolved by arbitration and not litigation. In such case, the Dispute shall be referred to arbitration under the Rules of the London Court of International Arbitration and finally resolved by arbitration under such Rules, as more fully described in the Deposit Agreement.

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

28.7 The Depositary irrevocably appoints the Managing Director for the time being of the Deutsche Trustee Company Limited, currently situated at Winchester House, 1 Great Winchester Street, London EC2N 2DB as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the Depositary does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE GDRS WHILE IN MASTER FORM

The GDRs will initially be evidenced by (i) a single Master Regulation S GDR in registered form and (ii) a single Master Rule 144A GDR in registered form. Book-entry interests in GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR registered in the name of BT Globenet Nominees Limited as nominee of Deutsche Bank AG, London Branch, as common depositary for Euroclear and Clearstream. Book-entry interests in GDRs held through DTC will be represented by the Master Rule 144A GDR registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary as custodian for DTC.

The Master Regulation S GDR and the Master Rule 144A GDR (collectively, the "Master GDRs") contain provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Terms and Conditions of the GDRs set out in this Prospectus. The following is a summary of certain of those provisions. Unless otherwise defined herein, terms defined in the Terms and Conditions of the GDRs shall have the same meaning herein.

The Master GDRs will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in (i), (ii), (iii) or (iv) below in whole but not in part. The Depositary will irrevocably undertake in the Master GDRs to deliver certificates evidencing GDRs in definitive registered form in exchange for the relevant Master GDR to the Holders within 60 days in the event that:

(i) Euroclear, Clearstream or DTC advises the Bank in writing at any time that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 calendar days; or

(ii) Euroclear, Clearstream or DTC is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 days; or

(iii) DTC or any successor ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended; or

(iv) the Depositary has determined that, on the occasion of the next payment in respect of the GDRs, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the GDRs which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense (including printing costs) of the Bank.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream. Upon any exchange of a Master GDR for certificates in definitive registered form, or any exchange of interests between the Master Rule 144A GDR and the Master Regulation S GDR pursuant to Condition 3 (*Transfer and Ownership*), or any distribution of GDRs pursuant to Conditions 5 (*Distributions of Shares*), 7 (*Rights Issues*) or 10 (*Capital Reorganisation*) or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 1 (*Withdrawal of Deposited Property and Further Issues of GDRs*), the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the corresponding Master GDR shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register provided always that if the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Bank under the Deposit Agreement and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) in relation to the Master GDRs will be made by the Depositary through DTC, Euroclear and Clearstream, as the case may be, on behalf of persons entitled thereto, upon receipt of funds therefor from the Bank, net of the Depositary's fees, taxes, duties, charges, costs and expenses. A free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the record maintained by the Depositary being marked up to reflect the enlarged number of GDRs represented by the relevant Master GDR.

Holders of GDRs will have voting rights as set out in the Terms and Conditions of the GDRs.

Surrender of GDRs

Any requirement in the Terms and Conditions of the GDRs relating to the surrender of a GDR to the Depositary shall be satisfied by the production by DTC, Euroclear and Clearstream, as the case may be, on behalf of a person entitled to an interest therein, of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by DTC, Euroclear and Clearstream, as the case may be. The delivery or production of any such evidence shall be sufficient evidence, in favour of the Depositary, any Agent and the Custodian, of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master Regulation S GDR is registered in the name of BT Globenet Nominees Limited as nominee for the Common Depositary for Euroclear and Clearstream and the Master Rule 144A GDR is registered in the name of Cede & Co. on behalf of DTC, notices to Holders may be given by the Depositary by delivery of the relevant notice to DTC, Euroclear and Clearstream, as the case may be, for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 23 (*Notices*).

The Master GDRs shall be governed by and construed in accordance with English law.

SETTLEMENT AND TRANSFER

Clearing and Settlement of GDRs

Custodial and depositary links have been established between Euroclear, Clearstream and DTC to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of dividends and other payments with respect to book-entry interests in the GDRs held through Euroclear or Clearstream will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC has advised the Bank as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the US Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of securities transactions between DTC participants through electronic computerised book-entry changes in DTC participants' accounts. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders of book-entry interests in the GDRs holding through DTC will receive, to the extent received by the Depositary, all distributions of dividends or other payments with respect to book-entry interests in the GDRs from the Depositary through DTC and DTC participants. Distributions in the United States will be subject to relevant U.S. tax laws and regulations. (See "Taxation — United States".)

As DTC can act on behalf of DTC direct participants only, who in turn act on behalf of DTC indirect participants, the ability of beneficial owners who are indirect participants to pledge book-entry interests in the GDRs to persons or entities that do not participate in DTC, or otherwise take actions with respect to book-entry interests in the GDRs, may be limited.

Registration and Form

Book-entry interests in the GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR Certificate registered in the name of BT Globenet Nominees Limited as nominee for the Common Depositary for Euroclear and Clearstream. Book-entry interests in the GDRs held through DTC will be represented by the Master Rule 144A GDR Certificate registered in the name of Cede & Co., as nominee for DTC, which will be held by the Depositary as custodian for DTC. As necessary, the Registrar will adjust the amounts of GDRs on the relevant register for the accounts of the common nominee and nominee, respectively, to reflect the amounts of GDRs held through Euroclear, Clearstream and DTC, respectively. Beneficial ownership in the GDRs will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

The aggregate holdings of book-entry interests in the GDRs in Euroclear, Clearstream and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream and DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the GDRs, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of GDRs registered in the nominee name of the Common Depositary for Euroclear and Clearstream and the nominee for DTC. The Depositary will be responsible for ensuring that payments received by it from the Bank for holders holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be, and the Depositary will also be responsible for ensuring that payments received by it from the Bank for holders holding through DTC are received by DTC.

The Bank will not impose any fees in respect of the GDRs; however, holders of book-entry interests in the GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement.

Global Clearance and Settlement Procedures

Initial Settlement

The GDRs will be in global form evidenced by the two Master GDRs. Purchasers electing to hold book-entry interests in the GDRs through Euroclear and Clearstream accounts will follow the settlement procedures applicable to depositary receipts. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the GDRs through DTC will follow the delivery practices applicable to depositary receipts.

Secondary Market Trading

Transfer Restrictions

For a description of the transfer restrictions relating to the GDRs, see "Selling and Transfer Restrictions".

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the GDRs held through Euroclear or Clearstream to purchasers of book-entry interests in the GDRs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the normal procedures applicable to depositary receipts.

Trading between DTC Participants

Secondary market sales of book-entry interests in the GDRs held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to depositary receipts, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, the DTC participant must send to DTC a delivery free of payment instruction at least two business days prior to the settlement date. DTC will in turn transmit such instruction to Euroclear or Clearstream, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, DTC will debit the account of its DTC participant and will instruct the Depositary to instruct Euroclear or Clearstream, as the case may be, to credit the relevant account of the Euroclear or Clearstream participant, as the case may be. In addition, on the settlement date, DTC will instruct the Depositary to (i) decrease the amount of book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR Certificate and (ii) increase the amount of book-entry interests in the GDRs registered in the name of the common nominee for Euroclear and Clearstream and represented by the Master Regulation S GDR Certificate.

Trading between Clearstream/Euroclear Seller and DTC Purchaser

When book-entry interests in the GDRs are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the Euroclear or Clearstream participant must send to Euroclear or Clearstream a delivery free of payment instruction at least one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant, as the case may be. On the settlement date, Euroclear or Clearstream, as the case may be, will debit the account of its participant and will instruct the Depositary to instruct DTC to credit the relevant account of Euroclear or Clearstream, as the case may be, and will deliver such book-entry interests in the GDRs free of payment to the relevant account of the DTC participant. In addition, Euroclear or Clearstream, as the case may be, shall on the settlement date instruct the Depositary to (i) decrease the amount of the book-entry interests in the GDRs registered in the name of the common nominee and evidenced by the Master Regulation S GDR Certificate and (ii) increase the amount of the book-entry interests in the GDRs registered in the name of a nominee for DTC and represented by the Master Rule 144A GDR Certificate.

General

Although the foregoing sets out the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the GDRs among participants of Euroclear, Clearstream and DTC, none of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Bank, the Underwriters, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations.

INFORMATION RELATING TO THE DEPOSITARY

The Depositary is Deutsche Bank Trust Company Americas. The Depositary was incorporated on 5 March 1903 as a bank with limited liability in the State of New York and is an indirect wholly-owned subsidiary of Deutsche Bank AG, and is subject to regulation and supervision by the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation. The registered office of the Depositary is located at 60 Wall Street, New York, New York 10005 and its registered number is BR1026. A copy of the Depositary's By-laws, as amended, together with copies of the most recent financial statements and annual report of the Depositary will be available for inspection at the DR Department, 27th Floor, at the Depositary's registered office and at the office of the Depositary located at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Such information will be updated as long as the GDRs are admitted to listing on the Official List and admitted to trading on the London Stock Exchange's regulated market for listed securities and Deutsche Bank Trust Company Americas is the Depositary.

TAXATION

The following summary of material Kazakhstan, United Kingdom and US federal income tax consequences of ownership of Shares and GDRs is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Shares and holders of GDRs. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Shares or GDRs. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Shares or GDRs, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as at the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

The Republic of Kazakhstan

The following summary of certain Kazakhstan taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Shares or GDRs, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with Kazakhstan other than a holding of Shares or GDRs. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Shares or GDRs, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek specialist Kazakhstan tax advice as necessary.

This summary discusses the Kazakhstan tax consequences of the acquisition, ownership and disposal of Shares and GDRs. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed, and in many cases the exact scope of Kazakhstan tax, compliance rules and enforcement mechanism is unclear or open to different interpretations.

The only tax that may under certain circumstances apply in Kazakhstan to the above transactions is income tax. No other taxes or duties should be levied in Kazakhstan with respect to the above transactions. For all relevant purposes of this summary, except as noted below (e.g. in relation to treaty relief in respect of dividends), legal entities and individuals are subject to similar income tax treatment.

Tax residence

Non-resident persons will not become resident in Kazakhstan for Kazakhstan tax purposes by reason only of the acquisition, ownership or disposal of Shares or GDRs. Therefore, under Kazakhstan tax law, legal owners of Shares ("Shareholders") and holders of GDRs ("GDR Holders") should only be taxed on their income earned from sources in Kazakhstan, rather than their worldwide income.

This summary assumes that all Shareholders, GDR Holders and the issuer of the GDRs are not resident in Kazakhstan for tax purposes.

Exempt disposals of Shares

Since the Shares are admitted to Category "A" of the Official List of the KASE, until 1 January 2007, all disposals and acquisitions of the Shares are exempt from any tax payment, reporting or compliance requirements in Kazakhstan. Starting from 1 January 2007, this exemption will only apply to income from open sales of Shares on a stock exchange, provided that such Shares are admitted to the highest or second highest listing category of such stock exchange at the time of sale. It is unclear whether this exemption will apply only to Shares sold on the KASE or on any stock exchange. The tax treatment of all disposals that do not qualify for such an exemption is discussed below. In addition, starting from 1 January 2007, such exemption will also apply to income from sales of shares on the special trade platform of the regional financial centre of Almaty City, provided that such shares are admitted to that platform.

Taxable disposals of Shares

This discussion applies only to disposals that are not exempt as described above.

Treatment of acquirer

Non-resident buyers or other transferees (including recipients of gifts or inheritance) of Shares are not subject to Kazakhstan income tax on acquisition.

Under Kazakhstan tax law, buyers of Shares must notify the relevant Kazakhstan tax authorities regarding the identity of the seller and the purchase price paid on acquisition within 10 working days of the settlement taking place. Investors should note that there is currently no enforcement mechanism or sanction for non-compliance with this notification requirement. Moreover, it is unclear how this requirement can technically be complied with in respect of acquisitions made on a stock exchange, where specific sellers are not readily identifiable. According to information available to the Bank, the Kazakhstan tax authorities are currently formulating new rules and procedures that should narrow the scope and establish an enforcement mechanism for this requirement.

Treatment of Transferor

Income earned by Shareholders from the disposal of Shares is considered to be Kazakhstan source income.

Therefore, as a general rule, the net gain realised from such a disposal is subject to income tax in Kazakhstan at the rate of 20 per cent. Disposals include sales, exchanges and gifts.

Shareholders should register with the Kazakhstan tax authorities within 30 working days from the date when the relevant income is earned. Although the relevant Kazakhstan tax law does not stipulate in which particular tax office such Shareholders have to register, the context appears to suggest that the registration should be carried out with the tax authority where the Bank is registered.

Shareholders have to report their income earned on a disposal of Shares to the Kazakhstan tax authority where the Bank is registered by 31 March of the year following the tax year in which such income is earned. The associated tax liability should be paid in full within 10 working days of the reporting deadline.

Eligible residents of certain countries may be exempt from Kazakhstan income tax on disposals of Shares under applicable double taxation agreements. In such case, no tax registration or compliance requirements should arise.

Taxation of dividends

Dividends paid on Shares constitute Kazakhstan source income for Shareholders and are subject to withholding tax at the rate of 15 per cent. The withholding tax is applied to the gross amount of dividends without allowance for any deductions and satisfies all Kazakhstan income tax obligations with respect to dividends. Neither Shareholders nor GDR Holders should be subject to any other tax reporting, payment, registration or compliance requirements with respect to dividends paid on the Shares.

Beneficial owners of dividends who are resident in countries with which Kazakhstan has double taxation treaties may be entitled to a reduced rate of withholding tax. Investors should note that for treaty purposes the respective GDR Holders, rather than the issuer of the GDRs, may well be considered to be the beneficial owners of dividends paid with respect to Shares represented by GDRs. However, to date the Bank is not aware of any practical experience in Kazakhstan in relation to this question and so the issue, and its consequences for double taxation relief, are not determinable with certainty at present, though the maximum Kazakhstan tax withheld should, in any case, not exceed 15 per cent.

Subject to the above, depending on the country of residence and satisfaction of certain other conditions, the dividend withholding tax rates under Kazakhstan's double taxation treaties in effect as of the date of this Prospectus may be between 5 per cent. and 15 per cent. Under double taxation treaties effective on the date of this Prospectus, reductions below 15 per cent. may only be available to beneficial owners that are legal entities.

In order to avail themselves of this relief, eligible beneficial owners of dividends have to provide the Bank with a document issued by the tax authority of their country of residence confirming their tax residence in a treaty jurisdiction. In addition, beneficial owners who are not the immediate recipients of dividends from the Bank (including GDR Holders) will need to provide the Bank with documentary proof of their beneficial ownership.

On the basis of the above documents, the Bank may be entitled to withhold tax at an applicable reduced rate established by a relevant treaty, subject as provided in the Deposit Agreement.

If the above documents are not made available to the Bank prior to the date of payment of dividends, then the Bank should apply withholding tax at a standard 15 per cent. rate and account for the withheld amounts to the relevant authority. In theory, beneficial owners who are eligible for a lower withholding tax rate should later be able to claim a refund of overpaid tax from the government of Kazakhstan. In practice, however, this process may prove to be administratively burdensome due to the unclear procedure involved and a general reluctance of the Kazakhstan authorities to grant refunds.

Taxation of GDR Holders

Since Kazakhstan domestic tax law does not contain the concept of constructive or beneficial ownership, income earned by GDR Holders, including (i) income received on disposals of GDRs and (ii) premiums received by GDR Holders (associated with dividends announced with respect to Shares represented by such GDRs), appears to be outside the scope of Kazakhstan income tax.

There is risk, however, that the Kazakhstan tax authorities may take into account economic similarities between GDR Holders and Shareholders and attempt to subject GDR Holders to tax as constructive owners of Shares.

In addition, with effect from 1 January 2006, Kazakhstan tax law defines all income which may be taxed in Kazakhstan under applicable double tax treaties as income from a Kazakhstan source. Since certain double tax treaties entitle Kazakhstan to tax the above-mentioned categories of income, GDR Holders resident in certain countries may be subject to tax on such income. It remains to be seen whether this newly introduced provision will be applied to increase the tax burden of treaty country residents, as compared to other non-resident persons.

Due to the lack of existing precedent or practice, the Bank is unable to assess the likelihood of such challenge by the tax authorities or probability of its success, either with respect to treaty country residents or any other non-resident GDR Holders.

If income earned by GDR Holders is subject to Kazakhstan taxation (either by successful challenge of the tax authorities or by application of a double tax treaty), then:

- income earned on disposals of GDRs may be subject to tax in the same manner as income from a disposal of Shares as described above; and
- GDR Holders may be considered as taxpayers for dividend withholding tax purposes. In this case, the tax withheld by the Bank on a distribution should be considered as a payment in full satisfaction of the GDR Holders' dividend withholding tax liability. Premiums received by GDR Holders in relation to dividends that have already been taxed in Kazakhstan should not be subject to any further tax or compliance requirements in Kazakhstan.

United Kingdom

The comments below are of a general nature and are based on current United Kingdom ("UK") law and published HM Revenue & Customs practice at the date of this Prospectus, and are subject to any change that may take effect after such date (possibly with retrospective effect). Except as otherwise stated, this summary only discusses certain UK tax consequences of holding the Shares or the GDRs for the absolute beneficial owners of the Shares or the GDRs (1) who are resident or ordinarily resident in the UK for tax purposes; (2) who are not resident for tax purposes in any other jurisdiction; and (3) who do not have a permanent establishment or fixed base in Kazakhstan with which the holding of the Shares or the GDRs is connected ("UK holders"). In addition, the summary (1) only addresses the tax consequences for UK holders who hold the Shares and the GDRs as capital assets and who acquire the Shares or GDRs as initial investors in the offering, and does not address the tax consequences which may be relevant to certain other categories of UK holders, for example, dealers in securities, broker dealers, insurance companies, investment companies or other special classes of investor; (2) assumes that the UK holder does not either directly or indirectly alone control more than 5 per cent. or, together with connected or associated persons, control 10 per cent. or more of the voting power of the company; (3) assumes that a holder of the GDRs is beneficially entitled to the underlying Shares and to the dividends on those Shares; and (4) assumes that the Depositary is a body corporate not incorporated in the UK and that there is no register, and there will continue to be no register, in the UK in respect of the Shares or the GDRs. Further, the summary is not intended to apply to investors who hold Shares or GDRs as part of hedging or conversion transactions or who have acquired their Shares or GDRs by virtue of an office or employment.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular UK holder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and HM Revenue & Customs practice of the acquisition, ownership and disposal of the Shares or the GDRs in their own particular circumstances, by consulting their own tax advisers.

Withholding tax

Assuming that the income received under the GDRs does not have a United Kingdom source, there should be no United Kingdom withholding tax on payment of any such income. Dividend payments in respect of the Shares will not be subject to UK withholding tax.

Taxation of dividends

A UK holder that receives a dividend on the Shares or the GDRs will generally be subject to UK income tax or corporation tax, as the case may be, on the gross amount of any dividend paid before the deduction of any Kazakhstan withholding taxes, subject to the availability of any credit for Kazakhstan tax withheld. A UK holder who is an individual resident and domiciled in the United Kingdom will generally be subject to UK income tax on the dividend paid on the Shares or the GDRs. A UK holder who is an individual resident but not domiciled in the United Kingdom, or a Commonwealth citizen or citizen of the Republic of Ireland who is resident, but not ordinarily resident, in the United Kingdom, will generally be subject to UK income tax on the dividend paid on the Shares or the GDRs to the extent that the dividend is remitted or treated as remitted to the UK. A corporate UK holder will generally be subject to UK corporation tax on the dividend paid on the Shares or the GDRs.

A UK holder should generally be entitled to a credit for any Kazakhstan tax properly withheld from such dividend payments against such holder's liability to income tax or corporation tax on such amounts, subject to UK tax rules for calculation of such a credit.

Taxation of disposals

The disposal by a UK holder of interests in the Shares or the GDRs may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains, depending on the UK holder's particular circumstances and subject to any exemption or relief. A UK holder who is an individual and domiciled in the UK will generally be liable to UK capital gains tax on chargeable gains made on the disposal of an interest in the Shares or the GDRs. A UK holder who is an individual but not domiciled in the UK will generally be liable to UK capital gains tax to the extent that the chargeable gains made on the disposal of an interest in the Shares or the GDRs are remitted or treated as remitted to the UK. In particular, dealings in the GDRs on the LSE may give rise to remitted profits that would, therefore, give rise to UK capital gains tax liability.

An individual holder of the Shares or the GDRs who ceases to be resident or ordinarily resident in the UK for UK tax purposes for a period of less than five years (or a shorter period under certain double tax treaties, where applicable) and who disposes of such Shares or GDRs during that period may also be liable on returning to the UK for UK tax on capital gains despite the fact that the individual may not be resident or ordinarily resident in the UK for UK tax purposes at the time of the disposal.

A corporate UK holder will generally be subject to UK corporation tax on any chargeable gain arising from a disposal of the Shares or the GDRs.

Inheritance tax

UK inheritance tax may be chargeable on the death of, or in certain circumstance on a gift by, the owner of Shares or GDRs, where either (i) the owner is an individual who is domiciled or is deemed to be domiciled in the UK; or (ii) the Shares or GDRs are situated in the UK at the time of death or gift. For inheritance tax purposes, a transfer of assets at less that full market value may be treated as a gift and particular rates apply to gifts where the donor reserves or retains some benefit. The Shares and GDRs will not have a UK situs and hence will be excluded from the estate of non-UK domiciled holders for UK inheritance tax purposes.

Stamp duty and stamp duty reserve tax

No *ad valorem* stamp duty should be payable in connection with a transfer of Shares executed and retained outside the UK.

As the GDRs relate to stock expressed in a currency other than sterling, no "bearer instrument" stamp duty should be payable on either the issue of GDRs or any transfer of stock transferable by means of the GDRs.

On the basis that the Shares and the GDRs are not issued by bodies corporate incorporated in the UK and are not registered in a register kept in the UK, no stamp duty reserve tax should be payable in respect of any agreement to transfer Shares or GDRs and no stamp duty reserve tax or *ad valorem* stamp duty should arise in the UK in respect of (i) the issue of the GDRs; (ii) the delivery of the GDRs into a clearance service; or (iii) any dealings in the GDRs once they are issued into the clearance service.

United States

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE BANK IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Shares or GDRs by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Shares or GDRs that are U.S. Holders and that will hold the Shares or GDRs as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares or GDRs by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Bank, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Shares or GDRs as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. Dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of GDRs or Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds GDRs or Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of GDRs or Shares by the partnership.

The summary assumes that the Bank is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes and it does not currently expect to become a PFIC, which the Bank believes to be the case. The Bank's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Bank were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders. See "Passive Foreign Investment Company Considerations" below.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Kazakhstan (the "Treaty"), all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE GDRs AND SHARES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Holders of GDRs

For U.S. federal income tax purposes, a U.S. Holder of GDRs will be treated as the owner of the corresponding number of Shares held by the Depositary, and references herein to Shares refer also to GDRs representing the Shares.

Dividends

General. Subject to the PFIC rules discussed below, distributions paid by the Bank out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Kazakhstan withholding tax paid by the Bank with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Bank does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Bank with respect to Shares will constitute ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Bank.

For taxable years that begin before 2011, dividends paid by the Bank will be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to capital gains, provided the Bank qualifies for the benefits of the Treaty. The Bank expects to qualify for the benefits of the Treaty, so long as its shares are traded in sufficient volume on the Kazakhstan stock exchange. A U.S. Holder will be eligible for this reduced rate only if it has held the Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. A U.S. Holder will not be able to claim the reduced rate for any year in which the Bank is treated as a PFIC. See "Passive Foreign Investment Company Considerations" below.

