http://www.oblible.com

PROSPECTUS

JSC Alliance Bank

(a joint stock company incorporated in the Republic of Kazakhstan with registered number 4241-1900-AO)

U.S.$615,138,114 10.5 per cent. Notes due 2017;
U.S.$978,059 5.8 per cent. Notes due 2020; and
U.S.$219,343,079 4.7 per cent. Notes due 2020 bearing interest at LIBOR plus 8.5 per cent. from 2017.

Terms used herein and not otherwise defined have the meaning ascribed to them in "*Key Terms and Definitions*".

Pursuant to the Restructuring Plan of JSC Alliance Bank approved by the Claimants' Meeting on 15 December 2009, the Claimants agreed with the Bank to restructure the Designated Financial Indebtedness by way of cancelling relevant Claims in exchange for the New Notes and other Entitlements. The New Notes were issued to each eligible Claimant in accordance with the Restructuring Plan and the Allocation and Reallocation of Claims Mechanism.

The Terms and Conditions of the New Notes are set out in Schedule 1 (*Terms and Conditions of the New Notes*).

The New Notes were issued pursuant to the New Notes Trust Deed between the Bank and BNY Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the New Notes under the New Notes Trust Deed).

The New Notes involve a high degree of risk. See "*Risk Factors*".

The Bank has applied to the Commission de Surveillance du Secteur Financier, in its capacity as the competent authority in Luxembourg, for the approval of this Prospectus as a prospectus issued in compliance with the Prospectus Directive 2003/71/EC. The Bank has also applied for the New Notes to be admitted to the official list of the Luxembourg Stock Exchange and traded on the Bourse de Luxembourg, which is the regulated market in Luxembourg (the "**Market**"). In this Prospectus, references to "regulated market" shall mean a regulated market for the purposes of European Parliament and Council Directive 2004/39/EC. This Prospectus constitutes a prospectus in respect of the Discount Dollar Notes and the Par Dollar Notes for the purpose of the Luxembourg law dated 10 July 2005 on Prospectuses for Securities. This Prospectus also constitutes a prospectus in respect of the Recovery Notes for the purpose of the Luxembourg law dated 10 July 2005 on Prospectuses for Securities.

Delivery of the New Notes was made on 26 March 2010 (the "**Closing Date**"). The New Notes were delivered in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg and each series is represented by one or more global notes in registered form registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg, or a nominee thereof.

New Notes distributed outside the United States in reliance on Regulation S to persons who are not U.S. Persons are represented by interests in an Unrestricted Global Note, in definitive fully registered form, without interest coupons attached, which was registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. New Notes allocated to Eligible Investors are represented by interests in a Restricted Global Note, in fully registered form, without interest coupons attached, which was registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. Each Restricted Global Note (and any Note Certificates issued in exchange therefor) is subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph (4) in "*Issuance and Transfer Restrictions*". The New Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**").

No person has been authorised by the Bank to give any information or make any representation other than those contained in this Prospectus and the accompanying documents and, if given or made, such information or representation must not be relied upon as having been so authorised. This Prospectus is available on the website of the Luxembourg Stock Exchange at www.bourse.lu.

25 June 2010

http://www.oblible.com

IMPORTANT NOTICE

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE NEW NOTES SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

The New Notes are subject to restrictions on transferability and resale and may not be transferred or resold except in accordance with the Securities Act and other applicable securities laws, pursuant to registration or an exemption therefrom. See "*Issuance and Transfer Restrictions*".

This Prospectus constitutes a prospectus for the purpose of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Bank and the New Notes which, according to the particular nature of the Bank and the New Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank and of the rights attaching to the New Notes. The Bank (the "**Responsible Person**") having taken all reasonable care to ensure that such is the case, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Bank the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the New Notes. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Prospectus may come are required by the Bank to inform themselves about and to observe such restrictions.

The New Notes are only available to persons in member states of the European Economic Area (the "**EEA**") who are "Qualified Investors" within the meaning of Article 2(1)(e) of the Prospectus Directive, unless in any instance the Bank otherwise agrees. This Prospectus and its contents should not be acted upon or relied upon in any member state of the EEA by persons who are not Qualified Investors. The expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The New Notes referred to herein may only be distributed in the Republic of Kazakhstan to institutions or individuals in the Republic of Kazakhstan, including banks, brokers, dealer participants, pension funds and collective investments 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. Further information with regard to restrictions on offers, sales and deliveries of the New Notes and the distribution of this Prospectus and other material relating to the New Notes is set out under "*Issuance and Transfer Restrictions*" and "*Form of the New Notes Denominated in Dollars and Provisions Relating to Such Notes in Global Form*".

The distribution of this Prospectus and the distribution of New Notes may be restricted by law in certain jurisdictions. The Bank makes no representation that this Prospectus or the New Notes may be lawfully distributed in any jurisdiction or assumes any responsibility for facilitating any such distribution. Accordingly, neither this Prospectus nor any other offering material may be distributed or published, and none of the New Notes may be distributed, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into

whose possession this Prospectus may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the distribution of the New Notes.

The information contained in this Prospectus has been prepared based upon information available to the Bank. To the best of the Bank's knowledge, information and belief, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The financial statements commencing at page F-1 have been prepared in accordance with IFRS. The Bank has taken all reasonable steps to ensure that this Prospectus contains the information reasonably necessary in the context of the issue of New Notes. None of the Bank's legal, financial or tax advisers, the members of the Steering Committee, the Steering Committee's legal, financial or tax advisers, the Trustee or the Trustee's legal advisors have authorised the contents of this Prospectus or any part of it, nor do they accept any responsibility for the accuracy, completeness or reasonableness of the statements contained within it.

None of the Bank's legal, financial or tax advisers, the Trustee or the Trustee's legal advisors have verified that the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information and each of those persons expressly disclaims any responsibility for such information.

Nothing contained in this Prospectus shall be deemed to be a forecast, projection or estimate of the Bank's future financial performance except where otherwise specifically stated. This Prospectus contains certain statements, statistics and projections that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the Bank's future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Bank believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, future revenues being lower than expected; increasing competitive pressures in the industry; general economic conditions or conditions affecting demand for the products offered by the Bank in the markets in which it operates being less favourable than expected.

The Management Board of the Bank has approved the contents of this Prospectus.

CONTENTS

Page No.

KEY TERMS AND DEFINITIONS....1
PRESENTATION OF FINANCIAL AND OTHER INFORMATION....10
FORWARD-LOOKING STATEMENTS....14
EXCHANGE RATES AND EXCHANGE CONTROLS....16
ENFORCEMENT OF FOREIGN JUDGMENTS....18
SUMMARY....19
RISK FACTORS....33
CAPITALISATION....53
THE BANK....54
SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA....81
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION....87
SELECTED STATISTICAL AND OTHER INFORMATION....105
ASSET AND LIABILITY MANAGEMENT....136
MANAGEMENT AND CORPORATE GOVERNANCE....142
RELATED PARTY TRANSACTIONS....153
PRINCIPAL SHAREHOLDERS....157
THE BANKING SECTOR IN KAZAKHSTAN....159
TAXATION....168
ISSUANCE AND TRANSFER RESTRICTIONS....173
FORM OF THE NEW NOTES AND PROVISIONS RELATING TO SUCH NOTES IN GLOBAL FORM....177
THE ASSET POOL FOR THE RECOVERY NOTES....182
ADDITIONAL INFORMATION....192
SCHEDULE 1 — TERMS AND CONDITIONS OF THE NEW NOTES....195
ANNEX 1 — TERMS AND CONDITIONS OF THE DISCOUNT DOLLAR NOTES....196
ANNEX 2 — TERMS AND CONDITIONS OF THE PAR DOLLAR NOTES....216
ANNEX 3 — TERMS AND CONDITIONS OF THE RECOVERY NOTES....238
INDEX TO FINANCIAL STATEMENTS....F-1

KEY TERMS AND DEFINITIONS

In this Prospectus:

"**2008 Annual Financial Statements**" means the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2008;

"**2009 Annual Financial Statements**" means the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2009;

"**31 May 2009 Net Book Value**" means the outstanding amount of a loan or related asset minus the provisions applicable to such loan or asset, each calculated in accordance with the FMSA rules applicable on 31 May 2009, and as set out in the Recovery Notes Balance Sheet;

"**Accredited Investor**" means an accredited investor as defined in Rule 501(a) of Regulation D under the Securities Act;

"**Adjusted IFRS**" means International Financial Reporting Standards adjusted to reflect the FMSA's requirements for the preparation of financial statements for regulatory purposes;

"**Affiliate**" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified;

"**ALB Finance**" means ALB Finance B.V., a wholly owned subsidiary of the Bank incorporated in the Netherlands;

"**ALCO**" means the Bank's Asset Liability Management Committee;

"**Alliance Finance**" means LLC "Alliance Finance", a wholly owned subsidiary of the Bank incorporated in Russia;

"**Alliance Policy**" means JSC Insurance Company "Alliance Policy";

"**Alliance Undertaking**" means the deed poll executed by the Bank on 19 March 2010 covering, among other things, the Bank's covenant to comply with the New Charter;

"**Allocation and Reallocation of Claims Mechanism**" means the procedure by which Claims were allocated and reallocated into the various Options available to Claimants pursuant to the Restructuring.

"**Approval Date**" means 15 December 2009, being the date of the Claimants' Meeting at which the Restructuring Plan was approved by the Claimants;

"**Asset Pool**" means the assets from which the Recoveries are derived;

"**Bad Bank**" means the non-performing loans of the Bank segregated notionally into a "bad bank";

"**Bank**" means JSC Alliance Bank or, where the context so requires, JSC Alliance Bank and its consolidated subsidiaries;

"**Bank Bonds**" means KZT 105,000 million of the Bank's bonds, each with a denomination of KZT 1,000, which the Bank sold to Samruk-Kazyna in exchange for all of the Samruk-Kazyna Bonds;

"**Banking Law**" means the law of the Republic of Kazakhstan on Banks and Banking Activity dated 31 August 1995, as amended;

"**Bankruptcy Law**" means the law of the Republic of Kazakhstan on Bankruptcy dated 21 January 1997, as amended;

"**Basel Accord**" means the 1988 Capital Accord adopted by the Basel Committee on Banking Supervision, then known as the Basel Committee on Banking Regulations and Supervisory Practice;

"**Basel II**" means the report titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of the Basel Committee on Banking Supervision;

"**Board of Directors**" or the "**Board**" means the board of directors of the Bank from time to time;

"**BIS**" means the Bank for International Settlements;

"**BIS Guidelines**" means the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements;

"**BTA Bank**" means JSC "BTA Bank";

"**Business Day**" means any day other than a Saturday, Sunday or any other day which is a public holiday in London, Almaty or New York;

"**Cause of Action**" means any and all statutory, legal or equitable cause or causes of action, whether to be capable of being enforced in the Republic of Kazakhstan, the United Kingdom or in any other jurisdiction, that are or may be available to the Bank against any Person in relation, directly or indirectly, to the T-Bill Strips Transactions;

"**CIS**" means the Commonwealth of Independent States;

"**Claim**" means any claim, now cancelled on the Bank or its Subsidiaries which arose out of any Designated Financial Indebtedness;

"**Claimant**" means any person who, prior to the distribution of New Notes and other Entitlements, had a Claim on the Bank, ALB Finance or Alliance Finance;

"**Claimants' Meeting**" means the meeting of Claimants held on 15 December 2009 convened in accordance with the Order to consider and, if thought fit, approve the Restructuring Plan, including any adjournment thereof;

"**Clearing System**" means each or both of Euroclear or Clearstream, as appropriate;

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg;

"**Collection Account**" means the account established pursuant to the Recovery Notes;

"**Common Depositary**" means common depositary for Euroclear and Clearstream in its capacity as book-entry depositary for the New Notes and any successor thereto;

"**Common Shares**" means the common shares in the capital of the Bank (including, where appropriate, GDRs in respect thereof);

"**Competition Agency**" means the Agency of the Republic of Kazakhstan for Protection of Competition;

"**Connected Person**" means a present or former director, officer, member of senior management of the Bank or the owner or former owner (directly or indirectly) of more than 10 per cent. of the Shares;

"**Corporate and SME Pool**" the pool of corporate and SME loans from which recoveries are derived for the purposes of the Recovery Notes;

"**Corporate and SME Pool Cash Recoveries**" means any and all cash amounts actually recovered by the Bank in respect of each loan in the Corporate and SME Pool over and above the Net Book Value of each such loan including, but not limited to, interest and principal payments, penalties, settlements and cash proceeds from assets, acquired by the Bank directly or indirectly through litigation, settlement, auction or compromise;

"**Court**" means the Specialised Financial Court of the Regional Financial Centre of Almaty;

"**Creditor Director**" means the member of the Bank's Board of Directors nominated by the Finance Creditors;

"**Creditor Shareholders**" means Claimants who received Common Shares in the Bank pursuant to the Restructuring Plan (or after the Restructuring Date, convert Preference Shares received by them pursuant to the Restructuring Plan into Common Shares);

"**CS Director**" means the member of the Bank's Board of Directors nominated by the Creditor Shareholders;

"**Damu Fund**" means JSC Fund for Development of Entrepreneurship Damu;

"**DBK**" means the Development Bank of Kazakhstan;

"**Deposit Agreement**" means the agreement dated 1 February 2009 between the Bank and Samruk-Kazyna regarding a KZT 24,000 million deposit placed with the Bank by Samruk-Kazyna to support the Bank's financial stability and liquidity;

"**Designated Financial Indebtedness**" means all financial indebtedness of the Bank and its Subsidiaries cancelled pursuant to the Restructuring Plan;

"**Discount Dollar Notes**" means the notes denominated in U.S. Dollars issued by the Bank as set out in Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*);

"**Discount Notes**" means Discount Dollar Notes and Discount Tenge Notes;

"**Discount Tenge Notes**" means the notes denominated in Tenge with a 7-year tenure issued by the Bank pursuant to the Restructuring;

"**EBRD**" means the European Bank for Reconstruction and Development;

"**EEA**" means the European Economic Area;

"**Entitlement**" means the entitlement to cash, New Notes and/or Shares of each Claimant (other than as regards Trade Finance Debt and Samruk-Kazyna) pursuant to the terms of the Restructuring Plan;

"**Euro**" means 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 Community, as amended by the Treaty on the European Union and as further amended by the Treaty of Amsterdam;

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear system;

"**Finance Creditors**" means Claimants who received New Notes and/or Shares in consideration for the cancellation of their Claims pursuant to the Restructuring Plan;

"**Financial Statements**" means the 2008 Annual Financial Statements, the 2009 Annual Financial Statements and the Interim Financial Statements;

"**Fitch**" means Fitch Ratings Ltd.;

"**FMSA**" means the Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Markets and Financial Organisations;

"**FMSA Agreement**" means the agreement between the Bank and the FMSA dated 28 April 2009, as amended;

"**FMSA Asset Classification Rules**" means the rules of asset classification issued by FMSA, dated 21 December 2006;

"**GDP**" means the gross domestic product of Kazakhstan;

"**GDRs**" means global depositary receipts;

"**Global Note**" means either a Restricted Global Note or an Unrestricted Global Note;

"**Government**" means the government of the Republic of Kazakhstan;

"**Government Funding**" means (i) the Bank's Indebtedness to the Government or any of its agencies to fund or support state-sponsored lending programmes (determined using the classification methodology used in preparing Note 18 to the unaudited interim financial statements of the Bank for the six-month period ended 30 June 2009) plus (ii) any of the Bank's customer accounts of the Government or any of its agencies placed with the Bank to fund or support state-sponsored lending programmes (determined using the classification methodology used in Note 22 to the unaudited interim financial statements of the Bank for the six-month period ended 30 June 2009);

"**Homogeneous Retail Loans Portfolios**" means pools of individual Retail Loans grouped in accordance with the FMSA rules and the Bank's internal documentation, and a list of which is set out in the definition of Retail Pool;

"**IFRS**" means the International Financial Reporting Standards;

"**IMF**" means the International Monetary Fund;

"**IMF Charter**" means the charter of the International Monetary Fund;

"**Implementation Agreement**" means the agreement dated 2 February 2009 entered into between SAFC, Samruk-Kazyna, the Bank and Mr. Margulan Seisembayev, by which Samruk-Kazyna agreed to purchase 76 per cent. of the Bank's voting shares and measures were taken to stabilise the Bank and increase its capitalisation;

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

"**Industrial Innovation Programme**" means the programme of the Kazakhstan Government proposed to be implemented over a five-year period beginning in 2010 aimed at developing new industries, industrial complexes and innovative products;

"**Interim Financial Statements**" means the unaudited interim financial statements of the Bank for the three-month period ended 31 March 2010 which were prepared in accordance with IFRS but which do not comply with the requirements of IAS 34.8;

"**Islamic Finance Instruments**" means debt instruments governed by documentation using Sharia principles;

"**JSC Law**" means the Law of the Republic of Kazakhstan on Joint Stock Companies dated 13 May 2003, as amended;

"**KASE**" means the Kazakhstan Stock Exchange;

"**Kazakhstan**" means the Republic of Kazakhstan;

"**KDIF**" means the Kazakhstan Deposit Insurance Fund;

"**LIBOR**" means the London Inter-Bank Offered Rate as determined by the British Bankers' Association;

"**Litigation Recoveries**" means any and all amounts (including all costs, interests and taxes) actually recovered by the Bank directly or indirectly as a result of any judgment, award, compromise or settlement relating to any Proceedings, insurance claim or otherwise in connection with or arising out of the Causes of Action, whether a cash sum or any other amount realised by the Bank as a result of a

sale, auction, enforcement process or other disposal by or on behalf of the Bank of any asset, right, claim or security received by the Bank in connection with the Causes of Action;

"**Management Board**" means the management board of the Bank from time to time;

"**Memorandum of Understanding**" means the memorandum of understanding between the Bank and the Steering Committee dated 6 July 2009 with respect to the Restructuring and the Options;

"**Model Insolvency Law**" means the 1997 UNCITRAL Model Law on Cross-Border Insolvency;

"**Moody's**" means Moody's Investors Service, Inc.;

"**Mortgage State Finance Programme**" means the KZT 120,000 million programme adopted by the Kazakhstan Government in February 2009 aimed at reducing the current interest rate on mortgage loans to between 9 and 11 per cent., converting foreign currency loans into Tenge and extending loan maturities up to 20 years;

"**NBK**" means the National Bank of Kazakhstan;

"**Net Book Value**" means the outstanding amount of a loan minus the provisions, each calculated in accordance with the FMSA rules;

"**New Charter**" means the new charter of the Bank adopted in conjunction with the Restructuring;

"**New Corporate Governance Code**" means the new corporate governance code of the Bank adopted in conjunction with the Restructuring;

"**New Notes**" means the Discount Dollar Notes, the Par Dollar Notes and the Recovery Notes;

"**New Notes Trust Deed**" means the trust deed constituting the New Notes;

"**Note Certificates**" means Restricted Note Certificates and Unrestricted Global Note Certificates;

"**Noteholder**" means a holder of any of the New Notes;

"**NSA**" means Kazakhstan's National Statistics Agency;

"**Option**" means one of the options which were available to Claimants other than Trade Finance Creditors and Samruk-Kazyna in consideration for the cancellation or restructuring of their Claims under the Restructuring Plan;

"**Par Dollar Notes**" means the notes issued by the Bank denominated in U.S. Dollars as set out in Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*);

"**Par Notes**" means Par Dollar Notes and Par Tenge Notes;

"**Par Tenge Notes**" means the notes issued by the Bank denominated in Tenge with a 10-year tenure pursuant to the Restructuring;

"**PIL**" means personal instalment loans;

"**Pledge Agreement**" means the pledge agreement dated 2 February 2009 between Samruk-Kazyna and SAFC regarding the pledge of 76 per cent. of the Bank's voting shares to Samruk-Kazyna;

"**POS**" means point of service;

"**Preference Shares**" means preference shares in the capital of the Bank (including, where appropriate, GDRs in respect thereof) which are convertible into Common Shares on a 1:1 basis;

"**Principal Paying Agent**" means The Bank of New York Mellon;

"**Proceeding**" means any process, action, or other legal proceeding (including, without limitation, any demand, arbitration, alternative dispute resolution, judicial review, adjudication, execution, seizure, distraint, forfeiture, re-entry, lien, enforcement of judgment or enforcement of any security);

"**Processing Industries Support Programme**" means the programme launched by the Kazakhstan Government in October 2009 to provide loans to borrowers in the processing industry;

"**Prospectus Directive**" means Directive 2003/7I/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC;

"**QIBs**" means qualified institutional buyers, as defined in Rule 144A under the Securities Act;

"**Recoveries**" means Corporate and SME Pool Cash Recoveries, Tax Assets and Litigation Recoveries, determined on a gross, pre-tax and asset-by-asset basis (by reference to financial statements specifically prepared in accordance with Adjusted IFRS for the purposes of tracking the Recoveries);

"**Recovery Notes**" means the notes issued by the Bank, the terms and conditions of which are set out in Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*);

"**Recovery Notes Balance Sheet**" means the balance sheet as at 31 May 2009 specially prepared by the Bank in accordance with Adjusted IFRS for the purpose of tracking the Recoveries;

"**Registrar**" means each of The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A.;

"**Regulation D**" means Regulation D under the Securities Act;

"**Regulation S**" means Regulation S under the Securities Act;

"**Related Parties**" means all Affiliates of the Bank or a Connected Person except for ALB Finance, Alliance Finance and Samruk-Kazyna;

"**Restricted Global Note**" means a permanent global note representing beneficial interest in New Notes offered and issued to QIBs or Accredited Investors or subsequently sold in reliance on Rule 144A;

"**Restricted Note Certificate**" means a note certificate in definitive form which may be issued by Euroclear or Clearstream, Luxembourg in exchange for a Restricted Global Note in accordance with the Conditions of the relevant New Notes;

"**Restructuring**" means the overall restructuring and/or cancellation of certain of the debts and other financial obligations of the Bank, ALB Finance and Alliance Finance pursuant to, *inter alia*, the Restructuring Plan;

"**Restructuring Date**" means 26 March 2010;

"**Restructuring Documentation**" means the Samruk-Kazyna Undertaking, the Alliance Undertaking, the New Notes Trust Deed, the terms and conditions of the Discount Tenge Notes, the Par Tenge Notes and the Subordinated Tenge B Notes, the security documents in respect of the Recovery Notes, the agency agreement in respect of the New Notes and the New Charter;

"**Restructuring Law**" means the Law of the Republic of Kazakhstan No. 18S-IV ZRK dated 11 July 2009 on Amendments and Additions to Certain Legislative Acts on Money Payments and Transfers, Accounting and Financial Reporting, Banking Activities, the National Bank of Kazakhstan and Other Legislation;

"**Restructuring Plan**" means the plan to restructure the Designated Financial Indebtedness between the Bank, the Claimants and the Related Parties which was approved at the Claimants' Meeting;

"**Retail Pool**" means the pool of retail loans from which Recoveries are derived for the purposes of the Recovery Notes as more particularly defined in the Recovery Notes;

"**Retail Pool Cash Recoveries**" means any and all amounts actually recovered by the Bank over and above the Net Book Value of the Retail Pool including, but not limited to, interest and principal payments, penalties, settlements and cash proceeds from assets, acquired by the Bank directly or indirectly through litigation, settlement, auction or compromise;

"**Rouble Noteholders**" means holders of RUB 3,000 million 8.75 per cent. notes due 2012 issued by Alliance Finance in June 2007 supported by a surety of the Bank;

"**Rouble Notes**" means RUB 3,000 million 8.75 per cent. notes due 2012 issued by Alliance Finance in June 2007 supported by a suretyship of the Bank;

"**RUB**" or "**Russian Roubles**" means the lawful currency of the Russian Federation;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies;

"**SAFC**" means Seimar Alliance Financial Corporation (formerly Seimar Investment Group);

"**Samruk-Kazyna**" means JSC National Welfare Fund "Samruk-Kazyna";

"**Samruk-Kazyna Bonds**" means KZT 105,000 million of Samruk-Kazyna's bonds, each with a denomination of KZT 1,000, which Samruk-Kazyna sold to the Bank in exchange for all of the Bank Bonds;

"**Samruk-Kazyna Undertaking**" means the deed poll executed by Samruk-Kazyna on 18 March 2010 in connection with the Restructuring;

"**Securities Act**" means the Securities Act of 1933, as amended;

"**Securities Market Law**" means the law of the Republic of Kazakhstan on Securities Market dated 2 July 2003, as amended;

"**Shares**" means the Preference Shares and Common Shares of the Bank, including those allocated to the relevant Claimants in accordance with the Allocation and Reallocation of Claims Mechanism;

"**SME**" means small and medium-sized enterprises with assets of no more than KZT 1,500 million, annual sales of no more than KZT 300 million, fewer than 250 employees and aggregate outstanding loans of no more than KZT 750 million;

"**SME State Finance Programme**" means the programme adopted by the Kazakhstan Government in 2007 aimed to provide financing to SMEs for the acquisition of new, and the modernisation of existing, material assets, the provision of working capital and the refinancing of existing loans made to SMEs by the Bank or other credit organisations;

"**SPPC**" means the State Pension Payment Centre;

"**State Finance Programmes**" means the SME State Finance Programme, the Mortgage State Finance Programme, the Student Loans State Finance Programme, the Industrial Innovation Programme, the Processing Industries Support Programme and other state finance programmes established by the Government;

"**Steering Committee**" means the steering committee from time to time of certain Claimants consisting of Asian Development Bank, Calyon, Commerzbank Aktiengesellschaft, DEG — Deutsche

Investitions- und Entwicklungsgesellschaft mbH, HSBC Bank plc, ING Asia Private Bank Limited, JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation Europe Limited and Wachovia Bank, N.A.;

"**Sterling**" "**GBP**", "**£**" **or** "**pence**" means the lawful currency of the United Kingdom;

"**Student Loans State Finance Programme**" means the programme adopted by the Kazakhstan Government in February 2009 aimed at increasing access to higher education for socially vulnerable people in Kazakhstan;

"**Subordinated Tenge B Notes**" means the subordinated notes denominated in Tenge with a 20-year tenure issued by the Bank pursuant to the Restructuring;

"**Subsidiary**" means an affiliate controlled by a person directly, or indirectly through one or more intermediaries;

"**Tax Assets**" shall have the meaning given in the Recovery Notes;

"**Tax Code**" refers to the code of the Republic of Kazakhstan on Taxes and Other Obligatory Payments to the Budget dated 10 December 2008, as amended;

"**T Bills**" means the U.S. Treasury "Strips" ("*separate trading of registered interest and principal securities*") in the amount of approximately U.S.$1,100 million as at 31 December 2008 that were the subject of transactions entered into by the Bank with other parties from 2006 to 2008;

"**T Bill Strips Transactions**" means transactions entered into by the Bank and other parties from 2006 to 2008 involving U.S. Treasury Strips in the amount of approximately U.S.$1,100,000,000, and reflected in Note 30 to the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2008;

"**Tenge**" or "**KZT**" means the Kazakhstan Tenge, the lawful currency of Kazakhstan;

"**Term Sheet**" means the indicative non-binding term sheet signed by the Bank and the Steering Committee on 5 October 2009, outlining the terms of the Bank's proposed financial restructuring;

"**Trade Finance Adjudicator**" means Watson, Farley & Williams LLP appointed on 4 November 2009;

"**Trade Finance Creditor**" means any Creditor in respect of which a Claim held by such Creditor was determined to be Trade Finance Debt by the Trade Finance Adjudicator;

"**Trade Finance Debt**" means (i) all documentary letters of credit issued by the Bank; (ii) any discounting of documentary letters of credit issued by the Bank and promissory notes issued as part of deferred payment documentary letters of credit of the Bank; (iii) the refinancing of the Bank's liability under a documentary letter of credit issued by it on the basis that such refinancing was specifically related to such documentary letter of credit and there was an underlying trade transaction; and (iv) the provision of finance to the Bank in respect of the financing of a specific import or export where such financing was specifically tied to that underlying trade transaction; but excludes (A) financing for working capital purposes even where such working capital purposes included trade related debt but where there was no specific underlying import or export trade transaction; (B) standby letters of credit and letters of guarantee rather than documentary letters of credit where there is no underlying trade transaction; and (C) any debt where the underlying trade transaction does not involve the import or export of goods to or from Kazakhstan;

"**Trustee**" means BNY Corporate Trustee Services Limited, or any successor trustee appointed in accordance with the provisions of the New Notes Trust Deeds;

"**U.K.**" **or** "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland;

"**United States**" or the "**U.S.**" means the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia;

"**Unrestricted Global Note**" means a permanent global note representing beneficial interest in New Notes offered and issued in reliance on Regulation S;

"**Unrestricted Note Certificate**" means a note certificate in definitive form which may be issued by Euroclear or Clearstream, Luxembourg in exchange for an Unrestricted Global Note in accordance with the Conditions of the relevant New Notes;

"**U.S. Dollars**", "**Dollar**", "**$**" or "**U.S.$**" means United States Dollars, the lawful currency of the United States;

"**U.S. GAAP**" means the generally accepted accounting principles in the United States; and

"**U.S. Person**" means a U.S. person as defined in Regulation S under the Securities Act.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial and Other Information

The Bank is required to maintain its books of account in Tenge in accordance with the relevant laws and regulations in Kazakhstan, including the regulations of the NBK and, since 1 January 2004, the regulations of the FMSA.

The historical financial information of the Bank set forth herein has, unless otherwise indicated, been extracted without material adjustment from the Financial Statements, prepared in accordance with IFRS.

KPMG Audit LLC (Kazakhstan), independent auditors (acting as an auditor under licence No. 0000021, dated 6 December 2006 issued by the Ministry of Finance of Kazakhstan and regulated by the Ministry of Finance of Kazakhstan), Koktem Business Center, 180 Dostyk Avenue, Almaty, 050051 Republic of Kazakhstan, have audited the 2009 Annual Financial Statements and their audit report is included on page F-5 of this Prospectus.

Deloitte, LLP (Kazakhstan), independent auditors (acting as an auditor under licence No. 0000015, Type MFU-2, dated 13 September 2006 issued by the Ministry of Finance of Kazakhstan), 36, Al-Farabi Avenue, Almaty Financial District, Building "B", Almaty, 050059 Republic of Kazakhstan, have audited the 2008 Annual Financial Statements and their audit report is included on page F-66 of this Prospectus.

The audit report issued by KPMG Audit LLC (Kazakhstan) in respect of the 2009 Annual Financial Statements expressed a qualified opinion with regard to certain derivative liabilities, and the effects of adjustments, if any; the valuation of certain land and buildings included in property, equipment and intangible assets, revaluation reserve balances and depreciation expense related to land and buildings; related parties disclosures and their associated tax effects, if any; and financial guarantees or similar pledges. In addition, the auditors' report included an emphasis of matter paragraph (Note 2 (e) (Basis of Preparation – Going Concern) to the 2009 Annual Financial Statements) in respect of the existence of a material uncertainty about the Bank's ability to continue as a going concern.

The audit report issued by Deloitte, LLP (Kazakhstan) in respect of the 2008 Annual Financial Statements expressed a qualified opinion with regard to the effects of certain adjustments related to the derivative liabilities (Notes 14 (Financial Assets at fair value through profit or loss) and 15 (Due from Banks) to the 2008 Annual Financial Statements), and the effects of such adjustments, if any, as might have been determined to be necessary had Deloitte, LLP (Kazakhstan) been able to establish the completeness of guarantees and pledges (Note 30 (Special Provision for Guarantees) to the 2008 Annual Financial Statements); related parties disclosures and their associated tax effects, if any (Notes 1 and 34 to the 2008 Annual Financial Statements); and the valuation of land and buildings within property, equipment and intangible assets, revaluation reserve balances and depreciation expense related to land and buildings (Note 3 (Significant accounting policies) to the 2008 Annual Financial Statements). In addition, the auditors' report included emphasis of matter paragraphs in respect of the material uncertainty which exists in respect of the Bank continuing as a going concern and the absence of corresponding figures relating to guarantees and related parties.

Reclassifications

Certain reclassifications were made by KPMG Audit LLC (Kazakhstan) to the presentation of the financial information as at and for the year ended 31 December 2008 in the 2009 Annual Financial Statements in order for those figures to conformThere was a change of presentation of the statement of cash flows from indirect method to direct method, certain amounts in the part of the statement "cash flows from operations" were restated in order to conform to the new presentation of the statement.

Nature of reclassification	Amount	Statement of financial position/statement of comprehensive income line as per the 2008 Annual Financial Statements	Statement of financial position/statement of comprehensive income line as per the 2009 Annual Financial Statements
Reclassification of interest income	2,598	Interest income	Other operating (loss)/income
Reclassification of provision for impairment on interest bearing assets	(242,273)	Provision for impairment on interest bearing assets (operating income)	Impairment losses (non-operating income)
Reclassification of special provisions for guarantees	(136,972)	Special provisions for guarantees (operating income)	Impairment losses (non-operating income)
Reclassification of cash equivalents from other balance sheet line items	39,638	Due from banks	Cash and cash equivalents
Reclassifications of bank deposits	6,318	Due from banks	Placements with banks
Presentation of loans from the Government of the Republic of Kazakhstan as a separate line item in the statement of financial position	4,460	Customer accounts	Loans from the Government of the Republic of Kazakhstan

Internal Control Weaknesses

Some comparative information for 2008 in the following notes to the 2009 Annual Financial Statements was either presented differently in the 2008 Annual Financial Statements or was not presented at all: Note 11 (Income tax (expense)/benefit), Note 14 (Financial instruments at fair value through profit or loss), Note 15 (Loans to customers), Note 19 (Current accounts and deposits from customers), Note 21 (Amounts subject to restructuring plan as at 31 December 2009), Note 22 (Other financing), Note 27 (Risk management), Note 33 (Related party transactions), Note 36 (Maturity analysis) and Note 37 (Currency analysis).

Attention should also be drawn to Note 26 (Loss per share), which states that loss per share for the year ended 31 December 2008 was adjusted retrospectively in the consolidated financial statements as at 31 December 2009. The adjustment resulted from a change in the number of issued ordinary shares following the implementation of the Restructuring Plan. All previously issued Common Shares were cancelled and 20,000,000 new Common Shares were issued. Since the 2009 Annual Financial Statements were authorised for issue before this event, all loss per share calculations should be based on the new number of shares in accordance with IFRS and a restatement of previously issued financial statements as at and for the year ended 31 December 2008 is not required. to the presentation as at and for the year ended 31 December 2009.

Certain provisions discussed in this Prospectus and reflected in the 2008 Annual Financial Statements, were based on facts existing during such period that were only discovered by the Bank's new management during 2009 and therefore were not reflected in the provisions calculated and initially provided to the FMSA by the Bank's previous management.

Under IFRS rules, a company may adjust its financial statements to take into account events that occur after the end of the reporting period but which provide evidence of conditions that existed during that reporting period. Such events include for example: (i) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted; and (ii) the discovery of fraud or errors that show that the financial statements are incorrect.

An internal due diligence process commenced by the Bank's new management in February 2009 brought to light unrecorded guarantees secured by the T Bills and necessary adjustments to the loan loss provisions based on a more conservative risk management policy adopted by the Bank's new

management. Accordingly, the Bank has recognised in the 2008 Annual Financial Statements provisions in respect of the guarantees secured by the T Bills and additional loan loss provisions. See "*Risk Factors — Risks Relating to the Bank —Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Factors Affecting the Bank's Results of Operations — T Bills Transactions*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Factors Affecting the Bank's Results of Operations — Loan Loss Provisions*", "*Selected Statistical and Other Information — Lending Policies and Procedures — Provisioning Policies and Write-Offs*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*".

Due to internal control weaknesses experienced by the Bank in the past, the financial information presented in this Prospectus should be assessed with caution. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*".

Adjusted IFRS

Certain information presented in this Prospectus is prepared on the basis of Adjusted IFRS. Adjusted IFRS refers to International Financial Reporting Statements adjusted to reflect the FMSA's requirements for preparation of financial statements for regulatory purposes. Such adjusted information is not audited and is not directly comparable with the information presented in accordance with IFRS. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Factors Affecting the Bank's Results of Operations — Loan Loss Provisions*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Capital Adequacy*", "*Selected Statistical and Other Information — Lending Policies and Procedures — Portfolio Supervision*", "*Selected Statistical and Other Information — Lending Policies and Procedures — Provisioning Policies and Write-Offs*" and "*Selected Statistical and Other Information — Lending Policies and Procedures — Maturity Limit*".

In making an investment decision, you must rely upon your own examination of the Bank and the financial information included in this Prospectus, and should consult your own professional advisers for an understanding of the differences between IFRS, Adjusted IFRS and U.S. GAAP and how these differences might affect the financial information in this Prospectus.

Currency Translations

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 official exchange rates for U.S. Dollars on the KASE as reported by the NBK. Further details can be found in the section headed "*Exchange Rates and Exchange Controls*".

The Bank has translated the summary income statement and balance sheet information for the year ended 31 December 2009 into U.S. Dollars at the rate of U.S.$1.00 = KZT 147.50 and U.S.$1.00 = KZT 148.36, respectively and for the year ended 31 December 2008 at the rate of U.S.$1.00 = KZT 120.30 and U.S.$1.00 = KZT 120.77 respectively. See "*Exchange Rates and Exchange Controls*". On 24 June 2010 (the latest practicable date prior to the date of this Prospectus), the official KZT/U.S.$ rate of exchange reported by the NBK was KZT 147.12 per U.S.$1.00.

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

Statistical and Market Information

Certain statistical and market information presented in this Prospectus in the sections headed "*Risk Factors*", "*The Bank*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Information*" and "*The Banking Sector in Kazakhstan*" on such topics as the Bank's competitors, the Kazakhstan banking sector, the Kazakhstan economy in general and other related subjects represents the Bank's calculations based on information and official data of the FMSA, the NBK, the NSA and other third-party sources. 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. The Bank has relied on the accuracy of this information without independent verification. Investors should note that some of the Bank's estimates are based on such third-party information. Investors are advised to consider this data with caution. Official data published by Kazakhstan governmental or regional agencies is substantially less complete and less thoroughly researched than that of more developed countries. Further, official statistics, including those produced by the FMSA, the NBK and the NSA, may be produced on different bases than those used in more developed countries. Any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as "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.

You 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 statements 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:

- the stability of the banking sector in Kazakhstan;
- the state of the Bank's retail, corporate and SME businesses;
- the quality and stability of its deposit base and of its loan portfolio;
- future credit losses that the Bank may incur;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for increasing and diversifying the composition, as well as the quality, of the Bank's loan portfolio.