Foreign Currency Dividends. Dividends paid in Tenge will be included in income in a U.S. Dollar amount calculated by reference to the exchange rate in effect on receipt, which, in the case of GDRs, is the date received by the Depositary, regardless of whether the Tenge are converted into U.S. Dollars at that time. If dividends received in Tenge are converted into U.S. Dollars on the day they are received by the Depositary, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Effect of Kazakhstan Withholding Taxes. As discussed in this section, under current law payments of dividends by the Bank to foreign investors are subject to a 15 per cent. Kazakhstan withholding tax. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Kazakhstan taxes withheld by the Bank, and as then having paid over the withheld taxes to the Kazakhstan taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

A U.S. Holder will generally be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Kazakhstan income taxes withheld by the Bank. For purposes of the foreign tax credit limitation, foreign source income is classified in one of several "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Bank generally will constitute foreign source income in the "passive income" basket. If a U.S. Holder receives a dividend from the Bank that qualifies for the reduced rate described above under "Dividends — General", the amount of the dividend taken into account in calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the Shares for at least 16 days in the 31-day period beginning 15 days before the ex-dividend date.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Kazakhstan taxes into U.S. Dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. Dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. Dollar value of the credits for Kazakhstan taxes relative to the U.S. Holder's U.S. federal income tax liabilty attributable to a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Kazakhstan taxes into U.S. Dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years, unless revoked with the consent of the IRS.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Kazakhstan taxes and of receiving a dividend from the Bank that is eligible for the special reduced rate described above.

Exchange of GDRs for Shares

No gain or loss will be recognised upon the exchange of GDRs for the U.S. Holder's proportionate interest in Shares. A U.S. Holder's tax basis in the withdrawn Shares will be the same as the U.S. Holder's tax basis in the GDRs surrendered, and the holding period of the Shares will include the holding period of the GDRs.

Sale or other Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of GDRs (other than an exchange of GDRs for Shares) or Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the GDRs or Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares or GDRs exceeds one year. However, regardless of a U.S. Holder's actual holding period, any loss may be a long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under "Dividends — General", and exceeds 10 per cent. of the U.S. Holder's basis in the Shares or GDRs. Any gain or loss will generally be U.S. source. Therefore, if Kazakhstan taxes gain on disposition of Shares or GDRs on a U.S. Holder that cannot claim an exemption under the Treaty, the U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any Kazakhstan withholding tax imposed on a sale or disposition. Deductions for capital losses are subject to limitations.

A U.S. Holder's tax basis in a Share or GDR will generally be its U.S. Dollar cost. The U.S. Dollar cost of a Share or GDR purchased with foreign currency will generally be the U.S. Dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Shares traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

The amount realised on a sale or other disposition of Shares or GDRs for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. Dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of a Share or GDR will have a tax basis equal to its U.S. Dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. Dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Shares or upon exchange for U.S. Dollars) will be U.S. source ordinary income or loss.

Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Bank does not believe that it should be treated as a PFIC and it does not currently expect to become a PFIC. Although interest income is generally passive income, a special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. The Bank believes that it currently meets these requirements. The Bank's possible status as a PFIC must be determined annually, however, and may be subject to change if the Bank fails to qualify under this special rule for any year in which a U.S. Holder holds Shares or GDRs. If the Bank were to be treated as a PFIC in any year, U.S. Holders would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of Shares or GDRs at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Bank would not be eligible for the special reduced rate of tax for qualified dividend income described above under "Dividends — General". Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to Shares or GDRs by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

DETAILS OF THE GLOBAL OFFER

Summary of the Global Offer

The Selling Shareholder is offering 170,000,000 Shares in the form of 42,500,000 GDRs at an Offer Price of U.S.$16.00 per GDR (assuming no Over-Allotment GDRs are offered). If the Underwriters over-allot the Over-Allotment GDRs in full and do not exercise the Underwriters' Put Option, the Selling Shareholders will be offering in aggregate 187,000,000 Shares represented by 46,750,000 GDRs.

The Global Offer is being made to certain institutional and professional investors in the U.K. and elsewhere outside the U.S., in reliance on Regulation S under the U.S. Securities Act, and to QIBs in the U.S. in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or transaction not subject to, the registration requirements of the U.S. Securities Act. Certain restrictions that apply to the distribution of this document and Shares are described under "Selling and Transfer Restrictions — Selling Restrictions". Allocations of GDRs under the Global Offer were determined by the Underwriters, following consultation with the Bank, after indications of interest from prospective investors were received.

Pursuant to the Global Offer, the Selling Shareholder will receive U.S.$668,600,000 assuming no sale of the Over-Allotment GDRs and that the Underwriters exercise the Underwriters Put Option in full, or U.S.$735,580,000 assuming that the Underwriters sell the Over-Allotment in full and do not exercise the Underwriters' Put Option, from the subscription of the GDRs, net of underwriting commissions of approximately U.S.$10,200,000 (approximately U.S.$15,300,000 if the Underwriters' incentive fee is paid in full) assuming no sale of Over-Allotment GDRs and other fees and expenses of approximately U.S.$1,200,000 plus VAT, if applicable, payable by the Selling Shareholder.

All GDRs initially have been offered at the Offer Price, which has been determined by the Underwriters following consultation with the Selling Shareholder and the Bank. A number of factors have been considered in determining the Offer Price and the basis of allocation, including the objective of establishing an orderly aftermarket in the GDRs, prevailing market conditions and the level of absolute demand.

The Offer Price and the number of GDRs allocated to investors under the Global Offer was announced by the Bank on 14 December 2006. Concurrently with such announcement, the Bank has published a pricing statement which states the Offer Price and the aggregate number of GDRs representing Shares sold by the Selling Shareholder.

The Global Offer is conditional on Admission becoming effective and on the Underwriting Agreement (the terms of which are summarised below) becoming unconditional and not having been terminated in accordance with its terms. The Underwriters reserve the right to withdraw, cancel or modify the Global Offer and to completely or partially reject any orders. If the Global Offer does not proceed, any monies received in respect of applications will be returned to applicants without interest.

Admission is expected to take place and unconditional dealings in the GDRs are expected to commence on the London Stock Exchange on 20 December 2006. Prior to that time, it is expected that dealings in the GDRs will commence on a conditional basis on the London Stock Exchange on 14 December 2006 and that the earliest date for settlement of such dealings will be 20 December 2006.

When admitted to trading, the GDRs will trade in U.S. Dollars and will be issued with the following ISINs: Rule 144A — US46627J2033, Regulation S — US46627J3023.

The Underwriters may, subject to prior written consent from the Bank, appoint selling agents to assist them in the distribution of the GDRs in connection with the Global Offer.

Over-allotment and Stabilisation

In connection with the Global Offer, Almex will also sell the Over-Allotment GDRs to the Underwriters for the purpose of making over-allotments and to conduct stabilisation activities in the GDRs. Under the over-allotment structure, Almex will grant the Underwriters the Underwriters' Put Option, exercisable for a period of up to 30 days from the commencement of dealings on the LSE in the GDRs, to put back to Almex 4,250,000 GDRs.

The Stabilising Manager, or any other person acting for the Stabilising Manager, may over-allot or effect transactions which are intended to enable it to satisfy any over-allocations or which stabilise or maintain the market price of the GDRs at a level higher than that which might otherwise prevail for a period of 30 days after the announcement of the Offer Price. However, there may be no obligation on the

Stabilising Manager, or any agent of the Stabilising Manager, to do this. Such transactions may be effected on the London Stock Exchange and/or any other securities market, over-the-counter market, stock exchange or otherwise. Such stabilising, if commenced, may be discontinued and/or recommenced at any time and must be brought to an end 30 days after the announcement of the Offer Price. Save as required by law, the Stabilising Manager does not intend to disclose the extent of any over-allotment and/or stabilisation transactions under the Global Offer or the amount of any long or short positions.

Underwriting Agreement

The Bank, Almex and the Underwriters have entered into an underwriting agreement dated 14 December 2006 (the "Underwriting Agreement") with respect to the GDRs that are being sold by Almex. For the avoidance of doubt, Halyk Finance, a wholly-owned subsidiary of the Bank, is acting as a Joint Global Co-ordinator and not as an underwriter in connection with the Global Offer. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement, each Underwriter has agreed, severally but not jointly, to purchase or procure purchasers for and pay for such number of GDRs as is set forth opposite its name in the following table:

Name of Underwriter	Number of GDRs	Number of Over-Allotment GDRs
Credit Suisse Securities (Europe) Limited	21,250,000	2,125,000
Deutsche Bank AG, London Branch	21,250,000	2,125,000
Total	42,500,000	4,250,000

The GDRs will be represented by a Master Rule 144A GDR and a Master Regulation S GDR and will be subject to certain restrictions as further discussed in "Terms and Conditions of the GDRs," "Summary of Provisions Relating to the GDRs while in Master Form" and "Selling and Transfer Restrictions".

The offer price is U.S.$16.00 per GDR. The Underwriters will receive a aggregate selling, management and underwriting commission of 1.5 per cent. of the aggregate offering price of GDRs purchased by them and, at the discretion of the Selling Shareholder, an additional incentive fee of up to 0.75 per cent. of the aggregate offering price of GDRs purchased by the Underwriters. The total commissions, payable by the Selling Shareholder, will amount to approximately U.S.$10,200,000 assuming no sale of Over-Allotment GDRs (approximately U.S.$15,300,000 if the Underwriters' incentive fee is paid in full). The Bank has given the Underwriters customary representations and warranties under the Underwriting Agreement, including in relation to its business, the Shares and GDRs and the contents of this Prospectus. The Selling Shareholder has given the Underwriters customary representations and warranties under the Underwriting Agreement, including in relation to its title to the Shares underlying the GDRs being sold by it in the Global Offer. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent. In addition, the Underwriters may terminate the Underwriting Agreement in certain circumstances prior to the Closing Date. If such right is exercised, the Global Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Global Offer will be returned to applicants without interest. The Bank and Almex have agreed in the Underwriting Agreement, subject to the terms thereof, to indemnify the Underwriters against certain liabilities in connection with the sale of the GDRs. In addition, the Bank and Almex have agreed to reimburse the Underwriters for certain of their expenses.

Dealing Arrangements

It is expected that dealings in the GDRs will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. on 14 December 2006. Admission is expected to take place and unconditional dealings in the GDRs are expected to commence on the London Stock Exchange at 8.00 a.m. on 20 December 2006. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued" basis. If the Global Offer does not become unconditional in all respects, all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

It is expected that GDRs allocated to investors will be delivered in uncertificated form.

Lock-up Arrangements

The Bank has undertaken that it will not (i) offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of, directly or indirectly, any Shares or GDRs representing Shares or securities convertible or exchangeable into or exercisable for any Shares in the Bank which it now holds or subsequently acquires or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any Shares or GDRs representing Shares nor to mandate any third party to do so, or announce the intention to do so without the prior written consent of the Underwriters for a period of 180 calendar days after the Global Offer or to make any announcement relating thereto, provided that the Bank will be permitted to transfer shares currently held in treasury (a) to Halyk Finance for the purposes of market-making in the ordinary course of its business up to the amount of 500,000 Shares in any particular day (any additional Shares to be transferred for market-making in any particular day to be subject to the prior written consent of the Underwriters, such consent not to be unreasonably withheld) and (b) for the purposes of establishing a share-based incentive programme (provided that the administrator of the incentive programme agrees to a substantially identical lock-up having the same end date as that applying to the Bank). The Bank will also be permitted to issue Shares pursuant to the Rights Issue and Preferred Shares, provided that in respect of the Non-Voting Convertible Preferred Shares, the Bank agrees not to exercise its option to convert such Non-Voting Convertible Preferred Shares for a period of 180 calendar days after the Global Offer. The Bank has further undertaken at no time to issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such issuance, offer, sale, pledge, contract or disposition would cause the exemption afforded by Rule 144A under the U.S. Securities Act or the safe harbour of Regulation S thereunder to cease to be applicable to the offer and sale of the Shares.

The Selling Shareholder has undertaken that it will not (i) offer, sell, contract to sell, pledge, charge, grant options over or otherwise dispose of, directly or indirectly, any Shares or GDRs representing Shares or securities convertible or exchangeable into or exercisable for any Shares which it now holds or subsequently acquires or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any Shares or GDRs representing Shares nor to mandate any third party to do so, or announce the intention to do so without the prior written consent of the Underwriters for a period of 180 calendar days after the Global Offer or to make any announcement relating thereto, provided that the Selling Shareholder will be permitted to transfer Shares (a) for the purposes of establishing a share-based incentive programme for the Bank or (b) to other members of the Almex group provided that the administrator of the incentive programme or such transferee, as the case may be, agrees to a substantially identical lock-up having the same end date as that applying to the Selling Shareholder. The Selling Shareholder has further undertaken at no time to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such issuance, offer, sale, pledge, contract or disposition would cause the exemption afforded by Rule 144A under the U.S. Securities Act or the safe harbour of Regulation S thereunder to cease to be applicable to the offer and sale of the Shares.

Dilution

Following the Rights Issue, and assuming that existing holders of Shares (including GDR holders), other than Almex, do not participate in the Rights Issue, the Rights Issue will lead to existing holders of Shares (other than Almex) being diluted by 0.97 per cent. (See "Principal Shareholders".)

Other Dealings

The Underwriters and certain of their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank and/or Almex. They have received customary fees and commissions for these transactions and services.

Deutsche Bank AG, London Branch is acting as one of the Joint Global Co-ordinators and Joint Bookrunners with respect to the offering of GDRs contemplated by this Prospectus, whilst Deutsche Bank Trust Company Americas has been appointed by the Bank to act as depositary in connection with the issuance of the GDRs. Deutsche Bank Trust Company Americas is a wholly-owned subsidiary of Deutsche Bank Trust Corporation, a registered bank holding company which is a wholly-owned subsidiary of Deutsche Bank AG. Deutsche Bank AG, London Branch is the London-based branch office of Deutsche Bank AG.

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

General

The distribution of this document and the offer of the GDRs in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in this paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction other than the approval of this document as a Prospectus for the purposes of the Prospectus Rules that would permit a public offering of the GDRs, or possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the GDRs may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the GDRs offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Purchasers of the GDRs may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase.

United States

The GDRs offered in the Global Offer have not been and will not be registered under the U.S. Securities Act, and subject to certain exceptions, may not be offered or sold within the United States. The Underwriters propose to offer GDRs (i) to institutional investors outside the United States in accordance with Regulation S under the U.S. Securities Act, and (ii) to qualified institutional buyers, or QIBs, in the United States as defined under and in accordance with Rule 144A under the U.S. Securities Act. Each of the Underwriters has agreed that, except as permitted in the underwriting agreement, it will not offer or sell ordinary shares or the GDRs into or within the United States.

In addition, until 40 days after the commencement of this offering, an offer or sale of ordinary shares or the GDRs offered in this offering into or within the United States by a dealer, whether or not such dealer is participating in this offering, may violate the registration and prospectus delivery requirements of the U.S. Securities Act if such offer or sale is not made in accordance with Rule 144A under the U.S. Securities Act.

United Kingdom

Each Underwriter has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the GDRs in circumstances in which Section 21(1) of the FSMA does not apply to the Bank, and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the GDRs in, from or otherwise involving the United Kingdom.

The Republic of Kazakhstan

Each Underwriter has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the GDRs or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan, except in compliance with the laws of Kazakhstan.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the Global Offer contemplated by this Prospectus (the "GDRs") may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any GDRs may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts;

(c) by the Underwriters to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of GDRs shall result in a requirement for the publication by the Bank or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any GDRs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any GDRs to be offered so as to enable an investor to decide to purchase any GDRs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Transfer Restrictions

Rule 144A GDRs

Each purchaser of GDRs located within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

(a) it is (A) a qualified institutional buyer within the meaning of Rule 144A, (B) acquiring such GDRs (the "Rule 144A GDRs") for its own account or for the account of a qualified institutional buyer and (C) aware, and each beneficial owner of such GDRs has been advised, that the sale of such Shares to it is being made in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or another exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act;

(b) it understands that such GDRs (and the Shares represented thereby) have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or otherwise transferred except (A) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States. Such purchaser acknowledges that the GDRs offered and sold in accordance with Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and that no representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resale of GDRs (and the shares represented thereby);

(c) the Bank, the Registrar, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any GDRs for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(d) the GDRs (to the extent they are in certificated form) will bear a legend to the following effect, unless the Bank determines otherwise in compliance with applicable law:

"THE RULE 144A GLOBAL DEPOSITARY RECEIPTS (THE "GDRs") REPRESENTED BY THIS CERTIFICATE AND THE COMMON SHARES OF JOINT STOCK COMPANY

HALYK SAVINGS BANK OF KAZAKHSTAN REPRESENTED THEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED 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. THE HOLDER HEREOF BY PURCHASING THE GDRs AGREES FOR THE BENEFIT OF JOINT STOCK COMPANY HALYK SAVINGS BANK OF KAZAKHSTAN THAT THE GDRs AND THE SHARES CORRESPONDING THERETO MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER OF THE GDRs WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH GDRs OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE BENEFICIAL OWNER OF SHARES RECEIVED UPON CANCELLATION OF ANY RULE 144A GLOBAL DEPOSITARY RECEIPT MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SHARES INTO ANY DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SHARES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SHARES OR ANY RULE 144A GLOBAL DEPOSITARY RECEIPTS.

OWNERSHIP OF THE SHARES REPRESENTED BY THE GLOBAL DEPOSITARY RECEIPTS IS SUBJECT TO CERTAIN LEGISLATIVE RESTRICTIONS UNDER KAZAKHSTAN LAW. SPECIFICALLY, (A) LEGAL ENTITIES REGISTERED IN ANDORRA, LIECHTENSTEIN, LIBERIA, MONACO, THE MARSHALL ISLANDS, NAURU, THE COOK ISLANDS, GUATEMALA, INDONESIA, BURMA (MYANMAR), NIGERIA AND THE PHILIPPINES (AND/OR SUCH OTHER JURISDICTIONS AS MAY BE SPECIFIED UNDER APPLICABLE KAZAKHSTAN LAW FROM TIME TO TIME) OR WHICH HAVE AFFILIATES REGISTERED IN SUCH JURISDICTIONS (EXCEPT FOR INTERNATIONAL BANKS HAVING A CREDIT RATING OF "A" OR ABOVE FROM, AMONG OTHERS, MOODY'S INVESTORS SERVICE, INC, STANDARD & POOR'S RATINGS SERVICES, FITCH RATINGS LTD. OR CAPITAL INTELLIGENCE LTD.) OR (B) PHYSICAL PERSONS WHO ARE PARTICIPANTS OR SHAREHOLDERS IN SUCH LEGAL ENTITIES MAY NOT DIRECTLY OR INDIRECTLY OWN SHARES. ACCORDINGLY, HOLDERS OF GLOBAL DEPOSITARY RECEIPTS FALLING UNDER (A) OR (B) ABOVE ARE NOT PERMITTED TO EXERCISE VOTING RIGHTS UNDER THE TERMS OF THE DEPOSIT AGREEMENT, CANNOT WITHDRAW THE SHARES FROM THE GLOBAL DEPOSITARY RECEIPTS AND CANNOT OWN SUCH SHARES."

(e) for so long as Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will not deposit such Shares into any depositary receipt facility in respect of shares established and maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility; and

(f) the Bank, the Selling Shareholder, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the GDRs may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A or another exemption from the registration requirements of the U.S. Securities Act.

Regulation S GDRs

Each purchaser of the GDRs offered in reliance on Regulation S (the "Regulation S GDRs") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(i) the purchaser is, at the time of the offer to it of GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the U.S. Securities Act;

(ii) the purchaser is aware that the Regulation S GDRs have not been and will not be registered under the U.S. Securities Act and are being offered outside the United States in reliance on Regulation S;

(iii) any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Bank in respect of the Regulation S GDRs; and

(iv) the Bank, the Selling Shareholder, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

It is expected that delivery of the GDRs will be made against payment therefor on or about the date specified above under "Details of the Global Offer — Summary of the Global Offer", which will be the third business day following the date of pricing of the Shares. Pursuant to Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise.

DETAILS OF THE RIGHTS ISSUE

As described in "*Description of Share Capital and Certain Requirements of Kazakhstan Law*", shareholders have a pre-emptive right under the JSC Law to subscribe for their pro rata share of any offering of new shares. In order to raise new capital for the Bank, the Bank has determined to make an offer of the New Shares (amounting to approximately 55,000,000 Shares) to registered holders of Shares as at a record date expected to be 14 December 2006 (but in any event before the Closing Date) at a subscription price equal to the Tenge equivalent (calculated at the rate of exchange on the KASE as reported by the NBK on 14 December 2006) of the price per Share represented by the Offer Price per GDR, approximately KZT 511.9 per Share. This offer is referred to as the Rights Issue, and it will commence on that record date and remain open for 30 days thereafter.

The Rights Issue will be made in the ratio of approximately 60 New Shares for each 1,000 Shares then held by shareholders on the above record date. Because the number of Shares outstanding is greater than the number of New Shares to be offered in the Rights Issue, each eligible shareholder's basic entitlement will be to subscribe for its pro rata share of the approximately 55,000,000 New Shares being offered. The terms of the Rights Issue will provide that eligible shareholders will be entitled to apply for a number of New Shares in excess of their pro rata entitlement and that if applications are received for New Shares in excess of the number being offered, applications in excess of that entitlement will be scaled down pro rata so that all the New Shares on offer are subscribed.

The Bank will be entitled to require that a shareholder applying for New Shares in excess of its basic entitlement places cash collateral with the Bank in an amount equal to the subscription price payable for the New Shares applied for, to the extent that it exceeds the amount payable in respect of the New Shares for which the shareholder is otherwise entitled to apply.

Holders of GDRs will not be eligible to participate in the Rights Issue.

ADDITIONAL INFORMATION

1. The Bank's registered office is located at 97 Rozybakieva Street, Almaty 050046, Kazakhstan, its registration number in Kazakhstan is 3898-1900-AO and its telephone number is +7 3272 549 0000. The Bank is registered with the Registration Services Committee of the Ministry of Justice of the Republic of Kazakhstan.

2. Book-entry interests in GDRs held through Euroclear and Clearstream will be represented by the Master Regulation S GDR registered in the name of BT Globenet Nominees Limited as nominee of Deutsche Bank AG, London Branch, as common depositary for Euroclear and Clearstream. Book-entry interests in GDRs held through DTC will be represented by the Master Rule 144A GDR registered in the name of Cede & Co. as nominee for DTC, which will be held by the Depositary as custodian for DTC. The GDRs have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Regulation S GDRs have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 027760325 and ISIN US46627J3023. The Rule 144A GDRs have been accepted for clearance through DTC, Euroclear and Clearstream Luxembourg. The CUSIP number for the Rule 144A GDRs is 46627J203, the ISIN is US46627J2033 and the Common Code is 027760511. The address of Euroclear is 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, 1855 Luxembourg; and the address of DTC is 55 Water Street, 49th Floor, New York, New York 10041, United States of America.

3. The Bank has obtained all necessary consents, approvals and authorisations in Kazakhstan in connection with the issue of the GDRs.

4. The Group is not and has not 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 document a significant effect on the financial position or profitability of the Group.

5. There has been no significant change in the financial or trading position of the Group since 30 September 2006 and no material adverse change in the prospects of the Group since 30 September 2006.

6. The Bank has not entered into any material contracts outside the ordinary course of its businesses which could result in it being under an obligation or entitlement that is material to their ability to issue the GDRs.

7. Application has been made to the UK Listing Authority (the "UKLA") for the GDRs to be issued on the Closing Date to be admitted to the Official List. Application has been made to the London Stock Exchange for the GDRs to be admitted to trading on the London Stock Exchange's regulated market for listed securities. It is expected that admission of the GDRs to the Official List of the UKLA and admission to trading of the GDRs on the London Stock Exchange's regulated market for listed securities will be granted on or around 20 December 2006, subject to the issue of the GDRs. It is expected that conditional dealings in the GDRs will commence on 14 December 2006. However, prior to official listing, dealings in the GDRs will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in U.S. Dollars and for settlement on the third business day in London after the date of the transaction on 20 December 2006.

8. Copies of the following documents (and English translations thereof where the documents in question are not in English) may be inspected at, are available from and may be obtained free of charge upon request from the specified offices of Linklaters, One Silk Street, London EC2Y 8HQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

   (a) a copy of this Prospectus, together with any supplement to this Prospectus;

   (b) the Deposit Agreement;

   (c) the Bank's Charter; and

   (d) the Auditor's Report of the Bank together with the consolidated financial statements of the Bank as at and for the years ended 31 December 2005, 2004 and 2003 and the interim condensed consolidated financial statements for the nine months ended 30 September 2006.

9. The Bank's independent auditors are Ernst & Young LLP, acting as auditors under licence No. 0000003 dated 15 July 2005 issued by the Ministry of Finance of the Republic of Kazakhstan. The Bank's consolidated financial statements for the years ended 31 December 2005, 2004 and 2003 and the nine months ended 30 September 2006 were audited by Ernst & Young. Ernst & Young's audit reports are included in this Prospectus. Ernst & Young has given and not withdrawn its written consent to the inclusion in this Prospectus of its audit report dated 23 November 2006 on the Bank's interim condensed consolidated financial statements for the nine months ended 30 September 2006 and references to its name in the form and context in which they are included.

10. The Depositary is subject to regulation and supervision by the New York State Banking Department, the Federal Reserve Board and the Federal Deposit Insurance Corporation.

11. A copy of the Depositary's By-laws, as amended, together with copies of the Deposit Agreement and the Depositary's most recent financial statements and annual report are available for inspection at the administrative office of the Depositary located at 60 Wall Street, DR Department, 27th Floor, New York, NY 10005 during normal business hours for so long as the GDRs are listed on the Official List and admitted to trading on the London Stock Exchange and Deutsche Bank Trust Company Americas is the Depositary.

12. The Depositary will maintain the register of GDR Holders at its New York offices or at the specified office of its agent.

13. In the event that certificates in definitive form are issued in respect of the GDRs, the Bank will appoint an agent in the United Kingdom for so long as the GDRs are listed on the Official List and admitted to trading on the London Stock Exchange.

14. The total costs and expenses relating to the issue of the GDRs, including the UKLA listing fee, professional fees and expenses and the costs of printing of documents are estimated to amount to approximately U.S.$1,200,000 (assuming the Over-Allotment Option is exercised in full) and are payable by the Selling Shareholder. Included within this total are commissions on the issue of the GDRs, which are expected to be approximately U.S.$10,200,000 assuming no sale of the Over-Allotment GDRs (approximately U.S.$15,300,000 if the Underwriters' incentive fee is paid in full) payable to the Underwriters. The Bank has agreed to pay certain expenses in an amount of approximately U.S.$1,600,000 in connection with the Global Offer.

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Joint Stock Company Halyk Bank

Interim Condensed Consolidated Financial Statements
Together with Independent Auditors' Report

September 30, 2006

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Notes to the Interim Condensed Consolidated Financial Statements

Ernst & Young

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Halyk Bank

We have audited the accompanying interim condensed consolidated balance sheet of JSC Halyk Bank (the "Bank") and its subsidiaries (together "the Group") as of September 30, 2006, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine-month period then ended. These interim condensed consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these interim condensed consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the interim condensed consolidated financial statements of the Group as of September 30, 2006 and for the nine-month period then ended have been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Ernst & Young LLP

November 23, 2006

Almaty, Kazakhstan

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As of September 30, 2006

(Thousands of Kazakhstani Tenge)

	Notes	*September 30, 2006*	*December 31, 2005*
Assets			
Cash and cash equivalents	3	**81,098,892**	57,101,691
Obligatory reserves	4	**46,347,122**	8,632,311
Financial assets at fair value through profit or loss	5	**130,942,362**	50,017,958
Amounts due from credit institutions		**1,463,303**	2,776,941
Available-for-sale investment securities		**11,600,675**	12,098,639
Loans to customers	6, 7	**504,383,413**	411,097,223
Property and equipment		**14,246,638**	10,979,050
Deferred tax asset	8	**84,186**	–
Other assets		**6,845,370**	6,960,895
Total assets		**797,011,961**	559,664,708
Liabilities			
Amounts due to customers	9	**481,630,608**	320,629,650
Amounts due to credit institutions	10	**82,693,633**	107,284,147
Debt securities issued	11	**136,730,096**	58,813,594
Provisions	7	**2,538,891**	2,279,508
Deferred tax liability	8	**–**	425,144
Other liabilities		**6,710,293**	5,788,620
Total liabilities		**710,303,521**	495,220,663
Equity			
Share capital	12	**35,492,407**	29,016,188
Share premium reserve		**2,120,201**	2,192,147
Treasury shares		**(38,418)**	(16,336)
Retained earnings and other reserves		**48,264,870**	32,806,031
		85,839,060	63,998,030
Minority interest		**869,380**	446,015
Total equity		**86,708,440**	64,444,045
Total liabilities and equity		**797,011,961**	559,664,708
Commitments and contingencies	13		

Signed and authorized for release on behalf of the Board of the Bank:

Grigory A. Marchenko	Chairman of the Board
Nailiya K. Abdulina	Deputy Chairperson of the Board
Alexandra G. Fedchenko	Chief Accountant

November 23, 2006

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended September 30, 2006

(Thousands of Kazakhstani Tenge)

	Notes	*2006*	*2005*
Interest income			
Loans to customers		**50,128,024**	33,055,776
Debt securities		**3,455,561**	2,747,160
Cash and cash equivalents and amounts due from credit institutions		**3,094,707**	903,374
		56,678,292	36,706,310
Interest expense			
Amounts due to customers		**(11,866,870)**	(8,882,744)
Debt securities issued		**(6,472,096)**	(3,318,673)
Amounts due to credit institutions		**(4,824,666)**	(3,073,874)
		(23,163,632)	(15,275,291)
Net interest income before impairment		**33,514,660**	21,431,019
Impairment charge	7	**(10,675,337)**	(9,876,515)
Net interest income		**22,839,323**	11,554,504
Fee and commission income	14	**15,066,864**	11,681,706
Fee and commission expense	14	**(664,136)**	(660,569)
Fees and commissions, net		**14,402,728**	11,021,137
(Losses less gains) / gains less losses from financial assets at fair value through profit or loss		**(646,447)**	1,357,557
Gains less losses from available-for-sale investment securities		**25,414**	278,105
Gains less losses from dealing in foreign currencies		**3,187,484**	1,276,583
(Losses less gains) / gains less losses from translation of foreign currencies		**(681,089)**	41,965
Share of income of associates		**124,828**	142,715
Other income		**819,647**	514,717
Non interest income		**2,829,837**	3,611,642
Salaries and other employee benefits		**(10,418,670)**	(7,478,944)
Administrative and operating expenses		**(5,083,114)**	(3,908,775)
Depreciation and amortization expenses		**(1,716,779)**	(978,413)
Taxes other than income tax		**(912,093)**	(460,443)
Other provisions	7	**(267,030)**	(113,215)
Non interest expense		**(18,397,686)**	(12,939,790)
Income before income tax expense		**21,674,202**	13,247,493
Income tax expense	8	**(3,411,197)**	(1,807,436)
Net income after income tax expense		**18,263,005**	11,440,057
Attributable to:			
Equity holders of the parent		**17,814,754**	11,234,484
Minority interest in net income		**448,251**	205,573
Net income		**18,263,005**	11,440,057
Basic and diluted earnings per share (in Kazakhstani Tenge)	15	**18.24**	14.79

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended September 30, 2006

(Thousands of Kazakhstani Tenge)

	Share Capital-Common Shares	*Share Capital-Non-Convertible Preferred Shares*	*Share Capital-Convertible Preferred Shares*	*Share Premium Reserve*	*Treasury Shares*	*Net Unrealized Gains Reserve*	*Other Reserves*	*Retained Earnings*	*Total*	*Minority Interest*	*Total Equity*
December 31, 2005	14,221,769	2,474,200	12,320,219	2,192,147	(16,336)	301,100	290,039	32,214,892	63,998,030	446,015	64,444,045
Fair value change of available-for-sale investment securities, net of tax	–	–	–	–	–	355,091	–	–	355,091	33,313	388,404
Realized fair value change of available-for-sale investment securities	–	–	–	–	–	(25,414)	–	–	(25,414)	–	(25,414)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	–	–	–	–	–	–	(3,467)	3,467	–	–	–
Total income for the year recognized directly in equity	–	–	–	–	–	329,677	(3,467)	3,467	329,677	33,313	362,990
Net income	–	–	–	–	–	–	–	17,814,754	17,814,754	448,251	18,263,005
Total income	–	–	–	–	–	329,677	(3,467)	17,818,221	18,144,431	481,564	18,625,995
Common shares issued	5,565,020	–	–	–	–	–	–	–	5,565,020	–	5,565,020
Preferred shares issued	–	–	911,199	–	–	–	–	–	911,199	–	911,199
Treasury shares purchased	–	–	–	(71,946)	(22,082)	–	–	–	(94,028)	–	(94,028)
Dividends – preferred shares	–	–	–	–	–	–	–	(1,354,961)	(1,354,961)	–	(1,354,961)
Dividends – common shares	–	–	–	–	–	–	–	(1,330,631)	(1,330,631)	–	(1,330,631)
Dividends of subsidiaries	–	–	–	–	–	–	–	–	–	(58,199)	(58,199)
September 30, 2006	19,786,789	2,474,200	13,231,418	2,120,201	(38,418)	630,777	286,572	47,347,521	85,839,060	869,380	86,708,440

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended September 30, 2006

(Thousands of Kazakhstani Tenge)

	Share Capital-Common Shares	*Share Capital-Non-Convertible Preferred Shares*	*Share Capital-Convertible Preferred Shares*	*Share Premium Reserve*	*Treasury Shares*	*Net Unrealized Gains Reserve*	*Other Reserves*	*Retained Earnings*	*Total*	*Minority Interest*	*Total Equity*
December 31, 2004	13,285,151	2,474,200	–	2,191,170	(16,665)	223,932	295,530	16,897,850	35,351,168	217,029	35,568,197
Fair value change of available-for-sale investment securities, net of tax	–	–	–	–	–	128,305	–	–	128,305	25,332	153,637
Realized fair value change of available-for-sale investment securities	–	–	–	–	–	(278,105)	–	–	(278,105)	–	(278,105)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	–	–	–	–	–	–	(799)	799	–	–	–
Total income for the year recognized directly in equity	–	–	–	–	–	(149,800)	(799)	799	(149,800)	25,332	(124,468)
Net income	–	–	–	–	–	–	–	11,234,484	11,234,484	205,573	11,440,057
Total income	–	–	–	–	–	(149,800)	(799)	11,235,283	11,084,684	230,905	11,315,589
Common shares issued	936,807	–	–	–	–	–	–	–	936,807	–	936,807
Preferred shares issued	–	–	7,969,056	–	–	–	–	–	7,969,056	–	7,969,056
Treasury shares sold	–	–	–	995	464	–	–	–	1,459	–	1,459
Dividends – preferred shares	–	–	–	–	–	–	–	(316,629)	(316,629)	–	(316,629)
September 30, 2005	14,221,958	2,474,200	7,969,056	2,192,165	(16,201)	74,132	294,731	27,816,504	55,026,545	447,934	55,474,479

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended September 30, 2006

(Thousands of Kazakhstani Tenge)

	Notes	*2006*	*2005*
Cash flows from operating activities:			
Income before income tax expense		**21,674,202**	13,247,493
Adjustments for:			
Impairment charge and other provisions	7	**10,942,367**	9,989,730
Depreciation and amortization		**1,716,779**	978,413
(Gain) / loss from disposal of property and equipment		**(38,892)**	32,015
Gain on disposal of other assets		**(163,577)**	–
Losses less gains / (gains less losses) from financial assets at fair value through profit and loss		**646,447**	(1,357,557)
Share of income of associates		**(124,828)**	(142,715)
Unrealized foreign exchange (gain) / loss		**(349,985)**	308,041
Operating income before changes in net operating assets		**34,302,513**	23,055,420
(Increase) / decrease in operating assets:			
Obligatory reserves		**(37,714,811)**	(2,713,394)
Financial assets at fair value through profit or loss		**(81,983,941)**	14,895,447
Amounts due from credit institutions		**1,313,638**	(2,922,441)
Loans to customers		**(113,885,978)**	(131,817,280)
Other assets		**(273,583)**	(846,282)
Increase / (decrease) in operating liabilities:			
Amounts due to customers		**167,620,636**	106,861,780
Amounts due to credit institutions		**(19,572,099)**	4,048,927
Other liabilities		**1,067,927**	1,675,727
Net cash flows (used in) / from operating activities before income taxes		**(49,125,698)**	12,237,904
Income tax paid		**(3,730,911)**	(1,320,199)
Net cash flows (used in) / from operating activities		**(52,856,609)**	10,917,705
Cash flows from investing activities:			
Purchase of property and equipment		**(5,230,721)**	(2,452,683)
Proceeds from sale of property and equipment		**470,509**	391,443
Proceeds from sale of available-for-sale investment securities		**1,523,923**	14,348,011
Purchase of available-for-sale investment securities		**(667,597)**	(6,822,724)
Net cash flows (used in) / from investing activities		**(3,903,886)**	5,464,047
Cash flows from financing activities:			
Proceeds from common shares issued		**5,565,020**	936,807
Proceeds from preferred shares issued		**911,199**	7,969,056
Purchase of treasury shares		**(94,028)**	–
Sale of treasury shares		**–**	1,459
Dividends paid		**(2,743,791)**	(316,629)
Issue of debt securities		**81,702,133**	12,628,848
Purchase of debt securities		**(2,418,403)**	(1,656,959)
Net cash flows from financing activities		**82,922,130**	19,562,582
Effects of exchange rate changes on cash and cash equivalents		**(2,164,434)**	847,269
Net change in cash and cash equivalents		**23,997,201**	36,791,603
Cash and cash equivalents at the beginning of the year		**57,101,691**	33,123,369
Cash and cash equivalents at the end of the period	3	**81,098,892**	69,914,972
Supplementary information:			
Interest received		**54,191,045**	35,269,405
Interest paid		**18,664,495**	11,301,761
Commission received		**15,135,284**	11,126,255

The accompanying notes on pages 6 to 23 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

1. Principal Activities

Joint Stock Company Halyk Bank (the "Bank") and its subsidiaries (together the "Group") mainly provide retail and corporate banking, pension and asset management services in Kazakhstan, Russia and Kyrgyzstan. The parent company of the Group, Joint Stock Company Halyk Bank was incorporated in 1995 and is domiciled in the Republic of Kazakhstan. The Bank operates under a general banking licence renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan ("FMSA") on September 30, 2005. The Bank also possesses licences for securities operations and custody services from the FMSA renewed on February 19, 2004. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstani Fund for Deposits Guarantee.

The Bank's primary business includes originating loans and guarantees, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and credit card operations and rendering other banking services to its customers. In addition, the Bank acts as the government's agent in channelling various budgetary payments and pensions through its nationwide network.

The address of the Bank's registered office is: 97 Rozybakiyev Street, Almaty, 050046, Republic of Kazakhstan. The Bank has a primary listing in the Kazakhstan Stock Exchange ("KASE"). In addition, certain of the Bank's debt securities issued are primarily listed on Luxembourg and London Stock Exchanges with security listing on KASE. The Bank operates through its head office in Almaty and its 19 regional branches, 126 sub-regional offices and 405 cash settlement units (December 31, 2005 – 20, 126 and 393, respectively) located throughout Kazakhstan.

As of September 30, 2006 the Bank was controlled by JSC Holding Group Almex via its 82.65% share in the Bank's equity (December 31, 2005 – 82.03%). The Bank is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

2. Basis of Preparation

General

These interim condensed consolidated financial statements for the nine months ended September 30, 2006 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") and presented in thousands of Kazakh Tenge ("KZT"), except per share amounts and unless otherwise indicated.

Accordingly, it does not include all of the information required by the International Financial Reporting Standards ("IFRS") for complete financial statements. Operating results for the nine month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

The accounting policies and methods of computations adopted in the preparation of these interim condensed consolidated financial statements are principally the same as those used in the preparation of the annual financial statements for the year ended December 31, 2005.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of December 31, 2005, along with the corresponding figures.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. The primary estimates, which relate to the allowance for impairment of assets and other provisions and deferred taxes, are based on information available as of the date of these interim condensed consolidated financial statements. Actual results, therefore, could differ from these estimates.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2005, except for the adoption of the following amendments mandatory for annual periods beginning on or after January 1, 2006:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

2. Basis of Preparation (continued)

Significant Accounting Policies (continued)

a. IAS 39-*Financial instrument: Recognition and Measurement ("IAS 39") –Amendment for financial guarantee contracts-* which amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under IAS 39 as amended, financial guarantee contracts are recognised initially at fair value and remeasured at the higher of the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with IAS 18 *Revenue;*

b. IAS 39 *–Amendment for hedges of forecast intragroup transactions-* which amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements;

c. IAS 39-*Amendment for the fair value option-*which restricted the use of the option to designate any financial assets or any financial liability to be measured at fair value through profit and loss.

The adoption of these amendments did not affect the Group's results of operations or financial position.

Consolidated Subsidiaries

These interim condensed consolidated financial statements include the following subsidiaries:

Subsidiary	***Holding, %***		***Country***	***Industry***
	September 30, 2006	***December 31, 2005***		
JSC Halyk Leasing	**100**	100	Kazakhstan	Leasing
JSC Kazteleport	**100**	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	**100**	100	Netherlands	Issue and placement of Eurobonds
OJSC Halyk Bank Kyrgyzstan	**100**	100	Kyrgyzstan	Banking
JSC Halyk Finance	**100**	100	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	**100**	100	Kazakhstan	Cash collection services
JSC Halyk Life	**100**	–	Kazakhstan	Life insurance
JSC Bank Khlebny	**97**	77	Russia	Banking
JSC Accumulated Pension fund of Halyk Bank	**85**	85	Kazakhstan	Pension assets accumulation and management
LLP ARIR	**–**	100	Kazakhstan	Financial markets research

Associates Accounted for under the Equity Method

The following associates are accounted for under the equity method:

Associates	***Holding, %***	***Country***	***Activities***	***Share in net income***	***Total revenue***	***Total assets***	***Total liabilities***	***Equity***
				Nine-month period ended September 30, 2006		***September 30, 2006***		
2006								
JSC Kazakhinstrakh	41.47	Kazakhstan	Insurance	**143,727**	**2,220,566**	**5,917,455**	**3,583,958**	**2,333,497**
JSC National Processing Center	25.14	Kazakhstan	Processing	**(18,864)**	**(81,397)**	**783,744**	**13,763**	**769,981**
JSC Halyk Private Equity	49.90	Kazakhstan	Investment and venture	**(35)**	**(1,122)**	**48,208**	–	**48,208**

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September 30, 2006

2. Basis of Preparation (continued)

Associates Accounted for under the Equity Method (continued)

Associate	Holding, %	Country	Activities	Share in net income	Total revenue	Total assets	Total liabilities	Equity
				Nine-month period ended September 30, 2005		December 31, 2005		
2005								
JSC Kazakhinstrakh	41.69	Kazakhstan	Insurance	142,715	1,880,053	3,826,349	1,760,802	2,065,547

Investments in associates are classified within other assets.

3. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	September 30, 2006	*December 31, 2005*
Cash on hand	**16,517,645**	14,911,746
Correspondent accounts with OECD based banks	**11,126,065**	3,669,426
Correspondent accounts with non-OECD based banks	**1,092,974**	1,147,804
Correspondent accounts with the National Bank of Kazakhstan (“NBK”)	**–**	9,375,422
Overnight deposits with OECD based banks	**23,230,105**	20,081,011
Short-term deposits with OECD based banks	**24,165,808**	–
Short-term deposits and loans with Kazakh banks	**4,966,295**	7,916,282
Cash and cash equivalents	**81,098,892**	57,101,691

Interest rates and currencies in which cash equivalents are denominated follow:

	September 30, 2006		*December 31, 2005*	
	KZT	*Foreign currencies*	*KZT*	*Foreign currencies*
Overnight deposits with OECD based banks	**–**	**3.1%-6.0%**	–	2.3%-4.2%
Short-term deposits with OECD based banks	**–**	**5.3%**	–	–
Short-term deposits and loans with Kazakh banks	**2.5%-7.5%**	**5.3%-6.0%**	4.0%-14.0%	5.0%

4. Obligatory Reserves

Obligatory reserves comprise:

	September 30, 2006	*December 31, 2005*
Due from NBK allocated to obligatory reserves	**45,416,767**	8,632,311
Cash on hand allocated to obligatory reserves	**930,355**	–
Obligatory reserves	**46,347,122**	8,632,311

Obligatory reserves have significantly increased due to the change in the regulatory requirements and calculation methodology effective May 27, 2006.

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September 30, 2006

5. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise:

	September 30, 2006	*December 31, 2005*
NBK notes	**66,720,046**	23,159,597
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**30,542,582**	19,527,405
US Treasury bills	**9,970,598**	–
Eurobonds of Kazakh banks	**7,162,125**	1,664,640
Sovereign bonds of the Republic of Kazakhstan	**6,549,554**	4,674,276
Bonds of the Development Bank of Kazakhstan	**4,450,605**	992,040
Corporate bonds	**4,381,922**	–
Bonds of OECD based banks	**1,164,852**	–
Equity securities of Kyrgyz corporations	**78**	–
Financial assets at fair value through profit or loss	**130,942,362**	50,017,958
Subject to repurchase agreements	**210,501**	–

As of December 31, 2005, NBK notes amounting to KZT 521,820 were restricted as collateral for certain of the Group's borrowings (September 30, 2006 – nil).

Interest rates and maturities of debt securities follow:

	September 30, 2006		*December 31, 2005*	
	%	*Maturity*	*%*	*Maturity*
NBK notes	**3.9%-4.6%**	**2006**	2.1%-2.4%	2006
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**2.7%-7.9%**	**2006**	3.1%-8.4%	2006-2014
US Treasury bills	**5.1%-5.3%**	**2006**	–	–
Eurobonds of Kazakh banks	**7.3%-9.5%**	**2007-2015**	7.9%-10.1%	2007-2013
Sovereign bonds of the Republic of Kazakhstan	**11.1%**	**2007**	11.1%	2007
Bonds of the Development Bank of Kazakhstan	**4.8%-9.8%**	**2007-2026**	7.1%-8.5%	2007
Corporate bonds	**3.9%-10.9%**	**2009-2015**	–	–
Bonds of OECD based banks	**4.0%-4.8%**	**2009-2010**	–	–

6. Loans to Customers

Loans to customers comprise:

	September 30, 2006	*December 31, 2005*
Loans to customers	**534,616,535**	431,150,873
Overdrafts	**3,474,946**	1,499,532
Promissory notes	**2,521,292**	4,288,256
Factoring	**–**	79,328
	540,612,773	437,017,989
Less – Allowance for loan impairment (Note 7)	**(36,229,360)**	(25,920,766)
Loans to customers	**504,383,413**	411,097,223

As of September 30, 2006, the annual interest rates charged by the Bank ranged from 11% to 19% per annum for KZT-denominated loans (December 31, 2005 – from 6% to 25%) and from 7% to 18% per annum for US Dollar-denominated loans (December 31, 2005 – from 6% to 22%).