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

- overall economic and business conditions;
- effects of the global financial crisis and international economic conditions;
- the level of demand for the Bank's services;
- deposit outflows;
- a deterioration in the Bank's loan portfolio;
- competitive factors in the industries in which the Bank and its customers operate;
- changes in Government regulations and in the Government's or Samruk-Kazyna's policies regarding support for the banking sector in Kazakhstan;
- the timing, impact and other uncertainties of unrecognised guarantees and pledges, if any;
- the timing, impact and other uncertainties of unidentified related party transactions, if any;

- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- results of litigation or arbitration;
- interest rate fluctuations and other changing conditions in the capital markets;
- exchange rate fluctuations;
- economic and political changes in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the impact of valuation of derivatives and property and equipment.

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

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

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the NBK maintained a managed floating exchange rate system with the rate being determined on the basis of market developments and the NBK's role in setting the exchange rate was limited to interventions in the domestic currency market in order to prevent exchange rate volatility caused by short-term changes in supply and demand. In April 1999, the NBK and the Government publicly announced that the NBK would cease to establish fixed exchange rates for the Tenge and permit the exchange rate to float freely, and that the NBK would continue to intervene in the foreign exchange market only where necessary to support the Tenge. This decision was supported by international financial organisations such as the IMF. As a result, the Tenge depreciated from a pre-announcement rate of KZT 88.00 per U.S. Dollar to a rate of approximately KZT 130.00 per U.S. Dollar by May 1999. For the next three years the Tenge generally continued to depreciate in nominal terms against the U.S. Dollar, although from 2002 to 2008 it strengthened overall against the U.S. Dollar as a result of export proceeds from oil, agricultural products and other commodities. On 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117 – KZT 123 per U.S. Dollar to KZT 150 per U.S. Dollar (+/- 3 per cent.). This devaluation was due in part to recent pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) in the international markets and to prevent a significant decrease of Kazakhstan's gold and currency reserves. It was also intended to enhance export competitiveness.

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

Period ended	Period end	High	Average[(1)]	Low
31 December 2002	155.60	155.60	153.28	150.60
31 December 2003	144.22	155.89	149.52	143.66
31 December 2004	130.00	143.33	136.05	130.00
31 December 2005	133.77	136.12	132.86	129.83
31 December 2006	127.00	133.85	126.10	117.25
31 December 2007	120.30	127.00	122.56	118.79
31 December 2008	120.77	120.87	120.30	119.48
31 December 2009	148.36	151.40	147.50	120.79
31 January 2010	148.21	148.46	148.09	147.88
28 February 2010	147.32	148.21	147.87	147.32
31 March 2010	147.11	147.45	147.14	146.89
30 April 2010	146.78	147.07	146.72	146.41
31 May 2010	146.50	147.04	146.67	146.43

Note:
(1) The weighted average rate reported by the NBK for each month, as applicable, during the relevant period.

On 24 June 2010 (the latest practicable date prior to the date of this Prospectus), the official KZT/U.S.$ rate of exchange reported by the NBK was KZT 147.12 per U.S.$1.00.

The above rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Prospectus. The inclusion of these exchange rates is not intended to suggest that the Tenge amounts actually represent such U.S. Dollar amounts or that such amounts could have been converted into U.S. Dollars at any particular rate, or at all.

Exchange Controls

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

restriction. Only certain outflowing and inflowing capital account operations need to be licensed by, or registered with, the NBK. Capital inflows are registered and monitored for statistical purposes only, but are not restricted.

Following the influx of U.S. Dollars into Kazakhstan due to, among other things, rising oil prices, a number of steps aimed at liberalising the currency control regime were undertaken in Kazakhstan from 2002 to 2004. The Law on Currency Regulation and Currency Control and supporting regulations came into effect at the end of 2005, representing a significant milestone towards achieving the liberalisation of currency operations, extension of export of capital and elimination of double control in Kazakhstan. Among other things, the new currency control rules substantially expanded the classes of Kazakhstan investors that can invest abroad and eased the requirements for international financing in Kazakhstan.

Since 1 January 2007, when certain provisions of the Law on Currency Regulation and Currency Control came into effect, it has become unnecessary to obtain an NBK licence for any foreign currency transactions, including the opening by Kazakhstan residents of accounts with foreign banks. Further, since 1 January 2007, most foreign currency transactions only require notification to the NBK, or are not subject to currency control at all. Only financial loans (with a non-bank local counterparty), direct investments and certain other capital account operations require registration with the NBK. With respect to most of their offshore operations, Kazakhstan banks are only obliged to notify the NBK as to the existence of such operations.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Bank is a joint stock company organised under the laws of the Republic of Kazakhstan and substantially all of its operations are located in the Republic of Kazakhstan. Most of its directors and executive officers reside in Kazakhstan and substantially 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.

The New Notes, the New Notes Trust Deed and the paying agency agreement relating to the New Notes are governed by English law and provide that any claims, disputes or differences regarding their existence, termination or validity or any non-contractual obligations arising out of or in connection with such documents shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration. The Trustee and the relevant agents have an option to elect that such disputes shall be heard instead by the courts of England.

Although Kazakhstan is a member of the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, its 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 between Kazakhstan and the United States.

SUMMARY

This summary should be read as an introduction to the full text of this Prospectus. Any decision to invest in the New Notes should be based on the consideration of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. Under the Prospectus Directive (Directive 2003/71/EEC) in each member state of the EEA, civil liability attaches to those persons who are responsible for the summary, including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

The Bank

The Bank was incorporated on 14 May 1993 as an open joint stock company under the name IrtyshBusinessBank OJSC. In 1999, Irtysh Business Bank OJSC merged with Semipalatinsk City Bank, another regional bank which was based in Eastern Kazakhstan. The combined bank primarily served large industrial enterprises in the Eastern Kazakhstan and Pavlodar regions. In October 2001, a consortium of domestic companies led by SAFC acquired a 64 per cent. interest in the Bank. Following the completion of this transaction, the Bank changed its name to JSC Alliance Bank.

The Restructuring

In the period from 2004 to 2007, the Bank pursued an aggressive growth strategy and grew from being the tenth largest provider of retail loans in Kazakhstan to the largest such lender.

Following the general deterioration in the financial markets that commenced in about August 2007 and Kazakhstan's credit rating downgrade in October 2007 by S&P from BBB to BBB-, the Bank became unable to refinance its international debt, which in turn reduced its ability to make loans to customers.

In October 2008 the Government and the FMSA announced a proposal to recapitalise the Bank as part of a broader plan to stabilise the financial system of Kazakhstan. The plan involved Samruk-Kazyna, Kazakhstan's sovereign wealth fund (which was created to improve the competitiveness and stability of the Kazakhstan economy and alleviate the possible effects of changes in world markets on the economic growth in Kazakhstan), providing financial support to struggling financial institutions.

Following the adoption of the new Restructuring Law in Kazakhstan, which came into effect in August 2009, the Bank submitted an application to the Court to formally initiate the restructuring process under the Restructuring Law. The Bank's application was approved by the Court on 18 September 2009, resulting in an automatic stay of all relevant claims of the Bank's creditors and protection of the Bank's property from execution and attachment until completion of the Restructuring. On 15 December 2009, the Restructuring Plan was approved by the relevant creditors.

Samruk-Kazyna acquired 100 per cent. of the Bank's share capital on 30 December 2009 pursuant to resolution No. 268 of the FMSA.

The Restructuring Plan as approved by certain of the Bank's creditors was submitted to the FMSA on 20 December 2009. The FMSA approved the Restructuring Plan on 1 February 2010 after which the Restructuring Plan was submitted to the Court for a hearing at which the Bank's creditors were entitled to attend. The hearing of the Court took place on 26 February 2010 and the Court published its decision approving the Restructuring Plan on the same day. The Restructuring was completed on 26 March 2010. On this date, cash, New Notes and Shares were allocated to the Claimants in consideration for the cancellation of their Claims pursuant to the Restructuring Plan, following which 33 per cent. of the Bank's share capital was owned by the Claimants and 67 per cent. was owned by Samruk-Kazyna.

Strengths and Strategy

The Bank believes that it has the following strengths:

- its potential opportunities now that Samruk-Kazyna has become the Bank's controlling shareholder;
- its extensive geographical network, including through its relationship with Kazpost;
- its centralised information technology platform and collection call centre;
- its alternative distribution channels, including active usage of internet banking and mobile banking for individuals;
- its salary programmes with major Kazakhstan corporates; and
- its experienced management team.

The Bank's strategy for 2010 to 2013 is focused on the development of the Bank's business (which includes restructuring the Bank's loan portfolio and the identification of a "good bank" and a "bad bank" in the Bank's loan portfolio) and optimising the size of the Bank.

Risk Factors

An investment in the New Notes involves risks. These risks are briefly summarised below. Investors should carefully consider the detailed information set forth under "*Risk Factors*" carefully before deciding to invest in the New Notes.

- Loan loss provisions have increased significantly since 31 May 2009 and whilst measures are being taken to decrease provisioning levels, if these measures are not successful, the Bank's results of operations and financial condition may be materially adversely affected.
- Any failure to maintain the minimum capital adequacy ratios applicable to the Bank could lead to conservation or liquidation of the Bank.
- The Bank is controlled by Samruk-Kazyna, Kazakhstan's sovereign wealth fund, whose interests may differ from the interests of the Bank or the Noteholders.
- Samruk-Kazyna may demand early repayment of funds allocated to the Bank under the State Finance Programmes if the Bank breaches conditions for the utilisation of the funds.
- Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future.
- Declines in customer deposits, which are an important source of funding for the Bank, have had and may continue to have an adverse effect on the Bank's funding base.
- Lower expected growth of Kazakhstan's GDP in 2010 could put increasing pressure on the ability of the Bank's existing borrowers to repay their loans.
- Concentration of the Bank's loan portfolio and deposit base and volatility in the real estate market subject it to risks.
- The continuing decline in value of the Bank's loan portfolio will likely lead to a gradual seasoning of the Bank's loan portfolio which may increase the proportion of loan defaults.
- The Bank's focus on the retail and SME sectors could have an adverse effect on its business, results of operations and financial condition.
- The Bank faces significant competition, which may increase in the future.

- Any failure of, interruption in, or breach of, the Bank's information systems, or any failure to properly implement or update such systems, may have a material adverse effect on the Bank's business, results of operations and financial condition.
- The Bank's risk management strategies and techniques expose the Bank to a number of unidentified or unanticipated risks.
- The Bank is exposed to significant interest rate risk.
- The Bank is exposed to significant foreign currency exchange risk.
- The Bank's success is dependent on the continued service of its key personnel and it may not be able to retain such personnel.
- It is not possible to predict the full impact on the Bank of the financial stability laws in Kazakhstan, which are currently in the early stages of implementation.
- Changes in the liquidity support for the Kazakhstan banking sector may have an adverse impact on the Bank.
- Risks resulting from failures in Kazakhstan's banking industry could adversely affect the Bank.
- The current instability in the global financial markets and deterioration of general economic conditions have adversely affected the Bank's results of operations and financial condition and could continue to cause them to decline.
- The Bank faces increased risks related to the devaluation of the Tenge.
- The lack of accurate statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately.
- Changes in banking regulations in Kazakhstan may adversely affect the Bank's business.
- Kazakhstan is subject to the risks associated with emerging markets generally.
- The Kazakhstan corporate governance and disclosure laws which apply to the Bank are different from those generally applicable to corporations organised in the United States, the United Kingdom and other jurisdictions.
- The Bank may be subject to money-laundering risks.
- Most of the Bank's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Bank's financial position and its results of operations are substantially dependent on the legal, economic and political conditions prevailing in Kazakhstan.
- The Kazakhstan economy is highly dependent on oil exports and, as a result, is affected by oil price volatility.
- The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and therefore are unpredictable.
- Kazakhstan's president, Nursultan Nazarbaev, has been in office since 1991 and, if he were to lose power, Kazakhstan could become unstable.
- The Restructuring Law has not been tested widely and there can be no assurance that the Restructuring, effected under such legislation, will be recognised in all relevant foreign jurisdictions.
- Certain decisions related to the Restructuring may not have been approved by the appropriate managing body of the Bank and may be at risk of being disputed.

- The Bank may face litigation if the FMSA applies any of its compulsory restrictive measures to the Bank.
- The Bank is subject to claims in Russia relating to the Rouble Notes issued by Alliance Finance.
- The Bank has historically been unable to fund its operations and the Bank may not be able to fund its operations in the future.
- The Bank's substantial level of indebtedness significantly reduces available cash, impacts its ability to obtain additional financing and limits its flexibility.
- The Bank's operations and financing activities are restricted by covenants and undertakings in the Restructuring Documentation.
- Adverse publicity relating to the Restructuring and the financial condition of the Bank may adversely affect the Bank's customer relationships and the market perception of its business.
- The Bank is subject to various restrictions relating to money laundering, corrupt practices, fraudulent practices, collusive practices, coercive practices, obstructive practices and financing of terrorism that may be less onerous than restrictions in financings involving multilateral development banks.
- Holders of the Recovery Notes may not receive any payments if the Bank is unable to recover any amounts from the Asset Pool for the Recovery Notes.
- The Bank may be unable to list New Notes on the KASE which may result in adverse tax consequences for the Bank and may prevent or make unattractive investments in the New Notes.
- Due to the Bank's financial condition and the historical volatility in the price of shares and debt securities in Kazakhstan banks, the market price of the New Notes is likely to be volatile.

Summary Financial Information

The summary financial data presented below as at and for the years ended 31 December 2009 and 2008 have been derived from, and should be read in conjunction with, the Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

	For the years ended 31 December			
	2009		2008	
	(U.S.$ millions)[(1)]	*(KZT millions)*	*(U.S.$ millions)*[(2)]	*(KZT millions)*
Condensed income statement data				
Net interest income	31	4,562	544	65,409
Net fee and commission income/(expense)	36	5,261	(98)	(11,767)
Operating (loss)/income	(701)	(103,433)	347	41,753
Impairment losses	(1,185)	(174,842)	(3,378)	(406,420)
General administrative expenses	(137)	(20,140)	(182)	(21,889)
Loss before taxes	(2,023)	(298,415)	(3,213)	(386,556)
Net (loss)/profit	(2,023)	(298,440)	(3,210)	(386,210)

Notes:

(1) Translated at the average U.S. Dollar exchange rate for the year ended 31 December 2009, as reported by the NBK, of KZT 147.50 = U.S.$1.00.

(2) Translated at the average U.S. Dollar exchange rate for the year ended 31 December 2008, as reported by the NBK, of KZT 120.30 = U.S.$1.00.

	As at 31 December			
	2009		2008	
	(U.S.$ millions)[1]	*(KZT millions)*	*(U.S.$ millions)*[2]	*(KZT millions)*
Condensed balance sheet data				
Loans to customers	1,643	243,707	3,589	433,475
Financial assets at fair value through profit or loss	110	16,369	1,672	201,973
Available for sale assets	658	97,657	23	2,741
Property, equipment and intangible assets	169	25,012	283	34,197
Other items	**245**	**36,349**	**628**	**75,922**
Total assets	**2,825**	**419,094**	**6,196**	**748,308**
Customer accounts and deposits from customers	1,037	153,776	1,565	189,044
Loans from banks	874	129,647	1,138	137,377
Debt securities issued	2,428	360,279	2,373	286,584
Other items	**2,030**	**301,163**	**3,001**	**362,483**
Total liabilities	**6,369**	**944,865**	**8,077**	**975,488**
Total (deficit)/equity	**(3,544)**	**(525,771)**	**(1,881)**	**(227,180)**

Notes:
(1) Translated at the U.S. Dollar exchange rate as at 31 December 2009, as reported by the NBK, of KZT 148.36 = U.S.$1.00.
(2) Translated at the U.S. Dollar exchange rate as at 31 December 2008, as reported by the NBK, of KZT 120.77 = U.S.$1.00.

	As at or for the years ended 31 December	
	2009	2008
Other data		
Return on shareholders' equity (*per cent.*)	—(2)	—(2)
Net interest margin [1][3] (*per cent.*)	0.9	7.8
Total capital ratio (*per cent.*)	—(2)	—(2)
Tier I capital ratio (*per cent.*)	—(2)	—(2)
Non performing loans as a percentage of total gross loans (*per cent.*)[4]	52.4	13.1

Notes:
(1) Based on the average of the opening and closing balances of the relevant balance sheet item for the period.
(2) Relevant ratio for this period was negative.
(3) Annualised net interest margin is calculated as a percentage of net interest income before impairment losses on interest bearing assets in average total interest bearing financial assets.
(4) Non-performing loans as a percentage of total gross loans is calculated on the basis of Adjusted IFRS.

Summary of the Notes

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set out in "*Risk Factors*" prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as in the various terms and conditions of the New Notes (the "**Conditions**"). See "*Terms and Conditions of the New Notes*" for a more detailed description of the New Notes.

Discount Dollar Notes

Issuer	JSC Alliance Bank
Notes Offered	U.S.$615,138,114 principal amount of 10.5 per cent. Notes due 25 March 2017.
Issue Date	25 March 2010 (the "**Issue Date**").
Maturity Date	25 March 2017.
Interest	10.5 per cent. per year.
	Interest will be computed on the basis of a 360 day year of 12 30 day months, payable in U.S. Dollars and calculated as

	described below, *provided that* the amount of interest payable for the first Interest Period shall be U.S.$59.50 for each U.S.$1,000 in principal amount of Note.
Interest Payment Dates	The Bank will pay interest semi-annually in arrears on 25 March and 25 September of each year. The first payment of interest will be made on 25 September 2010 and for the period from and including 1 March 2010 to but excluding 25 September 2010. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*), Condition 6 (*Interest*).
Redemption	The Bank will redeem the Discount Dollar Notes in equal semi-annual instalments, on 25 March and 25 September of each year, with the first such instalment being payable on 25 September 2014 and the last such instalment being payable on 25 March 2017. Redemption may also take place for tax reasons, by way of a put option or surplus cash or after a public offering. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*), Condition 8 (*Redemption and Purchase*).
Denominations	The Discount Dollar Notes may only be transferred in minimum principal amounts of U.S.$100 and integral multiples of U.S.$1.
Status.....	The obligations under the Discount Dollar Notes are unconditional, direct, unsubordinated, and unsecured (subject to a negative pledge undertaking) obligations of the Bank, and will at all times rank at least *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future unsubordinated obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*), Condition 1 (*Status*).
Negative Pledge	So long as any of the New Notes remain outstanding (as defined in the New Notes Trust Deed), the Bank will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) (each as defined in the New Notes Trust Deed) upon the whole or any part of its existing or future assets or revenues to secure any Indebtedness for Borrowed Money of the Bank or any other Person or any Indebtedness Guarantee thereof unless, at the same time or prior thereto, the obligations of the Bank under the New Notes are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangements as may be approved by an Extraordinary Resolution (as defined in the New Notes Trust Deed) of the Noteholders or by the Trustee.

Events of Default	The Discount Dollar Notes Conditions permit the acceleration of the Discount Dollar Notes following the occurrence of certain events of default. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*), Condition 11 (*Events of Default*). The Discount Dollar Notes are in the form of a restricted global note and an unrestricted global note. The restricted global note and the unrestricted global note are registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg.
Taxation and Additional Amounts.....	All payments of principal and interest in respect of the Discount Dollar Notes by the Bank shall be made free and clear of, and without withholding or deduction for, any taxes (including royalties), duties (including customs duties), assessments or governmental charges of whatever nature imposed or levied by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out under Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*), Condition 9 (*Taxation*) and "*Taxation*".
Modification and Amendment	The Discount Dollar Notes Conditions may be modified with the approval by Extraordinary Resolution of 50 per cent. of Noteholders voting at a meeting, *provided that* certain material changes (including changes relating to principal amount and interest) require the approval of a majority of not less than 75 per cent. of the Noteholders voting at a meeting. Any such modification will be binding on all Noteholders. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 1 (*Terms and Conditions of the Discount Dollar Notes*), Condition 13 (*Meeting of Noteholders; Modification and Waiver*).
Listing and Admission to Trading	Application has been made to list the Discount Dollar Notes on the Official List of the Luxembourg Stock Exchange and to admit them to trade on the Luxembourg Stock Exchange's regulated market. Application will also be made to procure a secondary listing of the Discount Dollar Notes on the Kazakhstan Stock Exchange.
Governing Law	The Discount Dollar Notes are governed by the laws of England.
Transfer Restrictions.....	The Discount Dollar Notes have not been, and will not be, registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or

	benefit of, U.S. Persons (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Issuance and Transfer Restrictions*".
Trustee	BNY Corporate Trustee Services Limited
Principal Paying Agent	Bank of New York Mellon
ISIN (Reg S)	XS0495755562
ISIN (Rule 144A)	XS0495755646
Common Code (Reg S)	049575556
Common Code (Rule 144A)	049575564
Par Dollar Notes	
Issuer	JSC Alliance Bank
Notes Offered	U.S.$219,343,079 principal amount of 4.7 per cent. Notes due 25 March 2020.
Issue Date	25 March 2010 (the "**Issue Date**").
Maturity Date	25 March 2020.
Interest	2 per cent. fixed plus 2.7 per cent. capitalised interest per year till 25 March 2017, and 180 day floating LIBOR plus 8.5 per cent. per year thereafter. Interest will be computed on the basis of a 360 day year of 12 30 day months, payable in U.S. Dollars and calculated as described below, *provided that* the amount of interest payable for the first Interest Period shall be U.S.$26.63 for each U.S.$1,000 in principal amount of Note.
Interest Payment Dates	The Bank will pay interest semi-annually in arrears on 25 March and 25 September of each year. The first payment of interest will be made on 25 September 2010 and for the period from and including 1 March 2010 to but excluding 25 September 2010. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*), Condition 6 (*Interest*).
Redemption	The Bank will redeem the Par Dollar Notes in equal semi-annual instalments, on 25 March and 25 September of each year, with the first such instalment being payable on 25 September 2017 and the last such instalment being payable on 25 March 2020. Redemption may also take place for tax reasons, by way of a put option or surplus cash or after a public offering. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*), Condition 8 (*Redemption and Purchase*).
Denominations	The Par Dollar Notes may only be transferred in minimum

	principal amounts of U.S.$100 and integral multiples of U.S.$1.
Status.....	The obligations under the Par Dollar Notes are unconditional, direct, unsubordinated, and unsecured (subject to a negative pledge undertaking) obligations of the Bank, and will at all times rank at least *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future unsubordinated obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*), Condition 1 (*Status*).
Negative Pledge	So long as any of the New Notes remain outstanding (as defined in the New Notes Trust Deed), the Bank will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) (each as defined in the New Notes Trust Deed) upon the whole or any part of its existing or future assets or revenues to secure any Indebtedness for Borrowed Money of the Bank or any other Person or any Indebtedness Guarantee thereof unless, at the same time or prior thereto, the obligations of the Bank under the New Notes are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangements as may be approved by an Extraordinary Resolution (as defined in the New Notes Trust Deed) of the Noteholders or by the Trustee.
Events of Default	The Par Dollar Notes Conditions permit the acceleration of the Par Dollar Notes following the occurrence of certain events of default. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*), Condition 11 (*Events of Default*). The Par Dollar Notes are in the form of a restricted global note and an unrestricted global note. The restricted global note and the unrestricted global note are registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg.
Taxation and Additional Amounts.....	All payments of principal and interest in respect of the Par Dollar Notes by the Bank shall be made free and clear of, and without withholding or deduction for, any taxes (including royalties), duties (including customs duties), assessments or governmental charges of whatever nature imposed or levied by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out under

	Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*), Condition 9 (*Taxation*) and "*Taxation*".
Modification and Amendment	The Par Dollar Notes Conditions may be modified with the approval by Extraordinary Resolution of 50 per cent. of Noteholders voting at a meeting, *provided that* certain material changes (including changes relating to principal amount and interest) require the approval of a majority of not less than 75 per cent. of the Noteholders voting at a meeting. Any such modification will be binding on all Noteholders. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 2 (*Terms and Conditions of the Par Dollar Notes*), Condition 13 (*Meeting of Noteholders; Modification and Waiver*).
Listing and Admission to Trading	Application has been made to list the Par Dollar Notes on the Official List of the Luxembourg Stock Exchange and to admit them to trade on the Luxembourg Stock Exchange's regulated market. Application will also be made to procure a secondary listing of the Par Dollar Notes on the Kazakhstan Stock Exchange.
Governing Law	The Par Dollar Notes are governed by the laws of England.
Transfer Restrictions.....	The Par Dollar Notes have not been, and will not be, registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Issuance and Transfer Restrictions*".
Trustee	BNY Corporate Trustee Services Limited
Principal Paying Agent	Bank of New York Mellon
ISIN (Reg S)	XS0495756370
ISIN (Rule 144A).....	XS0495756453
Common Code (Reg S).....	049575637
Common Code (Rule 144A)	049575645
Recovery Notes	
Issuer.....	JSC Alliance Bank
Notes Offered.....	U.S.$978,059 principal amount of 5.8 per cent. Notes due 25 March 2020.
Issue Date.....	25 March 2010 (the "**Issue Date**").
Maturity Date.....	25 March 2020.
Interest	5.8 per cent. per year. Interest will be computed on the basis of a 360 day year of

	12 30 day months, payable in U.S. Dollars and calculated as described below.
Interest Payment Dates	The Bank will pay interest annually in arrears on 25 March of each year. The first payment of interest will be made on 25 March 2018 and for the period from and including 25 March 2017 (the "**Amortisation Date**"), to but excluding 25 March 2017. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 7 (*Interest and Recovery Notes Payments*).
Recovery Notes Payments	To the extent only that Recoveries exceed U.S.$1,000,000, the Bank will pay the Specified Percentages of the Recoveries to the secured Collection Account, to be paid on to the Noteholders as Recovery Notes Payments. The Recovery Notes Payments will contribute towards reducing a notional Reference Amount, and will stop at the earlier of the reduction of the Reference Amount to zero and 25 March 2017 (the "**Valuation Date**". See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 7 (*Interest and Recovery Notes Payments*).
Adjustment of Principal	On the Valuation Date a valuation of the expected future Recoveries and the outstanding Tax Assets (together, the "**Residual Amounts**") will be carried out and the principal amount will be adjusted to the lesser of the Reference Amount and the sum of the Specified Percentages of the Residual Amounts and U.S.$1,000,000. After the Put Settlement Date, in respect of the Recovery Notes in relation to which the Put Option has not been exercised, the principal amount outstanding and the balance of the Reference Amount will each be reduced by the percentage of Recovery Notes in respect of which the Put Option has been exercised. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 10 (*Valuation*).
Redemption	The Bank will redeem the Recovery Notes in equal annual instalments, on 25 March of each year, with the first such instalment being payable on 25 March 2018 and the last such instalment being payable on 25 March 2020. Redemption may also take place by way of a put option or surplus cash. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 11 (*Redemption and Purchase*).
Denominations	The Recovery Notes may only be transferred in minimum principal amounts of U.S.$1 and integral multiples of U.S.$1.
Status.....	Status up to and including the Valuation Date (or, for those Recovery Notes in respect of which the Put Option is

exercised, up to the Put Settlement Date):

The Recovery Notes are direct, general, unconditional and, subject to the Security, unsecured and limited recourse obligations of the Bank. The Recovery Notes will rank at all times without preference or priority *pari passu* among themselves. All obligations of the Bank to the Noteholders are limited in recourse as set out below:

(A) each Noteholder will have a claim only in respect of the Charged Property and will not have any claim against or recourse to any of the Bank's other assets;

(B) sums payable to each Noteholder by the Bank will be limited to the lesser of the aggregate amount of all sums due and payable to such Noteholder and the aggregate amounts received by or for the account of the Bank in respect of the Charged Property whether pursuant to enforcement of the Security or otherwise; and

(C) if following final distribution of the proceeds of enforcement of the Security, the Trustee certifies, in its sole discretion, that the Charged Property has been fully realised and no further funds are available from the Charged Property to make any further payment, then such Noteholder will have no further claim against the Bank in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

Status after the Valuation Date (or, in the case of those Recovery Notes in respect of which the put option has been exercised, after the Put Settlement Date):

The Recovery Notes will be direct, general, unconditional, unsubordinated and unsecured (subject to a negative pledge undertaking) obligations of the Bank which will rank at least *pari passu* in right of payment with all other present and future unsecured obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 2 (*Status*).

Security ..... As continuing security for the Recovery Notes Payments to the extent that they are due under the Recovery Notes, the Bank will, in favour of the Trustee, for itself and on trust for the Noteholders, in accordance with the terms of the New Notes Trust Deed, charge with full title guarantee and by way of a first fixed charge all monies held from time to time in the Collection Account and assign with full title guarantee all its right, title and interest in, to and under the Cash Management Agreement and the Collection Account and all sums derived therefrom. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and*

	Conditions of the Recovery Notes), Condition 2 (*Status*).
Negative Pledge	So long as any of the New Notes remains outstanding (as defined in the New Notes Trust Deed), the Bank will not create or permit to subsist any Security Interest (other than a Permitted Security Interest) (each as defined in the New Notes Trust Deed) upon the whole or any part of its existing or future assets or revenues to secure any Indebtedness for Borrowed Money of the Bank or any other Person or any Indebtedness Guarantee thereof unless, at the same time or prior thereto, the obligations of the Bank under the New Notes are secured equally and rateably therewith (to the satisfaction of the Trustee) or have the benefit of such other arrangements as may be approved by an Extraordinary Resolution (as defined in the New Notes Trust Deed) of the Noteholders or by the Trustee.
Events of Default	The Recovery Notes Conditions permit the acceleration of the Recovery Notes following the occurrence of certain events of default. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 14 (*Events of Default*). The Recovery Notes are in the form of a restricted global note and an unrestricted global note. The restricted global note and the unrestricted global note are registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg.
Taxation and Additional Amounts.....	All payments of principal and interest in respect of the Recovery Notes by the Bank shall be made free and clear of, and without withholding or deduction for, any taxes (including royalties), duties (including customs duties), assessments or governmental charges of whatever nature imposed or levied by or within the Republic of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out under Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 12 (*Taxation*) and "*Taxation*".
Modification and Amendment	The Recovery Notes Conditions may be modified with the approval by Extraordinary Resolution of 50 per cent. of Noteholders voting at a meeting, *provided that* certain material changes (including changes relating to principal amount and interest) require the approval of a majority of not less than 75 per cent. of the Noteholders voting at a meeting. Any such modification will be binding on all Noteholders. See Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the*

	Recovery Notes), Condition 16 (*Meeting of Noteholders; Modification and Waiver*).
Listing and Admission to Trading	Application has been made to list the Recovery Notes on the Official List of the Luxembourg Stock Exchange and to admit them to trade on the Luxembourg Stock Exchange's regulated market. Application will also be made to procure a secondary listing of the Recovery Notes on the Kazakhstan Stock Exchange.
Governing Law	The Recovery Notes are governed by the laws of England.
Transfer Restrictions.....	The Recovery Notes have not been, and will not be, registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Issuance and Transfer Restrictions*".
Trustee	BNY Corporate Trustee Services Limited
Principal Paying Agent	Bank of New York Mellon
ISIN (Reg S)	XS0495755729
ISIN (Rule 144A).....	XS0495756024
Common Code (Reg S).....	049575572
Common Code (Rule 144A)	049575602

RISK FACTORS

In addition to other information in this Prospectus, investors should carefully consider the following risk factors. The risks and uncertainties described below are the principal risks relating to the Bank, the Restructuring, the Kazakhstan banking sector and other relevant matters, however, they 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 adversely affect the Bank's business, financial condition or results of operations. If any of the risks or uncertainties described below come to fruition, the Bank's business, financial condition or results of operations, among other things, could be materially and adversely affected.

The order in which these risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Bank's business, financial condition, or results of operations.

Risks Relating to the Bank

Loan loss provisions have increased significantly since 31 May 2009 and whilst measures are being taken to decrease provisioning levels, if these measures are not successful, the Bank's business, results of operations and financial condition may be materially adversely affected.

From 31 May 2009 to 1 April 2010, the amount of loan loss provisions of the Bank (based on Adjusted IFRS) increased by approximately KZT 19,834 million. The increase in loan loss provisions is largely due to the large number of non-performing loans in the Bank's portfolio being moved from the 30 to 60 days overdue category to the 60 and more days overdue category. The Bank's management is currently working on a strategy to reduce the level of provisions on its loans. The Bank's management is hoping to achieve this by implementing the following measures:

- increasing efforts to increase repayments of non-performing corporate and SME loans;
- restructuring corporate and SME loans by implementing new payment schedules based on analyses of the financial positions of the relevant borrowers;
- initiating programmes, such as the three-month "Repay a loan with no fine" campaign which commenced on 1 September 2009, with the aim of improving the quality of the Bank's retail loan portfolio;
- appointing more effective collection agencies and terminating contracts with less effective collection agencies; and
- seeking investors to purchase some of the Bank's non-performing loan portfolios.

In the event the Bank's regulatory capital decreases, the Bank may be in breach of the capital adequacy ratios applicable to it, which in turn could threaten the Bank's ability to operate and trigger events of default under the terms of its restructured debt. In addition, the provisioning policy of the FMSA could change in the future, which could impact the capitalisation requirements of the Bank. See "*Selected Statistical and Other Information — Lending Policies and Procedures — Provisioning Policies and Write-Offs*".

Any failure to maintain the minimum capital adequacy ratios applicable to the Bank could lead to conservation or liquidation of the Bank.

The Bank is currently subject to capital adequacy ratios of 5 per cent. for K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios and 10 per cent. for K2 (own capital to total assets weighted for risk) ratio due to the fact that Samruk-Kazyna, a national management holding company, is its majority shareholder. Starting from 1 July 2011, the general minimum required level for the K1-2 (Tier 1 capital to total assets weighted for risk) ratio will be 9 per cent. Should Samruk-Kazyna cease to be the Bank's marjority shareholder, this more onerous

ratio may apply to the Bank. There can be no assurance that the Bank will be able to comply with these ratios in the future. Any failure to comply with the applicable minimum capital requirement could lead to sanctions and other measures being applied by the FMSA, including forcing the Bank into conservation or mandatory liquidation.

The Bank is controlled by Samruk-Kazyna, Kazakhstan's sovereign wealth fund, whose interests may differ from the interests of the Bank or the Noteholders.

As the Bank's majority shareholder with 67 per cent. of the Bank's share capital following the Restructuring, Samruk-Kazyna is able to nominate two-thirds of the Board of Directors and to determine the outcome of corporate transactions or other matters submitted to the Bank's shareholders for approval. As Kazakhstan's sovereign wealth fund, with the goal of supporting and diversifying Kazakhstan's economy, the interests of Samruk-Kazyna may conflict with the interests of the Bank's investors and there can be no assurance that Samruk-Kazyna will exercise influence over the Bank in a manner that is in the best interests of the Bank, its shareholders or the Noteholders. In addition, being controlled by the Government may slow the Bank's decision-making process and may subject the Bank to the risk of bureaucracy and inefficiencies commonly attributed to state-controlled companies. Furthermore, because Samruk-Kazyna is controlled by the Government, there is a risk that any change of administration in Kazakhstan may result in Samruk-Kazyna's policies changing as well, and such new policies may conflict with the interests of the Bank, its shareholders and the Noteholders. For a description of the current ownership of the Bank, see "*Principal Shareholders*".

Samruk-Kazyna may demand early repayment of funds allocated to the Bank under the State Finance Programmes if the Bank breaches conditions for the utilisation of the funds.

The Bank has been allocated significant funds by Samruk-Kazyna under the State Finance Programmes, including KZT 28,100 million under the SME State Finance Programme (which has been fully utilised apart from KZT 3,747 million which was returned to Samruk-Kazyna in 2007) and KZT 1,000 million under the Student Loans State Finance Programme (of which KZT 62.5 million had been utilised as at 31 December 2009).

Under the SME State Finance Programme, Samruk-Kazyna has the right to demand early repayment of funds allocated to the Bank if (i) the Bank does not make timely repayments of debt or interest, (ii) the Bank does not use the proceeds in compliance with their stated purpose, (iii) the Bank's credit rating is downgraded by Fitch, S&P or Moody's by two or more notches, (iv) the Bank infringes the FMSA's prudential requirements in two consecutive months or its licence is suspended, (v) more than 10 per cent. of the Common Shares in the Bank are sold or transferred (if such transfer has a negative impact on the Bank's financial condition) or (vi) the Bank reports negative financial results for two consecutive quarters. The Bank breached the FMSA's prudential requirements two months in succession beginning in May and June 2009 and each month thereafter until the date of the Restructuring. Before June 2010, the Bank had been assigned a long-term issuer default rating of "RD" by Fitch. Although Samruk-Kazyna has not yet exercised its right to demand early repayment, it has not formally waived the Bank's breaches and there is therefore a risk that Samruk-Kazyna may demand early repayment at any time.

Under the Student Loans State Finance Programme, Samruk-Kazyna is entitled to unilaterally terminate the loan agreement at any time and demand repayment. Although Samruk-Kazyna has so far given no indication of an intention to exercise this termination right, there can be no assurance that it will not demand early repayment.

Any demand for early repayment under either of the above two State Finance Programmes could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects generally.

Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future.

In the course of the due diligence process it commenced in February 2009, the new management of the Bank identified transactions entered into by the Bank between 2006 and 2008 that were not properly recorded on the Bank's balance sheet. The transactions included guarantees issued by the Bank secured by pledges of the T Bills.

These guarantees covered borrowings by four offshore companies registered in the British Virgin Islands and Samoa from two Russian financial institutions. The pledged T Bills were held in brokerage accounts of these financial institutions and these institutions had the right to foreclose on them at their sole discretion by sale, exchange or otherwise.

In February and May 2009, the Bank was informed that the four offshore companies had defaulted on the payment of the loans, the Russian financial institutions had exercised their right to foreclose on the T Bills, and all the T Bills had been transferred out of the custody accounts of the Bank. Due to the likely losses under the guarantees, as at 31 December 2008, the Bank recognised a provision for the guarantees of KZT 136,972 million in the 2008 Annual Financial Statements. See the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*". Following further investigation, it became clear that the T Bills had been used to settle the guarantees. Part of the recovery process will involve further investigations to determine if the Bank has any claims against any party.

Investigations by law enforcement agencies are ongoing in Kazakhstan in order to determine whether fraud was committed by any of the relevant parties. The relationship between these parties and the Bank and its affiliates has not yet been fully investigated. The law enforcement agencies were not prepared to disclose the results of their investigations at the date of this Prospectus.