As of September 30, 2006, the Group had a concentration of loans of KZT 87,101 to the ten largest borrowers that comprised 16% of the Group's total gross loan portfolio (December 31, 2005 − KZT 52,972; 12%) and 100% of the Group's total equity (December 31, 2005 − 82%). An allowance for impairment amounting to KZT 273 was made against these loans (December 31, 2005 - KZT 1,675).

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September 30, 2006

6. Loans to Customers (continued)

Loans are made to the following sectors:

	September 30, 2006	%	*December 31, 2005*	%
Individual loans:				
- mortgage loans	**97,248,429**	**18%**	78,680,146	18%
- consumer loans	**81,005,119**	**15%**	51,921,731	12%
Wholesale trade	**95,639,199**	**18%**	60,924,208	14%
Construction	**74,333,564**	**14%**	54,461,305	12%
Agriculture (mainly grain sector)	**39,267,982**	**7%**	38,018,719	8%
Retail trade	**29,609,239**	**6%**	33,909,256	8%
Real estate	**14,554,995**	**3%**	12,493,907	3%
Oil and gas	**13,143,209**	**2%**	16,380,276	4%
Transportation	**11,357,002**	**2%**	8,439,726	2%
Food industry	**9,126,288**	**2%**	3,742,509	1%
Energy	**6,820,999**	**1%**	7,278,666	2%
Hotel industry	**4,859,991**	**1%**	3,323,331	1%
Metallurgy	**4,529,519**	**1%**	3,968,204	1%
Mining	**3,716,139**	**1%**	6,587,252	1%
Machinery	**2,473,332**	**0%**	2,707,749	1%
Consumer goods and automobiles trade	**2,303,304**	**0%**	2,148,880	0%
Communication	**1,647,630**	**0%**	1,432,723	0%
Research and development	**1,484,804**	**0%**	8,307,104	2%
Other	**47,492,029**	**9%**	42,292,297	10%
	540,612,773	**100%**	437,017,989	100%

7. Allowances for Impairment and Provisions

The movements in the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers	*Other assets*	*Total*
December 31, 2004	(16,537,686)	(76,022)	(16,613,708)
Impairment charge	(9,768,581)	(107,934)	(9,876,515)
Write-offs	2,726,519	11,469	2,737,988
Recoveries	(861,085)	(1,022)	(862,107)
September 30, 2005	(24,440,833)	(173,509)	(24,614,342)
December 31, 2005	(25,920,766)	(133,812)	(26,054,578)
Impairment charge	**(10,356,383)**	**(318,954)**	**(10,675,337)**
Write-offs	**2,631,456**	**85,989**	**2,717,445**
Recoveries	**(2,583,667)**	**(915)**	**(2,584,582)**
September 30, 2006	**(36,229,360)**	**(367,692)**	**(36,597,052)**

The movements in provisions were as follows:

	Provisions
December 31, 2004	(1,801,039)
Provision	(113,215)
Write-offs	15,434
September 30, 2005	(1,898,820)
December 31, 2005	(2,279,508)
Provision	**(267,030)**
Write-offs	**7,647**
September 30, 2006	**(2,538,891)**

Allowances for impairment of assets are deducted from the related assets. Provisions represent provisions against letters of credit and guarantees issued.

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8. Taxation

The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC Bank Khlebny and OJSC Halyk Bank Kyrgyzstan are subject to taxation in the Republic of Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. JSC Bank Khlebny is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Kyrgyz Republic.

The income tax expense comprises:

	2006	*2005*
Current tax charge	**(3,920,527)**	(1,993,376)
Deferred tax benefit	**509,330**	185,940
Income tax expense	**(3,411,197)**	(1,807,436)

Deferred tax assets and liabilities comprise:

	September 30, 2006	*December 31, 2005*
Tax effect of deductible temporary differences:		
Loans to customers	**1,075,899**	341,564
Deferred tax asset	**1,075,899**	341,564
Tax effect of taxable temporary differences:		
Property and equipment	**(991,713)**	(766,708)
Deferred tax liability	**(991,713)**	(766,708)
Net deferred tax asset / (liability)	**84,186**	(425,144)

Temporary differences on loans to customers as of September 30, 2006 relate to up-front fees received on loans taxed for statutory tax purposes at the time of receipt of such fees and impairment charge on loans to customers. Temporary differences on loans to customers as of December 31, 2005 relate to up-front fees received on loans taxed for statutory tax purposes at the time of receipt of such fees.

Kazakhstan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable 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, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; 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 Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

9. Amounts Due to Customers

Amounts due to customers include customers' term deposits, current accounts and other customers' bank accounts as follows:

	September 30, 2006	*December 31, 2005*
Term deposits:		
Commercial entities	**139,743,837**	92,026,122
Individuals	**157,117,015**	97,443,587
Governmental entities	**38,450,085**	17,426,543
	335,310,937	206,896,252
Current accounts:		
Commercial entities	**74,721,474**	64,587,543
Individuals	**50,394,096**	37,913,417
Governmental entities	**20,817,667**	10,466,124
	145,933,237	112,967,084
Guarantee and other restricted accounts	**386,434**	766,314
Amounts due to customers	**481,630,608**	320,629,650

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September 30, 2006

9. Amounts Due to Customers (continued)

As of September 30, 2006, the Bank's ten largest customers accounted for approximately 43% of the total amounts due to customers (December 31, 2005 – 39%). Concentration to a single customer as of the same date accounted for 19% of the total amounts due to customers (December 31, 2005 – 27%).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to arrange for the necessary funds to enable repayment.

An analysis of customer accounts by sector follows:

	September 30, 2006	*%*	*December 31, 2005*	*%*
Individuals and entrepreneurs	**207,511,111**	**43%**	135,357,004	42%
Metallurgy	**89,500,126**	**19%**	636,449	0%
Oil and gas	**48,493,713**	**10%**	99,769,084	31%
Financial sector (other than credit institutions)	**44,841,804**	**9%**	5,422,340	2%
General transportation	**31,489,598**	**6%**	4,760,271	2%
Construction	**14,650,353**	**3%**	22,890,735	7%
Wholesale trade	**12,919,085**	**3%**	5,907,904	2%
Energy	**4,458,210**	**1%**	10,390,969	3%
Transportation of oil and gas	**3,160,857**	**1%**	6,267,139	2%
Other	**24,605,751**	**5%**	29,227,755	9%
	481,630,608	**100%**	320,629,650	100%

10. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	September 30, 2006	*December 31, 2005*
Loans and deposits from OECD based banks	**67,997,774**	97,539,596
Loans and deposits from Kazakh banks	**9,984,896**	1,099,582
Loans and deposits from non-OECD based banks	**1,437,659**	2,144,841
Loans from other financial institutions	**915,465**	1,413,908
Loans from the European Bank for Reconstruction and Development ("EBRD")	**652,169**	679,153
Overnight deposits	**1,200,180**	3,850,541
Correspondent accounts	**505,490**	556,526
Amounts due to credit institutions	**82,693,633**	107,284,147

Interest rates and maturities of amounts due to credit institutions follow:

	September 30, 2006		*December 31, 2005*	
	%	*Maturity*	*%*	*Maturity*
Loans and deposits from OECD based banks	**3.0%-7.7%**	**2006-2014**	3.8%-7.8%	2006-2012
Loans and deposits from Kazakh banks	**4.8%-6.5%**	**2007**	4.0%-8.0%	2006
Loans and deposits from non-OECD based banks	**4.0%-6.6%**	**2006-2012**	4.7%-6.0%	2006-2012
Loans from other financial institutions	**5.9%-8.2%**	**2007-2012**	2.4%-7.3%	2006-2012
Loans from EBRD	**6-month LIBOR + 2.00%**	**2006**	6-month LIBOR + 4.25%	2006
Overnight deposits	**2.6%**	**2006**	4.0%-5.0%	2006

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10. Amounts Due to Credit Institutions (continued)

Financial covenants

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, 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. Furthermore, certain of the Bank's outstanding financing agreements include covenants restricting the Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. As of September 30, 2006 and December 31, 2005, management believes that the Bank was in compliance with the covenants of the various debt agreements the Bank has with other banks and financial institutions.

11. Debt Securities Issued

Debt securities issued consisted of the following:

	September 30, 2006	*December 31, 2005*
Fixed rate KZT denominated bonds	**20,404,523**	20,608,349
Reverse inflation indexed KZT denominated bonds	**5,034,039**	3,674,782
Inflation indexed KZT denominated bonds	**3,971,252**	–
USD denominated bonds	**3,790,790**	3,789,579
Subordinated debt securities issued	**33,200,604**	28,072,710
Less: subordinated debt securities held by the Group	**(1,104,632)**	(17,057)
Subordinated debt securities issued	**32,095,972**	28,055,653
USD denominated bonds	**65,536,343**	26,918,359
KZT denominated bonds	**40,411,490**	5,106,234
RUR denominated promissory notes	**62**	47,593
Unsubordinated debt securities issued	**105,947,895**	32,072,186
Less: unsubordinated debt securities held by the Group	**(1,313,771)**	(1,314,245)
Unsubordinated debt securities issued	**104,634,124**	30,757,941
Total debt securities issued	**136,730,096**	58,813,594

The interest rates and maturities of debt securities issued follow:

	September 30, 2006		*December 31, 2005*	
	%	*Maturity*	*%*	*Maturity*
Subordinated debt securities issued				
Fixed rate KZT denominated bonds	**7.5%-10.6%**	**2009-2016**	7.5%-9.6%	2009-2015
Reverse inflation indexed KZT denominated bonds	**15.0% less inflation rate**	**2015**	15.0% less inflation rate	2015
Inflation indexed KZT denominated bonds	**inflation rate plus 1.0%**	**2014**	–	–
USD denominated bonds	**8.0%-11.8%**	**2007**	8.0%-11.8%	2007
Unsubordinated debt securities issued				
USD denominated bonds	**7.8%-8.1%**	**2009-2013**	8.1%	2009
KZT denominated bonds	**5.0%-7.3%**	**2007-2009**	5.0%	2007
RUR denominated promissory notes	**–**	**On demand**	–	On demand

Subordinated securities are unsecured obligations of the Bank and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Bank.

In accordance with the terms of the USD denominated bonds, the Bank is required to maintain certain financial covenants particularly with regard to its capital adequacy, lending exposures, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. Management believes that as of September 30, 2006 and December 31, 2005, the Bank is in compliance with the other covenants of the agreements the Bank has with the notes' trustee and holders.

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12. Equity

Authorized and issued share capital as of September 30, 2006, consisted of 921,082,234 common shares, 24,742,000 non-convertible preferred shares and 80,225,222 convertible preferred shares (December 31, 2005 − 897,383,050, 24,742,000 and 74,887,521, respectively). All shares are KZT denominated. Each common share is entitled to one vote and is equal for dividends. Convertible preferred shares are subsequently convertible into common shares based on the decision of the Board of Directors of the Bank authorized by the Shareholders.

In accordance with IAS 32 "Financial Instruments: Disclosure and Presentation", preferred shares are classified as part of equity as these shares are not redeemable and guarantee a nominal dividend amount of KZT 0.01 per share to comply with the Kazakh legislation with regard to preferred shares which requires joint stock companies to guarantee certain amount of preferred dividends. The remainder of the dividends on preferred shares is linked to the Bank's profitability and is paid out only if the Bank is profitable. Preferred shares do not have any voting rights, unless payment of preferred dividends has been delayed for three months or more from the date they became due.

At September 30, 2006, the Group held 3,841,816 of the Bank's shares as treasury shares at KZT 38,418 (December 31, 2005 −1,633,610 at KZT 16,336).

13. Commitments and Contingencies

Financial Commitments and Contingencies

The Group's financial commitments and contingencies comprised the following:

	September 30, 2006	*December 31, 2005*
Guarantees issued	**27,579,982**	29,329,513
Commitments to extend credit	**18,683,459**	17,000,292
Commercial letters of credit	**20,354,176**	16,107,316
	66,617,617	62,437,121
Less: cash collateral against letters of credit	**(386,434)**	(766,314)
Less: provisions	**(2,538,891)**	(2,279,508)
Financial commitments and contingencies	**63,692,292**	59,391,299

As of September 30, 2006, the ten largest guarantees accounted for 47% of the Bank's total financial guarantees (December 31, 2005 − 56%) and represented 15% of the Group's total equity (December 31, 2005 − 25%).

As of September 30, 2006, the ten largest customers on letters of credit accounted for 83% of the Bank's total commercial letters of credit (December 31, 2005 − 74%) and represented 18% of the Group's total equity (December 31, 2005 − 18%).

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 banks, government securities and other assets.

Trust Activities

The Group provides fiduciary services to third parties which involve the Bank making allocation, purchase and sales decisions in relation to trusted securities. Those securities that are held in a fiduciary capacity are not included in these interim condensed consolidated financial statements. As of September 30, 2006, such securities not reported in the condensed consolidated interim balance sheet amounted to KZT 224,072 thousand (December 31, 2005 − KZT 168,343 thousand).

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14. Fees and Commissions

Fee and commission income resulted from the following sources:

	2006	*2005*
Pension fund and asset management	**4,509,567**	2,088,377
Bank transfers	**4,048,680**	3,052,223
Cash operations	**1,844,858**	1,220,577
Maintenance of customer accounts	**979,865**	1,084,335
Letters of credit and guarantees issued	**967,161**	1,384,061
Customers' pension payments	**785,149**	643,895
Utilities payments	**709,571**	646,710
Plastic cards maintenance	**307,210**	322,768
Foreign currency conversion	**215,704**	562,107
Other	**699,099**	676,653
Fee and commission income	**15,066,864**	11,681,706

Fee and commission expense comprised the following:

	2006	*2005*
Plastic cards	**(344,529)**	(271,686)
Bank transfers	**(109,035)**	(94,035)
Foreign currency operations	**(83,942)**	(157,098)
Other	**(126,630)**	(137,750)
Fee and commission expense	**(664,136)**	(660,569)

15. Earnings per Share

Basic earnings per share are calculated by dividing the net income for the period attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the period. Participating shares comprise common and preferred shares as, in accordance with Kazakhstan legislation, preferred shareholders are entitled to at least the same amount of per share dividends as common shareholders.

The following reflects the income and share data used in the basic earnings per share computations for the nine-month periods ended September 30:

	2006	*2005*
Net income attributable to equity holders of the parent	**17,814,754**	11,234,484
Weighted average number of participating shares	**976,463,756**	759,401,514
Basic and diluted earnings per share (Tenge)	**18.24**	14.79

16. Risk Management Policies

Currency Risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position and cash flows, which are monitored daily. The Assets and Liabilities Management Committee sets limits on the level of exposure by currencies within the authority approved by the Board of Directors, by branches and in total. These limits also comply with the minimum requirements of the NBK. The Bank's exposure to foreign currency exchange rate risk follows:

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September 30, 2006

16. Risk Management Policies (continued)

Currency Risk (continued)

	September 30, 2006			December 31, 2005		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
Monetary assets:						
Cash and cash equivalents	**5,341,100**	**75,757,792**	**81,098,892**	24,556,199	32,545,492	57,101,691
Obligatory reserves	**37,478,847**	**8,868,275**	**46,347,122**	8,632,311	–	8,632,311
Financial assets at fair value through profit or loss	**112,312,567**	**18,629,795**	**130,942,362**	42,687,002	7,330,956	50,017,958
Amounts due from credit institutions	**1,315,585**	**147,718**	**1,463,303**	1,330,465	1,446,476	2,776,941
Available-for-sale investment securities	**10,417,588**	**1,183,087**	**11,600,675**	9,623,288	2,475,351	12,098,639
Loans to customers	**255,433,260**	**285,179,513**	**540,612,773**	179,297,785	257,720,204	437,017,989
Deferred tax asset	**84,186**	–	**84,186**	–	–	–
Other assets	**2,417,131**	**1,424,747**	**3,841,878**	3,970,304	443,857	4,414,161
	424,800,264	**391,190,927**	**815,991,191**	270,097,354	301,962,336	572,059,690
Monetary liabilities:						
Amounts due to customers	**250,174,306**	**231,456,302**	**481,630,608**	159,727,655	160,901,995	320,629,650
Amounts due to credit institutions	**17,241,538**	**65,452,095**	**82,693,633**	18,122,429	89,161,718	107,284,147
Debt securities issued	**71,119,500**	**65,610,596**	**136,730,096**	28,084,365	30,729,229	58,813,594
Provisions	**2,538,611**	**280**	**2,538,891**	2,279,070	438	2,279,508
Deferred tax liability	–	–	–	425,144	–	425,144
Other liabilities	**4,480,394**	**1,708,801**	**6,189,195**	2,701,648	1,366,868	4,068,516
	345,554,349	**364,228,074**	**709,782,423**	211,340,311	282,160,248	493,500,559
Net balance sheet position	**79,245,915**	**26,962,853**	**106,208,768**	58,757,043	19,802,088	78,559,131

The above table does not include the effect of allowances for impairment of loans to customers and other assets totalling KZT 36,597,052 as of September 30, 2006 (December 31, 2005 – KZT 26,054,578).

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

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. Short-term liquidity needs are managed by the Bank's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by the Assets and Liabilities Management Committee by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. The Assets and Liabilities Management Committee within the authority approved by 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.

The following tables provide an analysis of monetary assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date, except for financial assets at fair value through profit or loss and available-for-sale investment securities which are included in the column "On demand" as they are available to meet the Bank's short-term liquidity needs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

16. Risk Management Policies (continued)

Liquidity Risk (continued)

	September 30, 2006						
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Total*
Monetary assets:							
Cash and cash equivalents	28,736,684	48,159,375	4,202,833	–	–	–	81,098,892
Obligatory reserves	–	–	–	–	–	46,347,122	46,347,122
Financial assets at fair value through profit or loss	130,942,362	–	–	–	–	–	130,942,362
Amounts due from credit institutions	–	–	–	930,677	532,626	–	1,463,303
Available-for-sale investment securities	11,600,675	–	–	–	–	–	11,600,675
Loans to customers	3,474,946	28,214,802	34,910,375	230,953,776	124,035,201	119,023,673	540,612,773
Deferred tax asset	–	–	–	84,186	–	–	84,186
Other assets	–	815,447	317,692	1,378,816	–	1,329,923	3,841,878
	174,754,667	77,189,624	39,430,900	233,347,455	124,567,827	166,700,718	815,991,191
Monetary liabilities:							
Amounts due to customers	145,933,237	81,680,787	25,048,530	153,732,509	63,133,908	12,101,637	481,630,608
Amounts due to credit institutions	505,490	10,078,836	7,262,576	28,467,415	20,573,824	15,805,492	82,693,633
Debt securities issued	62	–	–	3,790,540	40,411,490	92,528,004	136,730,096
Provisions	2,538,891	–	–	–	–	–	2,538,891
Other liabilities	–	2,961,059	772,145	2,329,325	126,666	–	6,189,195
	148,977,680	94,720,682	33,083,251	188,319,789	124,245,888	120,435,133	709,782,423
Net position	25,776,987	(17,531,058)	6,347,649	45,027,666	321,939	46,265,585	106,208,768
Accumulated gap	25,776,987	8,245,929	14,593,578	59,621,244	59,943,183	106,208,768	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

16. Risk Management Policies (continued)

Liquidity Risk (continued)

	December 31, 2005						
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 3 years***	***Over 3 years***	***Total***
Monetary assets:							
Cash and cash equivalents	29,104,398	26,231,346	1,765,947	–	–	–	57,101,691
Obligatory reserves	–	–	–	–	–	8,632,311	8,632,311
Financial assets at fair value through profit or loss	50,017,958	–	–	–	–	–	50,017,958
Amounts due from credit institutions	–	–	1,446,476	1,120,332	210,133	–	2,776,941
Available-for-sale investment securities	12,098,639	–	–	–	–	–	12,098,639
Loans to customers	1,499,532	14,045,112	29,165,344	137,930,473	190,719,523	63,658,005	437,017,989
Other assets	997,788	1,224,752	112,966	625,998	–	1,452,657	4,414,161
	93,718,315	41,501,210	32,490,733	139,676,803	190,929,656	73,742,973	572,059,690
Monetary liabilities:							
Amounts due to customers	112,967,084	38,991,242	18,630,799	88,641,854	58,250,210	3,148,461	320,629,650
Amounts due to credit institutions	556,526	14,937,940	14,575,018	38,294,969	30,356,310	8,563,384	107,284,147
Debt securities issued	47,593	–	–	–	7,718,616	51,047,385	58,813,594
Provisions	2,279,508	–	–	–	–	–	2,279,508
Deferred tax liability	–	–	–	425,144	–	–	425,144
Other liabilities	857,578	1,038,532	1,078,928	789,596	303,882	–	4,068,516
	116,708,289	54,967,714	34,284,745	128,151,563	96,629,018	62,759,230	493,500,559
Net position	(22,989,974)	(13,466,504)	(1,794,012)	11,525,240	94,300,638	10,983,743	78,559,131
Accumulated gap	(22,989,974)	(36,456,478)	(38,250,490)	(26,725,250)	67,575,388	78,559,131	

The above tables do not include the effect of allowances for impairment of loans to customers and other assets totalling KZT 36,597,052 as of September 30, 2006 (December 31, 2005 − KZT 26,054,578).

17. Segment Analysis

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of two main business segments:

Retail banking – representing private banking services, private customer current accounts, saving deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Corporate banking – representing direct debt facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

There were no transactions between business segments during the nine-month periods ended September 30, 2006 and 2005.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

17. Segment Analysis (continued)

Segment information for the main reportable business segments of the Group as of September 30, 2006 and December 31, 2005 and for the nine-month periods ended September 30, 2006 and 2005 is set out below:

	Retail banking	*Corporate banking*	*Other*	*Total*
2006				
Total external revenues	**28,964,841**	**45,411,538**	**198,614**	**74,574,993**
Segment result	**11,678,336**	**27,691,883**	**198,614**	**39,568,833**
Unallocated costs				(17,894,631)
Income before income tax expense				**21,674,202**
Income tax expense				(3,411,197)
Net income				**18,263,005**
Total segment assets	**182,021,301**	**406,244,352**	**142,543,037**	**730,808,690**
Premises and equipment				14,246,638
Other unallocated assets				51,956,633
Total assets	**182,021,301**	**406,244,352**	**142,543,037**	**797,011,961**
Total segment liabilities	**(207,010,498)**	**(277,159,001)**	**–**	**(484,169,499)**
Other unallocated liabilities				(226,134,022)
Total liabilities	**(207,010,498)**	**(277,159,001)**	**–**	**(710,303,521)**
Other segment items				
Capital expenditure				**(5,230,721)**
Depreciation and amortization expense				**(1,716,779)**
Impairment charge and other provisions to statement of income				**(10,942,367)**
Other net non-cash gain				**30,835**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

17. Segment Analysis (continued)

	Retail banking	*Corporate banking*	*Other*	*Total*
2005				
Total external revenues	**16,324,404**	**33,524,875**	**2,150,379**	**51,999,658**
Segment result	**7,410,018**	**14,587,123**	**2,150,379**	**24,147,520**
Unallocated costs				(10,900,027)
Income before income tax expense				**13,247,493**
Income tax expense				(1,807,436)
Net income				**11,440,057**
Total segment assets	**136,753,241**	**335,665,379**	**62,116,597**	**534,535,217**
Premises and equipment				10,979,050
Other unallocated assets				14,150,441
Total assets	**136,753,241**	**335,665,379**	**62,116,597**	**559,664,708**
Total segment liabilities	**(132,716,916)**	**(190,192,242)**	**–**	**(322,909,158)**
Other unallocated liabilities				(172,311,505)
Total liabilities	**(132,716,916)**	**(190,192,242)**	**–**	**(495,220,663)**
Other segment items				
Capital expenditure				(2,452,683)
Depreciation and amortization expense				(978,413)
Impairment charge and other provisions to statement of income				(9,989,730)
Other net non-cash gain				1,160,216

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Kazakhstani Tenge)

September 30, 2006

17. Segment Analysis (continued)

Geographical segments. Segment information for the main geographical segments of the Group is set out below as of September 30, 2006 and December 31, 2005 and for the nine-month periods ended September 30, 2006 and 2005.