Another example of weakness in the Bank's internal controls is the sale of certain receivables to collection agencies which amounted to KZT 20,894 million as at 31 December 2009. In the fourth quarter of 2008, the Bank transferred non-performing loans and claims receivable from Alliance Policy, a related party, to eight debt collection agencies. The transferred loans and claims were written off the Bank's balance sheet. Under the terms of the transfer, the Bank was entitled to receive consideration for the transferred assets only if the collection agencies made recoveries beyond an agreed level. The Bank's new management believes that the collection agencies are related parties. The Bank's new management has made an estimate of the recoverability of amounts due from the collection agencies and has concluded that the Bank will not be successful in collecting such amounts because of such collection agencies' uncertain financial condition. As a consequence, the Bank recorded a provision in the amount of KZT 22,338 million as at 31 December 2008, which subsequently was reduced to KZT 20,894 million as at 31 December 2009 due to cash collections.

Between August 2007 and June 2008, the Bank entered into 10 forward sale transactions for aggregate amounts of U.S.$83.1 million, EUR 25.2 million and GBP 35.6 million. These transactions involved forward sale contracts for notes issued by the Bank's subsidiary, ALB Finance, entered into between the Bank and Interstar Millennium, a related party. The transactions were not recorded by the Bank and the forward sale transactions were cancelled in May 2009 with no payments made.

Given the internal control weaknesses in the Bank, other unrecorded transactions not known as at the date of this Prospectus may be uncovered in the future and may have a further adverse effect on the Bank's financial condition and recovery prospects. The Bank continues to investigate whether there are other such transactions and it is therefore possible that future losses will arise.

On 14 October 2009, the Economic Crime and Corruption Agency of Kazakhstan formally accused Mr. Margulan Seisembayev, the former Chairman of the Board of Directors, Mr. Erlan Seisembayev, a shareholder of SAFC, and Mr. Arsen Saparov, the former Chairman of the Bank's Credit Committee, of stealing KZT 16,919 million from the Bank. According to press reports, a court order has been issued for the arrests of these individuals and the Kazakhstan authorities have declared to

international police agencies that these individuals are sought by Kazakhstan authorities in relation to these matters. Mr. Margulan Seisembayev effectively discontinued his involvement in the activities of the Board of Directors after 4 June 2009 and his current location is unknown to the Bank. The Bank's former Chairman of the Management Board, Mr. Zhomart Yertaev, was arrested in August 2009, and the Bank's former Chief Accountant, Mr. Abylkassym Mamyrbekov, was arrested in September 2009. The former Chairman of the Bank's Management Board, Mr. Erik Sultankulov, was arrested in April 2010. In May 2010 Mr. Yertayev was released but the investigation is being continued. See "*The Bank — Legal Proceedings*" and "*Management and Corporate Governance — Board of Directors*".

As discussed above, there have been failures in the Bank's internal controls previously. Although the Bank has improved its systems to address the deficiencies, there can be no assurance that such new systems will be effective and that the Bank will not suffer losses from the failure of these controls to detect or contain operational risk in the future. Similar to other Kazakhstan banks, the Bank is susceptible to, among other things, fraud by employees or third parties, unauthorised transactions by employees and operational errors, including clerical or record keeping errors and errors resulting from faulty computer and 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 management and financial reporting systems do not fully support its operations and a number of transactions are not fully automated, which may further increase the risk that human error or employee tampering or manipulation will result in losses that may be difficult to detect. Consequently, the inadequacy of the Bank's internal processes or systems may result in unauthorised transactions and errors not being detected. Further, 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 business, financial condition, or results of operations and prospects.

Declines in customer deposits, which are an important source of funding for the Bank, have had and may continue to have an adverse effect on the Bank's funding base.

The Bank has experienced significant outflows of customer deposits throughout 2008 and 2009. The Bank's deposits from individuals decreased by 43.3 per cent. to KZT 51,617 million as at 31 December 2009 from KZT 91,006 million as at 31 December 2008, which was already a decrease of 6.8 per cent. from KZT 97,652 million as at 31 December 2007. The Bank's private corporate and SME deposits (excluding Samruk-Kazyna's deposits) decreased by 80.1 per cent. to KZT19,477 million as at 31 December 2009 from KZT 98,040 million as at 31 December 2008, which was already a decrease of 28.9 per cent. from KZT 137,923 million as at 31 December 2007. Due to deposits totalling KZT 84,124 million made by Samruk-Kazyna in February 2009, the Bank's total customer deposits decreased by only 18.6 per cent. to KZT 153,776 million as at 31 December 2009 from KZT 189,044 million as at 31 December 2008.

The Bank has seen an increase in deposits recently. However, if retail and private corporate and SME deposits were to decline, the Bank may face significant difficulties and may be unable to carry on its business as other sources of funding, both domestically and in the international markets, may not be readily available.

Lower expected growth of Kazakhstan's GDP in 2010 could put increasing pressure on the ability of the Bank's existing borrowers to repay their loans.

The Government expects the growth of Kazakhstan's GDP to remain slow throughout 2010 as a result of reduced oil prices, volatility in the real estate market, reduced access to credit for both corporates and households and the general weakening of business and consumer confidence in Kazakhstan. The Bank expects that lower GDP growth will put increasing pressure on the ability of its current borrowers to repay their existing loans and could therefore increase the Bank's losses from non-performing loans, which could adversely affect the Bank's business, financial condition, results of operations and prospects.

Concentration of the Bank's loan portfolio and deposit base and volatility in the real estate market subject it to risks.

On the basis of Adjusted IFRS, as at 31 December 2009 and 31 December 2008, the Bank's 10 largest borrowers accounted for 14.3 and 16.7 per cent., respectively, of gross loans and advances compared to 13.4 per cent. as at 31 December 2007. Loans to the Bank's two largest borrowers (as discussed below) totalled KZT 19,924 million as at 31 December 2009 and 44,101 million as at 31 December 2008, representing 3.5 per cent. and 6.4 per cent., respectively, of gross loans and advances at such dates. Although the Bank's level of concentration in its lending base is relatively low when compared with those of its competitors, when the Bank fully resumes its lending operations, the Bank will need to monitor the concentration of its loan portfolio and if it does not do this effectively, its credit exposure could increase, which would have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Of the 10 borrowers the Bank is most exposed to, some are involved in the oil and natural gas industries. The Bank's two largest borrowers in particular are in the oil and natural gas industries and currently, to the Bank's knowledge, do not have positive cash flows. In addition, a substantial amount of the Bank's loans to customers are secured by real estate. As at 31 December 2009, 52.99 per cent. of net individually significant corporate loans were collateralised by real estate. Real estate prices in Kazakhstan and Russia, which increased rapidly from 2002 to 2007, have dropped sharply since June 2007. The decline in the price of real estate in Kazakhstan has increased this price volatility and consequently has made it difficult to value certain collateral held by the Bank. The collateral value ultimately realised by the Bank in the event of foreclosure of these customer loans will depend on the fair value as determined at that time and may be materially different from the current or estimated fair value. Also, the real estate market in Kazakhstan suffers from low liquidity and the Bank may be unable to liquidate its real estate collateral in a reasonably short time frame. As a result, in the event that a portion of the Bank's loans to customers secured by real estate go into default, the Bank may not be able to recoup the full value of the loan by taking ownership and disposing of the underlying real estate, which may result in a material adverse impact on the Bank's business, results of operations, financial condition and prospects.

The Bank's loan portfolio has a significant geographical concentration in the Almaty region. As at 31 December 2009 and 31 December 2008, on the basis of Adjusted IFRS, the Bank had loans originated in Almaty totalling KZT 322,499 million and KZT 454,126 million, respectively, which represented 66.0 per cent. and 56.0 per cent. of the Bank's loan portfolio, respectively.

In the Bank's deposit base, as at 31 December 2009, the Bank had one customer whose balances exceeded 10 per cent. of the Bank's total customer accounts. This balance, as at 31 December 2009, stood at KZT 69,625 million. As at 31 December 2008, the Bank did not have any customers whose balances exceeded 10 per cent. of its total customer accounts. The concentration in the Bank's deposit base is primarily due to Samruk-Kazyna's deposits totalling KZT 82,568 million as at 31 December 2009, representing 54.0 per cent. of the Bank's total customer accounts. Other than Samruk-Kazyna's deposits, the Bank does not have significant concentrations in its deposit base.

Concentration of the Bank's loan portfolio and deposit base could adversely affect the Bank's business, financial condition, results of operations and prospects.

The continuing decline in value of the Bank's loan portfolio will likely lead to a gradual seasoning of the Bank's loan portfolio which may increase the proportion of loan defaults.

The Bank's net loan portfolio decreased by 43.8 per cent. to KZT 243,707 million as at 31 December 2009 from KZT 433,475 million as at 31 December 2008, which in turn represented a decrease of 47.1 per cent. from KZT 819,194 million as at 31 December 2007. Because the Bank's loan portfolio continued to decline in value through the remainder of 2009 and the Bank did not originate new loans, it is likely that the Bank will experience a gradual seasoning of its loan portfolio, with the concentration of older loans in the portfolio becoming more significant. Therefore, as a result of the expected gradual seasoning of its loan portfolio, the Bank could experience a further increase in the

percentage of its loans which are non-performing which could adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank's focus on the retail and SME sectors could have an adverse effect on its business, results of operations and financial condition.

Historically, the Bank's strategy has been focused on the retail and SME sectors and these sectors will continue to represent a significant part of the Bank's loan portfolio. As a general rule, concentration of a bank's loan portfolio in the retail and SME sectors may increase such bank's credit risk. SME and retail customers typically are less financially resilient than larger borrowers and the ongoing uncertainties in the global economy and other negative developments in Kazakhstan's economy could therefore adversely affect these customers to a greater degree than larger borrowers. Further, there is generally less financial information available about smaller companies and retail customers, and banks may have difficulty accurately assessing the creditworthiness of these customers.

Prior to 2007, the Bank significantly expanded its retail loan portfolio and the proportion of unsecured loans in its portfolio increased substantially. The decline in the proportion of collateralised loans in the Bank's loan portfolio contributed to an increase in the percentage of non-performing loans in the Bank's loan portfolio and, as at 31 December 2009, non-performing loans constituted 52.4 per cent. of the Bank's gross loan portfolio on the basis of Adjusted IFRS. Due to the deteriorating quality of its loan portfolio, the Bank recorded additional provisions and, as at 31 December 2009, on the basis of Adjusted IFRS, 65.2 per cent. of the Bank's SME portfolio was provisioned at the 100 per cent. level and 27.7 per cent. of the Bank's retail portfolio was provisioned at the 100 per cent. level. The Bank considers this level of provisioning to be sufficient to absorb further losses in the portfolio. However, any further deterioration of the existing retail and SME loan portfolio of the Bank may cause further increases in provisions and there can be no assurance that the Bank's business and financial condition in the future will not be affected by a further weakening in the financial condition of its retail and SME customers.

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

The Bank is subject to significant competition from both domestic and foreign banks. As at 31 January 2010, there were 37 commercial banks in Kazakhstan (excluding the NBK, the DBK and Zhilstroysberbank), of which 17 were banks with foreign shareholders, including the subsidiaries of foreign banks. In addition, regulatory changes may make it easier for foreign banks to increase their market presence in Kazakhstan. As at 31 January 2010, the Bank's net assets constituted 4.6 per cent. of the total assets of the banking system in Kazakhstan.

There are relatively few large corporate customers that do not have established banking relationships, which means that competition in the corporate sector is intense. The corporate lending sector has begun to mature, which has driven banks to find other sources of revenue, primarily in SME and retail banking.

In the past, the Bank has faced competition primarily from banks which focus on the retail banking market, including Halyk Bank and Bank Center Credit. According to the FMSA, the Bank is currently the sixth-largest bank in Kazakhstan, as measured by total net loans. The Bank faces greater competition from other banks as larger banks in more stable financial positions will aim to increase their market shares in all sectors of the market. In particular, the Bank faces competition attracting and retaining individual depositors.

While foreign banks have not historically posed a significant competitive threat and generally have been scaling back their operations in Kazakhstan since 2008, competition from foreign banks may create a more difficult environment for the Bank in the future. Some foreign banks have significantly greater resources and cheaper sources of funding than the Bank. Foreign banks also have greater international experience and stronger brand names, allowing them to target the most attractive domestic corporate customers, as well as foreign companies operating in Kazakhstan. Accordingly,

these entities are likely to become competitive with the Bank in the corporate, SME and retail banking sectors in the long-term, which may negatively affect the Bank.

Competition from domestic and foreign banks for customers could place pressure on the Bank's net interest margin. If the Bank loses customers or is unable to attract customers at rates greater than its competitors, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

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

The Bank relies heavily on information systems to conduct its business and is currently upgrading a number of its information technology systems relating to management and financial reporting, risk management and client relationship management. However, there can 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. In addition, competitors may develop their information technology more rapidly and successfully than the Bank. Furthermore, any failure of, interruption in, or breach in security of, the Bank's 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. The Bank has developed back-up systems, including two back-up data centres in Almaty and it plans to develop another back-up centre in Astana in 2010. However, if these back-up systems were to prove inadequate in the event of an information systems failure, the Bank may not be able to serve its customers' needs on a timely basis, may incur substantial information retrieval costs, may lose customers' business and may become liable to such customers as a result of any loss or damage suffered by such customers. In addition, any security breach of the Bank's automated credit scoring system could result in the inappropriate disclosure of confidential customer information, which could harm the Bank's reputation and subject it to litigation. Moreover, the Bank is exposed to the risk that the third parties on which it relies for a portion of its loan origination and other services experience failures, interruptions or breaches of their information technology systems. 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. The occurrence of any failures or interruptions or the failure to properly implement or upgrade any of the Bank's information technology systems could have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank's risk management strategies and techniques expose the Bank to a number of unidentified or unanticipated risks.

Although the Bank expects to invest substantial time and effort in improving and monitoring its risk management strategies and techniques, it may nevertheless fail to adequately manage risks under certain circumstances, particularly when it is confronted with risks that it has not identified or anticipated. If circumstances arise that the Bank has not identified or anticipated in developing its statistical models, its losses could be greater than expected. If its measures to assess and mitigate risk prove insufficient, or if its models yield inaccurate results or incorrect valuations, the Bank may experience material unexpected losses.

The Bank is exposed to significant interest rate risk.

The majority of the Bank's loans are fixed-rate agreements. Although the agreements often contain clauses allowing the Bank to change interest rates, in October 2008 the Banking Law was amended to prohibit banks from changing interest rates unilaterally. These amendments have retrospective effect and apply to any loan agreements entered into before and after their enactment. The Bank's ability to mitigate interest rate risks is therefore extremely limited and its financial condition may be negatively affected.

The Bank is exposed to significant foreign currency exchange risk.

Following the Restructuring, the Bank's debt is denominated predominantly in U.S. Dollars and the Bank will continue to be significantly exposed to foreign currency risk. The Bank has entered into cross-currency swap transactions to hedge against foreign currency exchange risk in order to comply with the NBK's and the FMSA's requirements related to the open foreign currency position of the Bank. However there can be no assurance that the Bank will remain a party to such swap transactions in the future as the transactions may be terminated by the other parties to the transactions.

The Bank's success is dependent on the continued service of its key personnel and it may not be able to retain such personnel.

The Bank has appointed new senior management to oversee implementation of its strategy and its day-to-day operations. The banking industry is relatively new in Kazakhstan and there are a limited number of experienced banking managers in the country. There is also a high level of competition for the services of these individuals. While the Bank believes it has been successful in attracting skilled and motivated employees and officers, it may be at risk of losing qualified personnel to its competitors. This risk could be compounded if the Bank faces financial difficulties in the future. The loss of the Bank's senior management for any reason could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Risks Relating to Operating within the Kazakhstan Banking Sector

It is not possible to predict the full impact on the Bank of the financial stability laws in Kazakhstan, which are currently in the early stages of implementation.

On 23 October 2008, the Kazakhstan Parliament adopted the law No. 72-IV ZRK on Stability of the Financial System. The law introduced numerous amendments to the Banking Law, the JSC Law and the Securities Market Law.

Under the new law, in the event of (i) a breach by a bank of capital adequacy or liquidity ratios; or (ii) two or more breaches by a bank in any twelve-month period of any other prudential or other mandatory requirements, the Government may, with the agreement of the FMSA, acquire, either directly or through Samruk-Kazyna, the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10 per cent. of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or Samruk-Kazyna) to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. The new law provides that the management and shareholders of an affected bank do not have the right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body appointed by the Government to manage the acquired bank or Samruk-Kazyna is authorised to appoint no more than 30 per cent. of the members of the board of directors and the management board of the affected bank.

The main objectives of the new financial system stability law are to improve early detection mechanisms for risks in the financial system, to provide powers to the Government to acquire shares in commercial banks that face financial problems and to improve the overall condition of financial institutions in Kazakhstan. The law also consolidates authority to oversee large and second-tier Kazakhstan banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

The financial system stability law is currently in the early stages of its implementation and it is not possible to predict its full impact on the Bank.

Changes in the liquidity support for the Kazakhstan banking sector may have an adverse impact on the Bank.

The NBK and the Government have taken steps, including the provision of short term liquidity support, to protect the Kazakhstan banking sector from the recent turmoil in the financial markets.

Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to the banks. In particular, minimum reserve requirements have been changed several times. Starting from 3 March 2009, the requirements were revised to 1.5 per cent. of total liabilities with respect to most domestic liabilities and 2.5 per cent. of total liabilities with respect to other, including foreign, liabilities. Additional measures taken include the deposit of the temporary excess cash of national companies, enterprises and joint stock companies which are wholly or partially owned by the Government or controlled by the NBK into local commercial banks, and the establishment of JSC Distressed Assets Fund to buy doubtful assets, in particular mortgages, of commercial banks.

If the NBK and the Government were to withdraw their liquidity support it would lead to decreased overall liquidity in the Kazakhstan banking sector. This decreased liquidity would likely result in an increase in the Bank's funding costs which would adversely affect the Bank's business, financial condition, results of business and prospects.

Risks resulting from failures in Kazakhstan's banking industry could adversely affect the Bank.

The Kazakhstan banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. BTA Bank, Temir Bank and Astana Finance are currently in the process of being restructured and further defaults and debt restructurings cannot be ruled out and the Bank is exposed to the risk of further bank failures. This could in turn have an adverse effect on the Bank's ability to receive support from Samruk-Kazyna, as the Government's resources may become strained and the Government may be required to allocate support and funds selectively.

The current instability in the global financial markets and deterioration of general economic conditions have adversely affected the Bank's results of operations and financial condition and could continue to cause them to decline.

The global economy and the global financial system have been experiencing a period of significant turbulence and uncertainty, particularly the very severe disruption of the financial markets around the world that began in August 2007 and which substantially worsened in September 2008 with adverse consequences for many large global commercial and investment banks, insurance companies and other financial institutions. This disruption severely impacted general levels of liquidity and the availability of credit together with the terms on which credit is available. Governments around the world, including that of Kazakhstan, have sought to inject liquidity into banking systems and to recapitalise their banking sectors to reduce the risk of systemic failure and increase confidence in the financial markets.

This market disruption has also been accompanied by a slowdown in many economies including that of Kazakhstan. These developments have already adversely affected the Bank's earnings and profits. Any further deterioration in the world economy, including business and consumer confidence, unemployment trends, the state of the housing market, the commercial real estate sector, equity markets, bond markets, foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, lower transaction volumes in key markets, the liquidity of the global financial markets and market interest rates, would further reduce the level of demand for, and supply of, the Bank's products and services, would lead to lower realisations as well as writedowns and impairments of investments and negative fair value adjustments of assets, and could materially and adversely impact the Bank's operating results, financial condition and prospects.

The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Banks in Kazakhstan have

previously relied heavily on the international debt markets as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole. Wholesale debt financing has now become significantly more expensive. If the availability of international wholesale debt financing continues to be limited or available at significantly higher costs or if the Bank suffers from increased volatility of its deposit base, this could adversely affect the Bank's business, financial condition, results of operations and prospects. The effect of any of these conditions may be exacerbated by the deterioration of the financial condition of other banks in Kazakhstan.

The full range and consequences of the risks faced by the Bank are difficult to predict and guard against in view of the fact that many of those risks are either partially or entirely outside the control of the Bank and may be exacerbated by any further economic instability.

The Bank faces increased risks related to the devaluation of the Tenge.

A large proportion of the Bank's funding base is made up of borrowings in U.S. Dollars whereas the vast majority of its income is in Tenge.

On 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117 – KZT 123 per U.S. Dollar to KZT 150 per U.S. Dollar (+/- 3 per cent.). This devaluation was due in part to recent pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) in the international markets. The devaluation of the Tenge was also intended to enhance the competitiveness of Kazakhstan goods in the export market.

This devaluation increased the cost of foreign borrowings for the Bank. Further, the devaluation of the Tenge will likely affect the Bank's costs as the majority of the Bank's funding base is denominated in U.S. Dollars, whereas income from its loan portfolio is typically denominated in Tenge. A further devaluation or depreciation of the Tenge against the U.S. Dollar could negatively affect the Bank in a number of ways, including, among other things, by causing a further outflow of Tenge deposits, by increasing the actual cost to the Bank of financing its U.S. Dollar based liabilities and by making it more difficult for Kazakhstan borrowers to service their U.S. Dollar loans. Any of these developments may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

Kazakhstan's system for gathering and publishing statistical information relating to the 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. Moreover, the Bank's customers, particularly in the SME sector, may not have detailed financial information regarding their creditworthiness. Under-reporting of income in Kazakhstan, which is common, also makes it more difficult for the Bank to make accurate credit assessments. Thus, the statistical, corporate and financial information, including annual financial statements and recognised debt rating reports, available to the Bank as well as other Kazakhstan banks relating to prospective and existing 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 any collateralisation requirements, the difficulties associated with accurately assessing the post-enforcement value of collateral may result in the Bank extending loans without the necessary collateral to support them.

The First Credit Bureau is a private company that was established in 2004 by BTA Bank, Kazkommertsbank, Bank Center Credit, Halyk Bank, Tsesna Bank, ATF Bank, Alliance Bank, Astana Finance and the Association of Financiers of Kazakhstan pursuant to the "Law on Credit Bureaus and Credit History" of Kazakhstan dated 6 July 2004. The First Credit Bureau manages a database containing the credit histories of individuals and legal entities in Kazakhstan. The FMSA

requires all credit institutions to provide information about their borrowers to the First Credit Bureau. Commercial banks can then purchase information about potential or existing borrowers from the First Credit Bureau. First Credit Bureau charges a fee on each request made by a bank, which varies depending on the amount of detail requested by the bank with respect to the individual borrower. Although the FMSA's requirement to provide information to the First Credit Bureau should ensure that the Bureau's records are comprehensive and up to date, there can be no assurance that all banks do indeed comply with this requirement or that the information is accurate and reliable.

Changes in banking regulations in Kazakhstan may adversely affect the Bank's business.

The Bank operates in a highly regulated environment. However, like most Kazakhstan legislation regarding business activities, Kazakhstan's laws regarding banks and banking activities have been adopted only relatively recently and are subject to change, which could 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, the 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.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA introduced certain amendments to Kazakhstan's capital adequacy regulations. These regulations limit the total amount of foreign borrowings which a bank may incur to a multiple of such bank's regulatory capital. Although the Bank fully complies with those particular regulations as at the date hereof, this limitation on the Bank's ability to access foreign lenders and the international capital markets may adversely affect the Bank's ability to secure adequate financing in the future. See "*The Banking Sector in Kazakhstan*".

The future implementation by the FMSA of the recommendations of the Basel II Framework 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 — Banking Supervision*".

Risks Relating to Kazakhstan

Kazakhstan is subject to the risks associated with emerging markets generally.

Emerging markets such as Kazakhstan 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 that of Kazakhstan are subject to rapid change and that the information contained in this Prospectus may become outdated relatively quickly.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by the level of investor confidence in such markets as a whole and as such any factors that affect investor confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

The Kazakhstan corporate governance and disclosure laws which apply to the Bank are different from those generally applicable to corporations organised in the United States, the United Kingdom and other jurisdictions.

The Bank's governance is subject to the laws governing companies incorporated in Kazakhstan and to the Bank's New Charter and New Corporate Governance Code. The Bank's corporate governance

policies were not particularly sophisticated in the past, which contributed to deficiencies in the Bank's internal control and credit system. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*". The corporate governance regime in Kazakhstan is less developed than that in the United States and the United Kingdom and the rights of shareholders and the responsibilities of members of the board of directors and the management board under Kazakhstan law are different from those generally applicable to corporations organised in the United States, the United Kingdom and other jurisdictions.

A principal objective of the securities laws of the United States, the United Kingdom and certain other countries is to promote the full and fair disclosure of all material corporate information to the public. Although the Bank is subject to certain disclosure requirements under Kazakhstan law, these requirements are less stringent than the comparable requirements in the United States, the United Kingdom and certain other jurisdictions and, therefore, there is less information publicly available about the Bank than would be required if the Bank were organised in the United States, the United Kingdom or certain other jurisdictions.

The Government has stated that it intends to continue to reform the corporate governance regulations with a view towards increasing disclosure and transparency in the corporate sector in order to promote growth and stability. However, the Government may not continue to pursue such a policy in the future or such policy, if continued, may not ultimately prove to be successful. It is not possible to predict the effect of future legislative developments on the Bank.

The Bank is in the process of improving its corporate governance and has adopted a New Corporate Governance Code. The New Corporate Governance Code includes provisions on the role and responsibilities of the members of the Bank's Board of Directors, their selection procedures and the monitoring of their performance, the Bank's internal controls and risk management and the Bank's disclosure and reporting obligations to its shareholders. The Bank is also arranging for an annual audit of the Bank's corporate affairs and governance policies by an independent "big four" accounting firm and to remedy any identified non-compliance within six months of the date of such audit report.

While these improvements should bring the Bank's corporate governance standards closer to those in the United Kingdom and the United States, there can be no assurance that such amended governance standards will prove to be effective or that they will be implemented in a proper manner.

The Bank may be subject to money-laundering risks.

The existence of "black" and "grey" market economies in Kazakhstan inconsistent 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 Parliament of Kazakhstan has recently adopted the Law of the Republic of Kazakhstan on Prevention of Legalisation (Laundering) of Illegal Income and Terrorism Financing No. 191-IV dated 28 August 2009.

The new law identifies various types of transactions subject to financial monitoring and establishes thresholds for each of them, such as (i) exchanges of cash equalling or exceeding the equivalent of KZT 7 million, (ii) withdrawing from, or crediting funds to, bank accounts equalling or exceeding the equivalent of KZT 7 million, (iii) insurance payments equalling or exceeding the equivalent of KZT 7 million and (iv) transactions in securities or immovable property equalling or exceeding the equivalent of KZT 45 million. Banks, pension funds, insurance and reinsurance companies and certain other financial institutions and individuals are obliged to monitor any such transaction entered into by their clients by conducting diligence as outlined in the law with respect both to the clients and the transaction. In case it is not possible to conduct such diligence, the financial institution must prevent their clients from entering into such a transaction. The law requires any suspicious transaction to be reported to an authorised state body.

The Bank has implemented measures aimed at preventing it from 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 through the Bank will not be made or that anti-money-laundering measures implemented by the Bank will be effective. If the Bank were associated with money laundering, albeit only through the failure of its anti-money-laundering measures, or if it were unable to comply with all of the relevant laws and internal policies regarding financial assistance or money laundering, it could be subject to significant fines as well as harm to its reputation, and its business, financial condition and results of operations may be materially and adversely affected.

Most of the Bank's operations are conducted, and substantially all of its assets are located, in Kazakhstan. Accordingly, the Bank's financial position and its results of operations are substantially dependent on the legal, 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 undergone significant change as it has emerged from a single party political system and a centrally controlled command economy to a market oriented, democratic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of state enterprises. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims. Kazakhstan depends on neighbouring countries to access world markets for a number of its major exports, including oil, gas, steel, copper, ferro alloys, iron ore, aluminium, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export and has taken various steps to promote regional economic integration among neighbouring countries. In September 2003, Kazakhstan signed an agreement with Ukraine, Russia and Belarus for the creation of a single economic zone, which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs. The aim of the single economic zone is to create a free customs area within which member countries would enjoy free movement of goods, services, capital and labour. The member countries also intend to harmonise their fiscal, credit and currency policies to support further economic integration with the CIS countries and to assure continued access to export routes. However, should access to export routes be materially impaired, this could adversely affect the economy of Kazakhstan. Moreover, adverse economic factors in the markets of such member countries may adversely affect Kazakhstan's economy.

Although Kazakhstan has in the recent past enjoyed relative political stability, it could be adversely affected by political unrest in the Central Asian region. Additionally, 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 NSA, GDP grew 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, 9.4 per cent. in 2004, 9.4 per cent. in 2005, 10.7 per cent. in 2006 and 8.9 per cent. in 2007. In 2008, the pace of the GDP growth decreased, such that the GDP increased by only 3.2 per cent. in 2008. GDP increased by only 1.2 per cent. in 2009.

Kazakhstan is currently experiencing a general economic slowdown which has resulted and is likely to continue to result in higher unemployment, reduced corporate profitability, increased corporate insolvency rates, increased personal insolvency rates and increased interest rates. This in turn may reduce borrowers' ability to repay loans, cause prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the value of the collateral securing many of the Bank's

loans and increasing writedowns, and negatively affect the ability and willingness of companies and individuals to place deposits with domestic banks, including the Bank.

The Kazakhstan economy is highly dependent on oil exports and, as a result, is affected by oil price volatility.

Countries in the Central Asian region, including Kazakhstan, whose economies and state budgets rely on the export of oil, oil products and other commodities as well as 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 addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in 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 would 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.

The sharp drop in world prices for oil and other commodities since mid-2008 has had a negative impact on the growth prospects of the Kazakhstan economy.

The national budget for 2010 projected revenues on the basis of world oil prices of U.S.$50 per barrel. The national budget for 2011-2014 estimates that world oil prices will be U.S.$60 per barrel. Although oil prices have recovered for the time being, there can be no assurance that further revisions of the national budget will not be required in light of continuing oil price volatility.

The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and therefore are unpredictable.

Although a large volume of legislation has come into force since early 1995 (including a new tax code in January 2002 and laws relating to foreign arbitration and foreign investment in January 2009, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation), the legal framework in Kazakhstan is still in a relatively early stage of development compared to countries with established market economies. The judicial system, judicial officials and other government officials in Kazakhstan may not be fully independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, administrative decisions have been inconsistent, and court decisions have been difficult to predict.

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

The Bank expects that there will be additional revenue raising measures which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on the Bank's business and financial condition and on the results of operations of companies operating in Kazakhstan. The new Tax Code, which entered into force on 1 January 2009, introduced numerous changes to the existing tax regime and it is not clear how this new legislation will be interpreted and applied.

Kazakhstan's president, Nursultan Nazarbaev, has been in office since 1991 and, if he were to lose power, Kazakhstan could become unstable.

Kazakhstan's president, Nursultan Nazarbaev, has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbaev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. President Nazarbaev was re-elected for his most recent term of office in December 2005. In May 2007, Kazakhstan's Parliament voted to amend Kazakhstan's constitution to allow President Nazarbaev to run in an unlimited number of elections. While this amendment will allow President Nazarbaev to seek re-election at the end of his current term, there is no guarantee that he will remain in office. Should he fail to complete his current term of office or should a new president be elected at the next election, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate, which would have a material adverse effect on the Bank's business, results of operations and financial condition. Conversely, although President Nazarbaev's remaining in office may contribute to stability in Kazakhstan, the constitutional amendment in May 2007 has raised some concerns regarding democratic reforms. A lack of confidence in the democratic nature of Kazakhstan's government could threaten the country's economic stability, which could have a material adverse effect on the Bank's business, results of operations and financial condition.

Risks Relating to the Restructuring

The Restructuring Law has not been tested widely and there can be no assurance that the Restructuring, effected under such legislation, will be recognised in all relevant foreign jurisdictions.

Prior to July 2009, there was no law in Kazakhstan which would allow for creditor claims of Kazakhstan finance institutions to be restructured without the consent of all affected creditors. Creditors not wishing to participate in a restructuring had the ability to set off their claims against a bank's assets or bring litigation in any jurisdiction where any of those assets were located.

A compulsory restructuring arrangement will not bind foreign creditors in respect of assets held outside of Kazakhstan unless the local Kazakhstan restructuring is recognised in the countries where such creditors or assets are located. It is essential that a bank which makes international currency payments obtains protection from its creditors internationally or else all international transfers will be frozen by creditors and the bank's operations will be limited to transactions in Tenge only.

The Restructuring Law was designed to be capable of international recognition in countries (such as the United Kingdom and the United States) which have adopted legislation based on the Model Insolvency Law and the Bank's Restructuring has, as at the date of this Prospectus, been recognised by the courts of the United Kingdom and the United States. However, there can be no assurance that the Restructuring of the Bank will be recognised by any other court abroad. If the Restructuring is not capable of international recognition in all applicable jurisdictions, the Bank's business may be limited in those jurisdictions. As a result, the Bank's business could be affected and the Bank may be limited to transactions within Kazakhstan and in those jurisdictions where the Bank's Restructuring has been recognised.

Certain decisions related to the Restructuring may not have been approved by the appropriate managing body of the Bank and may be at risk of being disputed.

The Memorandum of Understanding and certain other documents related to the Restructuring were approved by the new Management Board of the Bank. The new Management Board of the Bank was appointed by SAFC following the execution of the Implementation Agreement. See "*The Bank — The Role of Samruk-Kazyna — Legal Framework*". The former Board of Directors, which was appointed by SAFC before the execution of the Implementation Agreement, had limited involvement in the restructuring process and refrained from taking decisions related to the Restructuring. While these documents are not expressly required under Kazakhstan law to have been approved by the

Board of Directors or the General Shareholders' Meeting of the Bank, due to their significance for the Bank's former shareholders, such decisions may be viewed as requiring approval by the Board of Directors or the General Shareholders' Meeting of the Bank. Therefore there is a risk that the Bank's former shareholders may bring claims disputing the validity of such decisions of the Bank. Whether or not such claims may be meritorious, they may create negative publicity for the Bank and have a negative impact on the Bank's business and operations.

The Bank may face litigation as a result of the FMSA applying certain compulsory restrictive measures to the Bank.

Pursuant to Resolution No. 268 adopted on 30 December 2009 by the FMSA, the entire issued share capital of the Bank was compulsorily acquired by the FMSA and transferred to Samruk-Kazyna. The FMSA undertook this action pursuant to the Banking Law primarily as a result of the Bank's negative equity capital position and its failure to comply with prudential requirements, which were not cured within the time period allowed under Kazakhstan legislation.

The Bank hopes that the acquisition of the Bank's share capital by Samruk-Kazyna will ensure that the Bank's licence for accepting retail deposits and opening and maintaining retail accounts will not be revoked under Article 30 of the Banking Law. In accordance with Article 30, effective from 1 January 2010, Kazakhstan banks (excluding banks whose share capital is more than 50 per cent. owned by the state) that do not have a large shareholder with a certain minimum credit rating cannot hold a licence for accepting retail deposits and opening and maintaining retail accounts.

As a consequence of the measures carried out by the FMSA in accordance with the Banking Law, all interests in the share capital of the Bank held by former shareholders (including the holders of GDRs representing an interest in the Bank's shares) have been extinguished and no compensation will be paid in respect thereof. An application was made to cancel the listing of the GDRs on the Main Market of the London Stock Exchange and such cancellation took effect on 12 February 2010.

Whether or not such claims may be meritorious, the Bank's former shareholders could bring claims against the Bank and seek redress against the FMSA's actions. If such claims are successful, the Bank's financial position and the interests of the Noteholders may be negatively affected.

The Bank is subject to claims in Russia relating to the Rouble Notes issued by Alliance Finance.

In June 2007, the Bank issued RUB 3 billion Notes due in 2012 through Alliance Finance, its wholly owned subsidiary. The proceeds of the issuance were deposited with the Bank. The Bank has provided a "suretyship" in favour of Rouble Noteholders securing Alliance Finance's payments of principal and interest under the Rouble Notes.

In June 2009, Alliance Finance failed to pay interest due under the Rouble Notes within the timeframe as per the terms of the Rouble Notes which constitutes a default under the terms of the Rouble Notes. Although the interest was subsequently paid in July 2009, the original failure to pay may still constitute a default under the terms of the Rouble Notes. Alliance Finance and the Bank remain jointly and severally liable on the Rouble Notes. On 6 October 2009, LLC Management Consulting, a holder of the Rouble Notes for the amount of RUB 199.8 million filed two suits against Alliance Finance with the Moscow Arbitration Court demanding early repayment of its holding of the Rouble Notes and a penalty for the delay in payment of the interest as well as accrued interest and expenses. The total amount of the claims is RUB 204.7 million. In December 2009, CJSC Starbank, a holder of the Rouble Notes for the amount of RUB 309.4 million filed a suit against Alliance Finance and Alliance Bank (as the guarantor) with the Moscow Arbitration Court demanding early repayment of its holding of the Rouble Notes and a penalty for the delay in payment of the interest as well as accrued interest and expenses. The total amount of the claim is RUB 390.5 million. See "*The Bank — Legal Proceedings*". The Bank and Alliance Finance remain exposed to the risk of other similar claims by Rouble Noteholders.

There is a risk that the Court's order confirming completion of the Restructuring may not be recognised in Russia or that any such recognition will be contested by Rouble Noteholders. See "*Risk Factors – Risks Relating to the Restructuring — The Restructuring Law has not been tested widely and there can be no assurance that the Restructuring, effected under such legislation, will be recognised in all relevant foreign jurisdictions.*" The Bank will therefore remain exposed to the risk of claims relating to the Rouble Notes by Rouble Noteholders following the Restructuring.

It is also likely that Alliance Finance may become subject to bankruptcy proceedings in Russia due to the unavailability of sufficient funds to meet its obligations under the Rouble Notes and the unavailability of any support from its parent, the Bank. If Alliance Finance is placed into bankruptcy proceedings, the Bank may be held secondarily liable to Rouble Noteholders to the extent that the court in Russia considers the Bank responsible for Alliance Finance's bankruptcy as the controlling parent company.

If these claims are enforceable they may have an adverse effect on the Bank's business and prospects following the Restructuring.

The Bank has historically been unable to fund its operations and the Bank may not be able to fund its operations in the future.

The Bank has historically not been able to fund its operations and debt payment obligations and has therefore incurred substantial indebtedness. The Bank is required to devote a significant portion of its cash to fulfil its debt obligations, thereby reducing funds available for other purposes. Although interest payments have been significantly reduced after partial cancellation of the financial indebtedness of the Bank as a result of the Restructuring, it is possible that the Bank may continue to incur losses and may not achieve or sustain sufficient cash flow in the future for the payment of interest, principal and other expenses. If the Bank's cash flow is not sufficient to meet its expenses, debt payment obligations and other requirements, the Bank may be forced to raise cash or reduce expenses by doing one or more of the following:

- restructuring or refinancing its indebtedness prior to original maturity;
- delaying or reducing expenses necessary to maintain its business and meet increased competition;
- disposing of some of its assets, possibly on unfavourable terms;
- revising or delaying the implementation of its strategic plans; or
- forgoing business opportunities.