	Kazakhstan	*OECD*	*Non OECD*	*Total*
2006				
Total assets	**712,187,275**	**83,369,107**	**1,455,579**	**797,011,961**
External revenues	**71,903,892**	**2,636,533**	**34,568**	**74,574,993**
Capital expenditure	**(5,230,721)**	**–**	**–**	**(5,230,721)**
Commitments to extend credit	**(18,683,459)**	**–**	**–**	**(18,683,459)**
2005				
Total assets	526,619,948	31,535,829	1,508,931	559,664,708
External revenues	50,146,501	1,819,577	33,580	51,999,658
Capital expenditure	(2,452,683)	–	–	(2,452,683)
Commitments to extend credit	(17,000,292)	–	–	(17,000,292)

External revenues, assets and commitments to extend credit have generally been allocated based on domicile of the counterparty. Cash on hand and property and equipment have been allocated based on the country in which they are physically held.

18. Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures" ("IAS 24"), 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, not merely the legal form.

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.

(Thousands of Kazakhstani Tenge)

September 30, 2006

18. Related Party Transactions (continued)

The volumes of related party transactions, outstanding balances at September 30, 2006, December 31, 2005 and September 30, 2005, and related expenses and income for the periods then ended are as follows:

	9 months, ended September 30, 2006				*9 months, ended September 30, 2005*			
	Shareholders – indirectly related	*Shareholders - directly related*	*Associates*	*Key management personnel*	*Shareholders – indirectly related*	*Shareholders - directly related*	*Associates*	*Key management personnel*
Loans outstanding, gross, beginning of the period	**1,156,582**	**681,394**	**–**	**71,998**	4,909,332	930,476	–	130,016
Loans issued during the period	**4,049,783**	**–**	**–**	**46,246**	3,933,218	308,883	–	55,864
Loan repaid during the period	**1,262,102**	**434,684**	**–**	**71,998**	6,025,398	311,236	–	110,055
Loans outstanding, gross, ending of the period	**3,944,263**	**246,710**	**–**	**46,246**	2,817,152	928,123	–	75,825
Less: allowance for impairment	**232,347**	**–**	**–**	**–**	–	–	–	–
Loans outstanding, net, ending	**3,711,916**	**246,710**	**–**	**46,246**	2,817,152	928,123	–	75,825
Interest income on loans	**160,720**	**34,780**	**–**	**1,813**	16,647	93,457	–	3,537
Deposits and current accounts, beginning of the period	**15,447,350**	**806,883**	**182,786**	**239,794**	72,368,417	1,035,671	101,000	–
Receipts on deposits and current accounts during the period	**2,854,107,629**	**48,476,276**	**8,594,282**	**375,894**	222,900,437	4,511,360	72,652	140,438
Payments of deposits and current accounts during the period	**2,775,647,882**	**20,023,255**	**8,699,813**	**312,128**	199,555,989	4,969,048	–	–
Deposits and current accounts, ending of the period	**93,907,097**	**29,259,904**	**77,255**	**303,560**	95,712,865	577,983	173,652	140,438
Interest expense on deposits	**757,688**	**962,264**	**3,428**	**3,945**	3,204,076	31,159	6,484	6,263
Commitments and guarantees issued	**945,510**	**9,747**	**10,391**	**–**	3,062,984	2,654,458	–	–
Fee and commission income	**88,063**	**3,729**	**6,256**	**–**	110,800	4,205	1,669	–

The aggregate remuneration and other benefits paid to 9 members of the Board of Directors and Management Board for the nine-month period ended September 30, 2006 was KZT 323,008 (2005 – KZT 330,331).

(Thousands of Kazakhstani Tenge)

September 30, 2006

18. Related Party Transactions (continued)

Receipts on and payments for deposits and current accounts during the period include intercompany transfers of funds.

The transactions with parties that are indirectly related to the shareholders in 2006 comprise balances and transactions with subsidiaries of Samruk, the State Assets Management Company, established on January 28, 2006 specifically to manage state-owned entities. Samruk's subsidiaries are related to the Bank through a controlling shareholder ("the Controlling Shareholder") of the Bank who simultaneously holds a position of the First Vice-President of the Management Board of Samruk. Thus, under IAS 24 he has the ability to significantly influence policy decisions of the entities under Samruk that makes them related from the date each entity has been transferred to Samruk.

The transactions with parties that are indirectly related to the shareholders in 2005 comprise balances and transactions with subsidiaries of JSC KazMunaiGas ("KMG"), the State oil and gas holding company related to the Bank through the Controlling Shareholder who simultaneously held the position of the First Vice-President of the Management Board of KMG.

Such transactions are governed by Kazakh legislation and are made at market terms and conditions.

As of September 30, 2006 and December 31, 2005, loans made to related parties and amounts due to related parties had the following interest rates:

Loans:	***% in KZT***	***% in Foreign currency***	***Maturity***
Management	–	**10.0%**	**2008-2021**
Shareholders-direct relationship	**13.0%**	**8.0%-13.0%**	**2006-2012**
Shareholders-indirect relationship	**11.5%-16.0%**	**12.0%**	**2006-2008**
Term deposits:			
Management	**8.5%-13.5%**	**5.3%-7.5%**	**2006-2009**
Shareholders-direct relationship	**3.8%-12.8%**	**6.5%-10.0%**	**2006-2016**
Shareholders-indirect relationship	**2.5%-8.0%**	**2.6%-7.6%**	**2006-2007**
Associates	**8.8%**	–	**2006-2008**
Customer accounts:			
Shareholders-indirect relationship	**0.5%**	**0.5%**	–
Associates	**0.5%**	**0.5%**	–

19. Subsequent Events

On October 30, 2006 the Bank acquired 136,050 common shares of JSC Kazakhinstrakh ("the Company") and increased its share in the Company to 89.80% from 41.47% (Note 2) at September 30, 2006.

During October 1 to October 19, 2006 the Bank issued 7,934,426 common shares on the domestic market for a consideration of KZT 1,983,607.

Joint Stock Company Halyk Bank
Consolidated Financial Statements

Years ended December 31, 2005, 2004 and 2003
together with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Notes To The Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Halyk Bank

We have audited the accompanying consolidated balance sheets of Joint Stock Company Halyk Bank (the "Bank") and its subsidiaries (together the "Group") as of December 31, 2005, 2004 and 2003, and the related consolidated statements of income, changes in 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2005, 2004 and 2003, and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

March 24, 2006

Almaty, Kazakhstan

CONSOLIDATED BALANCE SHEETS

As of December 31, 2005, 2004 and 2003

(Thousands of Kazakhstani Tenge)

		December 31,		
	Notes	***2005***	***2004***	***2003 (restated)***
Assets				
Cash and cash equivalents	5	**57,101,691**	33,123,369	13,415,347
Obligatory reserves	6	**8,632,311**	7,578,394	5,212,050
Financial assets at fair value through profit or loss	7	**50,017,958**	62,382,235	39,914,328
Amounts due from credit institutions	8	**2,776,941**	695,379	7,290,929
Investment securities:	9			
- available-for-sale		**12,098,639**	20,618,422	3,231,735
- held-to-maturity		**–**	–	6,443,297
Loans to customers	10,11	**411,097,223**	254,590,193	163,888,497
Property and equipment	12	**10,979,050**	9,131,311	7,322,490
Other assets		**6,960,895**	5,134,597	2,804,569
Total assets		**559,664,708**	393,253,900	249,523,242
Liabilities				
Amounts due to customers	14	**320,629,650**	231,501,361	154,845,698
Amounts due to credit institutions	15	**107,284,147**	76,492,760	61,876,550
Debt securities issued	16	**58,813,594**	44,939,974	8,582,604
Provisions	11	**2,279,508**	1,801,039	920,576
Current tax liability		**–**	–	8,294
Deferred tax liability	13	**425,144**	450,824	174,392
Other liabilities		**5,788,620**	2,499,745	1,318,678
Total liabilities		**495,220,663**	357,685,703	227,726,792
Equity				
Share capital	17	**29,016,188**	15,759,351	9,896,800
Share premium reserve		**2,192,147**	2,191,170	2,191,872
Treasury shares		**(16,336)**	(16,665)	(15,739)
Retained earnings and other reserves		**32,806,031**	17,417,312	9,520,261
		63,998,030	35,351,168	21,593,194
Minority interest		**446,015**	217,029	203,256
Total equity		**64,444,045**	35,568,197	21,796,450
Total liabilities and equity		**559,664,708**	393,253,900	249,523,242
Commitments and contingencies	18			

Signed and authorized for release on behalf of the Board of the Bank:

Grigory A. Marchenko — Chairman of the Board

Alexandra G. Fedchenko — Chief Accountant

March 24, 2006

The accompanying notes on pages 7 to 43 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2005, 2004 and 2003

(Thousands of Kazakhstani Tenge)

	Notes	2005	2004	2003
Interest income				
Loans to customers		**47,548,528**	28,446,733	21,593,736
Debt securities		**3,450,002**	3,519,988	2,354,414
Amounts due from credit institutions		**1,386,093**	983,336	248,360
		52,384,623	32,950,057	24,196,510
Interest expense				
Amounts due to customers		**(11,872,599)**	(8,025,633)	(6,629,319)
Debt securities issued		**(4,908,743)**	(1,639,153)	(658,616)
Amounts due to credit institutions		**(4,374,605)**	(3,093,971)	(2,135,238)
		(21,155,947)	(12,758,757)	(9,423,173)
Net interest income before impairment		**31,228,676**	20,191,300	14,773,337
Impairment charge	11	**(11,969,525)**	(7,954,045)	(4,136,538)
Net interest income		**19,259,151**	12,237,255	10,636,799
Fee and commission income	19	**16,160,708**	10,116,897	7,558,880
Fee and commission expense	19	**(912,517)**	(798,476)	(755,396)
Fees and commissions, net		**15,248,191**	9,318,421	6,803,484
Gains less losses from foreign currencies				
- dealing		**1,963,951**	1,219,216	1,223,983
- translation differences		**(69,831)**	771,912	(112,622)
Gains less losses from financial assets at fair value through profit or loss		**1,362,905**	165,389	826,602
Gains less losses from available-for-sale investment securities		**342,380**	104,204	441,674
Share of income of associate		**248,841**	196,153	68,783
Other income		**570,604**	607,877	370,142
Non interest income		**4,418,850**	3,064,751	2,818,562
Salaries and other employee benefits		**(11,236,334)**	(6,876,651)	(5,285,192)
Administrative and operating expenses	20	**(5,242,155)**	(4,512,977)	(3,574,698)
Depreciation and amortization expenses		**(1,329,848)**	(1,111,526)	(1,007,296)
Taxes other than income tax		**(1,255,001)**	(1,041,779)	(735,339)
Other provisions	11	**(496,378)**	(986,679)	(1,384,671)
Non interest expense		**(19,559,716)**	(14,529,612)	(11,987,196)
Income before income tax expense		**19,366,476**	10,090,815	8,271,649
Income tax expense	13	**(3,538,576)**	(1,997,780)	(773,465)
Net income after income tax expense		**15,827,900**	8,093,035	7,498,184
Attributable to:				
Equity holders of the parent		**15,628,180**	8,088,143	7,460,278
Minority interest in net income		**199,720**	4,892	37,906
Net income		**15,827,900**	8,093,035	7,498,184
Basic earnings per share (in Kazakhstani Tenge)	21	**16.8**	10.1	9.8

The accompanying notes on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2005, 2004 and 2003

(Thousands of Kazakhstani Tenge)

	Share Capital-Common Shares	*Share Capital-Non-Convertible Preferred Shares*	*Share Capital-Convertible Preferred Shares*	*Share Premium Reserve*	*Treasury Shares*	*Revaluation reserve of available-for-sale investment securities*	*Other Reserves*	*Retained Earnings*	*Total*	*Minority Interest*	*Total Equity*
December 31, 2004	13,285,151	2,474,200	–	2,191,170	(16,665)	223,932	295,530	16,897,850	35,351,168	217,029	35,568,197
Fair value change of available-for-sale investment securities, net of tax	–	–	–	–	–	419,548	–	–	419,548	29,266	448,814
Realized fair value change of available-for-sale investment securities	–	–	–	–	–	(342,380)	–	–	(342,380)	–	(342,380)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	–	–	–	–	–	–	(5,491)	5,491	–	–	–
Total income for the year recognized directly in equity	–	–	–	–	–	77,168	(5,491)	5,491	77,168	29,266	106,434
Net income	–	–	–	–	–	–	–	15,628,180	15,628,180	199,720	15,827,900
Total income	–	–	–	–	–	77,168	(5,491)	15,633,671	15,705,348	228,986	15,934,334
Common shares issued	936,618	–	–	–	–	–	–	–	936,618	–	936,618
Preferred shares issued	–	–	12,320,219	–	–	–	–	–	12,320,219	–	12,320,219
Treasury shares sold	–	–	–	977	329	–	–	–	1,306	–	1,306
Dividends – preferred shares	–	–	–	–	–	–	–	(316,629)	(316,629)	–	(316,629)
December 31, 2005	14,221,769	2,474,200	12,320,219	2,192,147	(16,336)	301,100	290,039	32,214,892	63,998,030	446,015	64,444,045

The accompanying notes on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the years ended December 31, 2005, 2004 and 2003

(Thousands of Kazakhstani Tenge)

	Share Capital- Common Shares	*Share Capital- Non-Convertible Preferred Shares*	*Share Capital- Convertible Preferred Shares*	*Share Premium Reserve*	*Treasury Shares*	*Revaluation reserve of available-for-sale investment securities*	*Other Reserves*	*Retained Earnings*	*Total*	*Minority Interest*	*Total Equity*
December 31, 2003 (restated)	7,422,600	2,474,200	–	2,191,872	(15,739)	60,088	307,863	9,152,310	21,593,194	203,256	21,796,450
Fair value change of available-for-sale investment securities, net of tax	–	–	–	–	–	268,048	–	–	268,048	–	268,048
Realized fair value change of available-for-sale investment securities	–	–	–	–	–	(104,204)	–	–	(104,204)	–	(104,204)
Total income for the year recognized directly in equity	–	–	–	–	–	163,844	–	–	163,844	–	163,844
Net income	–	–	–	–	–	–	–	8,088,143	8,088,143	4,892	8,093,035
Total income	–	–	–	–	–	163,844	–	8,088,143	8,251,987	4,892	8,256,879
Common shares issued	5,862,551	–	–	–	–	–	–	–	5,862,551	–	5,862,551
Treasury shares purchased	–	–	–	(702)	(926)	–	–	–	(1,628)	–	(1,628)
Dividends – preferred shares	–	–	–	–	–	–	–	(354,936)	(354,936)	–	(354,936)
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	8,881	8,881
Transfers	–	–	–	–	–	–	(12,333)	12,333	–	–	–
December 31, 2004	13,285,151	2,474,200	–	2,191,170	(16,665)	223,932	295,530	16,897,850	35,351,168	217,029	35,568,197

The accompanying notes on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the years ended December 31, 2005, 2004 and 2003

(Thousands of Kazakhstani Tenge)

	Share Capital-Common Shares	Share Capital-Non-Convertible Preferred Shares	Share Capital-Convertible Preferred Shares	Share Premium Reserve	Treasury Shares	Revaluation reserve of available-for-sale investment securities	Other Reserves	Retained Earnings	Total	Minority Interest	Total Equity
December 31, 2002 (restated)	7,422,600	2,261,150	–	2,085,600	(14,043)	431,100	332,724	2,062,447	14,581,578	–	14,581,578
Fair value change of available-for-sale investment securities, net of tax	–	–	–	–	–	70,662	–	–	70,662	–	70,662
Realized fair value change of available-for-sale investment securities	–	–	–	–	–	(441,674)	–	–	(441,674)	–	(441,674)
Total income for the year recognized directly in equity	–	–	–	–	–	(371,012)	–	–	(371,012)	–	(371,012)
Net income	–	–	–	–	–	–	–	7,460,278	7,460,278	37,906	7,498,184
Total income	–	–	–	–	–	(371,012)	–	7,460,278	7,089,266	37,906	7,127,172
Capital contributions	–	213,050	–	106,272	–	–	–	–	319,322	165,350	484,672
Treasury shares purchased	–	–	–	–	(1,696)	–	–	–	(1,696)	–	(1,696)
Dividends - preferred shares	–	–	–	–	–	–	–	(394,459)	(394,459)	–	(394,459)
Transfers	–	–	–	–	–	–	(24,861)	24,861	–	–	–
Difference on translation of foreign subsidiaries	–	–	–	–	–	–	–	(817)	(817)	–	(817)
December 31, 2003 (restated)	7,422,600	2,474,200	–	2,191,872	(15,739)	60,088	307,863	9,152,310	21,593,194	203,256	21,796,450

The accompanying notes on pages 7 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2005, 2004 and 2003

(Thousands of Kazakhstani Tenge)

	Notes	*2005*	*2004*	*2003*
Cash flows from operating activities:				
Income before income tax expense		**19,366,476**	10,090,815	8,271,649
Adjustments for:				
Impairment charge and other provisions	11	**12,465,903**	8,940,724	5,521,209
Depreciation and amortization		**1,329,848**	1,111,526	1,007,296
Loss / (gain) from disposal of property and equipment		**36,984**	81,916	(70,806)
Gains less losses from financial assets at fair value through profit and loss		**(1,362,905)**	(165,389)	(826,602)
Share of income of associate		**(248,841)**	(196,153)	(68,783)
Unrealized foreign exchange (income) / loss		**(67,347)**	554,586	549,182
Operating income before changes in net operating assets		**31,520,118**	20,418,025	14,383,145
(Increase) / decrease in operating assets:				
Obligatory reserves		**(1,053,917)**	(2,366,344)	(686,669)
Financial assets at fair value through profit or loss		**13,501,513**	(22,302,518)	(15,297,604)
Amounts due from credit institutions		**(2,092,207)**	4,707,199	16,263,455
Loans to customers		**(161,451,640)**	(109,610,929)	(46,941,578)
Other assets		**(2,451,069)**	(1,676,011)	(151,321)
Increase / (decrease) in operating liabilities:				
Amounts due to customers		**85,275,266**	84,053,107	8,273,462
Amounts due to credit institutions		**28,396,708**	21,055,808	19,236,030
Other liabilities		**3,157,762**	170,854	(366,625)
Net cash flows from operating activities before income taxes		**(5,197,466)**	(5,550,809)	(5,287,705)
Income tax paid		**(2,843,162)**	(2,337,895)	(790,152)
Net cash flows used in operating activities		**(8,040,628)**	(7,888,706)	(6,077,857)
Cash flows from investing activities:				
Net cash received through acquisition of subsidiaries		**–**	219,902	(241,803)
Purchase of property and equipment		**(3,179,634)**	(2,952,895)	(1,289,834)
Proceeds from sale of property and equipment		**119,067**	141,672	223,389
Proceeds from sale of available-for-sale investment securities		**14,560,294**	4,382,311	20,569,557
Purchase of available-for-sale investment securities		**(6,238,850)**	(21,156,320)	(18,359,448)
Purchase of held-to-maturity investment securities		**–**	–	(6,949,461)
Proceeds from redemption of held-to-maturity investment securities		**–**	5,355,185	3,770,977
Net cash flows from / (used in) investing activities		**5,260,877**	(14,010,145)	(2,276,623)
Cash flows from financing activities:				
Proceeds from common shares issued		**936,618**	5,862,551	319,322
Proceeds from preferred shares issued		**12,320,219**	–	–
Purchase of treasury shares		**–**	(1,628)	(1,696)
Sale of treasury shares		**1,306**	–	–
Dividends paid		**(316,629)**	(354,936)	(394,459)
Debt securities issued		**13,910,257**	36,357,370	4,445,405
Purchase of debt securities issued		**(950,367)**	–	–
Net cash flows from financing activities		**25,901,404**	41,863,357	4,368,572
Effects of exchange rate changes on cash and cash equivalents		**856,669**	(256,484)	(286,573)
Net change in cash and cash equivalents		**23,978,322**	19,708,022	(4,272,481)
Cash and cash equivalents at the beginning of the year		**33,123,369**	13,415,347	17,687,828
Cash and cash equivalents at the end of the year	5	**57,101,691**	33,123,369	13,415,347
Supplementary information:				
Interest received		**49,437,638**	33,792,367	19,831,665
Interest paid		**19,418,270**	8,441,702	5,555,199
Commission received		**15,440,890**	10,109,693	7,435,857

The accompanying notes on pages 7 to 43 are an integral part of these consolidated financial statements.

December 31, 2005, 2004 and 2003

1. Principal Activities

Joint Stock Company Halyk Bank (the "Bank") and its subsidiaries (together the "Group") mainly provide retail and corporate banking, pension and asset management services in Kazakhstan. The parent company of the Group, Joint Stock Company Halyk Bank was incorporated in 1995 and is domiciled in the Republic of Kazakhstan. The Bank operates under a general banking licence issued by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan ("FMSA") on September 30, 2005. The Bank also possesses licences for securities operations and custody services from the FMSA issued on February 19, 2004. The Bank is a member of the obligatory deposit insurance system provided by the CSJC Kazakhstani Fund for Individuals' Deposits Insurance.

The Bank's primary business includes originating loans and guarantees, attracting deposits from legal entities and individuals, trading in securities and foreign currencies, executing transfers, cash and credit card operations and rendering other banking services to its customers. In addition, the Bank acts as the government's agent in channelling various budgetary payments and pensions through its nationwide network.

The address of the Bank's registered office is: 97 Rozybakiyev Street, Almaty, 050046, Republic of Kazakhstan. The Bank has a primary listing in the Kazakhstan Stock Exchange ("KASE"). In addition, certain of the Bank's debt securities issued are primarily listed on Luxembourg Stock Exchange with security listing on KASE. The Bank operates through its head office in Almaty and its 19 regional branches, 126 sub-regional offices and 393 cash settlement units (2004 − 20 regional branches, 126 sub-regional offices and 378 cash settlements units, 2003 – 20 regional branches, 129 sub-regional offices and 379 cash settlement units) located throughout Kazakhstan and representative offices in Chelyabinsk, Russia; Amsterdam, the Netherlands; and Bishkek, the Kyrgyz Republic.

As of December 31, 2005 the Bank was controlled by JSC Holding Group Almex via its 82.03% share in the Bank's equity (2004 − 80.92%, 2003 – 43.71%). The Bank is ultimately controlled by Mr. Timur Kulibayev.

2. Basis of Preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements are presented in thousands of Kazakh Tenge ("KZT"), except per share amounts and unless otherwise indicated. The KZT is utilized as the functional currency being the national currency of the Republic of Kazakhstan and the currency that reflects the economic substance of the underlying events and circumstances relevant to the Bank. In addition, shareholders, management and regulators measure the Bank's performance in KZT.

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 available-for-sale investment securities as required by IAS 39 "Financial Instruments: Recognition and Measurement".

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

Consolidated Subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiary	***Holding, %***			***Country***	***Industry***
	December 31, 2005	***December 31, 2004***	***December 31, 2003***		
JSC Halyk Leasing	100	100	100	Kazakhstan	Leasing
JSC Accumulated Pension fund of Halyk Bank	85	85	85	Kazakhstan	Pension assets accumulation and management
JSC Kazteleport	100	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	100	Netherlands	Issue and placement of Eurobonds
JSC Bank Khlebny	77	77	–	Russia	Banking
AIRI LLP	100	100	–	Kazakhstan	Financial markets research
OJSC Halyk Bank Kyrgyzstan	100	100	–	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	–	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100	–	–	Kazakhstan	Cash collection services

During 2005, the Bank established wholly-owned subsidiary LLP Halyk Inkassatsiya.

At December 31, 2002 the Bank held 20.77% of the issued and paid shares of JSC Accumulating Pension Fund of Halyk Bank ("the Fund"). During 2003, the Bank acquired additional 266,768 shares of the Fund (59.3% of all issued and paid shares) for KZT 363,245. The control was obtained on May 1, 2003, and, accordingly, the assets, liabilities and results of operations of the Fund are consolidated from that date.

At the date of acquisition (May 1, 2003), the estimated fair value of the net assets of the Fund comprised:

Cash and cash equivalents	101
Due from financial institutions	60,515
Investment securities available-for-sale	364,293
Premises and equipment	82,290
Other assets	52,948
Other creditors	(18,726)
Net assets	541,421
Less minority interest	(165,350)
Net assets less minority interest	376,071
Purchase consideration paid in cash	(363,245)
Excess of share in the net fair value of the identifiable assets and liabilities over consideration paid	12,826

During 2004, the Bank acquired 77% of the share capital of JSC Bank Khlebny for KZT 163,378. The consideration was paid and control was obtained on April 15, 2004.

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

On April 15, 2004, the date of acquisition, the estimated fair value of the net assets of JSC Bank Khlebny comprised:

Cash and cash equivalents	71,687
Loans to customers	66,997
Property and equipment	41,050
Other assets	8,119
Other creditors	(116,437)
Net assets	71,416
Less minority interest	(16,511)
Net assets less minority interest	54,905
Purchase consideration paid in cash	(163,378)
Goodwill	(108,473)

During 2004, the Bank acquired 100% of the charter capital of AIRI LLP for KZT 87. The consideration was paid and control was obtained on June 30, 2004.

At June 30, 2004, the date of acquisition, the estimated fair value of the net liabilities of AIRI LLP comprised:

Cash and cash equivalents	38,218
Accounts receivable	19,686
Property and equipment	45,801
Other assets	17,404
Other creditors	(170,274)
Net liabilities	(49,165)
Purchase consideration paid in cash	(87)
Goodwill	(49,252)

During 2004, the Bank acquired 100% of the share capital of JSC Kairat Bank for KZT 180,448 (re-registered under name OJSC Halyk Bank Kyrgyzstan on December 31, 2004). The consideration was paid and control was obtained on September 30, 2004.

On September 30, 2004, the date of acquisition, the estimated fair value of the net assets of JSC Kairat Bank comprised:

Cash and cash equivalents	453,910
Amounts due from credit institutions	87,509
Investment securities	448,834
Other assets	45,347
Other creditors	(885,883)
Net assets	149,717
Purchase consideration paid in cash	(180,448)
Goodwill	(30,731)

During 2004, the Bank established a new subsidiary JSC Halyk Finance. As of December 31, 2004, the Bank owned 100% of the share capital of JSC Halyk Finance.

The financial result of JSC Accumulating Pension Fund of Halyk Bank for the period from May 1, 2003, the date of acquisition, to December 31, 2003 was net income of KZT 261,930. Had the Bank consolidated in its statement of income results of the Fund starting from January 1, 2003, the revenue and net income would have amounted to KZT 34,903,514 and KZT 7,517,351, respectively.

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

The financial result of JSC Bank Khlebny for the period from April 15, 2004, the date of acquisition, to December 31, 2004 was net loss of KZT 1,992. The financial result of AIRI LLP for the period from June 30, 2004, the date of acquisition, to December 31, 2004 was net loss of KZT 48,246. The financial result of JSC Kairat Bank for the period from September 30, 2004, the date of acquisition, to December 31, 2004 was net income of KZT 6,750. Had the Bank consolidated in its statement of income results of JSC Bank Khlebny, AIRI LLP and JSC Kairat Bank starting from January 1, 2004, the revenue and net income would have amounted to KZT 45,455,092 and KZT 8,049,547, respectively.

Associate Accounted for under the Equity Method

The following associate is accounted for under the equity method:

Associate	***Holding, %***	***Country***	***Activities***	***Share in net income***	***Total assets***	***Total liabilities***	***Equity***	***Total revenue***
2005								
JSC Kazakhinstrakh	**41.69**	**Kazakhstan**	**Insurance**	**248,841**	**3,826,349**	**1,760,802**	**2,065,547**	**8,256,838**

Associate	***Holding, %***	***Country***	***Activities***	***Share in net income***	***Total assets***	***Total liabilities***	***Equity***	***Total revenue***
2004								
JSC Kazakhinstrakh	41.69	Kazakhstan	Insurance	196,153	3,507,509	2,033,750	1,473,759	7,291,488

Associate	***Holding, %***	***Country***	***Activities***	***Share in net income***	***Total assets***	***Total liabilities***	***Equity***	***Total revenue***
2003								
JSC Kazakhinstrakh	41.69	Kazakhstan	Insurance	68,783	2,126,355	1,061,383	1,064,972	10,825,067

Investments in associates are classified within other assets.

Restatement

The Bank has early adopted the revised IAS 1 "Presentation of Financial Statements", IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" starting from January 1, 2004. The effect of the application of the revised standards on the balance sheets as of December 31, 2003 is shown below.

2003	***As previously reported***	***Adjustment***	***As reported herein***	***Comment***
Equity	21,238,258	203,256	21,441,514	Revised IAS 1 requires minority interest to be accounted for within equity

IFRSs and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

IAS 19 (amended 2004) "Employee Benefits";

IAS 21 (amended 2005) "The Effects of Changes in Foreign Exchange Rates";

IAS 39 (amended 2005) "Financial Instruments: Recognition and Measurement";

IFRS 7 "Financial Instruments: Disclosures";

IFRIC 4 "Determining whether an Arrangement Contains a Lease".

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group's consolidated financial statements in the period of initial application.

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 Group's share of the fair value of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the Group's share of the fair value of identifiable net assets of the subsidiary acquired the difference is recognised directly in the consolidated statement 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.

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 statement 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of Kazakhstan ("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 statement.

December 31, 2005, 2004 and 2003

Amounts Due from Credit 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 credit 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 credit institutions are carried net of any allowance for impairment.

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, 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 after 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 classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the consolidated statement of income.

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 statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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.

The Group does not classify any financial assets as held-to-maturity if the Group had during the current financial year or during the preceding two financial years sold, transferred or exercised a put option on more than an insignificant portion of held-to-maturity investments before their maturity.

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.

Repurchase and Reverse Repurchase Agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated financial statements. Securities borrowed are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

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 statement 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 statement 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 deemed uncollectible, is it 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 provision 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 statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement 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 statement of income.

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 statement of income.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment for diminution in value.

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:

	Years
Buildings and constructions	50
Vehicles	7
Computers and banking equipment	5-10
Other	4-10

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. An impairment is recognized in the respective period and is included in administrative and operating expenses, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve for property and equipment.

Costs related to repairs and renewals are charged when incurred and included in administrative and operating expenses, unless they qualify for capitalization.

Debt Securities Issued

Debt securities issued represent bonds issued by the Group. They are accounted for according to the same principles used for amounts due to credit institutions and to customers.

December 31, 2005, 2004 and 2003

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.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan and other tax jurisdictions in which the Group has offices, subsidiaries or branches. 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.

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.

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 statement of income. The Group contributes 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, share premium reserve and treasury shares are recognized at the fair value of consideration received or paid. Purchases of treasury shares are recorded at cost. Gains and losses on sales of treasury shares are charged or credited to share premium reserve.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on common and preferred shares are recognized in equity as a reduction in the period in which they are declared or accumulate. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events After the Balance Sheet Date" and disclosed accordingly.

Net profit or loss allocated to common and preferred shares, that have a right to participate in distribution of earnings, is determined by adding together the amount allocated for dividends and the amount allocated for participation feature.

Contingencies

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

December 31, 2005, 2004 and 2003

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.

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 at the currency rate of exchange as quoted by KASE as of 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of 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 rate at December 31, 2005, was KZT 133.98 to USD 1 (2004 – 130.00 to USD 1, 2003 – 144.22 to USD 1).

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:

- Allowances for impairment of assets and other provisions
- Deferred taxes

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 legislations are 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.

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

As of December 31, 2005, 2004 and 2003, 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:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
Cash on hand	**14,911,746**	10,447,241	4,850,482
Correspondent accounts with the NBK	**9,375,422**	–	–
Correspondent accounts with OECD based banks	**3,669,426**	992,268	1,270,400
Correspondent accounts with non-OECD based banks	**1,147,804**	432,402	436,766
Overnight deposits with OECD based banks	**20,081,011**	11,275,787	2,667,620
Short-term deposits with Kazakh banks	**7,916,282**	9,905,777	607,611
Short-term deposits with OECD based banks	–	–	481,461
Short-term deposits with non-OECD based banks	–	69,894	510,892
Overnight deposits with Kazakh banks	–	–	2,590,115
Cash and cash equivalents	**57,101,691**	33,123,369	13,415,347

Interest rates and currencies in which short-term deposits are denominated follow:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	KZT	*Foreign currencies*	*KZT*	*Foreign currencies*	*KZT*	*Foreign currencies*
Overnight deposits with OECD based banks	**–**	**2.3%-4.2%**	–	1.0%–2.5%	–	0.7%-2.2%
Short-term deposits with Kazakh banks	**4.0%-14.0%**	**5.0%**	1.0%–7.7%	3.0%–11.9%	1.0%-14.0%	1.0%-4.0%
Short-term deposits with OECD based banks	**–**	**–**	–	–	–	1.0%
Short-term deposits with non-OECD based banks	**–**	**–**	4.0%–8.0%	4.0%–6.0%	–	4.0%–8.0%
Overnight deposits with Kazakh banks	**–**	**–**	–	–	1.0%	4.0%

6. Obligatory Reserves

Obligatory reserves comprise:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
Due from the NBK allocated to obligatory reserves	**8,632,311**	7,578,394	2,018,559
Cash on hand allocated to obligatory reserves	–	–	3,193,491
Obligatory reserves	**8,632,311**	7,578,394	5,212,050

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

7. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
NBK notes	**23,159,597**	27,005,789	23,958,264
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**19,527,405**	27,747,456	9,207,605
Sovereign bonds of the Republic of Kazakhstan	**4,674,276**	4,882,958	4,085,513
Eurobonds of Kazakh banks	**1,664,640**	1,549,334	2,493,542
Bonds of the Development Bank of Kazakhstan	**992,040**	1,191,266	169,404
Equity securities of Kyrgyz corporations	**–**	5,432	–
Financial assets at fair value through profit or loss	**50,017,958**	62,382,235	39,914,328
Subject to repurchase agreements	**–**	200,000	5,656,840

As of December 31, 2005, NBK Notes amounting to KZT 521,820 were restricted as collateral for certain of the Bank's borrowings (2004 and 2003 – nil).

Interest rates and maturities of debt securities follow:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	%	*Maturity*	*%*	*Maturity*	*%*	*Maturity*
NBK notes	**2.1%-2.4%**	**2006**	3.0%-6.8%	2005	4.7%-5.4%	2004
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**3.1%-8.4%**	**2006-2014**	4.0% -8.6%	2005-2014	5.7%-16.9%	2004-2013
Sovereign bonds of the Republic of Kazakhstan	**11.1%**	**2007**	11.1%	2007	11.1%	2007
Eurobonds of Kazakh banks	**7.9%-10.1%**	**2007-2013**	6.0%-8.6%	2007-2010	7.4%-8.6%	2007-2013
Bonds of the Development Bank of Kazakhstan	**7.1%-8.5%**	**2007**	7.1%-7.4%	2007-2013	8.5%	2007

8. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
Time deposits	**2,085,446**	695,379	7,306,271
Loans to local credit institutions	**691,495**	–	422
	2,776,941	695,379	7,306,693
Less Allowance for impairment (Note 11)	**–**	–	(15,764)
Amounts due from credit institutions	**2,776,941**	695,379	7,290,929

Interest rates and maturity of amounts due from credit institutions follow:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	%	*Maturity*	*%*	*Maturity*	*%*	*Maturity*
Time deposits	**4.0%-12.0%**	**2006-2008**	4.1%-14.5%	2005	8.0%-13.6%	2004
Loans to local credit institutions	**4.1%**	**2006**	–	–	–	2004

(Thousands of Kazakhstani Tenge)

9. Investment Securities

Available-for-sale investment securities comprise:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
Corporate bonds	**6,548,074**	4,758,103	301,224
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**2,644,113**	–	1,827,400
Bonds of Kazakh banks	**2,624,828**	820,062	848,296
Treasury bills of the Kyrgyz Republic	**281,624**	–	–
US Treasury bills	–	14,211,098	–
NBK notes	–	472,475	106,663
Local municipal bonds	–	356,684	–
Sovereign bonds of Kazakhstan	–	–	148,152
Available-for-sale investments securities	**12,098,639**	20,618,422	3,231,735
Subject to repurchase agreements	–	3,652,001	1,181,762

As of December 31, 2004, US Treasury bills were pledged as security for loans advanced by another financial institution to a third party. The Bank was exposed to credit risk in relation to these loans which amounted to KZT 13,992,772 (December 31, 2005: nil). During the year ended December 31, 2005 the pledge has been removed and the related securities were liquidated.

Interest rates and maturities of these securities are:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	%	*Maturity*	*%*	*Maturity*	*%*	*Maturity*
Corporate bonds	**3.5%-9.6%**	**2006-2014**	6.9%-10.7%	2005-2014	7.5%-10.9%	2004-2009
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**2.8%-3.5%**	**2006-2008**	–	–	5.5% - 6.1%	2005-2010
Bonds of Kazakh banks	**7.0%-13.5%**	**2007-2013**	7.0%-20.1%	2005-2010	10.5%-13.3%	2004-2010
Treasury bills of the Kyrgyz Republic	**4.5%-7.3%**	**2007-2013**	–	–	–	–
US Treasury bills	–	–	1.7%-4.7%	2005-2012	–	–
NBK notes	–	–	1.7%-1.9%	2005	4.6%-4.9%	2004
Local municipal bonds	–	–	6.0%-8.5%	2005-2008	–	–

Held-to-maturity investment securities at December 31, comprise:

	2005		*2004*		*2003*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	–	–	–	–	1,333,508	1,307,036
Treasury bills of the Ministry of Finance	–	–	–	–	4,705,629	4,460,487
Local municipal bonds	–	–	–	–	402,675	380,813
World Bank bonds	–	–	–	–	1,485	1,441
Held-to-maturity investment securities	–	–	–	–	6,443,297	6,149,777

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

Interest rates and maturity of these securities are:

	December 31, 2005		December 31, 2004		December 31, 2003	
	%	Maturity	%	Maturity	%	Maturity
Corporate bonds	–	–	–	–	7.4%-11.5%	2004-2014
Treasury bills of the Ministry of Finance	–	–	–	–	3.9%-8.2%	2004-2005
Local municipal bonds	–	–	–	–	6.0%-8.5%	2005-2008
World Bank bonds	–	–	–	–	7.1%	2005

Available-for-sale investment securities were transferred from held-to-maturity investment securities in 2004, following a change in management's intent with regard to the underlying securities.

10. Loans to Customers

Loans to customers comprise:

	December 31, 2005	December 31, 2004	December 31, 2003
Loans to customers	**431,150,873**	264,767,912	172,359,264
Promissory notes	**4,288,256**	3,498,427	1,067,525
Overdrafts	**1,499,532**	2,240,582	729,363
Factoring	**79,328**	620,958	261,691
	437,017,989	271,127,879	174,417,843
Less – Allowance for loan impairment (Note 11)	**(25,920,766)**	(16,537,686)	(10,529,346)
Loans to customers	**411,097,223**	254,590,193	163,888,497

As of December 31, 2005, the annual interest rates charged by the Bank ranged from 6% to 25% per annum for KZT-denominated loans (2004 – from 7% to 26%, 2003 – from 11% to 28%) and from 6% to 22% per annum for US Dollar-denominated loans (2004 – from 6% to 24%, 2003 – from 10% to 23%).

As of December 31, 2005, the Group had a concentration of loans of KZT 52,972 thousand from the ten largest borrowers that comprised 12% of the Group's total gross loan portfolio (2004 − KZT 42,037 thousand; 16%, 2003 – KZT 39,088 thousand; 22%) and 84% of the Group's total equity (2004 – 119%, 2003 – 182%). An allowance for impairment amounting to KZT 1,675 thousand was made against these loans (2004 - KZT 9,197 thousand, 2003 – KZT 1,341 thousand).

Loans are made to the following sectors:

	December 31, 2005	%	December 31, 2004	%	December 31, 2003	%
Individual loans:						
- mortgage loans	**78,680,146**	**18%**	36,663,656	14%	4,438,887	3%
- consumer loans	**51,921,731**	**12%**	30,320,051	11%	14,211,472	8%
Wholesale trade	**60,924,208**	**14%**	26,916,946	10%	28,709,276	16%
Construction	**54,461,305**	**12%**	35,851,122	13%	16,523,929	9%
Agriculture	**38,018,719**	**9%**	34,043,299	12%	27,434,880	16%
Retail trade	**33,909,256**	**8%**	8,673,253	3%	5,808,358	3%
Oil and gas	**16,380,276**	**3%**	26,191,423	10%	13,897,785	8%
Real estate	**12,493,907**	**3%**	9,132,720	3%	4,020,749	2%
Transportation	**8,439,726**	**2%**	4,586,565	2%	4,388,802	3%
Research and development	**8,307,104**	**2%**	8,017,513	3%	3,730,121	2%
Energy	**7,278,666**	**2%**	6,892,073	2%	3,114,309	2%
Mining	**6,587,252**	**1%**	4,565,767	2%	12,237,027	7%
Metallurgy	**3,968,204**	**1%**	4,362,369	2%	7,032,601	4%
Other	**55,647,489**	**13%**	34,911,122	13%	28,869,647	17%
	437,017,989	**100%**	271,127,879	100%	174,417,843	100%

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

11. Allowances for Impairment and Provisions

The movements in the allowances for impairment of interest earning and other assets were as follows:

	Due from credit institutions	*Other assets*	*Loans to customers*	*Total*
December 31, 2002	–	(570,780)	(7,811,004)	(8,381,784)
Impairment charge	(15,764)	472,539	(4,593,313)	(4,136,538)
Write-offs	–	42,907	2,123,080	2,165,987
Recoveries	–	(419)	(248,109)	(248,528)
December 31, 2003	(15,764)	(55,753)	(10,529,346)	(10,600,863)
Impairment charge	(426,476)	(57,074)	(7,470,495)	(7,954,045)
Write-offs	457,009	38,297	1,740,723	2,236,029
Recoveries	(14,769)	(1,492)	(278,568)	(294,829)
December 31, 2004	–	(76,022)	(16,537,686)	(16,613,708)
Impairment charge	**–**	**(130,835)**	**(11,838,690)**	**(11,969,525)**
Write-offs	**–**	**75,094**	**3,572,889**	**3,647,983**
Recoveries	**–**	**(2,049)**	**(1,117,279)**	**(1,119,328)**
December 31, 2005	**–**	**(133,812)**	**(25,920,766)**	**(26,054,578)**

The movements in provisions were as follows:

	Provisions
December 31, 2002	(59,563)
Impairment charge	(1,384,671)
Write-offs	523,658
Recoveries	–
December 31, 2003	(920,576)
Provision	(986,679)
Write-offs	106,216
Recoveries	–
December 31, 2004	(1,801,039)
Provision	**(496,378)**
Write-offs	**17,909**
Recoveries	**–**
December 31, 2005	**(2,279,508)**

Allowances for impairment of assets are deducted from the related assets. Provisions represent provision against letters of credit and guarantees issued.

(Thousands of Kazakhstani Tenge)

12. Property and Equipment

The movements in property and equipment were as follows:

	Buildings and constructions	*Vehicles*	*Computers and banking equipment*	*Other*	*Total*
Cost					
Beginning of the year	4,221,196	606,360	5,848,676	3,293,922	13,970,154
Additions	**94,401**	**299,316**	**1,338,271**	**1,447,646**	**3,179,634**
Disposals	**(14,998)**	**(251,456)**	**(199,882)**	**(79,254)**	**(545,590)**
Transfers	**462,224**	–	–	**(462,224)**	–
December 31, 2005	**4,762,823**	**654,220**	**6,987,065**	**4,200,090**	**16,604,198**
Accumulated depreciation					
Beginning of the year	**406,567**	**320,165**	**2,866,781**	**1,245,330**	**4,838,843**
Charge	**97,854**	**60,508**	**696,506**	**320,976**	**1,175,844**
Disposals	**(7,300)**	**(158,781)**	**(164,346)**	**(59,112)**	**(389,539)**
December 31, 2005	**497,121**	**221,892**	**3,398,941**	**1,507,194**	**5,625,148**
Net book value:					
December 31, 2005	**4,265,702**	**432,328**	**3,588,124**	**2,692,896**	**10,979,050**
December 31, 2004	3,814,629	286,195	2,981,895	2,048,592	

	Buildings and constructions	*Vehicles*	*Computers and banking equipment*	*Other*	*Total*
Cost					
Beginning of the year	3,656,288	513,942	4,372,749	2,771,148	11,314,127
Additions	582,693	129,168	1,662,595	578,439	2,952,895
Disposals	(44,138)	(38,842)	(233,172)	(67,567)	(383,719)
Acquisition through business combinations	26,353	2,092	46,504	11,902	86,851
December 31, 2004	4,221,196	606,360	5,848,676	3,293,922	13,970,154
Accumulated depreciation					
Beginning of the year	333,951	260,370	2,244,194	1,153,122	3,991,637
Charge	107,798	62,742	705,048	131,749	1,007,337
Disposals	(35,182)	(2,947)	(82,461)	(39,541)	(160,131)
December 31, 2004	406,567	320,165	2,866,781	1,245,330	4,838,843
Net book value:					
December 31, 2004	3,814,629	286,195	2,981,895	2,048,592	9,131,311
December 31, 2003	3,322,337	253,572	2,128,555	1,618,026	

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	Buildings and constructions	Vehicles	Computers and banking equipment	Other	Total
Cost					
Beginning of the year	3,451,971	434,256	4,085,610	2,309,664	10,281,501
Additions	279,195	89,292	339,026	664,611	1,372,124
Disposals	(74,878)	(9,606)	(61,884)	(193,130)	(339,498)
Transfers	–	–	9,997	(9,997)	–
December 31, 2003	3,656,288	513,942	4,372,749	2,771,148	11,314,127
Accumulated depreciation					
Beginning of the year	285,034	218,065	1,894,404	838,154	3,235,657
Charge	128,997	62,264	384,778	366,855	942,894
Disposals	(80,080)	(19,959)	(34,988)	(51,887)	(186,914)
December 31, 2003	333,951	260,370	2,244,194	1,153,122	3,991,637
Net book value:					
December 31, 2003	3,322,337	253,572	2,128,555	1,618,026	7,322,490
December 31, 2002	3,166,937	216,191	2,191,206	1,471,510	

During 2005 completed constructions of KZT 462,224 (2004 and 2003 – nil) were transferred from "Other" category to "Buildings and constructions" category. As of December 31, 2005, "Other" category included KZT 264,652 of construction in progress (2004 – KZT 260,750, 2003 – KZT 7,143).