The Bank could also be forced to issue additional equity capital, which would dilute the interests of the holders of its Common Shares. The Bank cannot be sure that any of the above actions would be sufficient to fund its operations in the future.

The Bank's level of indebtedness reduces available cash, impacts its ability to obtain additional financing and limits its flexibility.

The Bank continues to be financially indebted and will likely incur additional indebtedness in the future. As at 31 March 2010, the Bank had approximately KZT 158,738 million (or approximately U.S.$1,080 million) of financial indebtedness excluding the Trade Finance Debt and notes issued by Alliance DPR Company (on the basis of Adjusted IFRS). The Bank's level of financial indebtedness, and associated interest payment obligations:

- limits its cash flow available for general corporate purposes, including any acquisitions;
- limits its ability to obtain necessary financing for working capital, capital expenditure or business opportunities and to implement its business strategies;

- limits its flexibility in reacting to competitive and other changes;
- exposes it to the risk that a decrease in net cash flows due to economic developments or adverse developments in its business could make it difficult or impossible to meet senior debt payment obligations; and
- exposes it to risks inherent in interest rate fluctuations.

The Bank's operations and financing activities are restricted by covenants and undertakings in the Restructuring Documentation.

The Restructuring Documentation entered into by the Bank contains a number of significant restrictions and covenants that limit the Bank's ability to:

- dispose of businesses or assets;
- enter into joint ventures, acquisitions, mergers and to incorporate subsidiaries;
- engage in intra-group lending or guarantees and related party lending or similar transactions;
- obtain new borrowings;
- pay dividends on Common Shares unless agreed conditions are satisfied; and
- enter into major transactions unless concluded at fair value and subject to certain conditions.

The Bank is required to comply with specified financial ratios and performance covenants contained in the Restructuring Documentation. There are also significant restrictions on the Bank's activities which could affect the Bank's ability to operate its business and may limit its ability to take advantage of potential business opportunities as they arise. In the event the Bank's regulatory capital decreases, the Bank may soon become in breach of the capital adequacy ratios applicable to it, which in turn could threaten the Bank's ability to operate and trigger events of default under the terms of the New Notes.

The Bank's ability to comply with the covenants and undertakings in the Restructuring Documentation will depend on a number of factors, including its operating performance and the level of interest rates, as well as other factors that it may have failed to anticipate or that are beyond its control.

If the Bank is unable to comply with the covenants and undertakings in the Restructuring Documentation, Noteholders may impose additional restrictions on the Bank or accelerate repayment of all amounts due under the New Notes. If its indebtedness is accelerated, the Bank may not be able to repay its debt or borrow sufficient funds to refinance that debt. In addition, any default under its New Notes, or agreements governing its other existing or future indebtedness, is likely to lead to an acceleration of indebtedness under any other debt instruments that contain cross-acceleration or cross-default provisions. If the indebtedness under the New Notes is accelerated, the Bank is unlikely to have sufficient assets to repay amounts due, or any other indebtedness then outstanding.

Adverse publicity relating to the Restructuring and the financial condition of the Bank may adversely affect the Bank's customer relationships and the market perception of its business.

Adverse publicity relating to the Restructuring and the financial condition of the Bank may make it difficult to convince customers to maintain relationships with the Bank and to attract new customers, which could materially adversely affect the Bank's business. Ongoing negative publicity may also have a long-term negative effect on the Bank's brand name, which could make it more difficult for the Bank to market its products and services in the future.

The Bank is subject to various restrictions relating to money laundering, corrupt practices, fraudulent practices, collusive practices, coercive practices, obstructive practices and financing of

terrorism that may be less onerous than restrictions in financings involving multilateral development banks.

The Bank is subject, in the New Notes Trust Deed, to various restrictions relating to money laundering, corrupt practices, fraudulent practices, collusive practices, coercive practices, obstructive practices and financing of terrorism. Investors should note that these restrictions are based upon, although not identical to and may in certain respects less onerous than, restrictions commonly imposed on borrowers in financings involving multilateral development banks.

However, these restrictions are unusual in eurobonds and there is therefore the risk that the Bank may default under the New Notes Trust Deed in respect of them.

Risks Relating to the New Notes

Holders of the Recovery Notes may not receive any payments if the Bank is unable to recover any amounts from the Asset Pool for the Recovery Notes.

The Asset Pool for the Recovery Notes consists of (i) the Corporate and SME Pool; (ii) amounts recovered by the Bank as a result of litigation related directly or indirectly to the T Bills; and (iii) certain tax assets of the Bank. The amounts of any recovery concerning the T Bills and the amount of any cash benefits from the tax assets of the Bank cannot be estimated as at the date of this Prospectus.

The Asset Pool and the Retail Pool for the Recovery Notes is fixed as at 31 May 2009. See "*The Bank — Strategy — Restructuring and Optimisation (2009-2010)*". See "*Schedule 1 (Terms and Conditions of the New Notes), Annex 3 (Terms and Conditions of the Recovery Notes)*". There can be no assurance that the Bank will be successful in recovering any amounts in relation to any of the assets mentioned above and therefore holders of the Recovery Notes may receive no value.

The Bank may be unable to list New Notes on the KASE which may result in adverse tax consequences for the Bank and may prevent or make unattractive investments in the New Notes.

The FMSA's rules establish certain requirements for listing debt securities on the KASE which vary depending on the category of listing sought by an issuer. From 1 January 2010, to be eligible for the "A" category listing the issuer must have: (i) a minimum credit rating of Baa3 by Moody's or BBB- by S&P or Fitch for the relevant debt securities and (ii) own capital of at least U.S.$3 million (340,000 times the minimum calculation index) and have its own capital exceed its charter capital. The own capital of the Bank is currently only slightly greater than its charter capital and the Bank has been assigned an "RD" long-term issuer default rating by Fitch. There can therefore be no assurance that the New Notes will be assigned a credit rating. Thus, the Bank may be unable to procure the "A" category listing of the New Notes on the KASE, which would result in adverse tax consequences for the Bank. See "*Taxation — Kazakhstan Taxation — New Notes*". The Bank would then become subject to withholding tax at the rate of 15 per cent. and will be obliged to gross up any payments of interest made to holders of the New Notes, which would in turn have an adverse effect on the Bank's cash flow.

Due to the Bank's financial condition and the historical volatility in the price of shares and debt securities in Kazakhstan banks, the market price of the New Notes is likely to be volatile.

As a result of a number of factors, including the Bank's recent financial condition and its Restructuring, the market price for the New Notes is likely to be volatile, perhaps even more so than the securities market in general or the market for other Kazakhstan banks. Investors may not be able to sell their New Notes at the desired terms or at attractive prices as a result of such volatility. Factors that could cause volatility in the market price for the New Notes in the future may include, among other things:

- actual or anticipated variations in the Bank's operating results;

- new products or services, whether the Bank's or those of its competitors;
- changes in financial estimates by analysts covering the Bank;
- changes in the market valuations of other Kazakhstan banks;
- large increases or decreases in capital commitments;
- additions to, or departures of, its key personnel; and
- additional issuances of Shares by the Bank.

Due to the Bank's troubled financial history and its participation in historically volatile markets, these factors may negatively affect the market price for the New Notes to a greater extent than they would securities of other companies, in some cases regardless of the Bank's actual operating performance.

CAPITALISATION

The following table sets out the consolidated capitalisation of the Bank under IFRS as at 31 December 2009 and as at 31 March 2010. The figures in the following table as at 31 March 2010 are derived from the Interim Financial Statements which have not been audited or reviewed by the Bank's auditors. This information should be read in conjunction with "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Information*", the Financial Statements and related notes thereto included elsewhere in this Prospectus.

	As at 31 December 2009		As at 31 March 2010	
	(KZT millions)	*(U.S.$ millions)[1]*	*(KZT millions)*	*(U.S.$ millions)[2]*
Long term debt:				
Senior long term liabilities[3]	360,279	2,428	125,850	855
Subordinated long term liabilities[4]	48,194	325	132,757	902
Total long term debt:	**408,473**	**2,753**	**258,607**	**1,757**
(Deficit)/Equity:				
Share capital[5]	96,380	650	120,380	818
Additional paid in capital	1,222	8	42,292	287
Retained earnings and reserves[6]	(623,373)	(4,202)	(291,065)	(1,978)
Total (deficit)/equity:	**(525,771)**	**(3,544)**	**(128,393)**	**(873)**
Total (deficit)/equity and long-term liabilities	**(117,298)**	**(791)**	**130,214**	**884**

Notes:

(1) Translated at the U.S. Dollar exchange rate as at 31 December 2009, as reported by the NBK, of KZT148.36 = U.S.$1.00.

(2) Translated at the U.S. Dollar exchange rate as at 31 March 2010, as reported by the NBK, of KZT147.11 = U.S.$1.00.

(3) Senior long-term liabilities include only debt securities issued.

(4) Subordinated long-term liabilities represent U.S. Dollar and Tenge-denominated subordinated notes issued by the Bank and its Preference Shares.

(5) Share capital less Shares held in treasury.

(6) Includes accumulated deficit of KZT 293,181 million, investments available-for-sale at fair value deficit of KZT 18 million and property and equipment revaluation reserve of KZT 2,134 million.

Due to the completion of the Restructuring on 26 March 2010, as at 31 March 2010 the Bank's total long term debt amounted to KZT 258,607 million (U.S.$ 1,757 million) and total deficit amounted to KZT 128,393 million (U.S.$ 873 million).

Save as disclosed in this Prospectus, there have been no other significant changes in the capitalisation of the Bank since 31 March 2010.

THE BANK

History

The Bank was incorporated on 14 May 1993 under the laws of the Republic of Kazakhstan as an open joint stock company under the name IrtyshBusinessBank OJSC. In 1999, IrtyshBusinessBank OJSC merged with Semipalatinsk City Bank, another regional bank which was based in Eastern Kazakhstan. The combined bank primarily served large industrial enterprises in the Eastern Kazakhstan and Pavlodar regions.

In October 2001, a consortium of domestic companies led by SAFC acquired a 64 per cent. interest in the Bank. Following the completion of this transaction, the Bank changed its name to JSC Alliance Bank.

The Bank's banking licence number is 250 dated 26 December 2007 and its registration number with the Ministry of Justice is 4241-1900-AO dated 13 March 2004. The head office of the Bank is located at 50 Furmanov Street, Almaty 050004, Republic of Kazakhstan and its telephone number is +7 327 258 4040.

The Bank's group currently consists of the Bank and its two wholly-owned finance subsidiaries, ALB Finance and Alliance Finance.

Overview of the Bank and Background to the Restructuring

Alliance Bank was the sixth largest bank in Kazakhstan by total assets with a market share of 4.6 per cent. as at 31 December 2009, compared to 8.7 per cent. as at 31 December 2008.

In the period from 2004 to 2007, the Bank pursued an aggressive growth strategy and grew from being the tenth largest provider of retail loans in Kazakhstan to the largest such lender.

The growth of the Bank's retail portfolio was supported by changes to the Bank's distribution model and an agreement with Kazpost, the state owned postal company, pursuant to which the Bank commenced offering its products through Kazpost outlets in 2006. The Bank also expanded its branch network from nine branches and 25 cash offices as at 31 December 2004 to 24 branches and 199 cash offices as at 31 December 2007.

The Bank's growth from 2004 to 2007 was primarily funded by short-term bank borrowings and debt securities issues in the international capital markets and was aided by the ready availability of credit during that period. The proportion of funding through customer deposits remained relatively low. The external financing obtained by the Bank was used to fund rapid growth in unsecured customer lending using aggressive techniques to acquire customers. The Bank's risk management policies at the time were inadequate to ensure the quality of the rapidly increasing loan portfolio.

Following the general deterioration in the financial markets since August 2007 and Kazakhstan's credit rating downgrade in October 2007 by S&P from BBB to BBB- the Bank became unable to refinance its international debt, which in turn reduced its ability to make loans to customers. Uncollateralised retail lending was discontinued in November 2007. Furthermore, in the second half of 2007, the Kazakhstan banking system experienced a massive outflow of deposits and a migration of deposits within the banking system to banks perceived to be more stable. The Bank's deposits decreased from KZT 235,575 million as at 31 December 2007 to KZT 189,044 million as at 31 December 2008. Throughout 2008, the Bank continued to lose its market share in all sectors. Despite aggressive marketing, the outflow of both corporate and retail deposits continued throughout 2008. The Bank's market share in customer accounts decreased from 6 per cent. to 4.4 per cent. from 31 December 2007 to 31 December 2008. Due to the deterioration of its financial condition, the Bank discontinued most of its retail lending at the beginning of 2008 and corporate lending was discontinued at the beginning of 2009. The Bank recognised by the end of 2008 that its liquidity position was poor and that the rapid deterioration of its loan portfolio would significantly damage its capital position.

In October 2008, the Government and the FMSA announced a proposal to recapitalise the Bank as part of a broader plan to stabilise the financial system of the Republic of Kazakhstan. The plan involved Samruk-Kazyna, a Government holding company created to improve the competitiveness and stability of the Kazakhstan economy and alleviate the possible effects of changes in world markets on the economic growth in Kazakhstan, providing financial support to struggling financial institutions. In February 2009, Samruk-Kazyna entered into the Implementation Agreement with SAFC, the Bank and Mr. Margulan Seisembayev by which Samruk-Kazyna agreed to purchase 76 per cent. of the Bank's Common Shares and the parties agreed to take measures to stabilise the Bank and increase its capitalisation. In conjunction with this planned acquisition, Samruk-Kazyna and the Bank signed the Deposit Agreement pursuant to which Samruk-Kazyna deposited KZT 24,000 million of its funds with the Bank to support the Bank's financial stability and capitalisation. The Bank has deposited the KZT 24,000 million in an account with the NBK and has transferred the control over such account to Samruk-Kazyna. The Bank's obligations under the Deposit Agreement were secured by a pledge of its Common Shares pursuant to the Pledge Agreement between Samruk-Kazyna and SAFC and by guarantees from SAFC and Mr. Margulan Seisembayev. As a result of these arrangements and pursuant to the terms of the Pledge Agreement, Samruk-Kazyna obtained effective voting control over 76 per cent. of the Bank's Common Shares. Although the Implementation Agreement expired on 30 June 2009, Samruk-Kazyna's voting control under the Pledge Agreement remained unaffected. See "*— The Role of Samruk-Kazyna*".

As part of the efforts to restore the stability of the Bank, SAFC appointed a new management team at the Bank in February 2009. The new management team commenced an internal due diligence process which included an examination of the majority of the Bank's existing loans as well as the Bank's securities portfolio and derivatives transactions.

As a result of the due diligence and resulting reclassification of loans, the Bank decided to create additional provisions totalling KZT 184,385 million as at 31 December 2009 and KZT 226,263 million as at 31 December 2008, thereby bringing the total amount of provisions to KZT 454,175 million as at 31 December 2009 and KZT 269,790 million as at 31 December 2008, compared to KZT 43,527 million as at 31 December 2007. The due diligence also brought to light transactions in the T Bills in which the Bank issued guarantees supported by pledges of its T Bills as security for the borrowings of four offshore companies from two Russian financial institutions. Due to the uncertain prospect of recovery, the Bank recognised a provision for the issued guarantees of KZT 136,972 million as at 31 December 2008. See the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*", as well as "*Selected Statistical and Other Information — Lending Policies and Procedures — Provisioning Policies and Write-offs*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*".

The provisions against the guarantees and the loan loss provisions caused the Bank to breach the capital adequacy and liquidity requirements of the FMSA in April 2009. Due to the Bank's breach of these regulatory requirements, the Bank was instructed by the FMSA to initiate negotiations with its creditors and to enter into the FMSA Agreement with the FMSA. The FMSA Agreement imposed certain restrictions on the Bank and required the Bank to develop and present to the FMSA a restructuring and recapitalisation plan by 15 July 2009.

In April 2009 the Bank suspended repayment of all outstanding principal amounts under its obligations pending completion of the Restructuring, but continued servicing interest.

Following negotiations with the Steering Committee in April and May 2009, the Bank and the Steering Committee signed the Memorandum of Understanding with respect to the Restructuring on 6 July 2009. The Memorandum of Understanding does not constitute a binding obligation on any of the parties and has no legal effect. The Memorandum of Understanding was followed by a memorandum of understanding entered into between the Bank and Samruk-Kazyna on 14 July 2009 setting out the intended terms of Samruk-Kazyna's support of the Bank's Restructuring. The

memorandum of understanding with Samruk-Kazyna does not constitute a binding obligation on any of the parties and has no legal effect.

On 14 July 2009, the Bank submitted an indicative restructuring and recapitalisation plan to the FMSA in accordance with the FMSA Agreement. The FMSA subsequently approved the plan on 21 July 2009.

In light of the results of the management's internal due diligence process and in response to the deteriorating market and the Bank's financial condition, the Bank began downsizing its operations in February 2009. The Bank's branch network was reduced from 223 branches (including cash offices) as at 31 December 2007 to 197 branches (including cash offices) as at 31 December 2008 and 134 branches (including cash offices) as at 31 December 2009, representing a decrease of 11.7 per cent. and 39.9 per cent., respectively. As at 31 December 2009, the Bank had reduced its staff by 36.9 per cent. from the level as at 31 December 2008.

Following the adoption of the new Restructuring Law in Kazakhstan, which came into effect in August 2009, the Bank submitted an application to the Court to formally initiate the restructuring process under the Restructuring Law. The Bank's application was approved by the Court on 18 September 2009, resulting in an automatic stay of all relevant claims of the Bank's creditors and protection of the Bank's property from execution and attachment until completion of the Restructuring.

On 5 October 2009, the Bank and the Steering Committee signed the Term Sheet setting out key commercial terms of the Restructuring and the Options, and certain other agreements, principally relating to the Bank's corporate governance and other aspects of its operations and business following the Restructuring. The Term Sheet does not constitute a binding obligation on any of the parties and has no legal effect.

On 6 October 2009, the Bank announced that all interest payments in respect of Designated Financial Indebtedness (as well as late payment donations under Islamic Finance Instruments (in each case excluding the default element of such interest and of such late payment donations)) falling due (as determined in accordance with the relevant documentation constituting such Designated Financial Indebtedness) on or before 8 September 2009 would be paid in full on or before the Business Day immediately following the Approval Date. All other interest (as well as late payment donations under Islamic Finance Instruments (in each case excluding the default element of such interest and of such late payment donations)) accruing but unpaid up to 26 November 2009 was included in Designated Financial Indebtedness.

The Bank then published an information memorandum dated 5 November 2009 (which was supplemented on 24 November 2009) setting out the Restructuring Plan and which contained all the information necessary to allow its creditors to make an informed decision concerning the merits of the Restructuring Plan and to vote accordingly at the Claimants' Meeting which was held on 15 December 2009 in Almaty. The Bank's Restructuring Plan was duly approved by creditors holding 95.1 per cent. of the Designated Financial Indebtedness.

On 30 December 2009, the FMSA adopted Resolution No. 268 pursuant to which the FMSA compulsorily acquired 100 per cent. of the Bank's share capital for nominal consideration and transferred all of the Bank's Common Shares and Preference Shares to Samruk-Kazyna. The FMSA undertook this action pursuant to the Banking Law primarily as a result of the Bank's negative equity capital position and its failure to comply with prudential requirements, which were not cured within the time period allowed under Kazakhstan legislation. The Bank hopes that the acquisition of the Bank's share capital by Samruk-Kazyna will ensure that the Bank's licence for accepting retail deposits and opening and maintaining retail accounts was not revoked under Article 30 of the Banking Law which provides, effective from 1 January 2010, that banks which are not at least 50 per cent. owned by the state or do not have a large shareholder with a certain minimum credit rating cannot hold a licence for accepting retail deposits and opening and maintaining retail accounts. As a consequence of these measures carried out by the FMSA in accordance with the Banking Law, all

interests in the share capital of the Bank held by former shareholders (including the holders of GDRs representing an interest in the Bank's shares) were extinguished and no compensation was paid in respect thereof.

The Restructuring Plan as approved by the Bank's creditors was submitted to the FMSA on 20 December 2009 to establish its conformity with the indicative restructuring and recapitalisation plan initially submitted in July 2009. The FMSA approved the Restructuring Plan on 1 February 2010 after which the Restructuring Plan was submitted to the Court for a hearing at which the Bank's creditors were entitled to attend. The hearing of the Court took place on 26 February 2010 and the Court published its decision approving the Restructuring Plan on the same day. The Restructuring was completed on 26 March 2010 following which Samruk-Kazyna transferred, and the Bank transferred, sufficient Common Shares and Preference Shares to ensure that the Claimants as a group owned 33 per cent. of the Common Shares and of the Preference Shares. The remaining issued share capital of the Bank continues to be held by Samruk-Kazyna. In addition to Shares, Claimants also received cash and New Notes in consideration for the cancellation of their Claims pursuant to the Restructuring Plan.

As a further result of the Restructuring, the Bank plans to wind-up its finance subsidiaries, ALB Finance and Alliance Finance.

Prior to the beginning of the financial crisis in August 2007, the Bank was rated B+ by S&P and BBB- by Fitch. As a result of the Bank's rapidly deteriorating financial condition, suspension of repayments and its initiation of negotiations with the Claimants concerning the Restructuring, the Bank has been downgraded several times. As at the date of this Prospectus, the Bank has been assigned an "RD" long-term issuer default rating by Fitch. However, S&P upgraded the Bank's long-term credit rating from "D" to "B-/C" on 10 June 2010.

Strengths

The Bank believes that its strengths are:

- its potential opportunities now that Samruk-Kazyna has become the Bank's controlling shareholder;
- its extensive geographical network, including through its relationship with Kazpost;
- its centralised information technology platform and collection call centre;
- its alternative distribution channels, including active usage of internet banking and mobile banking for individuals;
- its salary programmes with major Kazakhstan corporates; and
- its experienced management team.

Potential opportunities now that Samruk-Kazyna has become the Bank's controlling shareholder

Now that Samruk-Kazyna has become the controlling shareholder of the Bank, its participation in the Bank is expected to improve public perception of the Bank's stability, which may improve repayment rates by customers and result in new customer deposits. Furthermore, since the primary corporate depositors in Kazakhstan are state-controlled companies, the Bank's management expects that the Bank would obtain additional corporate deposits of state-controlled companies.

Extensive geographic network, including through its relationship with Kazpost

Even after the recent downsizing of its operations, the Bank has one of the largest and most extensive geographic networks in Kazakhstan, with 134 branches (including cash offices) and 956 ATMs as at 31 December 2009 on the basis of Adjusted IFRS. In addition the Bank has access to 3,246 Kazpost outlets through its partnership with Kazpost. The Kazpost network gives the Bank the opportunity to

obtain repayment from its customers in remote locations where it otherwise has no presence. From 1 April 2010, the Bank began to resume all of its normal lending operations to provide loans and accept deposits.

Centralised information technology platform and collection call centre

The Bank has a centralised information technology platform which connects the Bank's head office and its branches and cash offices throughout Kazakhstan and permits real time communications between them. As soon as the Bank determines the parameters of its future lending products, this system will allow the Bank to provide loans expediently through branches and cash offices without compromising the Bank's centrally established risk management standards.

The Bank has also established a dedicated collection call centre to focus exclusively on non-performing retail loans. As at 31 December 2009 on the basis of Adjusted IFRS, the call centre had 35 employees. In the period from 1 January 2009 to 31 December 2009, the call centre handled 653,868 overdue loans, of which 405,832, or 62.1 per cent., were either repaid fully or to the extent that they were no longer overdue. Since the Bank has began to resume its normal lending operations, the call centre also assists the Bank with the marketing of its products and provides technical support to the Bank's customers.

Active usage of internet banking and mobile banking for individuals

The Bank's usage of alternative distribution channels, such as internet and mobile banking for individuals, allowed the Bank to achieve a wide geographical reach and to gain access to customers in areas with low population density without incurring the cost of setting up branches in those areas.

The Bank intends to develop internet and mobile distribution channels further and to outsource selected IT systems and processes. The Bank's usage of alternative distribution channels, such as internet and mobile banking for individuals, allows the Bank to serve "white collar" clients with access to the internet from their offices and homes. The Bank provides a wide range of retail banking services through the internet, including account management, cash operations, utility and mobile phone operator payments and money transfers. The Bank has also upgraded its internet and mobile banking systems. The Bank's internet banking system became completely integrated with Athena, the core banking system and the Compass Plus system. See "*The Bank — Distribution Channels — Technology" and "The Bank — Business of the Bank — Retail Banking — Retail Distribution Channels*".

Salary programmes with major domestic corporates

The Bank launched its salary programmes in 2005. Under the programmes the Bank issues Visa and Mastercard cards to the staff of participating companies who, in return for signing a salary deposit agreement with the Bank, receive benefits (such as pre-approved credit lines) and reduced commissions on card payments. As at 31 December 2009, the Bank operated salary programmes with 2,579 companies under which the Bank provided services to employees through 148,476 (on the basis of Adjusted IFRS) issued and activated cards. The salary programmes encourage customer loyalty towards the Bank and provide cross-selling opportunities for the Bank's payment cards services and internet banking.

Experienced management team

The Bank's management team has considerable experience in Kazakhstan's banking sector. In particular, a number of senior members of the management team have significant experience in key areas, such as the management of distressed assets and risk management, SME lending, retail development and information technology development. The management team also has extensive experience with foreign banks and plans to use this knowledge to improve the Bank's credit procedures.

Strategy

The strategy discussed below represents the Bank's management's view as at the date of this Prospectus. The Bank's strategy for 2010 to 2013 is focused on the development of the Bank's business, the optimisation of the Bank's operations and the recovery of non-performing loans, including the restructuring of the Bank's loan portfolio and the identification of a "good bank" and a "bad bank" in the Bank's loan portfolio.

Restructuring the Bank's loan portfolio and the identification of a "good bank" and a "bad bank" in the Bank's loan portfolio

As at 31 December 2009, loan loss provisions represented 65.1 per cent. of the Bank's loans to customers. To cope with the increasing deterioration of the Bank's loan portfolio, in March 2009 the Bank's management introduced a notional division of the Bank's loan portfolio into a "good bank" and a "bad bank" and segregated all of the Bank's non-performing loans into the Bad Bank. The Bank allocates non-performing loans to the Bad Bank on a case by case basis depending on the level of provisioning of a loan, the financial condition of the borrower and other factors. The Bank appointed a dedicated team to focus solely on recovery of the Bad Bank's assets, including the corporate, retail, security and legal departments of the Bad Bank.

As at 31 December 2009, the Bad Bank's gross loan portfolio was worth KZT 329,769 million, of which KZT 146,745 million represented corporate loans, KZT 142,037 million represented retail loans and KZT 40,988 million represented SME loans (on the basis of Adjusted IFRS).

The Asset Pool for the Recovery Notes includes: (i) the Corporate and SME Pool; (ii) amounts recovered by the Bank as a result of litigation related directly or indirectly to the T Bills; and (iii) certain tax assets of the Bank. See "*Schedule 1 (Terms and Conditions of the New Notes), Annex 3 (Terms and Conditions of the Recovery Notes*)".

The following table shows the Corporate and SME Pool as at 31 May 2009.

	Number of Loans	Outstanding Amount	Provisions	Net Book Value
		(KZT millions)	*(KZT millions)*	*(KZT millions)*
Corporate	135	294,287	251,207	43,080
SME Loans	2,053	53,771	41,243	12,528
Total	**2,188**	**348,058**	**292,450**	**55,608**

The Bad Bank's corporate and SME portfolio and the Corporate and SME Pool may not necessarily correlate at all times. The Corporate and SME Pool is fixed as at 31 May 2009 by reference to specific loan agreements and no additional loans can be added to it in the future or removed. The Bad Bank is a notional segregation of the Bank's assets to assist the Bank in managing its loan portfolio and recovery process. The composition of the Bad Bank constantly changes depending on the success of the Bank's recovery process and the financial condition of the Bank's clients. As at the date of this Prospectus, most of the Bad Bank's SME and corporate portfolio are in the Corporate and SME Pool. If the Bad Bank's SME and corporate loan portfolio changes in the future, it will not correlate to the Corporate and SME Pool.

The Bank's strategy in relation to the Bad Bank includes:

- achieving repayment of non-performing loans;
- writing off non-performing loans which have no prospect of recovery;
- restructuring the remaining non-performing loans and subsequently transferring them to the Good Bank; and
- closing the Bad Bank by 2011.

The Bank's approach to the recovery of the Bad Bank's assets depends on the quality and nature of the underlying client base and its importance to the Bank's new business plan and its future development strategy. Based on these criteria, the Bank divided the Bad Bank's corporate and SME client base into active clients and businesses, inactive clients and businesses and clients involved in real estate speculation. The Bank's objective is to preserve relationships with the active corporate and SME clients of the Bad Bank after transforming those clients' non-performing loans into performing loans and to terminate relationships with the inactive clients and clients involved in real estate speculations.

According to the Bank's estimates, approximately 49.9 per cent. of the Bad Bank's corporate and SME loan portfolio represents active clients and businesses, with the remainder representing inactive clients and businesses and clients involved in real estate speculations.

Bad Bank's Corporate and SME Portfolio / Active Clients and Businesses. Active clients and businesses are companies maintaining their operations with a positive cash flow. The Bank intends to prevent further deterioration of such clients' loans and transform them into performing loans through restructurings, advancing further funding to allow the clients to complete their projects, providing working capital facilities and the recovery process generally. See "*Selected Statistical and Other Information — Lending Policies and Procedures — Recovery Policies and Procedures*". In line with the Bank's collateral policy, any such restructuring may also require the relevant clients to improve the quality of their existing collateral or provide additional collateral.

Bad Bank's Corporate and SME Portfolio / Inactive Clients and Businesses and Real Estate Speculations. Inactive clients and businesses include dormant and shell companies not carrying out any substantive business activity. In relation to this category of clients, the Bank's recovery measures are aimed primarily at foreclosure of any available collateral and investigations regarding any assets or accounts at other banks which could be attached to recover outstanding amounts. If such measures are unsuccessful, the Bank intends to pursue recovery through court proceedings or out-of-court settlements.

Bad Bank's Retail Portfolio. The retail portfolio of the Bad Bank consists of PILs, car loans, mortgages, instant need loans and other loans. The Bank implemented a number of measures to improve repayments of the Bad Bank retail loans. In December 2007, the Bank established a dedicated collection call centre to focus exclusively on non-performing retail loans. In the period from 1 January 2009 to 31 December 2009, the call centre handled 653,868 overdue loans, of which 405,832, or 62.1 per cent., were either repaid fully or to the extent they were no longer overdue, in which case they were transferred to the Good Bank.

To provide borrowers an additional incentive to repay amounts owed, repayment, from 1 September 2009 to 31 October 2009, the Bank agreed to forgive penalties on overdue amounts on all retail products except credit cards if the borrower repays all overdue amounts owing during such time.

The Bank has standardised policies and procedures relating to the recovery of retail loans. See "*Selected Statistical and Other Information — Lending Policies and Procedures — Recovery Policies and Procedures*".

Optimising the size of the Bank

The Bank has taken steps to optimise the number of its branches and ATMs, to streamline its organisational structure and headcount, and to adjust its IT systems to ensure a more efficient use of resources.

The Bank closed 60 cash offices during the first six months of 2009 and continued to close 3 branches during the last six months of 2009. As at 31 January 2010, the Bank had closed one more branch in Zhezkazgan and completed the closure of the Temirtau branch. As a result of these closures, four cash offices which had previously reported to the Zhezkagzan branch were transferred to the

Karaganda branch. The Bank intends to maintain its partnership with Kazpost, giving customers of the Bank access to approximately 3,246 additional branches through Kazpost.

As a part of its optimisation, the Bank has decreased the number of its ATMs to 956 as at 31 December 2009 from 1,125 as at 31 December 2008.

In the first six months ending 30 June 2009, the Bank reduced its personnel by 29.4 per cent. to 3,907 employees as at 30 June 2009 compared to 5,536 employees as at 31 December 2008. In the second half of 2009, the Bank further reduced its personnel by another 10.6 per cent. to 3,492 employees as at 31 December 2009. In 2010, the Bank intends to further optimise its staff costs by outsourcing some of its supporting functions such as collections at branch levels, technical maintenance, IT, security and call-centre functions.

The Bank's internet banking services were launched in November 2008, and currently the Bank offers a wide range of internet banking services in Kazakhstan. See "*The Bank — Business of the Bank — Retail Banking — Retail Distribution Channels*". The Bank intends to develop internet and mobile distribution channels further and to outsource selected IT systems and processes.

The Bank expects to have completed the restructuring on its loan portfolio and the optimisation of its operations by the end of 2010.

Development of the Bank's business

After the restructuring of the Bank's loan portfolio and the optimisation of its operations are completed, the Bank expects that its longer term strategy will focus on the following key elements:

- relying on domestic sources of funding for the Bank's development;
- developing a diversified and balanced loan portfolio and achieving profitability based on a relatively equal split between corporate, SME and retail sectors; and
- improving the Bank's operating, credit and risk control procedures.

Relying on domestic sources of funding for the Bank's development

Due to the ongoing financial crisis and the unavailability of funds in the international capital markets, the Bank intends to rely on domestic funding sources for its development. The Bank anticipates that the participation of Samruk-Kazyna and international creditors in the Bank's share capital will help the Bank to recover its reputation and regain its position in the retail and private corporate deposit market.

Developing a diversified and balanced loan portfolio and achieving profitability with a relatively equal allocation among the corporate, SME and retail sectors

Prior to the end of 2007, the Bank's business model was based on unsecured retail lending sourced by inexpensive international funding. Following the economic downturn and the resulting unavailability of international funding, this model has become unsustainable. The Bank's new business plan is aimed at developing a more balanced business model based on an approximately equal split between its corporate, retail and SME loan portfolios. The Bank's objective is to become a major participant in the SME and retail sectors of the market while maintaining its position in the corporate sector and maximising cross-selling opportunities.

Improving the Bank's operating, credit and risk control procedures

The Bank intends to improve its operating, credit and risk control procedures. The Bank is in the process of revising certain important documents and credit procedures to improve banking procedures, taking into account identified deficiencies of the previously existing processes and the experience of the EBRD and other large Western banks. The Bank also intends to introduce a revised set of its corporate lending guidelines which state the order, sequence and format of credit

transactions and the Bank's lending policy which determines the Bank's lending strategy and lending criteria. Furthermore, the Bank is in the process of reviewing all existing regulations and instructions for loan product origination and model agreements for loan product origination with the aim of reducing operating risks and losses and improving the quality of the Bank's loan portfolio. The Bank intends to improve its credit analysis, which will include the assessment of business-related and financial risks, particularly in relation to cash flow, collateral value and other structuring factors, by demanding more stringent requirements of potential borrowers and collateral accepted as security. Improved credit procedures in relation to corporate and retail banking will consist of the improvement of the Bank's IT systems, the launch of a collateral database, which will simplify tracking changes in valuations of collateral, the development and introduction of an operational loss event database, the introduction of a rating model to provide better analysis for decision-making and pricing and the improvement of procedures in relation to working with non-performing loans and the implementation of tight monitoring schedules.

The improvement of credit procedures will enable the Bank to develop a commercially viable product range based on the current risk appetite, cost of credit and operational risk.

The Role of Samruk-Kazyna

Samruk-Kazyna is wholly owned by the Government and is the national management holding company for substantially all state enterprises. Samruk-Kazyna's primary objective is to improve the competitiveness and stability of the Kazakhstan economy and alleviate the possible effects of changes in world markets on economic growth in Kazakhstan.

Liquidity Support

As at 31 December 2009, Samruk-Kazyna has provided liquidity support to the Bank since January 2009 through the following measures:

- the Bank's participation in the State Finance Programmes whereby the Bank has received KZT 51,500 million, of which the Bank has utilised KZT 44,393 million and returned KZT 3,100 million to the Government;
- the opening of a current account by Samruk-Kazyna with the Bank with a current balance of KZT 41,225 million;
- the opening of a current account with the Bank by "Fund of Immovable Property Samruk-Kazyna" with a current balance of KZT 10,942 million;
- exchanging the Bank Bonds into Samruk-Kazyna Bonds for a total value of KZT 105,000 million, allowing the Bank to use the Samruk-Kazyna Bonds as collateral for repurchase transactions with the NBK. See "*Selected Statistical and Other Information — Funding — NBK*".

On 30 December 2009 the KZT 24,000 million deposit was transferred to the FMSA as a result of the FMSA's compulsorily acquisition of 100 per cent. of the Bank's share capital for nominal consideration and subsequent transfer of all of the Bank's Common Shares and Preference Shares to Samruk Kazyna (See "*The Bank — Overview of the Bank and Background to the Restructuring*"). On 26 March 2010, Samruk-Kazyna used the KZT 24,000 million to acquire newly issued Common Shares of the Bank.

As at 1 April 2010, the total support provided by Samruk-Kazyna to the Bank including funding provided in relation to the Bank's participation in the State Finance Programmes amounted to KZT 86,494 million. The amount of funding received by the Bank in relation to the Bank's participation in the State Finance Programmes as at 1 April 2010 amounted to KZT 34,655 million, out of which KZT 33,880 million had already been utilised. This amount does not include KZT 16,500 million (fully repaid in March 2010) received by the Bank in August 2009 as part of the Bank's participation in the State Finance Programme relating to the construction industry.

Legal Framework

In October 2008, the Government and the FMSA announced a proposal to strengthen the capital of the Bank as part of a broader plan to stabilise the financial system of the Republic of Kazakhstan. The plan was announced in a public statement entitled "*On Further Measures to Stabilise the Banking Sector*" dated 28 October 2008.

In December 2008, the Government signed a memorandum of understanding with the NBK, the FMSA, Samruk-Kazyna, the Bank and SAFC. Under the memorandum, the Bank and SAFC agreed to increase the capitalisation of the Bank and implement stabilisation measures aimed at sustaining the financial condition and business of the Bank. The implementation of the memorandum, however, was not completed due to the subsequent execution of the Implementation Agreement.

In February 2009, SAFC agreed to sell 7,324,548 Common Shares of the Bank representing 76 per cent. of the Bank's share capital to Samruk-Kazyna for a total consideration of KZT 100, subject to the Implementation Agreement between SAFC, Samruk-Kazyna, the Bank and Mr. Margulan Seisembayev dated 2 February 2009. The parties to the Implementation Agreement agreed to coordinate their efforts to increase the capitalisation of the Bank and to take stabilisation measures to support the Bank in the current market conditions.

In conjunction with the execution of the Implementation Agreement, Samruk-Kazyna and the Bank signed the Deposit Agreement pursuant to which Samruk-Kazyna deposited approximately KZT 24,000 million with the Bank. The Bank's obligations under the Deposit Agreement were secured by a pledge of 76 per cent. of the Bank's Common Shares pursuant to the Pledge Agreement between Samruk-Kazyna and SAFC and by guarantees from SAFC and Mr. Margulan Seisembayev. Pursuant to the terms of the Pledge Agreement, Samruk-Kazyna obtained the right to exercise the voting rights attached to 76 per cent. of the Bank's Common Shares as well as other rights, including the right to receive dividends paid on the Shares for the entire term of the Pledge Agreement.

Although the Implementation Agreement expired on 30 June 2009, Samruk-Kazyna's voting control under the Pledge Agreement remained unaffected. On 14 July 2009, the Bank and Samruk-Kazyna entered into a non-binding memorandum of understanding whereby Samruk-Kazyna expressed its agreement, subject to the successful Restructuring, to purchase a controlling stake in the Bank, to provide its support to the restructuring process, to convert its deposit of KZT 24,000 million provided to the Bank under the Deposit Agreement into Common Shares of the Bank and to convert the Bank Bonds in the amount of KZT 105,000 million into Preference Shares of the Bank.

On 5 October 2009, Samruk-Kazyna issued a letter confirming its support of the arrangements set out in the Term Sheet and its agreement in principle to those provisions of the Term Sheet that relate to Samruk-Kazyna and a letter confirming that it will use its reasonable endeavours to support efforts made by the Bank to obtain recoveries in relation to the Asset Pool of the Recovery Notes. Both letters expressly state that they shall have no legal effect and that neither of them shall constitute any binding obligation on Samruk-Kazyna.

On 15 December 2009, the Bank's Restructuring Plan was approved by creditors holding 95.1 per cent. of the Designated Financial Indebtedness at the Claimants' Meeting in Almaty.

On 30 December 2009, the FMSA adopted Resolution No. 268 pursuant to which the FMSA compulsorily acquired 100 per cent. of the Bank's share capital for nominal consideration and transferred all of the Bank's Common Shares and Preference Shares to Samruk-Kazyna. The FMSA undertook this action pursuant to the Banking Law primarily as a result of the Bank's negative equity capital position and its failure to comply with prudential requirements, which were not cured within the time period allowed under Kazakhstan legislation. The Bank hopes that the acquisition of the Bank's share capital by Samruk-Kazyna will ensure that the Bank's licence for accepting retail deposits and opening and maintaining retail accounts was not revoked under Article 30 of the Banking Law which provides, effective from 1 January 2010, that banks which are not at least 50 per cent. owned by the state or do not have a large shareholder with a certain minimum credit rating cannot

hold a licence for accepting retail deposits and opening and maintaining retail accounts. As a consequence of these measures carried out by the FMSA in accordance with the Banking Law, all interests in the share capital of the Bank held by former shareholders (including the holders of GDRs representing an interest in the Bank's shares) were extinguished and no compensation was paid in respect thereof.

On 2 February 2009, a new agreement was signed by the Bank, the FMSA and Samruk-Kazyna, which replaced the FMSA Agreement signed on 28 April 2009 as well as the amendments thereto. Pursuant to this new agreement, the Bank and Samruk-Kazyna agreed with the FMSA to take all necessary steps to bring the Bank into compliance with the all prudential norms and other regulatory requirements before 15 March 2010.

The Restructuring Plan as approved by the Bank's creditors was submitted to the FMSA on 20 December 2009 to establish its conformity with the indicative restructuring and recapitalisation plan initially submitted in July 2009. The FMSA approved the Restructuring Plan on 1 February 2010 after which the Restructuring Plan was submitted to the Court for a hearing at which the Bank's creditors were entitled to attend. The hearing of the Court took place on 26 February 2010 and the Court published its decision approving the Restructuring Plan on the same day. The Restructuring was completed on 26 March 2010 following which Samruk-Kazyna transferred, and the Bank transferred, sufficient Common Shares and Preference Shares to ensure that the Claimants as a group owned 33 per cent. of the Common Shares and of the Preference Shares. The remaining issued shares capital of the bank continues to be held by Samruk-Kazyna.

With the exception of Mr. Maxat Kabashev, who was appointed on 28 October 2009, the current members of the Board of Directors were appointed by Samruk-Kazyna between 19 January 2010 and 25 March 2010 and include the two independent directors nominated by the Steering Committee. See "*Management and Corporate Governance — Board of Directors*".

Business of the Bank

Following the Bank's breach of capital adequacy requirements, the FMSA has temporarily prohibited the Bank from marketing and accepting retail deposits over a certain size. Following the completion of the Bank's Restructuring, this restriction was lifted. Currently, the Bank's lending operations consist of student loans provided pursuant to the Student Loans State Finance Programme, mortgages under the Mortgage State Finance Programme and SME loans under the SME State Finance Programme to the extent it receives repayment proceeds of previously made Mortgage State Finance Programme loans and SME State Finance Programme loans, as well as salary card overdrafts, two new retail products called "Alliance Deposit" and "Alliance Credit", and two new SME lending programmes financed from the Bank's own funds. In addition, in August 2009, the Bank received KZT 16,500 million from Samruk-Kazyna to provide a loan facility to a construction company to finish a particular residential construction project which was fully repaid as of 1 April 2010. Repayment proceeds of any other loans previously made by the Bank are used to cover the Bank's operating expenses and repay funds extended to the Bank by the NBK as part of the NBK's liquidity support. See "*Selected Statistical and Other Information — Funding — NBK*". The Bank continues to provide certain other banking services, including payment cards, foreign currency exchange operations, custody, clearing and safe-keeping operations, correspondent banking, cash operations, remittances and trust operations.

From 2004 to 2007, the Bank offered most traditional retail and corporate banking products and services, including deposit taking, lending, issuing letters of credit, guarantees and promissory notes and payment cards, foreign currency exchange operations, broker-dealer transactions, custody, clearing and safe-keeping operations, financial leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust, factoring and forfeiting operations and issuing securities.

The following table presents a breakdown of the Bank's net loan portfolio into the retail, SME and corporate banking sectors as at 31 December 2009 and 31 December 2008 (on the basis of Adjusted IFRS):

	As at 31 December			
	2009		2008	
	(KZT million)	*(per cent.)*	*(KZT million)*	*(per cent.)*
Retail[(1)(2)(3)]	107,374	69.8	231,848	37.3
Corporate[(2)(3)]	19,379	12.6	334,613	53.9
SME[(2)]	27,031	17.6	54,865	8.8
Total	**153,784**	**100.0**	**621,326**	**100.0**

Notes:

(1) Retail loans are defined as "loans to individuals" in the Financial Statements. See Note 15 to the 2009 Annual Financial Statements and Note 16 to the 2008 Annual Financial Statements.

(2) The breakdown in this table is different from the segment reporting in the 2009 Annual Financial Statements. In the 2009 Annual Financial Statements, the Bank's loan portfolio is divided into the retail sector and corporate sectors, individually significant and not individually significant, with the SME sector reporting being included in the corporate sector reporting. See Note 15 to the 2009 Annual Financial Statements.

(3) Retail and corporate loans presented in this table are calculated based on a different classification from the one used in the 2009 Annual Financial Statements.

The Bank offers its products and services through its own branch network as well as through alternative distribution channels, including the sales outlets of Kazpost.

Retail Banking

Since the second half of 2007, the Bank has experienced an outflow of customer deposits. In April 2009, the Bank and the FMSA entered into an agreement whereby the Bank acknowledged that it had infringed certain capital adequacy requirements and agreed to take certain remedial measures, including discontinuing marketing to attract new deposits from individuals or accepting new deposits exceeding KZT 5 million or the equivalent in any foreign currency. The restrictions will remain in effect until the Bank is in compliance with applicable regulatory requirements of the FMSA. The Bank had retail deposits of KZT 51,617 million as at 31 December 2009 compared to KZT 91,006 million as at 31 December 2008 and KZT 97,652 million as at 31 December 2007.

Currently the Bank provides five retail banking products — loans under the Student Loans State Finance Programme, mortgages under the Mortgage State Finance Programme to the extent it receives repayment proceeds of previously made Mortgage State Finance Programme loans, as well as salary card overdrafts, and two new retail products called "Alliance Deposit" and "Alliance Credit" which represents a significant decrease from the number of products that the Bank marketed and sold prior to 2009. The Bank had a net portfolio of retail loans of KZT 138,932 million (classified as "loans to individuals" in the Bank's Financial Statements) as at 31 December 2009 compared to KZT 226,860 million as at 31 December 2008 and KZT 405,058 million as at 31 December 2007.

The following table provides certain information relating to the Bank's retail banking activities as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
Retail loans		
Number of retail loans	505,048	790,150
Retail loans (net) (*KZT million*)[(1)]	138,932	226,857
Market share of retail loans (*per cent.*)[(2)]	12.5	13.4
Retail deposits		
Retail deposit accounts[(3)]	1,247,528	1,141,888
Retail deposits[(3)(4)] (*KZT million*)	51,617	91,006
Market share of retail deposits (*per cent.*)[(2)]	2.7	6.0

Notes:
(1) Retail loans are defined as "loans to individuals" in the Bank's Financial Statements.
(2) Includes loans to individuals classified as SMEs.
(3) Includes time deposits, current accounts, demand deposits and guarantee deposits.
(4) Retail deposits are defined as "retail" within "customer accounts and deposits from customers" in the Bank's Financial Statements.

The Bank offers a wide range of retail banking services, including cash operations, safe deposit boxes, traveller's checks, utility and mobile phone operator payments, payment cards, money transfers and currency exchange. The Bank is seeking to expand its retail banking services as a part of its business strategy since these services provide consistent fee generation.

Customer Segmentation

The Bank divides its retail customers into the following segments — VIP, B2 and MASS. VIP customers are depositors of over KZT 10 million. The Bank provides its VIP customers with certain services including deposit services, payment card services, safe deposit boxes and property insurance products. B2 customers include depositors of KZT 1 million to KZT 10 million. The Bank offers B2 customers certain services including deposits, payment cards and insurance products. MASS customers are all other customers, which typically include employees of companies participating in the Bank's salary programmes, pensioners, young professionals and students. The Bank offers MASS customers deposits, payment cards services, insurance products and PILs. The Bank employs a relationship manager to service its VIP customers and pursues an active sales approach with such customers.

Deposits

The Bank faced a significant outflow of deposits throughout all of 2009 as a result of the deterioration in its financial condition and the announcement of the envisaged restructuring of the Bank's financial obligations. Retail deposits decreased to KZT 51,617 million as at 31 December 2009 compared to KZT 91,006 million as at 31 December 2008. The Bank had 1,247,528 retail deposit accounts as at 31 December 2009. Of the deposits from individuals (including guarantee deposits and interest accrued), 10.2 per cent. were demand deposits and 89.8 per cent. were time deposits with terms typically ranging from 12 to 37 months. As at 31 December 2009, on the basis of Adjusted IFRS, KZT 36,774 million (representing 72.5 per cent. of the Bank's retail deposit base) was denominated in Tenge, with the remaining 27.4 per cent. denominated in foreign currencies, primarily U.S. Dollars. The decrease in retail deposits was due to the financial difficulties experienced by the Bank and the ongoing financial crisis that caused severe instability and loss of confidence in the Bank and the banking sector in Kazakhstan in general.

Pursuant to an agreement with the FMSA entered into in April 2009, the Bank was restricted from carrying out any advertising campaigns to attract individual depositors and does not accept deposits from individual depositors in excess of KZT 5 million or the equivalent in any foreign currency. Following the completion of the Bank's Restructuring, this restriction was lifted. See "*Risk Factors — Risks Relating to the Bank — The Bank entered into an agreement with the FMSA which restricts certain activities of the Bank*".

Retail Lending

The following table provides a breakdown of net retail loans after provisions by product as at 31 December 2009 and 2008:

	As at 31 December[1]			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Mortgage loans including:	43,191	31.1	56,819	25.0
Mortgages under Mortgage State Finance Programme	10,111	7.3	—	—
Mortgages	33,080	24	57,230	25.2
Consumer loans[2]	17,773	12.8	72,222	31.8
Auto loans	5,915	4.2	6,921	3.1
Credit cards	923	0.7	2,978	1.3
Other loans to individuals including:	71,130	51.2	87,917	38.8
Loans for "Instant Consumer Needs	67,903	49	72,221	31.8
Student loans under Student Loans State Finance Programme	64	0.05	—	—
Total	**138,932**	**100.0**	**226,857**	**100.0**

Note:
(1) Numbers for Mortgages under Mortgage State Finance Programme, Mortgages and Student loans under Student Loans State Finance Programme are provided on the basis of IFRS but are not included in the 2009 Annual Financial Statements. The rest of the numbers in this table are taken from the 2009 Annual Financial Statements.
(2) PILs are defined as "**Consumer Loans**" in the 2009 Annual Financial Statements.

In addition to the student loans offered by the Bank pursuant to the Student Loans State Finance Programme and mortgages offered under the Mortgage State Finance Programme (to the extent it receives repayment proceeds of the previously made Mortgage State Finance Programme loans), on 1 February 2010, the Bank began to offer salary card overdraft facilities up to an amount equal to 70 per cent. of the monthly salary of employees of the Bank, or of other companies participating in the Bank's salary programmes. On 17 March 2010 the Bank launched a new product called "Alliance Deposit" for all retail customers offering the opportunity to open a multi-currency deposit account in U.S. Dollars, Euros and Tenge simultaneously for a term of between six months and three years. The terms of each "Alliance Deposit" account are negotiated on a case by case basis. Tenge deposits are required to be in excess of KZT 40,000 and up to KZT 750,000 or more may be deposited. U.S. Dollar and Euro deposits must be in excess of U.S.$300 and EUR 300, respectively, and up to U.S.$50,000 or EUR 50,000, respectively, may be deposited. Tenge deposits attract interest at rates of between 7 per cent. and 10 per cent. per annum whereas U.S. Dollar and Euro deposits attract interest at rates of between 5 per cent. and 7 per cent. per annum.

On 17 May 2010, the Bank launched a new lending product called "Alliance Credit". These loans are for between KZT 100,000 and KZT 5 million, have a maximum term of seven years and bear interest at a rate of 21 per cent. These loans are drawn down via the customer's debit card and have a fixed credit limit on a revolving basis.

Prior to 2008, when all retail lending unrelated to the State Finance Programmes was discontinued, the Bank offered a comprehensive range of other consumer lending products, including "Personal Instalment Loans" or "PILs" (formerly known as "Express Loans"), car loans, mortgages and instant need loans, among others.

Mortgages under Mortgage State Finance Programme

From February to December 2009, the Bank issued mortgage refinancing loans under the Mortgage State Finance Programme. See "*Selected Statistical and Other Information — Funding — State Finance Programmes — Mortgage State Finance Programme*". Pursuant to this Programme, the Bank made loans to individuals to refinance existing mortgages, *provided that* the collateralised real estate was the only real property owned by the individual and that the real estate amounted to less than 120 square metres. The loans carried an interest rate of between 9 per cent. and 11 per cent. and had a maximum term of 20 years.

As at 31 December 2009, the Bank had issued mortgage refinancing loans pursuant to the Mortgage State Finance Programme totalling KZT 10,900 million and had fully utilised the funds allocated under the Programme. Currently, the Bank provides mortgages under the Mortgage State Finance Programme only to the extent it receives repayment proceeds of the previously made Mortgage State Finance Programme loans.

Mortgage loans

Prior to February 2009, the Bank offered residential mortgages to its customers with a maximum term of 15-30 years with interest at rates between 10 per cent. and 16 per cent. (depending on the size of the deposit). These mortgages required a down-payment equal to at least 10-30 per cent. of the purchase price of the real estate. The Bank also charged commissions of 0.5 per cent. of the loan amount. As at 31 December 2009, net residual amount of outstanding residential mortgages was KZT 33,080 million. Non-performing mortgages as at 31 December 2009 represented 54.4 per cent. of the Bank's total gross residual portfolio of mortgage loans.

PILs(Consumer Loans)

From 2004 until 2008, the Bank offered PILs on an unsecured basis to customers. PILs were offered in amounts up to three times the borrower's monthly net salary subject to a maximum limit of KZT 1 million. The term of the PILs varied from three months to 42 months and the average effective interest rate was 30.6 per cent. per annum as at 31 December 2009. The average effective interest rate is significantly higher compared to other products because the interest is accrued throughout the life of the loan based on the full original principal amount of the loan rather than the remaining balance of the loan.

PILs were provided through the Bank's branches or cash offices and Kazpost outlets. Analysis of a borrower's application and loan decisions were made within 30 minutes on the basis of the Bank's automated scoring system. The system was based on confirmed income as reported through the SPPC, evaluating credit risk using the frequency of pension contributions by the potential customer to calculate average monthly salary and the ratio of revenue to the requested loan amount. If a loan was approved, the Bank disbursed funds to the customer immediately.

The Bank discontinued providing PILs in 2008. As at 31 December 2009, the net residual amount of outstanding PILs was KZT 17,773 million. The percentage of non-performing PILs as at 31 December 2009 was 22.2 per cent. of the gross residual portfolio of PILs. A *PIL*, unlike other loans to individuals, is deemed to be non-performing when the interest on such loan is overdue for more than 120 days.

Auto loans

The Bank issued loans to individuals to purchase cars, including second-hand cars, from September 2003 to September 2007. These loans had a maximum term of five years and an interest rate of 19 per cent. per year. The Bank charged a commission of 1.5 per cent. of the amount of the car loan. As at 31 December 2009, the net residual amount of outstanding car loans was KZT 5,915 million. Non-performing car loans represented 51.4 per cent. of the gross residual portfolio of car loans as at 31 December 2009.

Credit Cards

The Bank began issuing Visa cards in 2004 and Mastercard cards in 2006. As at 1 September 2009, the Bank had issued 566,771 Visa cards and 91,066 Mastercard cards. As at 1 September 2009, the Bank had issued a total of 657,837 cards, of which over 26 per cent. were salary cards. Some salary cards included an overdraft facility up to the amount of one month's salary of the relevant employee and were issued by the Bank to employees of companies participating in the Bank's salary programmes. On 1 February 2010, the Bank started to offer overdraft facilities for payment cards, bearing an interest rate of 24 per cent. per annum.

Since June 2006, the Bank began to operate its own processing centre and its own ATM network, which in addition to supporting its issuance of a greater number of payment cards to its customers enabled the Bank to provide payment card processing services to other banks. As at 31 December 2009, the Bank had 956 ATMs. See "*The Bank — Business of the Bank — ATM Network*".

As at 31 December 2009, the Bank had installed 306 POS terminals located in trade service outlets, such as furniture and electrical goods stores, car dealerships and other types of retailers.

Salary Programmes

The Bank launched its salary programmes in 2005. Under the programmes, the Bank issues Visa and Mastercard cards to the staff of participating companies who, in return for signing a salary deposit agreement with the Bank, receive benefits (such as pre-approved credit lines) and reduced commissions on card payments. As at 31 December 2009, the Bank operated salary programmes with 2,579 companies under which the Bank provided services to participating companies' employees through 148,476 issued and activated cards.

Loans for "Instant Consumer Needs"

Loans for "Instant Consumer Needs" were collateralised loans for a minimum amount of KZT 150,000 (or the U.S. Dollar equivalent) and a maximum amount determined by the value of the collateral provided by the prospective borrower. The Bank lent up to 70 per cent. of the market value of real estate collateral and up to 50 per cent. of the market value of vehicles provided as collateral. The maximum term of Loans for "Instant Consumer Needs" was 15 years, later reduced to 5 years. Loans for "Instant Consumer Needs" were issued with interest rates between 16 per cent. and 19 per cent. per annum. In addition, the Bank charged a commission of 1.5 per cent. of the principal amount for drawing down the loan. As at 31 December 2009, the net residual amount of outstanding Loans for "Instant Consumer Needs" was KZT 67,903 million. Non-performing Loans for "Instant Consumer Needs" represented 44.4 per cent. of the gross residual portfolio of Loans for "Instant Consumer Needs" as at 31 December 2009.

Student Loans

Since March 2009, the Bank has issued student loans under the Student Loans State Finance Programme. Pursuant to this Programme, the Bank must issue student loans to students residing and studying at certain universities in Kazakhstan. The loans carry an interest rate of 9 per cent. per annum and have a maximum term of 17 years. The loans are subject to grace periods during the period of the student's education and for six months following graduation. The grace period is extended for one additional year in the event that the student joins the military and for up to three years for mothers following the birth of a child. The borrowers are required to provide collateral in the form of real estate or a guarantee by JSC Financial Centre, a state-owned company, of between 65 per cent. to 95 per cent. of the loan amount and to obtain a guarantee from the relevant university for the remaining 5 per cent. to 35 per cent. of the loan amount.

As at 31 December 2009, the Bank had issued student loans totalling KZT 62.5 million.

Retail Distribution Channels

In addition to the Bank's own branch network, through its partnership with Kazpost the Bank has access to Kazpost outlets including those in remote parts of Kazakhstan. Since the FMSA's restriction on the lending and deposit-taking activities of the Bank was lifted on 1 April 2010, the Bank will again make full use of this extensive network. The Bank's branches also service residual retail loans issued by the Bank in previous years.

The Bank's usage of alternative distribution channels, such as internet and mobile banking for individuals, allows the Bank to serve "white collar" clients with access to the internet from their offices and homes. The Bank provides a wide range of retail banking services through the internet, including account management, cash operations, utility and mobile phone operator payments and

money transfers. — See "*The Bank — Strengths — Active usage of internet banking and mobile banking for individuals*".

SME Banking

Up until December 2009, the Bank offered only one SME lending product — SME loans under the SME State Finance Programme. To the extent the Bank received repayment proceeds of previously placed SME State Finance Programme loans, the Bank made new loans. As at 31 December 2009, the Bank had KZT 86,110 million in gross SME loans, which represented 17.0 per cent. of its total loan portfolio as at 31 December 2009 (on the basis of Adjusted IFRS), compared to KZT 62,266 million, which represented 9.0 per cent. of its total loan portfolio as at 31 December 2008 and KZT 80,121 million, which represented 9.3 per cent. of its total loan portfolio as at 31 December 2007. As at 31 December 2009, the Bank posted KZT 59,079 million of provisions in respect of SME loans compared to KZT 7,401 million and KZT 1,125 million as at 31 December 2008 and 31 December 2007. The percentage of non-performing SME loans as at 31 December 2009 represented 56.5 per cent. of the SME loan portfolio. As at the date of this Prospectus, the Bank is unable to provide a breakdown of the net SME loan amounts in IFRS so descriptions shown below will not include loan amounts for each category.

In addition to the SME State Finance Programme, in December 2009, the Bank became a participant in the Processing Industry Support Programme designed to provide support to private companies in processing industries.

In February 2010, the Bank launched two new SME lending programmes financed from the Bank's own funds.

Customer Segmentation

In order to better serve SMEs, the Bank established its SME Business Department in early 2005. The Bank developed its SME classification to distinguish SMEs from large corporates which the Bank targets with more tailored products. Prior to 24 February 2009, the Bank considered all loans to corporates for less than U.S.$3 million as SME. In February 2009, the Bank introduced a new definition of SME clients, defining them as those entities with assets of no more than KZT 1,500 million, fewer than 250 employees and aggregate outstanding loans of no more than KZT 750 million. The Government provides a different segmentation for SMEs under its SME State Finance Programme as discussed below.

Deposits

The Bank's IT system currently does not allow the Bank to report SME deposits separately from deposits of corporate clients. The SME deposits are reported as part of the corporate clients' deposits. See "*The Bank — Business of the Bank — Corporate Banking — Deposits*".

SME Lending out of the Bank's own funds

In February 2010 the Bank launched two new SME lending programmes. According to the terms of the two programmes the Bank provides loans to SME customers of up to KZT 300 million for a term of up to 24 months with an interest rate from 15 per cent. per annum, or loans of up to KZT 750 million for a term of up to 32 months with an interest rate from 14 per cent. per annum. Loans under both programmes are provided on a collateralised basis. Real estate collateral is required to represent at least 70 per cent. of the collateral base. The loans are provided to selected SME clients with a good credit history and no significant tax liabilities.

Processing Industry Support Programme

In December 2009, the Bank received funding under the Processing Industries Support Programme and started providing financing to private companies (both SME and corporate) in accordance with

the programme. The amount of funding received was KZT 2,000 million of which KZT 2,000 million had been utilised as at 1 April 2010.

Under the terms of the State Finance Programme, the maximum amount of a loan is KZT 750 million with an annual effective interest rate not exceeding 8 per cent. The loans have a maturity of up to 36 months. The borrower may not receive loans under the programme from more than one bank participating in the programme.

SME State Finance Programme Loans

In December 2007, the Bank received the first tranche of the SME State Finance Programme funding and started providing financing to SMEs in accordance with the programme. The second and third tranches of the SME State Finance Programme funding were received by the Bank in November 2008 and February 2009.

According to the financing agreements with Damu Fund for loans under the SME State Finance Programme, the Bank was obliged to make loans to SMEs as defined under Kazakhstan law. Small businesses are defined as businesses with fewer than 50 employees and average annual assets of less than KZT 76.4 million. Medium businesses are defined as businesses with between 50 and 250 employees and average annual assets of KZT 413.7 million or less.

Under the terms of the SME State Finance Programme, the annual effective interest rate charged by the Bank to its customers may not exceed 12.5 per cent. The loans have a maturity period of up to seven years and a grace period of from six to 12 months. The total amount of indebtedness of each particular SME may not exceed KZT 750 million from each bank participating in the Programme.

Overdraft loans and loans secured by cash on deposit

The Bank also originates short-term "overdraft" loans and loans secured by cash on deposit to SME customers.

Under a short-term "overdraft" loan the limit is established for each borrower individually depending on a monthly average "net" receipt to customer account of a borrower for the last six full calendar months, from total financial condition and other indicators. The fee rate under this product in 23-28% per annum. and commission for a loan examination amounts to 1% with a KZT 20,000 minimum commission. This line may be opened for 12 months, tranches under the line are provided for the period up to 1 month. Also there is a possibility of financing secured by turnovers in the other second tier banks with subsequent transfer of funds to the Bank.

Under the product "*Loan secured by cash on deposit*" the maximum amount of the loan is the amount equal to 95% from amount of cash on the deposit. The interest rate under the loans secured by cash on deposit is: +2.5% margin of the Bank, maximum loan term is: deposit term minus 1 (one) month.

Industrial Innovative Program

The Bank is currently negotiating appointment as an agent under the new Industrial Innovative Program adopted by the Government. The Industrial Innovative Program is aimed at financing of the new industries, industrial complexes and innovative products and according to the schedule it should be realized within a five year period starting in 2010. The preliminary announcement posted on the Government's official website reads that the Government is planning to allocate KZT 9.5 trillion for the development of 382 projects. Other details have not been determined yet, and as of the date of this prospectus it is unclear when the Bank will successfully finalise its negotiations with the Government with respect to the Bank's participation in the Program or whether it will finalise the negotiations at all.

Apart from loans under the SME State Finance Programmes, the Bank provided the following loan products to SMEs until December 2007: Business Impulse Loans, Small Business Loans, car loans, business mortgages, Small Business "Express" Loans and EBRD "Express" Loans.

Business Impulse Loans

Business Impulse Loans were loans with an accelerated application process. The maximum term of Business Impulse Loans varied from 15 to 20 years, although they were typically granted for terms of between three and five years. Interest rates ranged from 7.5 per cent. to 15 per cent. per annum. The financial condition of the borrower was not the primary consideration in granting Business Impulse Loans; rather, the Bank placed greater emphasis on the assessment of the value of the collateral provided. In general, the entire principal amount of each Business Impulse Loan was secured by real estate, cash deposits, automotive vehicles and/or goods in circulation.

Small Business Loans.

The Bank granted Small Business Loans to SMEs and individual entrepreneurs. The maximum term of Small Business Loans was seven years, although these types of loans were typically granted for a term of between three and five years. Interest rates ranged from 14.5 per cent. to 18 per cent. per annum. The Bank focused on the financial condition of the customer when granting Small Business Loans, as compared to the greater focus on valuation of the collateral for Business Impulse Loans. For Small Business Loans, although the entire principal amount of each loan was secured by real estate, cash deposits, automotive vehicles and goods in circulation, the Bank was more flexible with regard to the type of collateral. Only 50 per cent. of the loan was required to be secured by real estate for Small Business Loans.

Car Loans

Car loans were loans for the purchase of cars, buses, lorries and special machinery for businesses up to a maximum of U.S.$3 million (or KZT equivalent). These loans were secured by the vehicles acquired with the proceeds of the loan or by real estate. Car loans had a maximum term of 8 years and an interest rate of at least 16 per cent. per annum. As at 31 December 2009, car loans had an effective interest rate of 16.7 per cent. per annum.

Business Mortgages

Business mortgages were loans for the purchase of commercial real estate up to a maximum of U.S.$3 million (or the KZT equivalent). The maximum term of these mortgages was from 15 to 20 years and the mortgages bore interest at a minimum rate of 14.5 per cent. per annum. The maximum amount of a loan as a percentage of the value of the real estate by which it was secured is 40 per cent. in the case of commercial real estate and 50 per cent. in the case of other real estate.

Small Business "Express" Loans

Small Business "Express" Loans were loans of between U.S.$100 and U.S.$10,000 (or the KZT equivalent) with a maximum term of 18 months, at interest rates of between 26 per cent. and 32 per cent. per annum. These loans were targeted at small companies, such as family-run grocery stores, and were generally secured by merchandise, trade and production equipment and personal belongings, such as cars, as well as third-party guarantees. As at 31 December 2009, the entire portfolio of these loans was secured.

EBRD "Express" Loans

EBRD "Express" Loans were loans of between U.S.$100 and U.S.$10,000 (or the KZT equivalent) with a maximum term of 18 months, at interest rates of between 26 per cent. and 30 per cent. per annum. The funding source of these loans was the loan provided to the Bank by the EBRD. See "*Selected Statistical and Other Information — Funding — Foreign Currency Bank Borrowings*". These loans were targeted at small companies, such as family-run grocery stores, and were generally secured by merchandise, trade and production equipment and personal belongings, such as cars, as well as third-party guarantees. As at 31 December 2009, the entire portfolio of these loans was secured.

SME Distribution Channels

The Bank services its SME customers primarily through its own branch network. As at 31 December 2009, the Bank had 210 SME-dedicated specialists, of whom 31 were employed in the head office and 179 were employed in the Bank's branches. For further detail on the Bank's distribution channels, see "*The Bank — Distribution Channels*" below.

The Bank's new management has commenced training programmes at the branch level to familiarise personnel with the requirements of the SME loan products offered under the SME State Finance Programme, as well as with SME loan products to be launched in the future. The training programme also focuses on integrating the EBRD principles into the Bank's SME lending practices. See "*The Bank — Strategy — Development (2010 – 2013) — Developing a diversified and balanced loan portfolio and achieving profitability with a relatively equal allocation among the corporate, SME and retail sectors*".

Corporate Banking

As at 31 December 2009, the Bank's corporate loan portfolio included KZT 178,985 million in loans to corporate customers (excluding SME customers), which represented 35.0 per cent. of its gross loan portfolio. As at 31 December 2009, the Bank posted KZT 159,606 million of provisions in respect of corporate loans (excluding SME loans). Of the gross corporate loan portfolio, loans totalling KZT 146,745 million, representing 82.0 per cent. of the gross corporate loan portfolio, have been designated as Bad Bank loans (on the basis of Adjusted IFRS). See "*The Bank — Strategy — Restructuring and Optimisation (2009 – 2010)*" for details of Bad Bank corporate loans.

Customer Segmentation

The Bank classifies corporate loans as loans of more than U.S.$5 million (or the KZT equivalent) made to companies. In addition, as described below, the Bank grants certain other financing products to its corporate clients, including factoring and forfeiting and trade finance products. A significant portion of the Bank's large corporate customers are former SME customers which have grown in size and now qualify as corporate customers.

Deposits (including those of Samruk-Kazyna)

The deposit accounts of corporate clients increased by 4.2 per cent. to KZT 102,159 million as at 31 December 2009 from KZT 98,038 million as at 31 December 2008. This increase was due to the liquidity support provided to the Bank of Samruk-Kazyna. Without Samruk-Kazyna's support, the numbers would show a decrease in the deposit accounts of corporate clients due to a significant outflow of deposits from the Bank and the Kazakhstan banking sector as a whole during this period. On the basis of Adjusted IFRS, of the private corporate clients' deposit accounts (excluding guarantee deposits and interest accrued), 63.5 per cent. were demand deposits and 35.5 per cent. were time deposits with terms ranging from one to more than 24 months. As at 31 December 2009, KZT 98,167 million, representing 96.0 per cent. of the Bank's private corporate deposit base, was denominated in Tenge, with the remaining 4.0 per cent. denominated in foreign currencies, primarily U.S. Dollars. The Bank does not break down deposit accounts by SME and corporate clients and provides information on an aggregate basis. There were further outflows of deposits in the latter half of 2009 as well.

Loan to finance unfinished residential construction

In August 2009 the Bank received KZT 16,500 million from Samruk-Kazyna to be provided to a construction company to finish a particular residential construction project. As at 1 April 2010, these funds had been fully repaid.

Corporate Lending and Trade Finance

The Bank currently offers corporate loans to large corporate clients, including lending, leasing, financial leasing, project finance, overdrafts (for preferred clients) and unsecured tender guarantees for corporate customers.

Part of the Bank's corporate banking activities consists of providing trade finance and short-term credit facilities, including letters of credit, guarantees and working capital facilities. Currently, the majority of the Bank's trade finance loans will mature within the next 12 months, their maturities were extended by an additional 12 months pursuant to the Restructuring. As part of its trade finance activities, the Bank maintains correspondent banking relationships with many leading international banks.

Corporate Distribution Channels

The Bank offers services to corporate clients through its head office and certain branches. For further detail on the Bank's distribution channels, see "*The Bank — Distribution Channels*" below.

Capital Markets

The Bank's primary activities in the capital markets consisted of the purchase of highly liquid securities (see "*Selected Statistical and Other Information — Trading and Investment Portfolio*") primarily in connection with the management of liquidity and other types of risk. The Bank has established an internal dealing department which conducts operations to manage the Bank's liquidity requirements (see "*Asset and Liability Management*"). The Bank conducted repurchase transactions using its securities portfolio as collateral. These operations were conducted within the framework of established limits for bank counterparties in the stock, and over-the-counter, markets. Following the Bank's credit rating downgrade, however, the Bank no longer conducts such operations with counterparties other than the NBK.

In March 2009, Samruk-Kazyna and the Bank entered into a purchase and sale agreement for the Samruk-Kazyna Bonds for the total price of KZT 105,000 million. Samruk-Kazyna and the Bank simultaneously entered into a purchase and sale agreement for the Bank Bonds for the total price of KZT 105,000 million. The Samruk-Kazyna Bonds were used by the Bank for the purposes of repurchase transactions with the NBK the proceeds of which were used to fund cash payments to certain creditors on completion of the Restructuring.

Distribution Channels

The Bank offers its products and services through its own branches and cash offices, as well as through Kazpost. Following the change of management in February 2009, the Bank pursued an optimisation plan whereby it reduced branches and staff levels. See "*The Bank — Employees*". Also, as at 31 December 2009, the Bank no longer provided services through credit brokers or retail partners. The Bank continues to receive repayments under residual loans through Kazpost outlets and provides additional services through the internet and mobile banking channels.

Branch Network

As at 31 January 2010, the Bank had 19 branches and 115 cash offices located throughout Kazakhstan, a decrease from 21 branches and 176 cash offices as at 31 December 2008. The operations of each branch and cash office are subject to internal regulation and to oversight by the head office. Following the deterioration of the Bank's financial condition, the Bank centralised many of its functions in its head office, including credit decisions even in respect of its retail products. The Bank is in the process of decentralising credit decisions now that the Restructuring has been completed. In comparison to branches, cash offices offer limited services appropriate to the geographical area in which they are located. Cash offices provide only basic operational services such as cash withdrawal, currency exchange and account services. Certain types of activities, including discount operations, trust operations, clearing operations, mortgage operations, issuance of

payment cards, guarantee operations, issuance of securities, factoring and forfeiting and transactions in precious metals, are conducted by the Bank's head office only.

The Bank has branches and cash offices in all regions across Kazakhstan. The following table provides details on the location of its branches as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	Branches	Cash offices	Branches	Cash offices
Almaty	1	18	1	32
Atyrau	1	4	1	7
Astana	1	8	1	10
Aktau	1	6	1	8
Aktobe	1	5	1	9
Oskemen	1	11	1	14
Karaganda	1	12	1	10
Shymkent	1	14	1	17
Kostanay	1	8	1	9
Pavlodar	1	4	1	7
Petropavlovsk	1	1	1	5
Semey	1	6	1	9
Ekibastuz	1	2	1	7
Zhezkazgan	-	-	1	7
Uralsk	1	4	1	8
Taldykorgan	1	4	1	5
Talgar	-	-	—	—
Taraz	1	2	1	1
Temirtau	-	-	1	—
Kyzylorda	1	1	1	2
Kaskelen	1	2	1	5
Kokshetau	1	3	1	4
Total	**19**	**115**	**21**	**176**

The Bank intends to continue monitoring the performance of the branch network and may close additional branches or cash offices in the future.

Kazpost

Kazpost is a state-owned postal services company with a network of approximately 3,246 Retail outlets throughout Kazakhstan. In 2004, the Bank became the first bank to enter into a non-exclusive strategic partnership agreement with Kazpost. This arrangement allows the Bank to provide retail lending and deposit-taking services through Kazpost outlets. Currently Kazpost's extensive network is used primarily for collection purposes. Nonetheless, this network is expected to be used more fully by the Bank when the Bank fully restores its lending operations and starts to accept deposits. Kazpost outlets are linked to the Bank's head office.

The Kazpost network gives the Bank the opportunity to offer its products to customers in remote locations where it otherwise has no presence and also provides further cross-selling opportunities.

ATM Network

The Bank began establishing its own ATM network during 2006. As a part of its optimisation plan, the Bank has decreased the number of its ATMs to 956 as at 31 December 2009 from 1,125 as at 31 December 2008.

Technology

The Bank has a centralised information technology platform which connects the Bank's head office and its branches and cash offices throughout Kazakhstan and permits real time communications between them. The Bank considers this centralised information technology platform to be one of its strengths. See "*The Bank — Strengths*". As soon as the Bank determines the parameters of its future

lending products, this system will allow the Bank to provide loans expediently through branches and cash offices without compromising the Bank's centrally established risk management standards.