13. Taxation

The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC Bank Khlebny and OJSC Halyk Bank Kyrgyzstan are subject to taxation in the Republic of Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. JSC Bank Khlebny is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Kyrgyz Republic.

The income tax expense comprises:

	2005	*2004*	*2003*
Current tax charge	**(3,564,256)**	(1,721,348)	(709,206)
Current tax of prior periods	–	–	110,133
Deferred tax benefit / (charge)	**25,680**	(276,432)	(174,392)
Income tax expense	**(3,538,576)**	(1,997,780)	(773,465)

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The reconciliation between the income tax expense in the consolidated financial statements and income before tax multiplied by the statutory tax rate of 30% for the years ended December 31 is as follows:

	2005	*2004*	*2003*
Income before income tax expense	**19,366,476**	10,090,815	8,271,649
Statutory tax rate	**30%**	30%	30%
Theoretical income tax expense at the statutory rate	**(5,809,943)**	(3,027,245)	(2,481,495)
Tax exempt interest income on long-term loans issued by the Bank to modernize equipment	**1,812,360**	915,576	624,612
Tax exempt interest income on state and other qualifying securities	**1,222,634**	881,592	1,679,825
Income of subsidiaries taxed at different rates	**11,391**	113,760	71,044
Other tax exempt income	**–**	24,175	33,326
Non deductible expenditures:			
- interest on deposits to non-residents	**(317,990)**	(177,160)	(703,425)
- withholding tax on interest	**(311,506)**	(543,585)	(89,952)
- charity	**(33,065)**	(25,088)	(75,638)
- other provisions	**–**	(127,940)	(71,448)
- other	**(112,457)**	(31,865)	(234,708)
Income tax of prior years	–	–	110,133
Change in unrecognised deferred tax assets	–	–	364,261
Income tax expense	**(3,538,576)**	(1,997,780)	(773,465)

Deferred tax assets and liabilities as of December 31 comprise:

	2005	*2004*	*2003*
Tax effect of deductible temporary differences:			
Loans to customers	**341,564**	–	91,262
Deferred tax asset	**341,564**	–	91,262
Tax effect of taxable temporary differences:			
Property and equipment	**(766,708)**	(450,824)	(265,654)
Deferred tax liability	**(766,708)**	(450,824)	(265,654)
Net deferred tax liability	**(425,144)**	(450,824)	(174,392)

Temporary differences on loans to customers as of December 31, 2005 relate to up-front fees received on loans taxed for statutory tax purposes at the time of receipt of such fees. Temporary differences on loans to customers as of December 31, 2003 relate to provisions for other losses.

Kazakhstan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable 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, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; 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 Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

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14. Amounts Due to Customers

Amounts due to customers include customers' term deposits, current accounts and other customers' bank accounts as follows:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
Term deposits:			
Commercial entities	**92,026,122**	69,948,527	29,815,332
Individuals	**97,443,587**	81,412,794	65,104,894
Governmental entities	**17,426,543**	–	–
	206,896,252	151,361,321	94,920,226
Current accounts:			
Commercial entities	**64,587,543**	37,009,691	33,307,551
Individuals	**37,913,417**	30,892,155	23,674,644
Governmental entities	**10,466,124**	11,475,743	1,505,820
	112,967,084	79,377,589	58,488,015
Guarantee and other restricted accounts	**766,314**	762,451	1,437,457
Amounts due to customers	**320,629,650**	231,501,361	154,845,698

As of December 31, 2005, the Bank's ten largest customers accounted for approximately 39% of the total amounts due to customers (2004 – 32%, 2003 – 11%).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sector follows:

	December 31, 2005	*%*	*December 31, 2004*	*%*	*December 31, 2003*	*%*
Individuals and entrepreneurs	**135,357,004**	**42%**	112,304,949	49%	88,779,538	57%
Oil and gas	**99,769,084**	**31%**	42,856,652	19%	15,361,346	10%
Construction	**22,890,735**	**7%**	5,362,613	2%	3,965,924	3%
Energy	**10,390,969**	**3%**	11,857,510	5%	4,308,097	3%
Transportation of oil and gas	**6,267,139**	**2%**	20,694,005	9%	11,336,288	7%
Wholesale trade	**5,907,904**	**2%**	2,090,423	1%	2,646,702	2%
Financial sector	**5,422,340**	**2%**	677,553	1%	1,437,457	1%
Other transportation	**4,760,271**	**2%**	3,658,668	2%	1,628,714	1%
Other	**29,864,204**	**9%**	31,998,988	12%	25,381,632	16%
	320,629,650	**100%**	231,501,361	100%	154,845,698	100%

15. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
Loans and deposits from OECD based banks	**97,539,596**	64,364,550	52,111,282
Loans and deposits from non-OECD based banks	**2,144,841**	3,453,432	225,589
Loans and deposits from Kazakh banks	**1,099,582**	5,310,820	2,441,167
Loans from other financial institutions	**1,413,908**	58,121	81,231
Loans from the European Bank for Reconstruction and Development ("EBRD")	**679,153**	657,617	1,379,120
Loans from the Small Business Development Fund	–	800,426	1,960,708
Overnight deposits	**3,850,541**	900,053	3,480,829
Correspondent accounts	**556,526**	947,741	196,624
Amounts due to credit institutions	**107,284,147**	76,492,760	61,876,550

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Interest rates and maturities of amounts due to credit institutions follow:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	%	*Maturity*	*%*	*Maturity*	*%*	*Maturity*
Loans and deposits from OECD based banks	**3.8%-7.8%**	**2006-2012**	2.4%-6.9%	2005-2009	2.9%-6.1%	2004-2009
Loans and deposits from non-OECD based banks	**4.7%-6.0%**	**2006-2012**	3.9%-6.0%	2005-2012	1.6%-6.0%	2004-2012
Loans and deposits from Kazakh banks	**4.0%-8.0%**	**2006**	2.0%-5.3%	2005-2006	1.0%-6.0%	2004
Loans from other financial institutions	**2.4%-7.3%**	**2006-2012**	2.4%	2008	2.4%	2008
Loans from EBRD	**6-month LIBOR + 4.25%**	**2006**	6-month LIBOR + 4.25%	2006	3.9%-6.4%, 6-month LIBOR + 4.25%	2004-2006
Loans from the Small Business Development Fund	–	–	7.8%	2005	4.3%-7.8%	2004-2005
Overnight deposits	**4.0%-5.0%**	**2006**	2.0%-2.5%	2005	1.0%	2004

Financial covenants

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, 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. Furthermore, certain of the Bank's outstanding financing agreements include covenants restricting the Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. As of December 31, 2004, the Bank was in technical breach of these restrictions. Subsequently, during 2005 the Bank has cured the reason of the breach and informed the relevant lenders and obtained subsequent ratification of the transaction that caused the breach and, as a result, there was no impact on these consolidated financial statements.

As of December 31, 2005, management believes that the Bank was in compliance with the covenants of the various debt agreements the Bank has with other banks and financial institutions.

16. Debt Securities Issued

Debt securities issued consisted of the following:

	December 31, 2005	*December 31, 2004*	*December 31, 2003*
KZT denominated bonds	**24,283,131**	12,079,918	4,414,634
USD denominated bonds	**3,772,522**	2,068,461	4,167,970
Subordinated debt securities issued	**28,055,653**	14,148,379	8,582,604
USD denominated bonds	**26,909,114**	26,018,775	–
KZT denominated bonds	**3,801,234**	4,751,601	–
RUR denominated promissory notes	**47,593**	21,219	–
Unsubordinated debt securities issued	**30,757,941**	30,791,595	–
Total debt securities issued	**58,813,594**	44,939,974	8,582,604

During 2005 the Bank repurchased its KZT denominated unsubordinated bonds of KZT 1,305,000 (face value) at KZT 1,268,935 (2004 and 2003 – nil).

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The interest rates and maturities of these debt securities issued follow:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	%	*Maturity*	*%*	*Maturity*	*%*	*Maturity*
Subordinated debt securities issued						
KZT denominated bonds	**7.5%-9.6%, 15% less inflation rate**	**2007-2015**	7.5%-9.0%	2007-2014	8.0%-9.0%	2007-2009
USD denominated bonds	**8.0%-11.8%**	**2007**	11.8%	2007	11.8%	2007
Unsubordinated debt securities issued						
USD denominated bonds	**8.1%**	**2009**	8.1%	2009	–	–
KZT denominated bonds	**5.0%**	**2007**	5.0%	2007	–	–
RUR denominated promissory notes	**–**	**On demand**	–	On demand	–	–

Subordinated securities are unsecured obligations of the Bank and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Bank.

In accordance with the terms of the USD denominated bonds, the Bank is required to maintain certain financial covenants particularly with regard to its capital adequacy, lending exposures, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. At December 31, 2004, the Bank was in technical breach of these restrictions. Subsequently, during 2005, the Bank has cured the reason of the breach and informed the notes' trustee and obtained subsequent ratification of the transaction that caused the breach and, as a result there was no impact on these consolidated financial statements. Management believes that the Bank is in compliance with the other covenants of the agreements the Bank has with the notes' trustee and holders.

17. Equity

Authorized and issued share capital as of December 31, 2005, consisted of 897,383,050 common shares, 24,742,000 non-convertible preferred shares and 74,887,521 convertible preferred shares (2004 − 87,160,237, 24,742,000 and nil, respectively, 2003 – 74,068,613, 24,742,000 and nil, respectively). All shares are KZT denominated. Each common share is entitled to one vote and is equal for dividends.

In accordance with IAS 32 "Financial Instruments: Disclosure and Presentation", preferred shares are classified as part of equity as these shares are not redeemable and guarantee a nominal dividend amount of 0.01 KZT per share to comply with the Kazakh legislation with regard to preferred shares which requires joint stock companies to guarantee certain amount of preferred dividends. The remainder of the dividends on preferred shares is linked to the Bank's profitability and is paid out only if the Bank is profitable. Preferred shares do not have any voting rights.

On May 18, 2005, in accordance with the resolution of the shareholders, the Bank announced a one-to-ten split of common shares outstanding as of that date. Subsequently shareholders authorized and issued 74,887,521 preferred shares that, by the decision of the Board of Directors of the Bank authorized by the shareholders, can subsequently be converted into common shares.

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Movements of shares authorized, fully paid and outstanding follow:

	Number of shares			Nominal (placement) amount		
	Common	***Non-convertible preferred***	***Convertible preferred***	***Common***	***Non-convertible preferred***	***Convertible preferred***
December 31, 2002	74,085,571	22,611,500	–	7,408,557	2,261,150	–
Capital contributions	–	2,130,500	–	–	213,050	–
Purchase of treasury shares	(16,958)	–	–	(1,696)	–	–
December 31, 2003	74,068,613	24,742,000	–	7,406,861	2,474,200	–
Capital contributions	13,100,888	–	–	5,862,551	–	–
Purchase of treasury shares	(9,264)	–	–	(926)	–	–
December 31, 2004	87,160,237	24,742,000	–	13,268,486	2,474,200	–
Capital contributions	2,574,778	–	74,887,521	936,618	–	12,320,219
Sale of treasury shares	3,290	–	–	329	–	–
December 31, 2005 (before share split)	**89,738,305**	**24,742,000**	**74,887,521**	**14,205,433**	**2,474,200**	**12,320,219**
One-to-ten share split	**807,644,745**	**–**	**–**	**–**	**–**	**–**
December 31, 2005	**897,383,050**	**24,742,000**	**74,887,521**	**14,205,433**	**2,474,200**	**12,320,219**

At December 31, 2005, the Group held 1,633,610 of the Bank's shares as treasury shares at KZT 16,336 (2004 –166,651 at KZT 16,665, 2003 – 157,387 at KZT 15,739).

Dividends payments comprise:

	2005	***2004***	***2003***
Dividends on preferred shares	**316,629**	354,936	394,459
Number of preferred shares as of December 31,	**99,629,521**	24,742,000	24,742,000
Dividend per preferred share (Tenge)	**3.18**	14.3	15.9

All dividends are declared and paid in KZT. No dividends were declared on common shares.

18. Commitments and Contingencies

Financial Commitments and Contingencies

The Group's financial commitments and contingencies comprised the following:

	December 31, 2005	***December 31, 2004***	***December 31, 2003***
Guarantees issued	**29,329,513**	44,595,481	20,343,907
Commitments to extend credit	**17,000,292**	104,963,613	39,207,253
Commercial letters of credit	**16,107,316**	15,526,268	7,794,261
	62,437,121	165,085,362	67,345,421
Less: cash collateral against letters of credit	**(766,314)**	(762,451)	(1,437,457)
Less: provisions	**(2,279,508)**	(1,801,039)	(920,576)
Financial commitments and contingencies	**59,391,299**	162,521,872	64,987,388

As of December 31, 2005, the ten largest guarantees accounted for 56% of the Bank's total financial guarantees (2004 – 33%, 2003 – 47%) and represented 25% of the Bank's total equity (2004 – 42%, 2003 – 45%).

As of December 31, 2005, the ten largest letters of credit accounted for 74% of the Bank's total commercial letters of credit (2004 – 83%, 2003 – 49%) and represented 18% of the Bank's total equity (2004 – 36%, 2003 – 18%).

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 banks, government securities and other assets.

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Trust Activities

The Group provides fiduciary services to third parties which involve the Bank making allocation, purchase and sales decisions in relation to trusted securities. Those securities that are held in a fiduciary capacity are not included in these consolidated financial statements. As of December 31, 2005, such securities not reported in the consolidated balance sheet amounted to KZT 168,343 thousand (2004 − KZT 121,174 thousand, 2003 – KZT 89,002 thousand).

19. Fees and Commissions

Fee and commission income was made from the following sources:

	2005	*2004*	*2003*
Bank transfers	**4,312,469**	2,381,350	1,530,106
Pension fund and asset management	**3,114,774**	790,216	972,192
Cash operations	**2,224,997**	1,860,360	1,200,172
Letters of credit and guarantees issued	**1,796,337**	1,195,213	740,997
Maintenance of customer accounts	**894,204**	752,638	652,873
Customers' pension payments	**894,006**	634,653	448,931
Utilities payments	**861,427**	723,648	575,736
Foreign currency operations	**780,755**	647,011	535,355
Plastic cards maintenance	**529,438**	539,694	539,858
Other	**752,301**	592,114	362,660
	16,160,708	10,116,897	7,558,880

Fees and commission expense comprised the following:

	2005	*2004*	*2003*
Plastic cards	**(382,442)**	(344,222)	(260,457)
Foreign currency operations	**(217,919)**	(216,517)	(268,229)
Bank transfers	**(125,577)**	(83,076)	(59,627)
Other	**(186,579)**	(154,661)	(167,083)
	(912,517)	(798,476)	(755,396)

20. Administrative and Operating Expenses

Administrative and operating expenses comprised:

	2005	*2004*	*2003*
Repair and maintenance	**(826,175)**	(693,855)	(445,676)
Insurance of deposits	**(691,765)**	(593,749)	(358,000)
Advertisement	**(525,879)**	(391,806)	(441,074)
Communication	**(437,553)**	(400,507)	(374,697)
Business trip expenses	**(412,462)**	(302,916)	(278,677)
Stationery and office supplies	**(347,548)**	(257,139)	(406,401)
Rent	**(293,328)**	(140,104)	(108,243)
Information services	**(207,088)**	(65,733)	(55,136)
Security	**(183,342)**	(143,542)	(153,850)
Transportation	**(159,230)**	(158,692)	(122,250)
Charity	**(105,718)**	(90,594)	(126,763)
Social events	**(91,121)**	(43,953)	(125,364)
Professional services	**(90,108)**	(514,474)	(280,076)
Other	**(870,838)**	(715,913)	(298,491)
Administrative and operating expenses	**(5,242,155)**	(4,512,977)	(3,574,698)

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21. Earnings per Share

Basic earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year. Participating shares comprise common and preferred shares as, in accordance with Kazakhstan legislation, preferred shareholders are entitled to at least the same amount of per share dividends as common shareholders.

The following reflects the income and share data used in the basic earnings per share computations for the years ended December 31:

	2005	*2004*	*2003*
Net income attributable to equity holders of the parent	**15,628,180**	8,088,143	7,460,278
Weighted average number of participating shares	**931,732,504**	797,846,554	763,258,028
Basic earnings per share (Tenge)	**16.8**	10.1	9.8

22. Risk Management Policies

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Bank's risk management policies in relation to those risks follows.

Geographical Concentration

All assets and liabilities, except for those located in OECD and non-OECD countries, as presented in Notes 5, 8 and 15, are located in Kazakhstan.

Currency Risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position and cash flows, which are monitored daily. The Assets and Liabilities Management Committee sets limits on the level of exposure by currencies within the authority approved by the Board of Directors, by branches and in total. These limits also comply with the minimum requirements of the NBK. The Bank's exposure to foreign currency exchange rate risk follows:

	December 31, 2005			*December 31, 2004*		
	KZT	*Foreign currencies*	*Total*	*KZT*	*Foreign currencies*	*Total*
Monetary assets:						
Cash and cash equivalents	**24,556,199**	**32,545,492**	**57,101,691**	10,142,361	22,981,008	33,123,369
Obligatory reserves	**8,632,311**	**–**	**8,632,311**	7,578,394	–	7,578,394
Financial assets at fair value through profit or loss	**42,687,002**	**7,330,956**	**50,017,958**	54,753,245	7,628,990	62,382,235
Amounts due from credit institutions	**1,330,465**	**1,446,476**	**2,776,941**	–	695,379	695,379
Available-for-sale investment securities	**9,623,288**	**2,475,351**	**12,098,639**	5,022,324	15,596,098	20,618,422
Loans to customers	**179,297,785**	**257,720,204**	**437,017,989**	126,037,389	145,090,490	271,127,879
Other assets	**3,970,304**	**443,857**	**4,414,161**	3,757,122	703,076	4,460,198
	270,097,354	**301,962,336**	**572,059,690**	207,290,835	192,695,041	399,985,876
Monetary liabilities:						
Amounts due to customers	**159,727,655**	**160,901,995**	**320,629,650**	135,918,600	95,582,761	231,501,361
Amounts due to credit institutions	**18,122,429**	**89,161,718**	**107,284,147**	6,569,529	69,923,231	76,492,760
Debt securities issued	**28,084,365**	**30,729,229**	**58,813,594**	15,206,003	29,733,971	44,939,974
Provisions	**2,279,070**	**438**	**2,279,508**	1,801,039	–	1,801,039
Tax liability	**425,144**	**–**	**425,144**	450,824	–	450,824
Other liabilities	**2,701,648**	**1,366,868**	**4,068,516**	1,226,625	1,273,120	2,499,745
	211,340,311	**282,160,248**	**493,500,559**	161,172,620	196,513,083	357,685,703
Net balance sheet position	**58,757,043**	**19,802,088**	**78,559,131**	46,118,215	(3,818,042)	42,300,173

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	December 31, 2003		
	KZT	Other foreign currencies	Total
Monetary assets:			
Cash and cash equivalents	4,821,118	8,594,229	13,415,347
Obligatory reserves	5,212,050	–	5,212,050
Financial assets at fair value through profit or loss	33,165,870	6,748,458	39,914,328
Amounts due from credit institutions	236,900	7,054,029	7,290,929
Investment securities:			
- available-for-sale	442,922	2,788,813	3,231,735
- held-to-maturity	3,461,866	2,981,431	6,443,297
Loans to customers	72,795,161	101,622,682	174,417,843
Other assets	2,545,642	314,680	2,860,322
	122,681,529	130,104,322	252,785,851
Liabilities:			
Due to customers	88,063,483	66,782,215	154,845,698
Due to credit institutions	4,196,673	57,679,877	61,876,550
Debt securities issued	4,414,634	4,167,970	8,582,604
Provisions	920,576	–	920,576
Current tax liability	8,294	–	8,294
Deferred tax liability	174,392	–	174,392
Other liabilities	477,427	841,251	1,318,678
	98,255,479	129,471,313	227,726,792
Net balance sheet position	24,426,050	633,009	25,059,059

The above table does not include the effect of allowances for impairment of loans and other assets totalling KZT 26,054,578 as of December 31, 2005 (2004 – KZT 16,613,708, 2003 – KZT 10,585,099).

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee.

The interest rates on the Bank's assets and liabilities are disclosed in the relevant notes to the financial statements.

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The effective average interest rates by currencies for interest generating/ bearing monetary financial instruments were as follows:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	KZT	*Foreign currencies*	*KZT*	*Foreign currencies*	*KZT*	*Foreign currencies*
Financial assets at fair value through profit or loss	**3.74%**	**7.20%**	3.94%	7.26%	5.94%	8.45%
Amounts due from credit institutions	**10.36%**	**4.26%**	9.34%	6.01%	8.54%	6.53%
Available-for-sale investment securities	**7.10%**	**10.17%**	6.15%	4.50%	7.40%	8.45%
Held-to-maturity investment securities	**–**	**–**	–	–	7.34%	9.53%
Loans to customers	**15.50%**	**11.31%**	14.69%	11.62%	16.26%	12.00%
Amounts due to customers, including current accounts						
– legal entities	**2.01%**	**4.94%**	1.65%	4.61%	2.01%	4.30%
– individuals	**5.23%**	**3.29%**	5.63%	5.09%	5.67%	6.29%
Amounts due to credit institutions	**4.70%**	**5.12%**	–	3.36%	1.25%	4.08%
Debt securities issued	**8.93%**	**9.95%**	8.25%	9.80%	8.70%	11.80%

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.