The Bank's information technology systems relating to management and financial reporting, risk management and client relationship management are not fully automated. The Bank is in the process of improving such systems and also plans to make additional investments in its IT and communications technology. In addition, it is considering upgrading its current Athena system, which is its basic system for storing customer and product data, in order to improve its overall performance.

The Bank expects to develop new proprietary scoring systems in conjunction with its new loan products that will aid the Bank in evaluating credit risk. Following the development of the scoring systems, the Bank can develop and adopt a new automated scoring model and, using the existing Athena system, deploy the model throughout the Bank's existing information technology network.

The Bank has developed several new IT initiatives, including the introduction of a Compass Plus system (IT support for payment cards), a new software system for recovery of non-performing loans, a collection call centre and internet banking. The Compass Plus system covers all functional needs of the Bank relating to payment cards. It includes TranzWare On-line, a system for processing credit card transactions in real time, TranzWare Card Factory, a customised module, and TranzWare Card Management System, a back office system for payment cards, as well as certain other modules. The migration to Compass Plus allowed faster processing of revolving cards and flexibility in the Bank's card management system. The Bank has also upgraded its internet and mobile banking systems. The Bank's internet banking system became completely integrated with Athena, the core banking system and the Compass Plus system.

The Bank also implemented the new software system for recovery of non-performing loans during 2008. The new software helps the Bank to monitor accounts receivable on non-performing loans, the effectiveness of the Bank's relevant departments and external collection agencies. In December 2007, the Bank introduced a dedicated collection call centre to assist the Bank in the recovery process and collect information about each individual debtor's circumstances and agree on a realistic timeframe for repayment.

The Bank also implemented DataWareHouse (MIS) during 2008 and 2009 in order to consolidate all regulatory and management reporting. This system is based on enterprise technologies of Oracle, Informatica and Business Objectives.

The Bank's IT systems are equipped with internationally reputable and up-to-date anti-virus and security systems. The Bank's disaster recovery procedures comply with all national requirements. The Bank maintains two up-to-date data centres located in two different locations in Almaty and backs up data every 24 hours. In addition, on a weekly basis, data is recorded on magnetic tapes that are then transported for safe-keeping to a location in Astana and placed on two separate back-up servers. Due to the difficult financial conditions, the Bank's plan to establish an additional back-up server in Astana (which is considered to be in a seismically safe zone) has been delayed until 2010.

Employees

Given the deteriorating financial condition of the Bank, the Bank's management decided to reduce the Bank's salary costs by reducing both staff levels and salaries. The Bank had 3,907 full-time employees as at 30 June 2009, of which 2,757 were employed at the Bank's branches and cash offices, compared to 5,536 full-time employees as at 31 December 2008, of which 4,079 were employed in branches and cash offices. In the second half of 2009, the Bank further reduced its personnel by another 10.6 per cent. to 3,492 employees as at 31 December 2009 from 3,907 employees as at 30 June 2009. As at 31 December 2007, the Bank had 5,807 full-time employees, of which 4,335 were employed in the Bank's branch network. The decrease in employees employed in the Bank's branch network is part of the Bank's optimisation plan to support the Restructuring and to reduce the Bank's costs. In 2010, the Bank intends to further reduce its staff costs by outsourcing some of its support functions such as the collection function at branch level and

the Bank's technical maintenance, IT, security and call-centre functions. The reduction of staff did not result in significant amounts of severance payments or pension contributions by the Bank due to short notice requirements for termination under Kazakhstan law and a small number of departing employees of a retirement age.

The following table presents a breakdown of the Bank's employees by head office and branches and cash offices as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
Head office	1,050	1,457
Branches and cash offices	2,442	4,079
Total	**3,492**	**5,536**

Based on a review of competitor banks, the Bank reduced salary levels for specific positions. Overall, the Bank reduced monthly salary expenditure at its head office from KZT 274.2 million as at 31 December 2008 to KZT 195.1 million as at 31 December 2009. The Bank reduced monthly salary expenditure at its branch offices from KZT 359.2 million as at 31 December 2008 to KZT 210.1 million as at 31 December 2009.

In light of decreased staff levels and in order to further streamline the Bank's operations, the Bank's management reduced the number of units and divisions within the Bank to 822 as at 31 December 2009 from 1,152 as at 31 December 2008.

The Bank has developed internal training programmes for employees at all levels covering topics such as the collection of non-performing loans, government social programs, ATM network service and client service.

The Bank has never experienced industrial action or other work stoppages resulting from labour disputes. None of the employees of the Bank are members of a trade union.

Security and Anti-Money Laundering

The Bank has implemented security procedures and policies for all of its locations. Each new branch and cash office is subject to oversight by the Bank's head office to ensure compliance with the Bank's procedures and policies.

The Bank maintains an anti-money laundering policy in relation to all of its customers. It has a Control Compliance Service which is responsible for the prevention of money laundering and financing of terrorism. This Service monitors and analyses accounts and transactions of customers, investigates unusual and suspicious transactions and establishes compliance procedures for all internal standards and external bank regulation. The Bank has also recently introduced programmes for customer identification and the examination of customers' data upon the opening of a new account.

Insurance Cover

The Bank has a policy provided by JSC "Oil Insurance Company" covering insurance of employees, as required by law. The Bank also insures risks related to its fixed assets and its cash balances, including risks resulting from burglary and robbery of money or equipment and cash transportation risks, as well as accident insurance, motor insurance and motor third-party liability insurance. All policies are renewable annually. The Bank does not have any credit risk insurance in relation to default by its customers and does not have insurance coverage against business interruption and IT failures. The Bank also does not have insurance policies covering premises owned or leased by the Bank. See also *"Selected Statistical and Other Information — Loan Portfolio — Insurance of the Bank's Loan Portfolio"*.

Competition

Prior to 2007, international funding for domestic banks was readily accessible, creating an environment in which banks competed aggressively for retail, SME and corporate clients. These banks competed by increasing the size of available facilities, increasing their networks, expanding their influence and increasing their sophistication.

Over the last two years, the competitive environment in Kazakhstan has changed significantly. Due to the global financial crisis, Kazakhstan banks no longer have ready access to international financing. As a result, many banks could not refinance their facilities or refinance the loans made to their customers, resulting in a liquidity deficit among corporate clients. At the same time, due to the negative public perception about domestic banks and fear of the effects of the global financial crisis, the banking system has experienced significant outflows of deposits from both retail and corporate clients which has exacerbated the liquidity deficit. The competitive landscape therefore shifted from banks competing for customers to banks competing for domestic funding. Domestic funding comes from primarily two sources: retail deposits, and corporate and state-controlled company deposits.

Retail Market

As the size of the domestic retail deposit market is contracting, the competition for a share in this market has become fiercer. For retail deposits, the Bank competes primarily with Halyk Bank, Kazkommertsbank and Bank CenterCredit. Halyk Bank has been able to take advantage of its legacy as the Savings Bank of the Union of the Soviet Socialist Republics and of its large branch network to obtain approximately a 20.4 per cent. share of retail deposits as at 31 December 2009 compared to a 21.7 per cent. share of retail deposits as at 31 December 2008. Kazkommertsbank, another major competitor, had approximately an 17.2 per cent. share of retail deposits as at 31 December 2009 compared to a 17.7 per cent. share of retail deposits as at 31 December 2008. Bank CenterCredit has also been successful in attracting retail deposits and had approximately a 14.8 per cent. share of retail deposits as at 31 December 2009 compared to a 13.2 per cent. share of retail deposits as at 31 December 2008. The Bank's market share has decreased in 2009 to a 2.7 per cent. share of retail deposits as at 31 December 2009 from approximately a 6 per cent. share of retail deposits as at 31 December 2008. The Bank expects to increase its share in the retail deposits market as a result of the improved public perception of the Bank's stability based on Samruk-Kazyna's control.

To date, the Bank has not experienced significant competition in the retail sector from foreign banks operating in Kazakhstan. The number of commercial banks in Kazakhstan has decreased from 130 in 1995 to 37 as at the date of this Prospectus, and the six largest banks accounted for 78.5 per cent. of the total assets of the Kazakhstan banking sector as at 31 December 2009. In the past, foreign banks present in Kazakhstan, including RBS Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan, were not able to utilise their lower cost of funding as they were held to the same reserve requirements for foreign debt as domestic banks. However, HSBC Kazakhstan has revised its strategy in the local market and intends to strengthen its competitive position by building a branch network and servicing retail customers in Kazakhstan.

Prior to 2007, Halyk Bank and Bank CenterCredit were the Bank's primary retail lending competitors. The proportion of retail loans in Halyk Bank's total loan portfolio was 31.1 per cent. as at 31 December 2009, 35.5 per cent. as at 31 December 2008 and 38.2 per cent. as at 31 December 2007. The proportion of retail loans in Bank CenterCredit's total loan portfolio was 35.7 per cent. as at 31 December 2009, 39.8 per cent. as at 31 December 2008 and 43.3 per cent. as at 31 December 2007.

SME and Corporate Market

Companies in which the state owns a controlling stake are required by law to keep their working capital in certain financial products, including deposit accounts with at least three second-tier banks. As mentioned above, Samruk-Kazyna's majority ownership of the Bank is expected to improve public perception of the Bank's stability and to enhance the Bank's competitive advantage for obtaining deposits of state-controlled companies.

For state-owned companies' deposits, the Bank competes primarily with Halyk Bank, BTA Bank, Kazkommertsbank, Bank CenterCredit and ATF Bank.

Within corporate lending, the Bank has in the past competed primarily with smaller banks, such as ATF Bank and Bank CenterCredit, as well as with banks that have expertise in the SME market, such as BTA Bank. The Bank has not competed to a significant degree with banks focused on lending to large companies. However, banks in Kazakhstan began to focus increasingly on lending to SMEs, which offer comparatively high interest margins as opposed to large corporate customers. ATF Bank and Kazkommertsbank, which were traditionally focused on large corporate customers, have announced their intention to become more active in lending to SMEs.

Property

The Bank owns its head office in Almaty. The Bank owns or leases the buildings used by its branches and cash offices depending on the specific circumstances of different locations. At the date of this Prospectus, the Bank owns the premises in which 17 of its branches and 37 of its cash offices are located and leases the premises where two branches and 78 cash offices are located. The Bank partly owns and partly leases the buildings in which one branch and two cash offices are located. The branch in Temirtau was closed in 2009 and the Bank no longer has any ownership interest in its former premises.

Legal Proceedings

From time to time, and in the ordinary course of business, the Bank is subject to legal actions and complaints. At the date of this Prospectus, however, the Bank was not and had not in the 12 months preceding the date of this Prospectus 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 Prospectus, a significant effect, in the context of the issuance of New Notes, on the financial position or profitability of the Bank, except as set forth below and described elsewhere in this Prospectus.

On 6 October 2009, LLC Management Consulting, a holder of RUB 99.9 million Rouble Notes filed a suit against Alliance Finance with the Moscow Arbitration Court requesting early termination of the loan agreement represented by the RUB 99.9 million Rouble Notes, redemption of the Rouble Notes at par and a penalty for the delay in payment of the fourth coupon, accrued interest and other expenses. The total amount of the claim is RUB 102 million. Due to LLC Management Consulting's participation in the Restructuring, and the transfer of the Rouble Bonds held by it to the Bank as a result, based on the principle of succession in choses in action, the Moscow Arbitration Court replaced LLC Management Consulting with the Bank as the claimant on 14 April 2010. Acting as the claimant, the Bank subsequently withdrew the claim on 20 May 2010.

On 19 June 2009, Kazkommertsbank JSC filed a lawsuit with the Specialised Interregional Economic Court of Almaty City for non-payment of principal and interest in respect of domestic bonds of the Bank with a coupon rate of 8.5 per cent. due 10 April 2009. The amount of the claim is KZT 643 million plus court fees of KZT 19 million. A similar lawsuit was filed in December 2009 by Wirtgen International GmbH for non-payment under a letter of guarantee for EUR 359,337 plus court fees and other expenses totalling EUR 39,286. In both cases the court held in favour of the claimants and ordered the Bank to satisfy their claims. Both claims were included in the Bank's Restructuring.

On 12 November 2008, the Bank filed a lawsuit with the Specialised Interregional Economic Court of Western-Kazakhstan Region against its debtor JSC "KazRuno". The lawsuit consisted of seven claims under different agreements. The total amount of the Dollar-denominated and Tenge-denominated claims were U.S.$8,685,028 and KZT 55,945,145.57. On 2 February 2009, the court held in favour of the Bank and ordered JSC "KazRuno" to satisfy the full amount of the claims of the Bank. To date, no recoveries have been obtained from this borrower.

On 27 May 2009, the Specialised Interregional Economic Court of Western-Kazakhstan Region decided to commence rehabilitation procedures in respect of LLP "Vostok Toss-Complect". The term of the rehabilitation is three years. Within the rehabilitation plan, the Bank brought a lawsuit against its debtor, LLP "Vostok Toss-Complect", for KZT 660,350,395 owed to the Bank, and expects to recover the full amount within the time allotted by the court for the rehabilitation. To date, no recoveries have been obtained from this borrower.

On 27 May 2009, the Specialised Interregional Economic Court of Almaty City decided to commence rehabilitation procedures in respect of JSC "Transstroimost". The term of the rehabilitation is three years. Within the rehabilitation plan, the Bank brought a lawsuit against its debtor, JSC "Transstroimost", for Tenge-denominated claims of KZT 9,671,112,758.65 and Euro-denominated claims of EUR 5,053,613.76, owed to the Bank and expects to recover the full amount within the time allotted by the court for the rehabilitation. To date, no recoveries have been obtained from this borrower.

On 18 May 2009, a loan was provided to a company under the SME State Finance Programme. The principal amount of the loan was KZT 600 million. In June 2009, a regular check by Damu Fund (provider of the funds allocated to the Bank under the SME State Finance Programme) revealed that the proceeds of the loan were used in violation of the stated purposes of the loan and that the borrower had provided false information about its financial position and business. On 15 September 2009, the loan became overdue. On 25 September 2009, the Economic Crime and Corruption Agency initiated a criminal investigation against the borrower and accused the borrower of providing false information and obtaining of the loan unlawfully. The borrower is currently sought by criminal authorities. On 22 December 2009, the Bank filed a law suit against the borrower which will be effectively processed once the criminal investigation has been completed.

Certain former members of the Bank's Board of Directors and the Bank's former management are currently under investigation and/or were arrested by Kazakhstan's law enforcement agencies in connection with the identified guarantees supported by pledges of its T Bills described in "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future.*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*". On 14 October 2009, the Economic Crime and Corruption Agency of Kazakhstan formally accused Mr. Margulan Seisembayev, the former Chairman of the Board of Directors of the Bank, Mr. Erlan Seisembayev, a shareholder of SAFC, and Mr. Arsen Saparov, the former Chairman of the Bank's Credit Committee, of stealing KZT 16,919 million from the Bank. According to press reports, a court order has been issued for the arrests of these individuals. At the same time, another investigation was launched by the Kazakhstan financial police in relation to Mr. Askar Galin, a shareholder of SAFC, who is accused of stealing EUR 1.7 million from the Bank. According to press reports, the Kazakhstan authorities have declared to international police agencies that these individuals are sought by the Kazakhstan authorities in relation to these matters. Mr. Margulan Seisembayev effectively discontinued his involvement in the activities of the Board of Directors after 4 June 2009 and his current location is unknown to the Bank. The Bank's former Chairman of the Management Board, Mr. Zhomart Yertaev, was arrested in August 2009, and the Bank's former Chief Accountant, Mr. Abylkassym Mamyrbekov, was arrested in September 2009. The former Chairman of the Bank's Management Board, Mr Erik Sultankulov, was arrested in April 2010. In May 2010 Mr. Yertayev was released but the investigation is being continued. See "*Management and Corporate Governance — Board of Directors*".

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

Selected Condensed Financial Data

The selected condensed consolidated financial data presented below as at 31 December 2009 and 2008 has been derived from, and should be read in conjunction with, the Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

The selected condensed consolidated financial data presented below have been extracted from the 2009 Annual Financial Statements, which were prepared in accordance with IFRS and audited by KPMG Audit LLC (Kazakhstan) in accordance with International Standards on Auditing.

Reference is made to the independent auditors' report with respect to the 2009 Annual Financial Statements. Such report outlines the basis for the qualified opinion set out therein, including: (i) the Bank's inability to estimate the value of the Bank's credit default cross-currency swaps as at 31 December 2008 and the consequent recording of the loss of KZT 5,250 million in the year ended 31 December 2009 which should have been recorded in the year ended 31 December 2008; (ii) the Bank's failure to perform required valuations of material assets, land and buildings as at 31 December 2008 and for the year then ended; (iii) the fact that certain customers and counterparties may not have been properly identified as related parties and the associated tax effects may not have been properly reflected as at 31 December 2008 (as discussed in "*Related Party Transactions*"); and (iv) the Bank's failure to properly record guarantees (as discussed in "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Factors Affecting the Bank's Results of Operations — T Bills Transactions*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*". In addition, the auditors' report includes an emphasis of matter paragraph in respect of a material uncertainty that may cast doubt about the Bank's ability to continue as a going concern and another matter paragraph which notes that the consolidated financial statements of the Bank were audited by another auditor who expressed a modified opinion on those statements on 31 July 2009.

The audit report issued by Deloitte, LLP (Kazakhstan) in respect of the 2008 Annual Financial Statements expressed a qualified opinion with regard to the effects of certain adjustments related to the derivative liabilities (Notes 14 and 15 to the 2008 Annual Financial Statements), and the effects of such adjustments, if any, as might have been determined to be necessary had Deloitte, LLP (Kazakhstan) been able to establish the completeness of guarantees and pledges (Note 30 to the 2008 Annual Financial Statements); related parties disclosures and their associated tax effects, if any (Notes 1 and 34 to the 2008 Annual Financial Statements); and the valuation of land and buildings within property, equipment and intangible assets, revaluation reserve balances and depreciation expense related to land and buildings (Note 3 to the 2008 Annual Financial Statements). In addition, the auditors' report included emphasis of matter paragraphs in respect of the material uncertainty which exists in respect of the Bank continuing as a going concern and the absence of corresponding figures relating to guarantees and related parties.

Certain provisions discussed in this Prospectus and reflected in the 2008 Annual Financial Statements, were based on facts existing during such period that were only discovered by the Bank's new management during 2009 and therefore were not reflected in the provisions calculated and initially provided to the FMSA by the Bank's previous management.

Investors should read this condensed financial information in conjunction with the information contained in "*Presentation of Financial and Other Information*", "*Risk Factors*", "*Capitalisation*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" and the Financial Statements, including the notes thereto, and the other financial data contained elsewhere in this Prospectus.

Condensed Income Statement

	For the years ended 31 December			
	2009		2008	
	(U.S.$ millions)[1]	*(KZT millions)*	*(U.S.$ millions)*[2]	*(KZT millions)*
Interest income	578	85,189	1,381	166,086
Interest expense	(547)	(80,627)	(837)	(100,677)
NET INTEREST INCOME	31	4,562	544	65,409
Fee and commission income	51	7,452	107	12,817
Fee and commission expense	15	2,191	(204)	(24,584)
NET FEE AND COMMISSION INCOME/(EXPENSE)	36	5,261	(98)	(11,767)
Net loss on financial instruments at fair value through profit or loss	(437)	(64,411)	(273)	(32,882)
Net foreign exchange (loss)/gain	(351)	(51,785)	129	15,564
Net gain on repurchase of liabilities	27	3,967	31	3,712
Net loss on available-for –sale assets	(2)	(299)	0	(1)
Other operating (loss)/income	(5)	(728)	14	1,718
OPERATING (LOSS)/INCOME	(701)	(103,433)	347	41,753
Impairment losses	(1,185)	(174,842)	(3,378)	(406,420)
General administrative expenses	(137)	(20,140)	(182)	(21,889)
LOSS BEFORE TAXES	(2,023)	(298,415)	(3,213)	(386,556)
Income tax (expense)/benefit	0	(25)	3	346
LOSS FOR THE YEAR	(2,023)	(298,440)	(3,210)	(386,210)

Notes:

(1) Translated at the average U.S. Dollar exchange rate for the year ended 31 December 2009, as reported by the NBK, of KZT 147.5 = U.S.$1.00.

(2) Translated at the average U.S. Dollar exchange rate for the year ended 31 December 2008, as reported by the NBK, of KZT 120.3 = U.S.$1.00.

Condensed Balance Sheet

	As at 31 December			
	2009		2008	
	(U.S.$ millions)[1]	*(KZT millions)*	*(U.S.$ millions)*[2]	*(KZT millions)*
ASSETS				
Cash and cash equivalents	104	15,388	504	60,855
Placements with banks	18	2,702	52	6,318
Financial instruments at fair value through profit or loss	110	16,369	1,672	201,973
Loans to customers	1,643	243,707	3,589	433,475
Amounts receivable under reverse repurchase agreements	-	-	1	132
Available for sale assets	658	97,657	23	2,741
Current tax assets	6	919	22	2,677
Property, equipment and intangible assets	169	25,012	283	34,197
Other assets	117	17,340	49	5,940
TOTAL ASSETS	**2,825**	**419,094**	**6,196**	**748,308**
LIABILITIES				
Current accounts and deposits from customers	1,037	153,776	1,565	189,044
Due to the National Bank of the Republic of Kazakhstan	-	-	124	15,026
Loans from the Government of the Republic of Kazakhstan	152	22,613	37	4,460
Amounts subject to the Restructuring Plan as at 31 December 2009:				
Loans from banks	874	129,647	1,138	137,377
Loans from other financial institutions	309	45,832	296	35,741
Debt securities issued	2,428	360,279	2,373	286,584
Subordinated debt	325	48,194	346	41,760
Amount due to the Parent Company	708	105,000	-	-
Other liabilities subject to the Restructuring Plan	305	45,272	-	-
Other financing	109	16,206	244	29,449
Amounts payable under repurchase agreements	34	5,010	347	41,945
Financial instruments at fair value through profit or loss	0	19	415	50,168
Special provision for guarantees	-	-	1,134	136,972
Other liabilities	88	13,017	58	6,962
TOTAL LIABILITIES	**6,369**	**944,865**	**8,077**	**975,488**
DEFICIT				
Share capital	650	96,380	798	96,380
Additional paid-in-capital	8	1,222	10	1,222
Revaluation surplus for property	14	2,134	17	2,023
Revaluation reserve for available-for-sale assets	(3)	(408)	0	(29)
Accumulated losses	(4,213)	(625,099)	(2,706)	(326,776)
Total deficit	**(3,544)**	**(525,771)**	**(1,881)**	**(227,180)**
TOTAL LIABILITIES AND DEFICIT	**2,825**	**419,094**	**6,196**	**748,308**

Notes:
(1) Translated at the U.S. Dollar exchange rate as at 31 December 2009, as reported by the NBK, of KZT 148.36 = U.S.$1.00.
(2) Translated at the U.S. Dollar exchange rate as at 31 December 2008, as reported by the NBK, of KZT 120.77 = U.S.$1.00.

	As at or for the years ended 31 December	
	2009	2008
	(per cent. unless otherwise noted)	
COMBINED KEY RATIOS		
Return on shareholders' equity[1]	-[2]	-[2]
Net earnings per common share (KZT)	(14,922)	(19,311)
Cost/income ratio[3]	-[2]	52.4
Operating expenses/operating (loss)/income after provisions	-[2]	-[2]
Effective provisioning rate on average gross Loans[1][6]	23.8	30.9
PROFITABILITY RATIOS		
Net interest margin[1][7]	0.9	7.8
Operating expenses as a percentage of net interest income before provisions	441.5	33.5
Annualised operating expense as a percentage of average total assets[1]	3.5	2.3
Annualised net (loss)/profit as a percentage of average total assets[1]	(51.1)	(40.5)
BALANCE SHEET RATIOS		
Customer accounts as a percentage of total assets	36.7	25.3
Net loans to customers as a percentage of total assets	58.2	57.9
Total equity as a percentage of total assets	(125.5)	(30.4)
Liquid assets as a percentage of customer accounts[4]	21.32	142.37
Liquid assets as a percentage of liabilities of up to one month[4]	40.52	41.21
CAPITAL ADEQUACY RATIOS[5]		
Total capital (KZT)	(485,832)	(189,762)
Tier I capital (KZT)	(505,228)	(211,005)
ASSET QUALITY RATIOS		
Non performing loans as a percentage of total gross loans[8]	52.4	13.1
Loan loss reserves as a percentage of non performing loans[9]	113	263
Loan loss reserves as a percentage of gross loans	65	38.36

Notes:

(1) Based on the average of the opening and closing balances of the relevant balance sheet item for the period.

(2) Relevant ratio for this period was negative.

(3) Cost to income ratio is calculated by dividing total operating expenses by the sum of net interest income before provisions and non-interest income.

(4) Liquid assets include cash and balances with NBK, due from banks (with a maturity of less than one month) and financial assets at fair value through profit or loss.

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

(6) Effective provisioning rate on average gross loans is calculated as percentage of provisions for impairment losses on interest bearing assets in average gross loans to customers.

(7) Annualised net interest margin is calculated as percentage of net interest income for impairment losses on interest bearing assets in average total interest bearing financial assets.

(8) Non-performing loans as a percentage of total gross loans is calculated on the basis of Adjusted IFRS.

(9) Loan loss reserves as a percentage of loans with more than 120 days overdue interest under PILs and other loans with more than 90 days overdue interest.

The following financial information has been derived from the Interim Financial Statements. Investors should note that the Interim Financial Statements have not been audited or reviewed by the Bank's auditors.

Interim Income Statement

	For the period ended 31 March	
	2010	**2009**
	unaudited	
	(KZT millions)	
Interest income	13,907	31,962
Interest expense	-11,967	-23,389
Interest asset impairment reserve	-30,589	-67,004
NET INTEREST LOSS	**-28,649**	**-58,431**
Net fee and commission income	630	1,932
Net income/(loss) on financial instruments at fair value through profit or loss	604	-29,214
Net income from foreign exchange operations	18,705	13,618
Net income from operations with assets available-for-sale	179	-
Income from restructuring	321,780	-
Other operating income	63	1,978
OPERATING (LOSS)/INCOME	**341,332**	**-13,619**
Income/(loss) from impairment	23,382	-40,175
General administrative expenses	-4,379	-4,826
INCOME/(LOSS) BEFORE TAXATION	**332,315**	**-115,118**
Income tax benefit	100	26,547
NET INCOME/(LOSS) FOR THE PERIOD	**332,415**	**-88,572**

Interim Balance Sheet

	As at	
	31 March 2010	**31 December 2009**
	unaudited	
	(KZT millions)	
ASSETS		
Cash and equivalents	25,398	15,388
Cash due from banks	6,355	2,702
Financial assets at fair value through profit and loss	19,101	16,369
Loans to customers	221,216	243,707
Available-for-sale investments	96,352	97,657
Investments in subsidiaries	317	-
Current requirements to profit tax	1,135	919
Property, equipment and intangible assets	24,492	25,012
Other assets	18,418	17,340
TOTAL ASSETS	**412,784**	**419,094**
LIABILITIES AND CAPITAL DEFICIT		
LIABILITIES		
Cash due to customers	145,349	153,776
Loans from the Government of the Republic of Kazakhstan	21,207	22,613
Liabilities under Restructuring Plan as of 31 December 2009	286,079	734,224
Other financing	-	16,206
REPO	59,176	5,010
Financial liabilities at fair value through profit and loss	318	19
Deferred income tax liabilities	880	-
Other liabilities	28,169	13,017
TOTAL LIABILITIES	**541,177**	**944,865**
CAPITAL DEFICIT		
Share capital	120,380	96,380
Additional paid-in capital	42,292	1,222
Revaluation reserve for property and equipment	2,134	2,134
Fair value revaluation reserve for available-for-sale assets	-18	-408
Retained loss	-293,181	-625,099
TOTAL CAPITAL DEFICIT	**-128,393**	**-525,771**
TOTAL LIABILITIES AND CAPITAL DEFICIT	**412,784**	**419,094**

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

Unless otherwise stated, the following discussion should be read in conjunction with the Financial Statements included elsewhere in this Prospectus and the notes thereto. The Bank's Financial Statements included in this Prospectus were prepared in accordance with IFRS. See "Selected Condensed Consolidated Financial Data". The forward-looking statements contained in this discussion and analysis 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".

Overview

After following an aggressive growth strategy from 2004 to 2007, the Bank's financial condition and liquidity position had severely deteriorated by February 2009. The Bank breached the FMSA's capital adequacy and liquidity requirements in April 2009 and was instructed by the FMSA to develop a restructuring and recapitalisation plan. In light of the results of its new management's ongoing due diligence into the Bank's loan and securities portfolios and derivative transactions, the Bank began downsizing its operations in February 2009. See "*The Bank — Overview of the Bank and Background to the Restructuring*". As at 31 December 2009, the Bank was the sixth-largest bank in Kazakhstan by total assets with a market share of 4.6 per cent., compared to 8.7 per cent. as at 31 December 2008.

As at 31 December 2009, the Bank's total assets were KZT 419,094 million compared to KZT 748,308 million as at 31 December 2008, representing a decrease of 44.0 per cent.. The Bank's total deficit was KZT 525,771 million as at 31 December 2009 as a result of the provisions against the identified guarantees supported by pledges of its T Bills and against the Bank's loan portfolio, compared to a total deficit of KZT 227,180 million as at 31 December 2008.

Factors Affecting the Bank's Results of Operations

Kazakhstan's Economy

The Bank, in common with all banks in Kazakhstan, has been affected by the ongoing economic slowdown. The unprecedented recent market and economic conditions have resulted in tighter credit conditions and slower growth. Continued concerns about the health of the financial sector in many countries, possible inflation, energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and diminished expectations for various economies.

The economy in Kazakhstan was particularly affected by the collapse of oil and gas prices beginning in the second half of 2008. In addition, real estate prices in Kazakhstan have dropped sharply since June 2007. See "*Risk Factors — Risks Relating to the Bank — Concentration of the Bank's loan portfolio and deposit base and volatility in the real estate market subject it to risks*". Such volatility in the commodity prices and the real estate market has had an adverse effect on the country's economy. These adverse economic conditions led to a decrease in GDP growth of 1.2 per cent. in 2009 and 3.2 per cent. in 2008.

Further, on 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117 – KZT 123 per U.S. Dollar to KZT 150 per U.S. Dollar (+/- 3 per cent.). This devaluation was due in part to recent declines in Kazakhstan's balance of payments and foreign exchange reserves as a result of falls in commodity prices, in particular oil and gas, in the international markets.

In addition, concern about the stability of the banking sector in Kazakhstan has led to a material reduction in liquidity as wholesale funding has become more expensive and less available. Funding from retail depositors has also fallen as a result of the public's loss of confidence in the Kazakhstan banking sector. To prevent deposit outflow, and due to the deterioration in asset quality during 2009, Samruk-Kazyna provided financial support to the banking sector totalling KZT 1,087,500 million as

at 31 December 2009. See also "*The Banking Sector in Kazakhstan*". This support took a number of forms, including direct equity investments as well as placing deposits with Kazakhstan banks.

T Bills Transactions

In the course of its due diligence, the new management of the Bank identified guarantees entered into by the Bank between 2006 and 2008 that were not recorded on the Bank's balance sheet. The guarantees issued by the Bank to third parties were secured by pledges of T Bills.

These guarantees covered borrowings by four offshore companies registered in the British Virgin Islands and Samoa from two Russian financial institutions. The relationship between these parties has not been fully investigated. Part of the recovery process will involve further investigations to determine if the Bank has any claims to any party. The pledged T Bills were held in brokerage accounts of these financial institutions and these institutions had the right to foreclose on them at their sole discretion by sale, exchange or otherwise.

In February and May 2009, the Bank was informed that the four offshore companies had defaulted on the payment of their loans, the Russian financial institutions had exercised their right to foreclose on the T Bills and all the T Bills had been transferred out of the custody accounts of the Bank. Due to the likely losses under the guarantees as at 31 December 2008, the Bank recognised a provision for the guarantees of KZT 136,972 million in the 2008 Annual Financial Statements. See the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information"*.

See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*".

Loan Loss Provisions

Effective from 1 May 2007, the Bank changed its provisioning policies in order to comply with amended FMSA regulations on provisioning. Under these new policies, loans are separated into two groups: loans for which provisions accrue on a case-by-case basis and homogeneous loans. The Bank determines provisions for the former group, which includes corporate, SME loans and retail loans in excess of 0.02 per cent. of the Bank's equity, based on its analysis of historical losses and the supervision of its loan portfolio. For the retail loans that are classified as homogeneous loans, the Bank decides on the level of provisions in respect of the entire group of homogenous retail loans rather than overdue loans only. According to this policy, the Bank reviews historical data on a monthly basis and, if necessary, revises its provisioning rate to reflect changes in its losses and other relevant factors.

Following the results of the due diligence process conducted by the Bank's new management in 2009 and the effects of Kazakhstan's macro-economic conditions, provisions as a percentage of gross loans based on IFRS increased to 65.1 per cent. as at 31 December 2009 compared to 38.4 per cent. as at 31 December 2008. For an explanation of the provisioning based on Adjusted IFRS, see "*Selected Statistical and Other Information — Lending Policies and Procedures — Provisioning Policies and Write-Offs*" as well as the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*".

Provisioning on Corporate Loan Portfolio (including SME Loan Portfolio).

Provisions as a percentage of gross corporate loans increased to 76.2 per cent. as at 31 December 2009 compared to 50.56 per cent. as at 31 December 2008.

Provisions as a percentage of gross corporate loans increased in part due to the more conservative risk management policy adopted by the Bank's new management, management's recognition of the decrease in value of real estate collateral and the poor quality of loans provided to related parties.

A significant portion of the Bank's loan portfolio consists of loans secured by real estate. As at 31 December 2009 and 31 December 2008, the Bank held net corporate loans that are individually significant secured by real estate totalling KZT 203,224 million and KZT 136,552 million, respectively, which represented 53.0 per cent. and 39.6 per cent. respectively, of its total loan portfolio net of allowance for impairment losses over such periods.

Beginning in September 2007, prices for residential real estate in Kazakhstan dropped sharply. For instance, market prices for residential real estate in Almaty decreased by between 30 per cent. and 50 per cent. during the period between 30 September 2007 and 31 December 2008. In August 2008, the Bank commenced a revaluation of its entire collateral base. This revaluation is an ongoing process and is continuing as at the date of this Prospectus. See "*Selected Statistical and Other Information — Lending Policies and Procedures — Collateralisation*". Following the commencement of the revaluation, as at 31 December 2009, on the basis of Adjusted IFRS, the value of the Bank's collateral was KZT 405,085 million, of which KZT 175,330 million was collateral under retail loans, KZT 96,485 million was collateral under SME loans and KZT 133,268 million was collateral under corporate loans.

For a discussion of related party transactions involving the Bank, see "*Related Party Transactions*".

Provisioning on Retail Portfolio

Provisions as a percentage of gross retail loans increased to 45.9 per cent. as at 31 December 2009 compared to 20.5 per cent. as at 31 December 2008. Provisions against PILs represented 48.2 per cent. of the total amount of provisions against the retail portfolio.

Prior to June 2006, the Bank's policy had been to make immediate provisions for all unsecured loans at the level of 5 per cent. of the principal amount of the loan. The provisioning charge was recognised immediately, whereas interest income and commission income were recognised over the life of the loan. As a result of the rapid expansion of the Bank's unsecured loan portfolio during 2005, the Bank's provisions increased significantly. Due to decreasing net interest income after provisions, in June 2006, the Bank began insuring its PILs portfolio with Alliance Policy, its related party, which allowed it to reduce its provisions in absolute terms. From June 2006 to April 2007, the Bank did not immediately record any provisions on unsecured loans which it insured, but rather recorded a provision only when the relevant loan was overdue. As mentioned above, as at 1 May 2007, the Bank changed its provisioning policies in order to comply with amended FMSA regulations on provisioning. For certain retail loans, including all PILs, the Bank posts provisions in respect of the entire group of such loans rather than overdue loans only.

Upon taking control of the Bank, the Bank's new management reviewed the existing retail loan portfolio in detail and uncovered a significant increase in defaults. As a result of the discovered deficiencies in the retail loan portfolio, the current economic conditions and a more conservative risk management policy adopted by the Bank's new management, the Bank increased provisioning rates applicable to the retail loan portfolio.

Provisions Recovery Strategy

Due to the continuing deterioration of the quality of the Bank's loan portfolio the Bank increased its total provisions from KZT 269,790 million as at 31 December 2008 to KZT 454,175 million as at 31 December 2009. As a result of the significant amount of additional provisions which the Bank was forced to recognise, the Bank's management decided to take the following steps in order to reduce the Bank's provisions to a level sufficient to ensure that the Bank's capital adequacy levels would be in excess of the minimum regulatory levels following the Restructuring:

- increasing efforts to increase repayments of non-performing corporate and SME loans;
- restructuring corporate and SME loans by implementing new payment schedules based on analyses of the financial positions of the relevant borrowers;

- initiating programmes, such as the three-month "*Repay a loan with no fine*" campaign which commenced on 1 September 2009, with the aim of improving the quality of the Bank's retail loan portfolio;
- appointing more effective collection agencies and terminating contracts with less effective collection agencies; and
- seeking investors to purchase some of the Bank's non-performing loan portfolios.

According to FMSA regulations, the calculation of Tier 1 capital includes the profits of previous accounting periods whereas only the profit of the current accounting period is included in the calculation of Tier 2 capital. The Bank's management took the above measures to recover provisions recognised in the year ended 31 December 2009 in order for this recovery to be included in its calculation of Tier 1 capital for the year ended 31 December 2010.

As part of the Bank's strategy to recover provisions, on 28 December 2009, the Bank sold part of its corporate loan portfolio (consisting of non-performing loans to 31 corporate borrowers) to LLC "*Pozitiv Finans*", a collection agency. The total principal amount of such loans as at the date of sale was KZT 141,708 million. All of the loans sold to LLC "*Pozitiv Finans*" were, as at the date of the sale, 100 per cent. provisioned under Adjusted IFRS. As a result of this sale, the Bank was, under Adjusted IFRS rules (as established by the FMSA), able to record an accounts receivable equal to the total principal amount of the loans sold. The Bank then proceeded to recognise provisions in respect of this accounts receivable from the collection agency in the amount of KZT 130,827 million. However, entering into this transaction did not result in the Bank reducing the amount of its provisions under IFRS as the Bank was required under IFRS to continue to recognise all of the loans included in the agreement in the 2009 Annual Financial Statements.