	December 31, 2005						
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Total*
Monetary assets:							
Cash and cash equivalents	**29,104,398**	**26,231,346**	**1,765,947**	**–**	**–**	**–**	**57,101,691**
Financial assets at fair value through profit or loss	**–**	**23,159,597**	**413,192**	**1,492,144**	**9,458,065**	**15,494,960**	**50,017,958**
Amounts due from credit institutions	**–**	**–**	**1,446,476**	**1,130,465**	**200,000**	**–**	**2,776,941**
Available-for-sale investment securities	**–**	**104,673**	**875,437**	**1,485,038**	**1,803,974**	**7,829,517**	**12,098,639**
Loans to customers	**1,499,532**	**14,045,112**	**29,165,344**	**137,930,473**	**190,719,523**	**63,658,005**	**437,017,989**
	30,603,930	**63,540,728**	**33,666,396**	**142,038,120**	**202,181,562**	**86,982,482**	**559,013,218**
Monetary liabilities:							
Amounts due to customers	**112,967,084**	**38,991,242**	**18,630,799**	**88,641,854**	**58,250,210**	**3,148,461**	**320,629,650**
Amounts due to credit institutions	**556,526**	**14,937,940**	**14,575,018**	**38,974,122**	**29,677,157**	**8,563,384**	**107,284,147**
Debt securities issued	**47,593**	**–**	**–**	**3,674,782**	**7,718,616**	**47,372,603**	**58,813,594**
	113,571,203	**53,929,182**	**33,205,817**	**131,290,758**	**95,645,983**	**59,084,448**	**486,727,391**
Net interest sensitivity gap	**(82,967,273)**	**9,611,546**	**460,579**	**10,747,362**	**106,535,579**	**27,898,034**	**72,285,827**
Cumulative interest sensitivity gap	**(82,967,273)**	**(73,355,727)**	**(72,895,148)**	**(62,147,786)**	**44,387,793**	**72,285,827**	

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	December 31, 2004						
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 3 years***	***Over 3 years***	***Total***
Monetary assets:							
Cash and cash equivalents	11,871,911	11,275,787	9,975,671	–	–	–	33,123,369
Financial assets at fair value through profit or loss	–	28,884,574	515,332	1,860,997	11,796,068	19,325,264	62,382,235
Amounts due from credit institutions	–	23,149	413,467	258,763	–	–	695,379
Available-for-sale investment securities	–	178,383	1,491,915	2,530,792	3,074,320	13,343,012	20,618,422
Loans to customers	2,240,582	14,754,164	34,678,404	83,154,911	104,634,619	31,665,199	271,127,879
	14,112,493	55,116,057	47,074,789	87,805,463	119,505,007	64,333,475	387,947,284
Monetary liabilities:							
Amounts due to customers	76,565,293	25,098,797	26,864,776	72,424,208	26,644,969	3,903,318	231,501,361
Amounts due to credit institutions	947,741	6,933,062	11,457,470	40,072,910	17,004,078	77,499	76,492,760
Debt securities issued	21,219	–	513,232	–	38,533,163	5,872,360	44,939,974
	77,534,253	32,031,859	38,835,478	112,497,118	82,182,210	9,853,177	352,934,095
Net interest sensitivity gap	(63,421,760)	23,084,198	8,239,311	(24,691,655)	37,322,797	54,480,298	35,013,189
Cumulative interest sensitivity gap	(63,421,760)	(40,337,562)	(32,098,251)	(56,789,906)	(19,467,109)	35,013,189	

	December 31, 2003						
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 3 years***	***Over 3 years***	***Total***
Monetary assets:							
Cash and cash equivalents	12,357,156	–	1,058,191	–	–	–	13,415,347
Financial assets at fair value through profit or loss	–	18,481,357	329,727	1,190,731	7,547,535	12,364,978	39,914,328
Amounts due from credit institutions	24,149	–	–	7,266,780	–	–	7,290,929
Investment securities:							
-available-for-sale	–	27,960	233,843	396,677	481,870	2,091,385	3,231,735
-held-to-maturity	–	–	450,000	3,105,731	1,767,917	1,119,649	6,443,297
Loans to customers	–	13,743,085	12,458,877	45,668,600	68,467,648	34,079,633	174,417,843
	12,381,305	32,252,402	14,530,638	57,628,519	78,264,970	49,655,645	244,713,479
Monetary liabilities:							
Amounts due to customers	51,981,955	25,990,978	16,679,052	30,335,698	16,985,976	12,872,039	154,845,698
Amounts due to credit institutions	196,604	13,338,187	2,210,940	29,636,868	15,475,336	1,018,615	61,876,550
Debt securities issued	–	–	–	36,525	4,129,686	4,416,393	8,582,604
	52,178,559	39,329,165	18,889,992	60,009,091	36,590,998	18,307,047	225,304,852
Net interest sensitivity gap	(39,797,254)	(7,076,763)	(4,359,354)	(2,380,572)	41,673,972	31,348,598	19,408,627
Cumulative interest sensitivity gap	(39,797,254)	(46,874,017)	(51,233,371)	(53,613,943)	(11,939,971)	19,408,627	

The above tables do not include the effect of allowances for impairment of loans and other assets totalling KZT 26,054,578 as of December 31, 2005 (2004 − KZT 16,613,708, 2003 – KZT 10,585,099).

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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. Short-term liquidity needs are managed by the Bank's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by the Assets and Liabilities Management Committee by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. The Assets and Liabilities Management Committee within the authority approved by 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.

The following tables provide an analysis of monetary assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date, except for financial assets at fair value through profit or loss and available-for-sale investment securities which are included in the column "On demand" as they are available to meet the Bank's short-term liquidity needs.

	December 31, 2005						
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Total*
Monetary assets:							
Cash and cash equivalents	**29,104,398**	**26,231,346**	**1,765,947**	**–**	**–**	**–**	**57,101,691**
Obligatory reserves	**–**	**–**	**–**	**–**	**–**	**8,632,311**	**8,632,311**
Financial assets at fair value through profit or loss	**50,017,958**	**–**	**–**	**–**	**–**	**–**	**50,017,958**
Amounts due from credit institutions	**–**	**–**	**1,446,476**	**1,120,332**	**210,133**	**–**	**2,776,941**
Available-for-sale investment securities	**12,098,639**	**–**	**–**	**–**	**–**	**–**	**12,098,639**
Loans to customers	**1,499,532**	**14,045,112**	**29,165,344**	**137,930,473**	**190,719,523**	**63,658,005**	**437,017,989**
Other assets	**997,788**	**1,224,752**	**112,966**	**625,998**	**–**	**1,452,657**	**4,414,161**
	93,718,315	**41,501,210**	**32,490,733**	**139,676,803**	**190,929,656**	**73,742,973**	**572,059,690**
Monetary liabilities:							
Amounts due to customers	**112,967,084**	**38,991,242**	**18,630,799**	**88,641,854**	**58,250,210**	**3,148,461**	**320,629,650**
Amounts due to credit institutions	**556,526**	**14,937,940**	**14,575,018**	**38,294,969**	**30,356,310**	**8,563,384**	**107,284,147**
Debt securities issued	**47,593**	**–**	**–**	**–**	**7,718,616**	**51,047,385**	**58,813,594**
Provisions	**2,279,508**	**–**	**–**	**–**	**–**	**–**	**2,279,508**
Tax liability	**–**	**–**	**–**	**425,144**	**–**	**–**	**425,144**
Other liabilities	**857,578**	**1,038,532**	**1,078,928**	**789,596**	**303,882**	**–**	**4,068,516**
	116,708,289	**54,967,714**	**34,284,745**	**128,151,563**	**96,629,018**	**62,759,230**	**493,500,559**
Net position	**(22,989,974)**	**(13,466,504)**	**(1,794,012)**	**11,525,240**	**94,300,638**	**10,983,743**	**78,559,131**
Accumulated gap	**(22,989,974)**	**(36,456,478)**	**(38,250,490)**	**(26,725,250)**	**67,575,388**	**78,559,131**	

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Assets and liabilities are shown based on their contractual maturities, except for certain long-term loans to customers amounting to KZT 29,880,890 which are shown at the terms of their "early repayment" call option exercisable at the Bank's discretion. These are tabulated within the "3 months to 1 year" band as the Bank is obliged to provide the borrowers with a repayment period of ten months from the date of exercising the call option. The liquidity gap analysis does not reflect the historical stability of current accounts, which are included in the "on demand" band. Their liquidation has historically taken place over a much longer time period. The Bank's Assets and Liabilities Management Committee analyses average daily balances on customer current accounts and based on this analysis sets minimum amount of liquid assets to meet potential withdrawals. While financial assets at fair value through profit or loss and available-for-sale investment securities are shown as "on demand", realizing such assets upon demand is dependent upon financial market conditions.

As of December 31, 2005, the Bank had an accumulated negative liquidity gap extending from 3 months to 1 year which amounted to KZT 26,725,250. In addition, as discussed in Note 14, as of December 31, 2005, the Bank's 10 largest depositors accounted for approximately 39% of total amounts owed to customers (2004 – 32%, 2003 – 11%).

Management monitors the Bank's liquidity needs and positions and has plans to reduce the liquidity gap extending from 3 months to 1 year in 2006. These plans include increasing the Bank's capital, placing long-term Eurobonds and placing long-term domestic subordinated bonds in 2006. The Bank also intends to reduce the concentration in its deposit base by further attracting small and medium corporate and retail depositors.

Management believes that the Bank's access to domestic and international funding as well as the anticipated share capital increase will continue to allow the Bank to meet its liquidity needs in 2006 and beyond. In addition, the management also believes that the majority of its customer accounts will be extended over their initial contractual maturity as their withdrawal has historically taken place over a period longer than their contractual maturity.

	December 31, 2004						
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 3 years***	***Over 3 years***	***Total***
Monetary assets:							
Cash and cash equivalents	11,871,911	11,275,787	9,975,671	–	–	–	33,123,369
Obligatory reserves	–	–	–	–	–	7,578,394	7,578,394
Financial assets at fair value through profit or loss	62,382,235	–	–	–	–	–	62,382,235
Amounts due from credit institutions	–	23,149	413,467	258,763	–	–	695,379
Available-for-sale investment securities	6,625,650	–	–	13,992,772	–	–	20,618,422
Loans to customers	2,240,582	14,754,164	34,678,404	83,154,911	104,634,619	31,665,199	271,127,879
Other assets	3,652,572	807,626	–	–	–	–	4,460,198
	86,772,950	26,860,726	45,067,542	97,406,446	104,634,619	39,243,593	399,985,876
Monetary liabilities:							
Amounts due to customers	76,565,293	25,098,797	26,864,776	72,424,208	26,644,969	3,903,318	231,501,361
Amounts due to credit institutions	947,741	6,933,062	11,457,470	39,415,293	17,661,695	77,499	76,492,760
Debt securities issued	21,219	–	513,232	–	38,533,163	5,872,360	44,939,974
Provisions	1,801,039	–	–	–	–	–	1,801,039
Tax liability	–	–	–	–	450,824	–	450,824
Other liabilities	2,041,000	15,052	69,569	183,021	191,103	–	2,499,745
	81,376,292	32,046,911	38,905,047	112,022,522	83,481,754	9,853,177	357,685,703
Net position	5,396,658	(5,186,185)	6,162,495	(14,616,076)	21,152,865	29,390,416	42,300,173
Accumulated gap	5,396,658	210,473	6,372,968	(8,243,108)	12,909,757	42,300,173	

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December 31, 2005, 2004 and 2003

	December 31, 2003						
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Total*
Monetary assets:							
Cash and cash equivalents	12,357,156	–	1,058,191	–	–	–	13,415,347
Obligatory reserves	–	–	–	–	–	5,212,050	5,212,050
Financial assets at fair value through profit or loss	39,914,328	–	–	–	–	–	39,914,328
Amounts due from credit institutions	24,149	–	–	7,266,780	–	–	7,290,929
Investment securities							
- available-for-sale	3,231,735	–	–	–	–	–	3,231,735
- held-to-maturity	–	–	450,000	3,105,731	1,767,917	1,119,649	6,443,297
Loans to customers	–	13,743,085	12,458,877	45,668,600	68,467,648	34,079,633	174,417,843
Other assets	2,660,949	199,373	–	–	–	–	2,860,322
	58,188,317	13,942,458	13,967,068	56,041,111	70,235,565	40,411,332	252,785,851
Liabilities:							
Due to customers	51,981,955	25,990,978	16,679,052	30,335,698	16,985,976	12,872,039	154,845,698
Due to credit institutions	196,604	13,338,187	2,210,940	28,915,768	16,196,436	1,018,615	61,876,550
Debt securities issued	–	–	–	36,525	4,129,686	4,416,393	8,582,604
Provisions	920,576	–	–	–	–	–	920,576
Current tax liability	–	–	–	–	8,294	–	8,294
Deferred tax liability	–	–	–	–	174,392	–	174,392
Other liabilities	778,847	15,046	372,684	91,118	60,983	–	1,318,678
	53,877,982	39,344,211	19,262,676	59,379,109	37,555,767	18,307,047	227,726,792
Net position	4,310,335	(25,401,753)	(5,295,608)	(3,337,998)	32,679,798	22,104,285	25,059,059
Accumulated gap	4,310,335	(21,091,418)	(26,387,026)	(29,725,024)	2,954,774	25,059,059	

The above tables do not include the effect of allowances for impairment of loans and other assets totalling KZT 26,054,578 as of December 31, 2005 (2004 − KZT 16,613,708, 2003 – KZT 10,585,099).

23. Segment Analysis

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of two main business segments:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

There were no transactions between business segments during 2005, 2004 and 2003.

Segment information for the main reportable business segments of the Group for the years ended December 31, 2005, 2004 and 2003 is set out below:

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

	Retail banking	*Corporate banking*	*Other*	*Total*
2005				
External revenues	24,582,671	46,105,621	2,275,889	72,964,181
Total revenues	**24,582,671**	**46,105,621**	**2,275,889**	**72,964,181**
Total revenues comprise:				
- Interest income	18,687,639	33,696,984	–	52,384,623
- Gains less losses from financial assets at fair value through profit or loss	–	–	1,362,905	1,362,905
- Gains less losses from available-for-sale investment securities	–	–	342,380	342,380
- Share of income of associate	–	248,841	–	248,841
- Gains less losses from foreign currencies	927,974	966,146	–	1,894,120
- Fee and commission income	4,967,058	11,193,650	–	16,160,708
- Other operating income	–	–	570,604	570,604
Total revenues	**24,582,671**	**46,105,621**	**2,275,889**	**72,964,181**
Segment result	**11,036,753**	**21,946,542**	**2,275,889**	**35,259,184**
Unallocated costs	–	–	–	(15,892,708)
Income before income tax expense				**19,366,476**
Income tax expense				(3,538,576)
Net income				**15,827,900**
Other segment assets	136,753,241	335,665,379	62,116,597	534,535,217
Total segment assets	**136,753,241**	**335,665,379**	**62,116,597**	**534,535,217**
Premises and equipment				10,979,050
Other unallocated assets				14,150,441
Total assets	**136,753,241**	**335,665,379**	**62,116,597**	**559,664,708**
Other segment liabilities	(132,716,916)	(190,192,242)	–	(322,909,158)
Total segment liabilities	**(132,716,916)**	**(190,192,242)**	**–**	**(322,909,158)**
Other unallocated liabilities	–	–	–	(172,311,505)
Total liabilities	**(132,716,916)**	**(190,192,242)**	**–**	**(495,220,663)**
Other segment items				
Capital expenditure				(3,179,634)
Depreciation and amortization expense				(1,329,848)
Impairment charge to statement of income				(12,465,903)
Other non-cash income				1,512,589

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December 31, 2005, 2004 and 2003

	Retail banking	*Corporate banking*	*Other*	*Total*
2004				
External revenues	11,964,526	33,289,709	877,470	46,131,705
Total revenues	**11,964,526**	**33,289,709**	**877,470**	**46,131,705**
Total revenues comprise:				
- Interest income	7,927,442	25,022,615	–	32,950,057
- Gains less losses from financial assets at fair value through profit or loss	–	–	165,389	165,389
- Gains less losses from available-for-sale investment securities	–	–	104,204	104,204
- Share of income of associate	–	196,153	–	196,153
- Gains less losses from foreign currencies	647,932	1,343,196	–	1,991,128
- Fee and commission income	3,389,152	6,727,745	–	10,116,897
- Other operating income	–	–	607,877	607,877
Total revenues	**11,964,526**	**33,289,709**	**877,470**	**46,131,705**
Segment result	**3,532,342**	**16,094,854**	**877,470**	**20,504,666**
Unallocated costs	–	–	–	(10,413,851)
Income before income tax expense				**10,090,815**
Income tax expense				(1,997,780)
Net income				**8,093,035**
Other segment assets	85,254,508	203,840,473	83,000,657	372,095,638
Total segment assets	**85,254,508**	**203,840,473**	**83,000,657**	**372,095,638**
Premises and equipment				9,131,311
Other unallocated assets				12,026,951
Total assets	**85,254,508**	**203,828,436**	**83,000,657**	**393,253,900**
Other segment liabilities	(112,311,569)	(120,990,831)	–	(233,302,400)
Total segment liabilities	**(112,311,569)**	**(120,990,831)**	**–**	**(233,302,400)**
Other unallocated liabilities				(124,383,303)
Total liabilities	**(112,311,569)**	**(120,990,831)**	**–**	**(357,685,703)**
Other segment items				
Capital expenditure				(2,952,895)
Depreciation and amortization expense				(1,111,526)
Impairment charge to statement of income				(8,940,724)
Other non-cash income				249,011

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December 31, 2005, 2004 and 2003

	Retail banking	*Corporate banking*	*Other*	*Total*
2003				
External revenues	6,186,108	26,749,426	1,638,418	34,573,952
Total revenues	**6,186,108**	**26,749,426**	**1,638,418**	**34,573,952**
Total revenues comprise:				
- Interest income	3,594,520	20,601,990	–	24,196,510
- Gains less losses from financial assets at fair value through profit or loss	–	–	826,602	826,602
- Gains less losses from available-for-sale investment securities	–	–	441,674	441,674
- Share of income of associate	–	68,783	–	68,783
- Gains less losses from foreign currencies	596,531	514,830	–	1,111,361
- Fee and commission income	1,995,057	5,563,823	–	7,558,880
- Other operating income	–	–	370,142	370,142
Total revenues	**6,186,108**	**26,749,426**	**1,638,418**	**34,573,952**
Segment result	**1,186,046**	**12,759,298**	**1,638,418**	**15,583,762**
Unallocated costs				(7,312,113)
Income before income tax expense				**8,271,649**
Income tax expense				(773,465)
Net income				**7,498,184**
Other segment assets	26,523,484	158,561,176	49,589,360	234,674,020
Total segment assets	**26,523,484**	**158,561,176**	**49,589,360**	**234,674,020**
Premises and equipment				**7,322,490**
Other unallocated assets				**7,526,732**
Total assets	**26,523,484**	**158,561,176**	**49,589,360**	**249,523,242**
Other segment liabilities	**(88,779,538)**	**(66,986,736)**	–	**(155,766,274)**
Total segment liabilities	**(88,779,538)**	**(66,986,736)**	–	**(155,766,274)**
Other unallocated liabilities				(71,960,518)
Total liabilities	**(88,779,538)**	**(66,986,736)**	–	**(227,726,792)**
Other segment items				
Capital expenditure				(1,372,124)
Depreciation and amortization expense				249,523,242
Impairment charge to statement of income				5,521,209
Other non-cash expenses				(149,278)

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

Geographical segments. Segment information for the main geographical segments of the Group is set out below for the years ended December 31, 2005, 2004 and 2003.

	Kazakhstan	*OECD*	*Non OECD*	*Total*
2005				
Segment assets	**526,699,451**	**31,535,829**	**1,429,428**	**559,664,708**
External revenues	**71,456,677**	**1,442,136**	**65,368**	**72,964,181**
Capital expenditure	**(3,179,634)**	**–**	**–**	**(3,179,634)**
Credit related commitments	**17,000,292**	**–**	**–**	**17,000,292**
2004				
Segment assets	359,834,727	32,911,445	507,728	393,253,900
External revenues	44,707,576	1,402,493	21,636	46,131,705
Capital expenditure	(2,952,895)	–	–	(2,952,895)
Credit related commitments	104,963,613	–	–	104,963,613
2003				
Segment assets	230,330,040	18,245,544	947,658	249,523,242
External revenues	33,810,632	725,631	37,689	34,573,952
Capital expenditure	(1,372,124)	–	–	(1,372,124)
Credit related commitments	39,207,253	–	–	39,207,253

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

24. 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.

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 at the respective year-end.

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Held-to-Maturity Investment Securities

The estimate was based on the quoted market prices of the securities at the balance sheet date.

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:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*	*Carrying Amount*	*Fair Value*
Financial assets						
Amounts due from credit institutions	**2,776,941**	**2,776,941**	695,379	695,379	7,290,929	7,290,929
Loans to customers, gross	**437,017,989**	**438,905,326**	254,590,193	257,640,717	163,888,497	165,852,558
Held-to-maturity investments securities	–	–	–	–	6,443,297	6,479,591
Financial liabilities						
Amounts due to customers	**320,629,650**	**322,699,421**	231,501,361	230,775,739	154,845,698	154,312,893
Amounts due to credit institutions	**107,284,147**	**109,982,877**	76,492,760	74,697,414	61,876,550	60,402,847
Debt securities issued	**58,813,594**	**58,550,320**	44,939,974	45,531,403	8,582,604	8,695,597

25. Related Party Transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Bank's related parties include shareholders, entities which exercise significant influence over the Bank and entities over which the Bank exercises significant influence.

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December 31, 2005, 2004 and 2003

As of December 31, the Bank had the following transactions with related parties:

	December 31, 2005		*December 31, 2004*		*December 31, 2003*	
	Related party transactions	*Total category*	*Related party transactions*	*Total category*	*Related party transactions*	*Total category*
Loans to customers, gross at interest rates ranging from 8% to 28%	**753,392**	**437,017,989**	5,969,824	271,127,879	4,264,972	174,417,843
Shareholders	**681,394**		5,839,808		4,262,500	
Management	**71,998**		130,016		2,472	
Amounts due to customers at interest rates ranging from 4% to 8%	**494,564**	**320,629,650**	72,980,663	231,501,361	30,455,188	154,845,698
Shareholders	**98,793**		72,879,663		30,188,556	
Management	**212,985**		–		–	
Associates	**182,786**		101,000		266,632	
Guarantees at interest rates ranging from 3% to 4%	**2,561,568**	**29,329,513**	1,199,631	44,595,481	524,468	20,343,907
Shareholders	**2,561,568**		1,199,631		523,291	
Management	**–**		–		1,177	

For the year ended December 31, the Bank had the following transactions with related parties:

	2005		*2004*		*2003*	
	Related party transactions	*Total category*	*Related party transactions*	*Total category*	*Related party transactions*	*Total category*
Interest income	**105,708**	**47,548,528**	359,098	28,446,733	440,856	21,593,736
Shareholders	**98,648**		356,304		440,594	
Management	**7,060**		2,794		262	
Interest expense	**(26,842)**	**(11,872,599)**	(1,039,594)	(8,025,633)	(1,317,976)	(6,629,319)
Shareholders	**(11,730)**		(1,039,212)		(1,316,332)	
Management	**(7,007)**					
Associates	**(8,105)**		(382)		(1,644)	
Fee and commission income	**6,499**	**16,160,708**	169,423	10,116,897	15,293	7,558,880
Shareholders	**4,829**		165,344		10,698	
Associates	**1,670**		4,079		4,595	

Included in the table above are the following transactions with related parties outstanding as of December 31, 2005, 2004 and 2003:

- Associate, including: loans and deposits placed with the Bank.
- Shareholders, including: loans, deposits placed with the Bank and guarantees and letters of credit.
- Members of Board of Directors, including: loans and deposits placed with the Bank.

As of December 31, 2004 and 2003 and for the years then ended balances and transactions with related parties included transactions with JSC Kazmunaigas ("KMG") as its senior officer (the "Officer") was also the controlling shareholder of JSC Holding Group Almex (formerly Almex LLP) (Note 1) which is the controlling shareholder of the Bank. During 2005 the Officer has resigned from his position in KMG.

Remuneration and other benefits paid to 11 members of the Management Board and Board of Directors of the Bank for the year ended December 31, 2005 was KZT 819,128 (2004 – 13 members and KZT 640,763; 2003 – 8 members and KZT 337,732).

(Thousands of Kazakhstani Tenge)

December 31, 2005, 2004 and 2003

26. Capital Adequacy

The FMSA requires banks to maintain a capital adequacy ratio of 12% of risk-weighted assets, computed on the basis of statutory accounting. At December 31, 2005, 2004 and 2003, the Bank's capital adequacy ratios complied with the FMSA requirements in that regard.

The Bank's international risk based capital adequacy ratios computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments excluding the amendment to incorporate market risks at December 31, 2005, 2004 and 2003, exceeded the minimum ratio of 8% recommended by the Basle Accord.

	2005	***2004***	***2003***
Tier I capital	**62,622,193**	32,253,118	18,396,107
Tier II capital	**22,523,686**	13,972,087	12,326,293
Gross tier I and tier II available capital	**85,145,879**	46,225,205	30,722,400
Less investments in associate	**(1,442,765)**	(686,040)	(631,579)
Tier I and Tier II capital	**83,703,114**	45,539,165	30,090,821
Total risk weighted assets	**488,432,155**	331,564,439	205,498,060
Tier I capital adequacy ratio	**13%**	10%	9%
Total risk weighted capital adequacy ratio	**17%**	14%	15%

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