Following the sale of the loans, the Bank closely monitored the collection agency's efforts to recover these loans. The Bank's management found these efforts to be unsatisfactory with respect to certain loans and, as a result, in February 2010, the Bank terminated the agreement with LLC "*Pozitiv Finans*" with respect to such loans. As at 1 April 2010, KZT 103,844 million of the principal amount of the loans were returned on the Bank's balance sheet as a result of the termination of the agreement with LLC "*Pozitiv Finans*". The Bank plans to return the remaining KZT 37,857 million of the loans to its balance sheet.

Provisions against Receivables from Collection Agencies

From 2006 to September 2008, the Bank was a party to an insurance agreement with Alliance Policy, a related party, to insure its unsecured retail loan portfolio. The Bank terminated the agreement with Alliance Policy in September 2008 and the unamortised insurance premiums were released.

In the fourth quarter of 2008, the Bank transferred non-performing loans, including loans previously written-off, and claims receivable from Alliance Policy, a related party, to eight collection agencies. The transferred loans and claims were written off the Bank's balance sheet. Under the terms of the transfer, the Bank was entitled to receive consideration for the transferred assets only if the collection agencies made recovery beyond an agreed level. The Bank's new management believes that the collection agencies are related parties. The Bank's new management has made an estimate of the recoverability of amounts due from the collection agencies and has concluded that the Bank will not be successful in collecting such amounts because of their uncertain financial condition. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*".

Non-Performing Loans

The classification of non-performing loans affects the Bank's results of operations because the Bank suspends accrual of interest on loans that the Bank considers to be non-performing. From 1 June 2007, the Bank revised the calculation for determining non-performing loans and now classifies loans as non-performing depending upon the type of loans. For unsecured PILs, the Bank considers loans

which are more than 120 days overdue to be non-performing. For all other loans, it does so when they are more than 90 days overdue. As a result of this change in calculation, the interest income recognised by the Bank was higher over such periods than it otherwise would have been. However, the Bank's new management believes that the level of non-performing loans is not indicative of the quality of the overall loan portfolio since the calculation only reflects the number of days that a loan is overdue rather than the financial standing of the borrower and the quality of the collateral (if any).

During the first half of 2009, the Bank's non-performing loans as a percentage of its total gross loan portfolio increased to 52.4 per cent. as at 31 December 2009 from 13.1 per cent. as at 31 December 2008 based on Adjusted IFRS.

Interest Rates

As a significant portion of the Bank's assets and liabilities are interest-bearing, changes in prevailing interest rates, both in Kazakhstan and internationally, can materially affect its results. As a general matter, because the Bank has both interest-earning assets and interest-bearing liabilities, rising interest rates can lead to higher or lower interest margins, depending on whether the Bank's interest-earning assets reprice at a faster rate than its interest-bearing liabilities.

Between 2003 and 2009, the NBK steadily raised refinancing interest rates, from 7 per cent. as at 7 July 2003 to 10 per cent. as at 1 January 2009. As at 4 September 2009, the NBK decreased the refinancing interest rate to 7 per cent.

In addition, the Bank's securities portfolio, which consists of both Tenge and U.S. Dollar-denominated assets, is affected by changes in interest rates. Rising interest rates would, over time, increase the Bank's income from its securities portfolio but may at the same time reduce the market value of its pre-existing fixed-income investment portfolio.

The majority of the Bank's loans are fixed-rate agreements. Although the agreements often contain clauses allowing the Bank to change interest rates, in October 2008 the Banking Law was amended to prohibit banks from changing interest rates unilaterally. These amendments have retrospective effect and apply to any loan agreements entered into before and after their enactment. The Bank's ability to mitigate interest rate risks is therefore extremely limited. See "*Risk Factors — Risks Relating to the Bank — The Bank is exposed to significant interest rate risk*".

Mix of Funding Base

Historically, international sources of funding were less expensive than domestic sources of funding. Before 2008, the Bank relied heavily on raising funds through the international debt capital markets and through term facilities with international lenders. As at of 31 December 2007, 32.8 per cent. of the Bank's funding base consisted of debt securities issued and 29.2 per cent. was due to banks, both of which derived primarily from international markets. As at 31 December 2007, the remaining portion of the funding base was made up primarily of customer accounts, representing 24.1 per cent. of the funding base, amounts due to other financial institutions, representing 4.8 per cent. of the funding base, and other financing, representing 3.1 per cent. of the funding base.

As a result of the global financial crisis, the Bank was no longer able to access new international sources of funding. International funding reflected on the Bank's balance sheet as at 31 December 2008 and 31 December 2009 was obtained prior to 31 December 2007 and represented primarily debt securities issued and amounts due to banks. As at 31 December 2009, 38.1 per cent. of the Bank's funding base (defined as total liabilities in the 2008 Annual Financial Statements and the 2009 Annual Financial Statements) consisted of debt securities issued and 13.7 per cent. consisted of amounts due to banks, compared to 29.4 per cent. and 14.1 per cent. as at 31 December 2008, respectively. As a result of the Restructuring, the proportion of international funding reflected on the Bank's balance sheet has decreased.

Furthermore, the Bank's management does not believe that new international funding will become available in the short term, so the Bank will increasingly rely on domestic funding sources, which

historically have been more expensive than international funding. Also, the Bank's management expects that the competition for domestic funding will increase among banks in Kazakhstan, which will further increase the cost of such funding.

Samruk-Kazyna's Support

The Bank has experienced significant outflows of customer deposits throughout 2008 and 2009. The Bank's retail deposits decreased by 43.3 per cent. during 2009 to KZT 51,617 million as at 31 December 2009 from KZT 91,006 million as at 31 December 2008, which itself represented a decrease of 6.8 per cent. from KZT 97,652 million as at 31 December 2007. The Bank's private corporate and SME deposits (including Samruk-Kazyna's deposits) increased by 4.2 per cent. during 2009 to KZT 102,159 million as at 31 December 2009 from KZT 98,038 million as at 31 December 2008, which figure represented a decrease of 28.9 per cent. from KZT 137,923 million as at 31 December 2007. As a result of deposits made by Samruk-Kazyna totalling KZT 84,124 million which were placed in February 2009, the Bank's total deposits decreased by only 18.7 per cent. to KZT 153,776 million as at 31 December 2009 from KZT 189,044 million as at 31 December 2008. See "*The Bank — The Role of Samruk-Kazyna — Liquidity Support*".

Significant Accounting Policies and Key Assumptions

The Bank's accounting policies are integral to understanding the results of operations and financial condition presented in the Financial Statements and notes thereto. The Bank's significant accounting policies are described in Note 3 to each of the Financial Statements appearing elsewhere in this Prospectus. The preparation of the Bank's 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 relevant period. On an ongoing basis, the Bank's management evaluates its estimates and judgments, including those related to provisions, reserves for insurance claims, the carrying values of property and investments, income taxes and deferred taxes, financing operations and contingencies, litigation and arbitration. The Bank's management bases its estimates and judgments on historical experience and on various other factors believed to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions. Estimates that are particularly susceptible to change relate to provisions for impairment losses, the fair value of financial instruments and property revaluation.

Recent Developments

The following discussion is based on the Interim Financial Statements which have not been audited or reviewed by an independent auditor.

For the three months ended 31 March 2010 the Bank received a net profit of KZT 332,415 million. This net profit was due to the income received by the Bank from the Restructuring which amounted to KZT 321,780 million.

The total assets of the Bank decreased by 1.5 per cent. to KZT 412,784 million as at 31 March 2010 from KZT 419,094 million as at 31 December 2009. The total assets decreased primarily due to the decrease in the net loan portfolio by 9.2 per cent. to KZT 221,216 million as at 31 March 2010 compared to KZT 243,707 million as at 31 December 2009. The net loan portfolio decreased as a result of a reduction in loans to customers and an increase in loan loss provisions during this three-month period to KZT 461,960 million as at 31 March 2010 from KZT 454,175 million as at 31 December 2009.

Current accounts and deposits from customers with the Bank decreased by 5.5 per cent to KZT 145,349 million as at 31 March 2010 compared to KZT 153,776 million as at 31 December 2009.

Results of Operations for the Years ended 31 December 2009 and 2008

The following table presents the Bank's results of operations for the years ended 31 December 2009 and 2008:

	Year ended 31 December	
	2009	2008
	(KZT millions)	
Interest income	85,189	166,086
Interest expense	(80,627)	(100,677)
NET INTEREST INCOME	**4,562**	**65,409**
Fee and commission income	7,452	12,817
Fee and commission expense	(2,191)	(24,584)
NET FEE AND COMMISSION INCOME/(EXPENSE)	**5,261**	**(11,767)**
Net loss on financial instruments at fair value through profit or loss	(64,411)	(32,882)
Net foreign exchange (loss)/gain	(51,785)	15,564
Net gain on repurchase of liabilities	3,967	3,712
Net loss on available for sale assets	(299)	(1)
Other operating (loss)/income	(728)	1,718
OPERATING (LOSS)/INCOME	**(103,433)**	**41,753**
Impairment losses	(174,842)	(406,420)
General administrative expenses	(20,140)	(21,889)
Loss before taxes	(298,415)	(386,556)
Income tax (expense)/benefit	(25)	346
NET LOSS	**(298,440)**	**(386,210)**

The following table sets out the components of the Bank's net interest (loss)/income for the periods indicated:

	Year ended 31 December	
	2009	2008
	(KZT millions, except percentages)	
Interest income	85,189	166,086
Interest expense	(80,627)	(100,677)
Net interest (loss)/income	4,562	65,409
Key ratios (percentages)		
Net interest margin[(1) (2)]	0.9%	7.8%
Annual impairment losses/net interest income before impairment losses	3,832.6%	621.4%
Annual impairment losses/average gross loans[(1)]	23.8%	30.9%
Annual impairment losses (adjusted to include insurance premiums)/average gross loans[(1)]	23.8%	33.7%

Note:
(1) Based on the average of the opening and closing balances of the relevant balance sheet item for the period.
(2) Annualised net interest margin is calculated as a percentage of net interest income for impairment losses on interest bearing assets in average total interest bearing financial assets.

Net Interest Income before Impairment Losses

Net interest income before impairment losses decreased by 93.0 per cent. to KZT 4,562 for the year ended 31 December 2009 compared to KZT 65,409 million for the year ended 31 December 2008. The decrease was mainly caused by the deterioration of the loan portfolio and the reduction in interest-bearing financial assets.

The Bank's net interest margin before impairment losses decreased to 0.9 per cent. for 2009 from 7.8 per cent. for 2008.

Interest Income

The following table sets forth the principal components of the Bank's interest income, as well as the yields for each type of interest-earning asset for the periods indicated:

	Year ended 31 December	
	2009	2008
	(KZT millions, except percentages)	
Interest on loans to customers	69,416	142,275
Yield on loans to customers[(1)]	19.5%	20.7%
Interest on securities[(2)]	6,202	7,175
Yield on Interest on financial assets at fair value through profit or loss and investments available for sale and held –to maturity[(1)(2)]	4.3%	4.4%
Interest on derivative financial assets	9,297	15,496
Yield on derivative financial assets[(1)]	-	-
Interest on Placements with banks	274	1,133
Yield on Placements with banks[(1)]	0.8%	3.4%
Interest on reverse repurchase agreements	0	6
Yield on reverse repurchase agreements[(1)]	0.1%	2.7%
Total interest income	**85,189**	**166,086**
Yield on interest bearing assets[(1)]	**15.5%**	**18.1%**

Notes:

(1) Based on the average of the opening and closing balances for interest-earning assets for the period. Yield is calculated by dividing interest on the relevant assets by the average number of such assets for the period.

(2) Securities includes investments available-for-sale, investments held-to-maturity and financial assets held-for-trading.

Interest income decreased by 48.7 per cent. to KZT 85,189 million for the year ended 31 December 2009 compared to KZT 166,086 million for the year ended 31 December 2008. The decrease in interest income during these years was primarily due to the decrease in interest income on the loan portfolio as a result of amortisation of the loan portfolio, as well as deterioration in the quality of the loan portfolio.

Interest on Loans to Customers

Interest income on loans to customers decreased by 51.2 per cent. to KZT 69,416 million for the year ended 31 December 2009 compared to KZT 142,275 million for the year ended 31 December 2008. This decrease was due to the decrease in the size of the loan portfolio and the further deterioration in the quality of the loan portfolio. As at 31 December 2009, the Bank's net loan portfolio was KZT 243,707 million compared to the net loan portfolio of KZT 433,475 million as at 31 December 2008. The loan portfolio reduced as a result of its amortisation and the Bank's write-off policy. Also, most of the Bank's retail lending was discontinued in the beginning of 2008. Consequently, the reduction of the Bank's loan portfolio caused interest income on loans to customers to decrease. The deterioration of the Bank's loan portfolio also contributed to the decrease of interest income on loans to customers because the Bank stops recording interest income on loans which are overdue for more than 90 days.

Interest on Placements with Banks

Interest income on placements with banks decreased by 75.8 per cent. to KZT 274 million for the year ended 31 December 2009 compared to KZT 1,133 million for the year ended 31 December 2008. This decrease was due to a reduction in the value of loans and deposits from banks from KZT 6,318 million for the year ended 31 December 2008 to KZT 2,702 million for the year ended 31 December 2009.

Interest on Securities

Interest on securities decreased by 13.6 per cent. to KZT 6,202 million for the year ended 31 December 2009 compared to KZT 7,175 million for the year ended 31 December 2008 due to a reduction in the value of the securities held.

Interest Income on Reverse Repurchase Agreements

Interest income on reverse repurchase agreements decreased by 100 per cent. to KZT 0 for the year ended 31 December 2009 compared to KZT 6 million for the year ended 31 December 2008. The decrease in interest was due to the Bank's cessation of reverse repurchase operations.

Interest Expense

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

	Year ended 31 December	
	2009	2008
	(KZT millions, except percentages)	
Interest on debt securities issued	35,795	30,268
Average interest rate on securities[(1)]	8.9%	9.7%
Interest on due to banks	7,581	16,510
Average interest rate on due to banks[(1)]	4.8%	6.9%
Interest on customer accounts	14,697	21,043
Average interest rate on customer accounts[(1)]	10.0%	11.4%
Interest on due to the Government of Republic of Kazakhstan	1,597	367
Average interest rate on due to the Government of Republic of Kazakhstan	9.6%	8.3%
Interest on subordinated debt	4,174	4,159
Average interest rate on subordinated debt[(1)]	9.1%	10.9%
Interest due on other financial institutions	2,255	2,926
Average interest rate on other financial institutions	5.8%	7.1%
Interest on other financing	1,672	2,023
Average interest rate on other financing[(1)]	6.9%	6.7%
Interest on repurchase transactions	3,375	1,995
Average interest rate on repurchase transactions[(1)]	9.0%	9.5%
Interest on financial liabilities at fair value through profit or loss	9,481	21,386
Average interest rate on financial liabilities at fair value through profit or loss	-	-
Total interest expense	**80,627**	**100,677**
Average interest rate on interest bearing liabilities[(1)]	**9.1%**	**11.3%**

Note:
(1) Based on the average of the opening and closing balances of interest-bearing liabilities for the period.

Interest expenses for the year ended 31 December 2009 decreased by 19.9% down to KZT 80,627 million from KZT 100,677 for the year ended 31 December 2008. This reduction was primarily associated with the suspension of interest expenses accrual under foreign obligations to be restructured as well as the reduction of expenses under derivative financial instruments due to the closure of swap transactions.

Interest on Debt Securities Issued

Interest on debt securities issued increased by 18.3 per cent. to KZT 35,795 million for the year ended 31 December 2009 compared to KZT 30,268 million for the year ended 31 December 2008. The increase was driven by an increase in the issuance of debt securities in the amount of KZT 105,000 million.

Interest on Due to Banks

Interest on amounts due to banks decreased by 54.0 per cent. to KZT 7,581 million for the year ended 31 December 2009 compared to KZT 16,510 million for the year ended 31 December 2008. The decrease was caused by the Bank's repayment of a portion of the loans due to banks and the suspension of interest payments on the loans to be restructured.

Interest on Customer Accounts

Interest expense on interest bearing customer deposits decreased by 30.2 per cent. to KZT 14,697 million for the year ended 31 December 2009 compared to KZT 21,043 million in 2008.

The decrease was due to the reduction in the number of current customer accounts and deposits by 18.7 per cent. and an increase in the proportion of current accounts as a percentage of total customer accounts from 13.4 per cent. as at 31 December 2008 to 45.6 per cent. as at 31 December 2009.

Interest on Repurchase Operations

Interest expense on repurchase operations increased by 69.2 per cent. to KZT 3,375 million for the year ended 31 December 2009 compared to KZT 1,995 million for the year ended 31 December 2008. This increase in expenses resulted from the growth of funds raised under repurchase operations for the Bank's liquidity maintenance.

Interest expense with respect to the Government's funds

Interest expenses with respect to the Government's funds increased by 334.0 per cent. from KZT 367 million for the year ended 31 December 2008 to KZT 1,597 million for the year ended 31 December 2009. This increase was due to further loans received from the Government. Loans received from the Government increased by 407.0 per cent. from KZT 4,460 million as at 31 December 2008 to KZT 22,613 million as at 31 December 2009.

Loan Loss Provisions

The Bank was forced to recognise provisions for impairment losses on loans due to customers of KZT 166,461 million for the year ended 31 December 2009 compared to KZT 242,273 million of provisions recognised for the year ended 31 December 2008. The large number of provisions recognised for these two years were due to the deterioration in the quality of the Bank's loan portfolio and the more conservative provisioning policy of the Bank's new management. Fewer provisions were recognised for the year ending 31 December 2009 than for the year ended 31 December 2008 due to the fact that the bulk of the deterioration in the Bank's loan portfolio was attributed to the year ended 31 December 2008.

During 2009, the Bank's non-performing loans, which the Bank defined as loans which were more than 90 days overdue (or 120 days overdue in respect of PILs), increased to 52.4 per cent. as at 31 December 2009 from 13.1 per cent. as at 31 December 2008 as a percentage of total gross loans on the basis of Adjusted IFRS. This increase was largely due to the general deterioration of the loan portfolio as a result of the global financial crisis and all of the related consequences, as well as the more conservative risk management policy adopted by the Bank's new management as a result of its internal due diligence process commenced in February 2009. See "*The Bank — Overview of the Bank and Background to the Restructuring*". See also the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*".

For 2009, net write-offs were negative KZT 232 million, which represented gross write-offs of KZT 647 million during the year without subtracting recoveries. For 2008, net write-offs were negative KZT 16,245 million, including gross write-offs of KZT 16,245 million during the year without subtracting recoveries. The methodology for calculating net write-offs was changed between 2007 and 2008 with respect to the treatment of recoveries. The increase in write-offs during 2009 was due to deterioration in the overall quality of the loan portfolio.

Non-interest (Loss)/Income

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

	Year ended 31 December	
	2009	2008
	(KZT millions)	
Fee and commission income	7,452	12,817
Fee and commission expense	(2,191)	(24,584)
Net loss on financial instruments at fair value through profit or loss	(64,411)	(32,882)
Net foreign exchange (loss)/gain	(51,785)	15,564
Net gain on repurchase of liabilities	3,967	3,712
Net loss on available for sale assets	(299)	(1)
Other operating (loss)/income	(728)	1,718
Net non interest (loss)/income	**(107,995)**	**(23,656)**

For the year ended 31 December 2009, the Bank recorded a net non-interest loss of KZT 107,995 million, compared to a net-interest loss of KZT 23,656 million for the year ended 31 December 2008.

This increase was primarily associated with the loss from foreign currency operations for 2009 amounting to KZT 51,785 million compared to the net profit from foreign currency operations for 2008 amounting to KZT 15,564 million. This loss resulted from foreign exchange rate difference losses totalling KZT 52,417 million. Another cause of this increase was an increase in net loss under financial instruments assessed at fair cost. As at 31 December 2009, net loss under financial instruments amounted to KZT 64,411 million whereas as at 31 December 2008 it amounted to KZT 32,882 million.

Net Fees and Commissions

The following table presents a breakdown of net fee and commission (loss)/income for the years ended 31 December 2009 and 2008.

	Year ended 31 December	
	2009	2008
	(KZT millions)	
Settlement	5,324	8,465
Commissions on letters of credit and guarantees	1,524	3,052
Foreign exchange and securities operations	314	436
Trust, custodian and other fiduciary services	77	86
Lending operations	52	551
Other	161	227
Total fee and commission income	**7,452**	**12,817**
Collection services	1,673	2,151
Settlement bank services	115	133
Maintenance of card accounts	103	100
Customer accounts services by financial agents	76	123
Foreign currency and security operations	61	52
Eurobonds and loans	40	28
Documentary operations	16	56
Insurance premium to related party	-	21,723
Other	107	218
Total fee and commission expense	**2,191**	**24,584**
Net fee and commission income	**5,261**	**(11,767)**
Net fee and commission income before insurance premium expense	**5,261**	**9,956**

Net fees and commissions income was KZT 5,261 million for the year ended 31 December 2009 compared to a net fees and commissions loss of KZT 11,767 million for the year ended 31 December 2008. The loss for 2008 was primarily due to expenses borne by the Bank in relation to termination of the contracts with Alliance Policy. The Bank's net fees and commissions income before insurance

premium expense decreased by 47.2 per cent. to KZT 5,261 million for the year ended 31 December 2009 compared to KZT 9,956 million for the year ended 31 December 2008.

Fee and Commission Income

Fee and commission income obtained by the Bank for 2009 amounted to KZT 7,452 million with a reduction by 41.9 per cent. compared to 2008. This decrease was primarily associated with a reduction of income from cash operations by 37.1 per cent. down to KZT 5,324 million for 2009 from KZT 8,465 million for 2008 due to a fall of the Bank's credit activity as well as a decrease in the operational activity of the Bank's customers. A decrease in income from letters of credit and guarantees by 50.1 per cent. from KZT 3,052 million for 2008 down to KZT 1,524 million for 2009 also contributed to the decrease in fee and commission income.

Fee and Commission Expense

Fee and commission expenses for 2009 decreased by 91.1 per cent. to KZT 2,191 million compared to KZT 24,584 for 2008. This decrease was a result of the termination of the contracts with Alliance Policy.

General Administrative Expenses

The following table shows the composition of the Bank's general administrative expenses for the periods indicated:

	Year ended 31 December	
	2009	2008
	(KZT millions, except percentages)	
Payroll and related taxes	8,438	10,055
Depreciation and amortisation	3,253	3,033
Taxes other than on income	1,644	1,423
Legal services	1,228	31
Payments to Deposit Insurance fund	921	654
Occupancy	876	1,591
Professional services	726	452
Advertising and marketing	616	1,132
Communications and information services	518	648
Security	377	216
Cash collection services	249	240
Buildings maintenance	237	249
Repairs and maintenance	129	579
Travel expenses	112	219
Transportation services	97	147
Representative expenses	84	288
Charity and sponsorship	72	224
Office supplies	57	102
Insurance	35	64
Other	471	542
General administrative expenses	20,140	21,889
Key ratios (percentages)		
Cost/income[(1)]	-	52.4%
Staff costs/total operating expenses	41.9%	45.9%
Costs/average assets[(2)]	3.5%	2.3%

Notes:
(1) Cost/income is calculated as a percentage equal to operating expenses divided by the sum of net interest income before provision for impairment losses on interest-bearing assets and net non-interest (loss)/income.
(2) Based on the average of the opening and closing balance of total assets for the period.

General administrative expenses incurred by the Bank for 2009 amounted to KZT 20,140 million representing a decrease of 8.0 per cent. from KZT 21,889 million for 2008. This decrease was primarily due to a decrease in expenses related to staff salaries and related taxes by 16.1 per cent. down to KZT 8,438 million for 2009 from KZT 10,055 million for 2008.

Payroll and related taxes

Staff salary and related taxes decreased by 16.1 per cent. to KZT 8,438 million for 2009 from KZT 10,055 million for 2008. This decrease was due to a reduction in the number of employees employed by the Bank.

Legal services

Legal services expenses increased from KZT 31 million for 2008 to KZT 1,228 million for 2009 due to legal costs incurred relating to Bank's Restructuring.

Rent

The Bank's rent expenses decreased by 44.9 per cent. to KZT 876 million as a result of the optimisation of the branch network of the Bank as well as a reduction of expenses for rented premises. As at 31 December 2009, the Bank had a total of 19 branches and 115 cash offices compared to 21 and 176, respectively, as at 31 December 2008.

Advertising and marketing

Advertising and marketing expenses decreased by 45.6 per cent. to KZT 616 million for 2009 from KZT 1,132 million for 2008. This decrease was due to the optimisation of the operational expenses of the Bank as a result of the reduction of its operational activities due to the Restructuring.

Income Tax

The Bank reported an income tax expense of KZT 25 million for the year ended 31 December 2009, compared to an income tax benefit of KZT 346 million for the year ended 31 December 2008, as a result of tax deductible expenses of the Bank exceeding taxable income during that period.

The following table presents certain information regarding corporate income tax payable by the Bank:

	Year ended 31 December	
	2009	2008
	(KZT millions, except percentage)	
(Loss)/profit before income tax	(298,415)	(386,556)
Income tax benefit/(expense)	(25)	346
Net (loss)/profit	(298,440)	(386,210)
Effective tax rate	-	-

Financial Condition as at 31 December 2009 and 2008

Total Assets

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

	As at 31 December	
	2009	2008
	(KZT millions)	
Cash and cash equivalents	15,388	60,855
Placements with banks	2,702	6,318
Financial instruments at fair value through profit or loss	16,369	201,973
Loans to customers	243,707	433,475
Amounts receivable under reverse repurchase agreements	-	132
Available-for-sale assets	97,657	2,741
Current tax asset	919	2,677
Property, equipment and intangible assets	25,012	34,197
Other assets	17,340	5,940
Total assets	**419,094**	**748,308**

As at 31 December 2009, the Bank had total assets of KZT 419,094 million, reflecting a decrease of 44.0 per cent. from KZT 748,308 million as at 31 December 2008. The decrease in assets during this

period was mainly attributable to the decrease of the Bank's loan and securities portfolios. The securities portfolio decreased by 91.9 per cent. to KZT 16,369 million as at 31 December 2009 from KZT 201,973 million as at 31 December 2008. This decrease was partially due to the foreclosure of KZT 136,972 million in T Bills by Russian financial institutions to settle the Bank's obligations under the guarantees. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*".

Net loans to customers decreased by 43.8 per cent. to KZT 243,707 million as at 31 December 2009 from KZT 433,475 million as at 31 December 2008, reflecting increased loan loss provisions from KZT 269,790 as at 31 December 2008 to KZT 454,175 million as at 31 December 2009 as well as due to reduction of the loan portfolio as a result of the amortisation of the existing loan portfolio and the suspension of the active origination of new loans. Placements with banks decreased by 57.2 per cent. to KZT 2,702 million as at 31 December 2009 from KZT 6,318 million as at 31 December 2008. Cash and cash equivalents decreased by 74.7 per cent. to KZT 15,388 million as at 31 December 2009 from KZT 60,855 million as at 31 December 2008 due to the closure of margin-calls, the transfer of a KZT 24,000 million deposit to the FMSA's account and the contraction in the Bank's liquidity. See "*The Bank — Overview of the Bank and Background to the Restructuring*".

Total Liabilities

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

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Current accounts and deposits from customers	153,776	189,044
Due to the National Bank of the Republic of Kazakhstan	0	15,026
Loans from the Government of the Republic of Kazakhstan	22,613	4,460
Amounts subject to the Restructuring Plan as at 31 December 2009		
- Loans from banks	129,647	137,377
- Loans from other financial institutions	45,832	35,741
- Debt securities issued	360,279	286,584
- Subordinated debt	48,194	41,760
- Amount due to the Parent Company	105,000	0
- Other liabilities subject to the Restructuring Plan	45,272	0
Other financing	16,206	29,449
Amounts payable under repurchase agreements	5,010	41,945
Financial instruments at fair value through profit or loss	19	50,168
Special provision for guarantees	0	136,972
Other liabilities	13,017	6,962
Total liabilities	**944,865**	**975,488**

As at 31 December 2009, the Bank had total liabilities of KZT 944,865 million, reflecting a decrease of 3.1 per cent., from KZT 975,488 million as at 31 December 2008. This increase was due to the decrease in special provisions under guarantees which offset the increase in debt securities issued by 25.7 per cent. to KZT 360,279 million as at 31 December 2009 from KZT 286,584 million as at 31 December 2008, primarily related to the issuance of the KZT 105,000 million Bank Bonds. All of the Bank Bonds were purchased by Samruk-Kazyna. See "*The Bank — Business of the Bank — Capital Markets*".

As a result of large scale outflows of the Bank's customer deposits, customer accounts and deposits from customers reduced by 18.7 per cent. to KZT 153,776 million as at 31 December 2009 from KZT 189,044 million as at 31 December 2008, despite the support of Samruk-Kazyna.

As at 31 December 2009, the Bank had liabilities due to the Government of KZT 22,613 million, reflecting an increase of 407.0 per cent. from KZT 4,460 million as at 31 December 2008. The increase in liabilities was primarily related to the KZT 18,000 million loan received pursuant to the SME State Finance Programme. See "*Selected Statistical and Other Information — Funding — State Finance Programmes*".

As at 31 December 2009, the Bank had liabilities for funds received under repurchase agreements of KZT 5,010 million, reflecting a decrease by 88.1 per cent. from KZT 41,945 million as at 31 December 2008. The Bank repaid these repurchase agreements to support the liquidity of the Bank.

Furthermore, the Tenge equivalent of the Bank's liabilities denominated in foreign currencies increased as a result of the devaluation of the Tenge in February 2009. See "*Exchange Rates and Exchange Controls — Exchange Rates*".

Equity

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

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Share capital	96,380	96,380
Additional paid-in-capital	1,222	1,222
Revaluation surplus for property	2,134	2,023
Revaluation reserve for available-for-sale assets	(408)	(29)
Accumulated losses	(625,099)	(326,776)
Total deficit	**(525,771)**	**(227,180)**

As at 31 December 2009, the Bank's total equity amounted to negative KZT 525,771 million, compared to total equity of negative KZT 227,180 million as at 31 December 2008. This negative result was primarily due to the losses incurred as a result of the transactions related to the T Bills and the significant provisions expense and other losses from the Bank's operations.

Capital Adequacy

Due to the completion of the Restructuring on 26 March 2010, the Bank's regulatory capital adequacy ratios, as at 31 March 2010, for K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios were 6.1 per cent. and 6.8 per cent. and for K2 (own capital to total assets weighted for risk) ratio, the Bank's ratio was 12.5 per cent. compared to negative ratios for the year ended 31 December 2009.

As at the date of this Prospectus, the capital adequacy ratios applicable to the Bank are 5 per cent. for K1 capital and 10 per cent. for K2 capital due to the fact that, pursuant to Instruction No 358 of the FMSA dated 30 September 2005, these ratios are applicable to banks whose shares are at least 10 per cent. owned by a national management holding company such as Samruk-Kazyna.

The Bank achieved compliance with the FMSA's regulatory capital adequacy ratios following the successful completion of the Restructuring. Pursuant to the Restructuring, a significant amount of the principal amount of the Bank's financial indebtedness was written off and further indebtedness was converted into Common Shares and Preference Shares of the Bank. The Restructuring also saw the Bank's capital increase due to Samruk-Kazyna's subscription for additional Common Shares for KZT 24,000 million and its conversion of KZT 105,000 million of Bank Bonds into Preference Shares.

The following table gives information regarding the Bank's total, Tier I and Tier II capital and its capital adequacy ratios calculated on the basis of Adjusted IFRS.

	As at 31 December	
	2009	2008
	(KZT millions, except percentages)	
Total capital	(448,023)	191,636
Tier I capital	(448,023)	171,806
Tier II capital	0	19,830
Total assets weighted for risk	993,092	991,994
K1 (Tier I capital to total assets)	(84.1)%	16.6%
K2 (own capital to total assets weighted for risk)	(45.1)%	19.3%

The following table sets out certain ratios calculated on the basis of Adjusted IFRS as at 31 December 2009 and 2008 regarding capital adequacy, foreign exchange positions, maximum exposures and certain other matters:

	FMSA's Minimum Requirements	As at 31 December	
		2009	2008
Minimum Share Capital (KZT)[1]	Not less than KZT 5,000 million[*]	KZT 96,380 million	KZT 96,380 million
K1 1 (Tier I capital to total assets)	Not less than 6%	(84.1)%	16.6%
K1 2 (Tier 1 capital to total assets weighted for risk	Not less than 6%	(45.1)%	16.6%
K2 (own capital to total assets weighted for risk[2])	Not less than 12%[3]	(45.1)%	19.3%
K4 (current liquidity ratio)[4]	Greater than 30%	139%	-
K4 1 (quick liquidity ratio)	Min 1.0	17,928	1,963
K4 2 (quick liquidity ratio)	Min 0.9	8,50	2,221
K4 3 (quick liquidity ratio)	Min 0.8	3,635	1,924
Reserves with the NBK and cash[5]	1.5% of most of domestic liabilities and 2.5% of all other, including foreign, liabilities	KZT 26,444 million	KZT 21,216 million
K6 (investments in fixed assets and non financial assets to own capital)	Not greater than 50% of bank's own capital	(7.3)%	18.8%
Maximum aggregate net open foreign currency position	25% of bank's own capital	(87)%[3]	5.3%
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	12.5% of bank's own capital	(85)%[3]	5.1%
Maximum net open position in currencies of countries rated below "A"	5% of bank's own capital	(3)%[3]	0.2%
Related parties	Not greater than 10%	(2.2)%[3]	7.0%
Other borrowers	Not greater than 25%	(9.6)%[3]	12.0%
On unsecured loans	Not greater than 10%	(2.4)%[3]	2.5%

* For recently established banks, effective as at 1 July 2009.

Notes:

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

(2) The FMSA's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and Tier III capital (not exceeding 250 per cent. of the part of Tier I capital aimed to cover market risk) less investments. Tier I capital is the sum of share capital less treasury shares plus share premium plus retained earnings from prior years (including funds and reserves out of net profit from prior years), plus open-end financial instruments less the sum of intangible assets (excluding licensed software corresponding to IAS 38 purchased for the purposes of the Bank's main line of business), losses from prior years and current losses for the period. Tier II capital is the sum of current profit for the period plus revaluation of capital assets and securities plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk-weighted assets) plus covered open-end financial instruments not included in Tier I capital plus Tier II subordinated debt (but no more than 50 per cent. of Tier I capital), less subordinated debt of the Bank redeemed by the Bank. Tier III capital is the sum of Tier III subordinated debt plus Tier II subordinated debt not included into the calculation of Tier II capital.

(3) 10 per cent. for banks with a bank holding company among their shareholders or whose shares were acquired by the Government or a national management holding company or where more than 50 per cent. of issued shares belong to the state.

(4) The current currency liquidity limit is calculated as high liquidity assets averaged monthly divided by paid-on-demand liabilities in the same currency averaged monthly.

(5) Ratio of the net currency position (including balance sheet items) to equity in accordance with the FMSA requirements.

The following table gives certain IFRS information regarding the Bank's Tier I and Tier II capital and its risk-weighted capital adequacy ratio based on methodology established by the BIS as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
Tier I capital	(505,228)	(211,055)
Tier II capital	19,396	21,293
Gross Tier I + Tier II capital	(485,832)	(189,762)
Less investments	-	—
Tier I capital + Tier II	(485,832)	(189,762)
Total risk weighted assets	466,489	693,550
Tier I capital adequacy ratio	-(1)	-(1)
Total risk weighted capital adequacy ratio	-(1)	-(1)

Note:
(1) The relevant ratio for this period was negative.

As at 31 December 2009 and 2008, the Bank did not comply with the BIS Tier I capital adequacy requirements because its capital was negative.

Capital Expenditures

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

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Land and buildings	38	4,065
Computers	28	619
Vehicles	5	1
Construction in progress	-	46
Other fixed assets	738	1,787
Intangible assets	74	422
Total capital expenditure	**883**	**6,940**

Note: Capital expenditures are defined as "Additions" in Note 17 of the 2009 Annual Financial Statements.

Capital expenditures were KZT 883 million for the year ended 31 December 2009, comprising mainly investments in furniture, computers and IT software updates. No other capital expenditures have been made over this period.

Capital expenditures decreased by 87.2 per cent., to KZT 883 million for the year ended 31 December 2009 from KZT 6,940 million for the year ended 31 December 2008, primarily due to the slowdown in business operations in 2009.

Off-Balance Sheet Arrangements

Capital Commitments

The Bank had no material capital commitments outstanding known as at 31 December 2009 and 2008. However, the Bank had the following operating lease commitments as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Less than 1 year	347	939
Between 1 and 5 years	556	1,559
More than 5 years	87	277
Total operating lease commitments	**990**	**2,775**

Other Commitments

The Bank enters into financial arrangements with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These arrangements, which include guarantees and letters of credit, involve varying degrees of credit risk and are not reflected on the Bank's balance sheet. The following table sets forth the maximum exposure to credit loss of the Bank's off-balance sheet arrangements as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Contracted amount		
Commitments on loans and unused credit lines	101,659	126,491
Guarantees issued and similar commitments	7,477	12,927
Letters of credit and other transaction related contingent obligations	4,534	20,622
Pledge of the treasury bills [(1)]	-	136,972
	113,670	**297,012**

Notes:
(1) See Notes 14 and 23 of the 2009 Annual Financial Statements.

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

The Bank applies the same credit control and management policies to its off-balance sheet commitments as it does to its on-balance sheet operations. The Bank made a provision of KZT 2,002 million for the year ended 31 December 2009 and provisions of KZT 4,642 million for the year ended 2008 in respect of letters of credit and guarantees. A special provision in the amount of KZT 136,972 million as at 31 December 2008 has been established to cover probable losses under the guarantees issued by the Bank between 2006 and 2008 for the benefit of two Russian financial institutions, supported by pledges of the Bank's T Bills. The provision represents the total amount of T Bills given as security for the guarantees. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future"* and "*Statistical and Other Information — Funding — Treasury Operations and T Bills*".

The Bank is in the process of changing its existing policies and procedures relating to off-balance sheet arrangements, and expects this process to be completed by the end of 2009.

Since it is highly uncertain whether the Bank will recover any amounts in respect of the guarantee, the Bank has recorded provisions in the amount of KZT 136,972 million as at 31 December 2008 for estimated losses related to the identified guarantee transactions. The provision represents the total amount of the T Bills securing the guarantees.

SELECTED STATISTICAL AND OTHER INFORMATION

The following information is included for informational purposes and you should read the selected statistical and other information set forth below in conjunction with "*Management's Discussion and Analysis of Results of Operations and Financial Condition*," "*Selected Condensed Consolidated Financial Data*" and "*Presentation of Financial and Other Information*" as well as the Financial Statements. Certain statistical information has been derived from the Financial Statements and except where otherwise indicated the figures have been prepared in accordance with IFRS.

Average Balances and Net Interest Income

The following table sets out the Bank's average balances of assets and liabilities based upon the average of the opening and closing balances each month for the years ended 31 December 2009 and 2008:

	Year ended 31 December					
	2009			2008		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(KZT millions)		*(per cent.)*	*(KZT millions)*		*(per cent.)*
Interest bearing assets						
Financial assets at fair value through profit or loss and investments available for sale	**144,766**	**6,202**	**4.3**	**164,482**	**7,175**	**4.4**
Tenge	92,375	2,609	2.8	24,523	2,331	9.5
Foreign currency	52,391	3,594	6.9	139,959	4,845	3.5
Derivative financial instruments (assets)	**12,749**	**9,297**	**—**	**32,636**	**15,496**	**—**
Tenge	1,979	1,288	—	14,384	1,370	—
Foreign currency	10,770	8,009	—	18,252	14,126	—
Due from banks and cash and balances with the NBK	**36,549**	**274**	**0.8**	**33,223**	**1,133**	**3.4**
Tenge	8,399	52	0.6	13,716	565	4.1
Foreign currency	28,150	222	0.8	19,507	569	2.9
Repurchase agreements	**44**	**0**	**0.1**	**213**	**6**	**2.7**
Tenge	44	0	0.1	213	6	2.7
Loans to customers	**356,648**	**69,416**	**19.5**	**686,053**	**142,275**	**20.7**
Tenge	166,699	42,402	25.4	341,959	89,575	26.2
Foreign currency	189,949	27,013	14.2	344,094	52,700	15.3
Total interest bearing assets	**550,756**	**85,189**	**15.5**	**916,606**	**166,086**	**18.1**
Tenge	269,496	46,351	17.2	394,795	93,846	23.8
Foreign currency	281,260	38,838	13.8	521,811	72,240	13.8

	31 December	
	2009	2008
	Average Balance	
	(KZT millions)	
Non interest bearing assets		
Cash and balances with the NBK	18,773	55,920
Tenge	13,350	25,485
Foreign currency	5,423	30,435
Due from banks	315	1,132
Tenge	0	10
Foreign currency	315	1,122
Investments available for sale	49	63
Tenge	49	63
Foreign currency	—	—
Property, equipment and intangible assets	30,629	32,833
Tenge	30,629	32,833
Foreign currency	0	—
Other assets	11,730	22,352
Tenge	8,420	21,296
Foreign currency	3,309	1,056
Total non interest bearing assets	61,495	112,299
Tenge	52,448	79,686
Foreign currency	9,047	32,613

	As at and for the year ended 31 December					
	2009			2008		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
	(KZT millions)		*(per cent.)*	*(KZT millions)*		*(per cent.)*
Interest bearing liabilities						
Due to the NBK and due to banks	**159,193**	**7,581**	**4.8**	**238,128**	**16,510**	**6.9**
Tenge	28,193	2,375	8.4	55,831	4,418	7.9
Foreign currency	131,000	5,206	4.0	182,297	12,092	6.6
Due to other financial institutions	**38,681**	**2,255**	**5.8**	**41,369**	**2,926**	**7.1**
Tenge	15	10	—	—	8	—
Foreign currency	38,666	2,245	5.8	41,369	2,918	7.1
Repurchase agreements	**37,679**	**3,375**	**9.0**	**20,978**	**1,995**	**9.5**
Tenge	37,679	3,375	9.0	17,630	1,853	10.5
Foreign currency	—	—	—	3,347	142	4.3
Customer accounts	**147,312**	**14,697**	**10.0**	**185,162**	**21,042**	**11.4**
Tenge	116,948	11,277	9.6	144,229	17,254	12.0
Foreign currency	30,364	3,421	11.3	40,933	3,788	9.3
Loans from the Government of the Republic of Kazakhstan	**16,634**	**1,597**	**9.6**	**4,460**	**367**	**8.3**
Tenge	16,634	1,597	9.6	4,460	367	8.3
Foreign currency	—	—	—	—	—	—
Debt securities issued	**403,106**	**35,795**	**8.9**	**313,639**	**30,268**	**9.7**
Tenge	92,969	9,085	9.8	19,639	1,907	9.7
Foreign currency	310,138	26,710	8.6	294,000	28,360	9.6
Subordinated debt	**45,664**	**4,174**	**9.1**	**38,293**	**4,159**	**10.9**
Tenge	16,153	1,626	10.1	15,201	1,872	12.3
Foreign currency	29,510	2,548	8.6	23,092	2,287	9.9
Other financing	**24,234**	**1,672**	**6.9**	**30,367**	**2,023**	**6.7**
Tenge	—	0	—	—	—	—
Foreign currency	24,234	1,672	6.9	30,367	2,023	6.7
Financial liabilities at fair value through profit or loss	**17,724**	**9,481**	**—**	**24,230**	**21,386**	**—**
Tenge	2,201	1,581	—	5,682	6,221	—
Foreign currency	15,523	7,901	—	18,548	15,166	—
Total interest bearing liabilities	**890,227**	**80,627**	**9.1**	**893,279**	**100,677**	**11.3**
Tenge	310,792	30,924	10.0	259,327	33,901	13.1
Foreign currency	579,435	49,703	8.6	633,952	66,776	10.5

	2009	2008
	Average Balance	
	(KZT millions)	
Non interest bearing liabilities		
Due to banks	**22**	**121**
Tenge	—	93
Foreign currency	22	28
Customer accounts	**29,513**	**28,583**
Tenge	26,365	24,661
Foreign currency	3,148	3,922
Other liabilities	**70,443**	**40,910**
Tenge	2,883	4,993
Foreign currency	67,560	35,917
Total non interest bearing liabilities	**99,978**	**69,614**
Tenge	29,248	29,747
Foreign currency	70,730	39,867

Interest-bearing Assets

The following table indicates average interest-bearing assets and interest income, yield, margin and spread on the Bank's interest-bearing assets for the six-month period ended 31 December 2009 and 2008, as calculated by the Bank's management based on IFRS.

	Year ended 31 December	
	2009	**2008**
	(KZT millions, except percentages)	
Average interest bearing assets	**550,756**	**916,606**
Tenge	269,496	394,795
Foreign currency	281,260	521,811
Interest Income	**85,189**	**166,086**
Tenge	46,351	93,846
Foreign currency	38,838	72,240
Net Interest Income	**4,562**	**65,409**
Tenge	15,427	59,945
Foreign currency	(10,865)	5,464
Yield (percentage)[(1)]	**15.5**	**18.1**
Tenge	34.4	23.8
Foreign currency	27.6	13.8
Margin (percentage)[(2)]	**0.8**	**7.1**
Tenge	11.4	15.2
Foreign currency	(7.7)	1.0
Spread (percentage)[(3)]	**6.4**	**6.8**
Tenge	14.5	10.7
Foreign currency	10.5	3.3

Note:
(1) Yield is calculated as a percentage of interest income in average interest-bearing assets
(2) Margin is calculated as a percentage of net interest income in average interest-bearing assets
(3) Spread is calculated as a difference of yield and average interest rate. Average interest rate is calculated as a percentage of interest expenses in interest-bearing liabilities

The following table sets out maturity profiles for the Bank's interest-bearing assets and interest-bearing liabilities as at

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	No
				(KZT millions)		
ASSETS						
Cash and cash equivalents	15,388	-	-	-	-	
Placements with banks	1,035	403	569	-	695	
Financial instruments at fair value through profit or loss	-	16,369	-	-	-	
Loans to customers	875	470	3,522	81,227	16,155	1
Available-for-sale assets	227	96,250	-	1,131	-	
Total financial assets	**17,525**	**113,492**	**4,091**	**82,358**	**16,850**	
LIABILITIES						
Current accounts and deposits from customers	72,980	740	11,807	38,226	30,023	
Loans from the Government of the Republic of Kazakhstan	-	-	-	2,196	20,417	
Loans from banks	7	129,640	-	-	-	
Loans from other financial institutions	-	45,832	-	-	-	
Debt securities issued	-	360,279	-	-	-	
Subordinated debt	-	26,878	-	18,530	-	
Amount due to the Parent Company	-	105,000	-	-	-	
Other liabilities subject to the Restructuring Plan	-	45,272	-	-	-	
Other financing	-	16,206	-	-	-	
Amounts payable under repurchase agreements	5,010	-	-	-	-	
Financial instruments at fair value through profit or loss	19	-	-	-	-	
Other liabilities	2,905	-	-	-	-	
Total financial liabilities	**80,921**	**729,847**	**11,807**	**58,952**	**50,440**	
Net position as at 31 December 2009	**(63,396)**	**(616,355)**	**(7,716)**	**23,406**	**(33,590)**	
Net position as at 31 December 2008	(490,683)	8,278	131,368	(8,276)	99,868	
Cumulative net position as at 31 December 2009	**(63,396)**	**(679,751)**	**(687,467)**	**(664,061)**	**(697,651)**	
Cumulative net position as at 31 December 2008	(490,683)	(482,405)	(351,037)	(359,313)	(259,445)	

Return on Assets and Equity

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

	As at and for the year ended 31 December	
	2009	2008
	(KZT millions, except percentages)	
Net (loss)/profit	(298,440)	(386,210)
Average total assets(1)	583,701	954,620
Average ordinary shareholders' equity(1)	—	-
Average ordinary shareholders' equity/average total assets(1)	—	-
Average total assets (percentage)(3)	(51.1)%	(40.5)%
Average ordinary equity (percentage)	—	—
Net (loss)/profit attributable to preference shareholders (2)	—	—
Net (loss)/profit attributable to ordinary shareholders of the parent (2)	—	—

Notes:
(1) Based on the average of the opening and closing balances for the relevant balance sheet item for the period.
(2) Not covered by the 2009 Annual Financial Statements.
(3) Average total assets is calculated as a percentage of loss for the year in mean value of assets for 2008 and 2009.

Trading and Investment Portfolio

The Bank structures its securities portfolio based on a number of factors, including the liquidity, diversification and yield to maturity of the securities held by it. During 2005, the Bank's management decided to diversify its securities portfolio to manage its exposure to the NBK and the Government of Kazakhstan, which had historically comprised up to 90 per cent. of the Bank's assets held for trading. Currently, the Bank's policy is to maintain Government securities of not less than 6 per cent. of its trading portfolio, securities of corporates (excluding Samruk-Kazyna) of not more than 20 per cent., Samruk-Kazyna bonds of not more than 85 per cent., securities of foreign issuers rated not less than A by S&P or Fitch of not more than 1 per cent., structured bonds and notes of not more than 5 per cent. and subordinated bonds of not more than 27 per cent.

The following table shows the composition of securities held by the Bank as at 31 December 2009 and 2008:

	31 December	
	2009	2008
	(KZT millions)	
Financial assets at fair value through profit or loss	16,369	201,973
Assets available for sale	97,657	2,741
Total	**114,026**	**204,714**

The following tables show the maturity of assets included in the Bank's securities portfolio (comprising financial ass investments available-for-sale, and investments in associated companies) and the weighted average yield for each ran ended 31 December 2008 and 2009, such information not being available for 2007:

	As at 31 December 2009							
	Up to 1 month		1 month to 3 months		3 months to 1 year		1 year to 5 years	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Financial assets at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Notes of the Ministry of Finance of the Republic of Kazakhstan	7,969	48	—	—	—	—	—	—
Debt securities of financial institutions.	6,390	38.5	—	—	—	—	—	—
Debt securities of corporates	2,010	12.1	—	—	—	—	—	—
Derivative financial instruments	—	—	—	—	—	—	—	—
Investments available for sale								
Debt securities (Including Bonds of Samruk Kazyn).	227	1.4	96,250	100	—	—	1,131	100
Equity securities	—	—	—	—	—	—	—	—
Total	**16,596**	**100**	**96,250**	**100**	**—**	**—**	**1,131**	**100**

Note: See Notes 14, 16 and 36 of the 2009 Annual Financial Statements

	As at 31 December 2008							
	Up to 1 month		1 month to 3 months		3 months to 1 year		1 year to 5 years	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Financial assets at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Bonds of the Government of the United States of America	136,972	67.8	—	—	—	—	—	—
Notes of the Ministry of Finance of the Republic of Kazakhstan	5,487	2.7	—	—	—	—	—	—
Debt securities of financial institutions.	26,106	12.9	—	—	—	—	—	—
Debt securities of corporates	1,136	0.6	—	—	—	—	—	—
Derivative financial instruments	32,272	16.0	—	—	—	—	—	—
Investments available for sale								
Debt securities	0	0.0	—	—	—	—	1,835	100
Equity securities	—	—	—	—	—	—	—	—
Total	**201,973**	**100**	**—**	**—**	**—**	**—**	**1,835**	**100**

Financial Assets at Fair Value through Profit or Loss

The Bank's portfolio of financial assets at fair value through profit or loss comprises notes issued by the NBK, bonds issued by the Ministry of Finance of the Republic of Kazakhstan and other Kazakhstan governmental and corporate issuers. The Bank also holds debt securities of financial institutions, including BTA Bank and ATF Bank, and debt securities of Kazakhstan companies, including JSC Ulbinsky Metallurgical Plant and JSC Doszhan Temir Zholi. The Bank's management is concerned about the fair value of the BTA Bank bonds in the Bank's trading portfolio as a result of the deterioration of BTA Bank's financial condition.

In the course of its due diligence, the new management of the Bank identified transactions entered into by the Bank between 2006 and 2008 that were not properly recorded on the Bank's balance sheet. The transactions included guarantees issued by the Bank supported by pledges of its T Bills which were fully provisioned. These T Bills had been used to settle the guarantees issued by the Bank and have been written off the Bank's balance sheet as at 31 December 2009. See "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*".

The following table shows the structure of the Bank's financial assets at fair value through profit or loss portfolio as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Assets		
Debt and other fixed-income instruments		
- Government bonds		
Rated from AAA	-	136,972
Rated from BBB- to BBB+	7,969	5,487
- Total government bonds	**7,969**	**142,459**
- Corporate bonds		
Rated from BBB- to BBB+	-	99
Rated from BB- to BB+	314	3,745
Rated from B- to B+	-	205
Rated below B-	985	-
Not rated	711	1,136
- Total corporate bonds	**2,010**	**5,185**
- Bank bonds		
Rated from AA- to AA+	2,896	3,263
Rated from A- to A+	2,936	1,054
Rated from BBB- to BBB+	402	-
Rated from BB- to BB+	-	17,189
Rated from B- to B+	156	551
- Total bank bonds	**6,390**	**22,057**

Note: Ratings are based on the standards of Standard & Poor's.

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Derivative financial instruments – assets		
Foreign currency contracts		
Spots	-	4
Swaps	-	32,268
	-	32,272
	16,369	**201,973**

Investments Available for Sale

As at 31 December 2009 and 2008, the Bank's investments available-for-sale comprised mostly of bonds of the Ministry of Finance of the Republic of Kazakhstan and other governmental and private Kazakhstan entities. The Bank also holds bonds of other financial institutions, including Bank CenterCredit and ATF Bank, in its investments available-for-sale portfolio.

The following table shows the structure of the Bank's investments available-for-sale portfolio as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	(KZT millions)	
Held by the Bank		
Debt and other fixed-income instruments		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan		
Rated from BBB- to BBB+	955	964
- Corporate bonds		
Rated from BBB- to BBB+	-	377
Rated from BB- to BB+	59	-
Not rated	85	616
- Bank bonds		
Rated from BBB- to BBB+	340	-
Rated from BB- to BB+	-	634
Rated from B- to B+	-	101
Rated below B-	3	-
- Bonds of the Parent Company		
Not rated	96,166	-
- Equity investments		
Corporate shares	49	49
	97,657	**2,741**

Investments Held-to-Maturity

The Bank had no investments held-to-maturity as at 31 December 2009.

Loan Portfolio

Currently the Bank provides five retail banking products — student loans pursuant to the Student Loans State Finance Programme and mortgages under the Mortgage State Finance Programme to the extent it receives repayment proceeds of the previously made Mortgage State Finance Programme loans, "Alliance deposit" deposit accounts, "Alliance Credit" as well as overdraft facilities offered on salary cards, which is a significant decrease from the number of products that the Bank marketed and sold prior to 2009.

The Bank's loan portfolio is monitored by the Bank's Head Office Credit Committee. The Head Office Credit Committee determines the amount that the Bank is prepared to lend, together with the type of collateral required to secure such loans. If there are any problems or potential problems either with the borrower or the credit, the loan is forwarded to the Bank's Problem Loan Department or Problem Retail Department, which develop the action plan to be approved by the Non-Performing Loans Committee in respect of each loan. See "*Selected Statistical and Other Information — Lending Policies and Procedures*".

The following table sets out the composition of the Bank's loans as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	(KZT millions)	
Originated loans	690,336	694,479
Gross investments in finance lease	5,526	8,786
Allowance for impairment losses	(454,175)	(269,790)
Total loans to customers	**243,707**	**433,475**

Loan Portfolio by Type of Loan

The following table presents a breakdown of the Bank's net loan portfolio into the Bank's retail, SME and corporate banking sectors as at 31 December 2009 and 31 December 2008 (on the basis of Adjusted IFRS):

	As at 31 December			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Retail[(1)(2)(3)]	107,374	69.8	231,848	37.3
Corporate[(2)(3)]	19,379	12.6	334,613	53.9
SME[(2)]	27,031	17.6	54,865	8.8
Total	**153,784**	**100.0**	**621,326**	**100.0**

Note:
(1) Retail loans are defined as "loans to individuals" in the Financial Statements. See Note 15 to the 2009 Annual Financial Statements and Note 16 to the 2008 Annual Financial Statements.
(2) The breakdown in this table is different from the segment reporting in the Financial Statements. In the Financial Statements, the Bank's loan portfolio is divided into the retail sector and corporate sectors individually significant and not individually significant, with the SME sector reporting being included in the corporate sector reporting. See Note 15 to the 2009 Annual Financial Statements.
(3) Retail and corporate loans presented in this table are calculated based on a different classification from the one used in the Financial Statements.

See "*The Bank — Business of the Bank — Retail Banking — Retail Lending*" for a breakdown of retail loans by type of loan as at 31 December 2009 and 2008.

Loan Portfolio by Sector

The Board of Directors of the Bank has approved a policy under which the Bank's General Credit Committee may establish limits on the Bank's total exposure to economic sectors as a percentage of its net loan portfolio. The General Credit Committee is expected to undertake a review of these limits.

Following the internal due diligence process commenced in February 2009, the Bank's new management decided to change definitions of industries in its accounting policy. Based on these decisions, the Bank's new management re-categorised certain loans for the period ended 31 December 2009. The re-categorisation of certain loans for the period ended 31 December 2009 renders the amounts incomparable to amounts for previous periods. Therefore, the following table sets forth certain information as to the structure of the Bank's loan portfolio by economic sector, as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	(KZT millions)	
Construction	113,729	96,228
Production of crude oil and natural gas	56,916	45,014
Real estate operations	56,413	32,623
Services provided by small and medium entities	42,151	48,963
Wholesale	28,807	32,979
Financial services	21,640	21,904
Transportation	15,534	12,175
Metallurgy industry	9,851	8,830
Finance lease	5,526	8,786
Chemical industry	4,495	2,405
Agriculture	4,486	8,484
Food	3,978	4,138
Retail	3,171	1,093
Production of metal goods	939	295
Post and communications	502	461
Other	15,394	20,151
	383,532	**344,529**
Impairment allowance	(303,444)	(194,768)
	80,088	**149,761**

Corporate loans that are not individually significant and loans to individuals are made to customers located in Kazakhstan.

Loan Portfolio by Currency

The level of Tenge-denominated loans has decreased to 47.0 per cent. of the Bank's loan portfolio as at 31 December 2009, compared to 50.9 per cent. as at 31 December 2008, primarily due to the repayment of Tenge-denominated loans and devaluation of the Tenge against the U.S. Dollar.

The following table sets forth the currency profile of the Bank's loan portfolio as at 31 December 2009 and 2008:

	As at 31 December			
	2009		**2008**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Tenge	114,582	47.0	220,579	50.9
U.S. Dollars	123,938	50.8	201,432	46.5
Euro	5,034	2.1	10,696	2.4
Others	153	0.1	768	0.2
Total loans	**243,707**	**100.0**	**433,475**	**100.0**

Placements with Banks

As at 31 December 2009, placements with banks decreased by 57.2 per cent. to KZT 2,702 million from KZT 6,318 million as at 31 December 2008. This decrease was due to the closing of bank deposits and the establishment of loan and deposit impairment provisions in the amount of KZT 1,411 million.

The following table shows a breakdown by currency of correspondent account balances and loans as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
	(KZT millions)	
Tenge	–	542
Foreign currency	2,702	5,776
Total due from banks	**2,702**	**6,318**

Lending Policies and Procedures

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 management is currently in the process of reviewing and improving the Bank's credit approval process and lending policies and procedures. Once the review process is completed, the revised policies and procedures will be presented for approval of the Board of Directors and implemented after the Bank fully resumes its normal lending operations and determines the parameters of its future lending products.

As at 31 December 2009, the Bank's lending operations were limited to loans provided pursuant to the State Finance Programmes. The Bank's lending policies for these types of loans are based on requirements and lending criteria of the relevant State Finance Programmes. See "*Selected Statistical and Other Information — Funding — State Finance Programmes*".

On 1 February 2010, the Bank commenced lending under its own SME lending programmes as well as providing salary card overdraft facilities to selected retail customers. Both SME and retail lending products are provided to a selected group of clients with good credit histories and no significant tax liabilities. Prior to submitting a SME loan application to the relevant decision-making body, the SME

lending division at branch level conducts a proper analysis of the company's existing business and collateral.

The principles of the new SME lending programmes were borrowed from the best practices of the EBRD and the SME State Finance Programmes, to which the Bank is an active participant. Salary card overdraft facilities are provided only to the Bank's employees and long term participants in the Bank's salary programmes with its largest corporate clients. See "*The Bank — Business of the Bank — SME Banking — SME Lending*" and "*The Bank — Business of the Bank — Retail Banking — Retail Lending*".

The Bank has a Head Office Credit Committee, an SME Credit Committee and a Retail Credit Committee which approve loans to be provided by the Bank depending on the type of borrower.

The Head Office Credit Committee is responsible for approving the terms of credit facilities and guarantees extended by the Bank (including its branches) to corporate customers and to any other customers if the amount of a facility exceeds U.S.$5 million. The SME Credit Committee is responsible for approving the terms of credit facilities and guarantees extended by the Bank (including its branches) to SMEs for amounts of up to U.S.$5 million. The Retail Credit Committee is responsible for approving the Bank's retail lending products. Subject to the parameters of the retail lending products approved by the Retail Credit Committee, the approval of the terms of credit facilities offered to each retail borrower is made using a scoring system by the Underwriting Desk of the Risk Department.

Each of the Bank's credit committees consists of representatives of the Risk Management Department, the Legal Department, the Security Department and the Commercial Department. The composition of each of the committees is designed to minimise the level of risks without affecting the Bank's profitability.

Under the JSC Law, certain categories of loans must be approved by the Board of Directors of a bank. Such categories include any loan to a related person or an affiliate.

Each of the Bank's branches has a SME Credit Committee which is authorised to approve loan applications within the approved limits. As at the date of this Prospectus, credit limits of the Bank's branches were between KZT 10 million and KZT 25 million depending on the branch.

Individual branch lending limits can be increased, reduced or revoked depending on the quality of the loan portfolio of the branch and the volume of credit applications. Lending limits may be changed upon request by the relevant branch or by the relevant department of the Bank's head office. All applications for credit must be submitted to the Bank on its standard forms. The relevant credit committee undertakes a thorough review and analysis of the application, including carrying out feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower, and prepares a credit dossier based upon the results of such analysis. If applicable, the relevant credit committee obtains references on the potential borrower from third parties, including information on the borrower from other banks, credit history records from the First Credit Bureau, information from the tax authorities on any tax arrears, and any security checks carried out by the Bank's security service.

If the loan is to be collateralised, the Bank makes an assessment of the collateral being offered, including assessments as to valuation, legality and enforceability. The Bank only accepts liquid collateral, such as cash, guarantees and real estate. The Bank also requires submission of a report by an independent appraiser regarding the value of real estate or vehicles provided as collateral, which is then reviewed by the Bank's Department on Collateral. The Bank's Legal Department is also involved in the credit process for each application and reviews the loan agreement and other relevant legal documentation.

In the past, the Bank used an automated scoring system to process information and approve applications for PILs. The use of the system was discontinued at the end of 2007 due to a large

number of non-performing retail loans accumulated by the Bank and the Bank's deteriorating financial condition. During June and July 2009, the Bank reviewed the principles and criteria of its scoring model for PILs and made a number of improvements and adjustments. The Bank's Scoring Desk plans to coordinate with the installation of improvements in the Bank's software the Information Projects Department. The implementation of this project will be subject to the Bank's overall strategy review.

Recovery Policies and Procedures

The Bank established the Problem Loan Department and the Problem Retail Department for the purpose of restructuring non-performing loans and coordinating and monitoring the recovery process generally. To assist the recovery process, in 2008 the Bank implemented a new software system to help the Bank monitor accounts receivable on non-performing loans, the effectiveness of the Bank's relevant departments and external collection agencies. The Bank's approach to the recovery of corporate and SME loans is handled on a case-by-case basis. The Bank's approach to the recovery of retail loans is standardised and handled initially by the Bank's dedicated call centre and the Problem Retail Department.

Corporate and SME Loans

The recovery process for corporate and SME loans is conducted on a case-by-case basis. Typically after a corporate or SME loan becomes overdue, the Bank enters into informal discussions with the borrower to resolve the default. If the informal discussions fail to achieve a solution, the Department on Non-Performing Loans will provide recommendations to the Non-Performing Loans Committee, which will then approve an action plan for each individual borrower. If delays in payments are caused by a reduction of profits of the borrower due to reduced sales and the overall impact of the financial crisis, the action plan may be to restructure the loan and agree to a reduced interest rate, an extension of maturity and/or flexible repayment terms depending on the seasonality of the borrower's business. The action plan may also call for the Bank to commence out-of-court foreclosure of collateral (for collateralised loans) or attempt to foreclose on property of the borrower that is not collateralised under the loan. If these steps do not provide effective relief, the Bank may commence court proceedings against the borrower. After all methods of redress have been exhausted and upon a special decision of the Non-Performing Loans Committee, the Bank writes off the non-performing loan.

Retail Loans

The recovery process for retail loans can be divided into three stages. The first stage of recovery relies on the Bank's dedicated collection call centre to collect information about each individual debtor's circumstances and agree a realistic timeframe for repayment. The call centre begins to work with a loan immediately after it has become overdue and continues phone enquiries and negotiations until the loan has been overdue for up to 60 days in the case of uncollateralised loans and up to 30 days in the case of collateralised loans. If the loan is not repaid during such time, or if the borrower refuses to pay, the corresponding file is handed over to the Department on Non-Performing Loans and the loan then moves to the next stage of the recovery process. As at 31 December 2009, the Bank's call centre employed 35 employees. In the period from 1 January 2009 to 31 December 2009, the call centre handled 653,868 overdue loans, of which 405,832, or 62.1 per cent., were either repaid fully or to the extent they were no longer overdue, in which case they were transferred to the Good Bank.

The second stage of the recovery process involves the Department on Non-Performing Loans which attempts to restructure the overdue loan and agree to new payment terms acceptable to the borrower. If it fails to reach an agreement on satisfactory terms, the Department issues formal payment demands to the borrower, commences out-of-court enforcement procedures to foreclose on collateral in the case of secured loans, takes possession of collateral and pursues recovery through court proceedings.

The third stage is the sale of overdue loans to collection agencies which are not related parties. In the past, the Bank primarily relied on collection agencies affiliated with SAFC. As at the date of this Prospectus, the Bank has terminated all work with collection agencies affiliated with SAFC. If an uncollateralised loan or car loan remains overdue after 180 days, or in some instances before such loans are overdue 180 days if the Bank believes the loans will not be repaid, the Bank will transfer such loans to collection agencies. As at 1 February 2010, the Bank used the services of the following five collection agencies: LLP "*Time Invest*", LLP "*Bureau on Working with Debtors*", LLP "*Kazakhstan Security System*", LLP Independent Collection Agency "*Ultimatum*" and LLP "*Pozitiv Finans*". As at 1 April 2010, the principal amount of loans transferred to the collection agencies was KZT 64,903 million. Under the terms of the agreements with such agencies, the Bank remains the legal owner of the relevant non-performing assets and records them on its balance sheet. However, all work in relation to recovery of the relevant assets is performed by the collection agency. If a collection agency recovers any portion of the asset, it withholds its commission and transfers the remaining money to the Bank. The commission agreed by the Bank with the collection agencies ranges from 12 per cent. to 23 per cent. depending on the collateral, the number of days the loan was overdue, the trading history of the relevant collection agency and other criteria.

The Bank typically charges penalties on overdue loans in an amount ranging from 0.2 to 1 per cent. of the principal amount per day. To motivate repayment, from 1 September 2009 to 31 October 2009, the Bank agreed to forgive penalties on overdue amounts on all retail products except credit cards if the borrower repays all overdue amounts owing during such time. This initiative was extended until 15 January 2010 and was then discontinued. As a result, average monthly cash repayments over the period increased by 20 per cent. with 480,023 borrowers taking advantage of the initiative.

The Bank periodically reviews its non-performing loans. If an uncollateralised loan or car loan remains overdue after 180 days, or in some instances before such loans are overdue 180 days if the Bank believes the loans will not be repaid, the Bank will transfer such loans to collection agencies.

Fraudulent Loans

The Bank's internal security service is involved in dealing with fraudulent non-performing loans. The service investigates circumstances related to such loans and passes on the relevant files to Kazakhstan's law enforcement agencies in accordance with applicable Kazakhstan law. As at the date of this Prospectus, no fraudulent non-performing loans for significant amounts were identified by the Bank.

Collateralisation

To reduce its credit risk, the Bank requires collateral from borrowers. Collateral includes, but is not limited to, real estate, machinery and motor vehicles, industrial equipment and industrial goods and inventories, as well as cash deposits, domestic securities and personal, corporate and financial institution guarantees.

In certain cases when existing collateral decreases in value, additional collateral may be requested. In addition, the terms of its loan agreements usually provide the Bank with the flexibility to adjust interest rates or request a prepayment of the loan or a portion thereof upon changes in circumstances, including a decline in the value of collateral.

The following table provides an analysis of corporate loans that are individually significant, net of impairment, by type of collateral as at 31 December 2009:

Collateral Categories	Loan/ Collateral Value
Cash	95%
Corporate securities	60%
Corporate securities (not publicly traded)	40%
Residential real estate	50%
Commercial real estate	60%
Goods in turnover	60%
Equipment	70%

The following table sets forth a breakdown of the Bank's net collateralised and uncollateralised loans that are individually significant by amount and as a percentage of total loans that are individually significant as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Collateralised	288,236	75.2	335,815	97.5
Uncollateralised	95,296	24.8	8,713	2.5
Total loans	**383,532**	**100.0**	**344,528**	**100.0**

The following table sets forth a breakdown of corporate loans that are individually significant, net of provisions, by type of collateral and as a percentage of the total individually significant loan portfolio as at 31 December 2009 and 2008:

	As at 31 December			
	2009	2008		
	(KZT millions)	*(per cent. of loan portfolio)*	*(KZT millions)*	*(per cent. of loan portfolio)*
Real estate	203,224	52.99	136,552	39.63
Mixed	52,419	13.67	106,872	31.02
Transport	6,408	1.67	11,886	3.45
Deposits	5,577	1.45	15,792	4.58
Guarantee	278	0.07	2,186	0.63
Securities	31	-	27,751	8.06
Other collateral	20,299	5.29	34,776	10.09
No collateral	95,296	24.85	8,713	2.53
	383,532	**100.00**	**344,528**	**100.00**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

As at 31 December 2009 and 2008 it was impracticable to determine the fair value of collateral for impaired or overdue loans with a gross value of KZT 355,577 million and KZT 246,317 million, respectively.

During the year ended 31 December 2009 the Bank obtained assets with the carrying amount of KZT 267 million by taking control of collateral securing corporate loans compared to KZT 48 million for the year ended 31 December 2008.

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

The laws of Kazakhstan allow a secured creditor to foreclose on collateral upon the occurrence of an event of default through both judicial and non-judicial procedures. Non-judicial foreclosure allows the secured creditor to seize collateral in the event of a default and to hold an auction, if necessary, to dispose of such collateral after 60 days' notice. The Bank's security documents also provide for both non-judicial and judicial foreclosure. To be enforceable, a pledge over immovable property is required to be registered with local departments of the Ministry of Justice. In certain cases, the same requirement applies to movable property. The Bank requires all of such pledges to be so registered.

In addition, for collateral in the form of real estate exceeding KZT 44.5 million in value (approximately U.S.$300,000), banks are required to obtain a report of an independent appraisal company at least once a year.

In August 2008 the Bank commenced a revaluation of its collateral base. Following the revaluation, as at 31 December 2009, the value of the Bank's collateral was KZT 405,085 million, of which KZT 175,330 million was collateral under retail loans, KZT 96,485 million was collateral under SME loans and KZT 133,268 million under corporate loans. This revaluation of collateral is an ongoing process and is continuing as at the date of this Prospectus.

Insurance of the Bank's Loan Portfolio

As at the date of this Prospectus, the Bank does not have any insurance against the credit risk of its loan portfolio. From 2006 to 2008, the Bank insured the credit risk in respect of its uncollateralised retail loans to individuals in Alliance Policy, a related party. However, the contract had been terminated in September 2008.

The Bank intends to require insurance in respect of collateral secured by its loans and, in respect of uncollateralised loans, require life and health insurance of the borrower when the Bank fully resumes its normal lending operations.

Portfolio Supervision

The Bank classifies its loans in accordance with the FMSA Asset Classification Rules. The monitoring unit of the Bank's Risk Management Division is responsible for monitoring the loan portfolio of the Bank, using an automated centralised programme, on a monthly basis. Each branch carries out an in-depth review of each borrower on a monthly basis, during which the financial condition of the borrower and the status of any collateral is reassessed.

Loans are classified by reference to (1) the customer's financial performance, (2) the timeliness of repayment of principal and/or interest, (3) the quality of collateral, (4) whether there has been any unauthorised use of the loan and (5) any rating assigned to the customer.

Each of the criteria of financing is assessed and then assigned a risk weight grade according to the following matrix:

Criteria	Grade	Criteria	Grade
Financial Performance		**Collateral criteria**	
Stable	0	Reliable	-3
Satisfactory	+1	Good	-2
Unsatisfactory	+2	Satisfactory	0
Unstable	+3	Unsatisfactory	+1
Critical	+4	No collateral	+2
Timeliness of Repayment of the Loan		**Misuse of the Loan**	
On time payments	-1	Up to 25%	0
Overdue within last 12 months	0	More than 25%	+1
Overdue by 15 30 days	+1.5	More than 50%	+2
Overdue by 31 60 days	+2.5	More than 75%	+3
Overdue by 61 90 days	+3.5	More than 100%	+4
Overdue by more than 90 days	+4.5		
International Rating		**International Rating**	
"A" and above	-3		
Above Kazakh sovereign to "A"	-2		
Kazakh sovereign	-1		
Below Kazakh sovereign / No rating	0		

In relation to the financial performance criteria:

"**Stable**" means that the borrower is solvent, able to service the debt, has a positive credit history and a strong market presence, and that there are no external or internal factors that can adversely affect its financial performance until the maturity of the loan, no doubts as to repayment of the loan and there is no substantial maturity gap between the assets and liabilities of the borrower.

"**Satisfactory**" means that there is a decrease in the revenues of the borrower affecting its longer term financial prospects and a deterioration in its cash position, although its cash position is still good enough to service its debt, and/or the borrower has made arrangements to improve its financial condition. Whilst there is a possibility of default, there are few doubts that the borrower will be unable to repay its debt to the Bank.

"**Unsatisfactory**" means that there is little probability that the borrower will be able to repay its obligations to the Bank due to a deterioration of the borrower's financial condition (negative equity, constant losses over the last 12 months), a heavy dependence of the borrower on borrowings, a steady decline in its market share, previous restructurings of its loans, the existence of overdue and/or written off loans and/or at least two extensions of the maturities of its loans.

"**Unstable**" means that, in addition to the criteria listed in the "Unsatisfactory" category, the borrower is under reorganisation, force majeure or other circumstances have caused the borrower substantial losses, the borrower has overdue and/or written off loans and/or had three extensions of the maturities of its loans. No assurance can be made that the borrower's financial performance will improve and the information available to the Bank is not sufficient to assess the borrower's financial position.

"**Critical**" means that the continuous deterioration of the financial performance of the borrower has reached a critical stage and is characterised by significant financial losses, insolvency, significant deterioration of market share or negative equity capital and/or more than four extensions of the maturities of its loans. In relation to any borrower, the borrower commences or has had commenced against it any bankruptcy, liquidation or winding-up proceedings or, in relation to a borrower which is a bank, an administration order has been in effect for more than a year, or force majeure events have materially affected the borrower or its activities or financial information about the borrower is absent.

In relation to the quality of collateral criteria:

"**Reliable**" means highly liquid collateral, in the form of Kazakhstan governmental guarantees, guarantees from foreign sovereigns and entities having an international rating of not less than "A" by S&P (or the equivalent from other rating agencies), guarantees from Kazakhstan entities having an

international rating of not less than "BBB-" by S&P (or the equivalent from other rating agencies), cash collateral and pledges over Kazakhstan governmental securities, securities issued by foreign governments and entities having an international rating of not less than "A" by S&P (or the equivalent from other rating agencies), securities issued by Kazakhstan entities having an international rating of not less than "BBB-" by S&P (or the equivalent from other rating agencies) or monetary precious metals, securing all of the credit.

"**Good**" means highly liquid collateral (as in "**Reliable**") securing not less than 90 per cent. of the credit or 130 per cent. of the credit if the collateral is real estate.

"**Satisfactory**" means non-highly liquid collateral securing all of the credit or highly liquid collateral (as in Reliable) securing not less than 70 per cent. of the credit or 120 per cent. of the credit if the collateral is real estate.

"**Unsatisfactory**" means any collateral securing not less than 50 per cent. of the credit.

"**No collateral**" means that the loan is not secured or any form of collateral securing less than 50 per cent. of the credit.

On 1 April 2007, the FMSA Asset Classification Rules came into effect. The regulations include more stringent requirements for mortgage loans, and require mortgage loans secured by property located outside Kazakhstan to be considered as unsecured for the purposes of portfolio supervision. In addition, loans denominated in foreign currencies to borrowers who do not engage in foreign currency transactions will be considered one financial performance category below where they would otherwise fall in the above table, unless the borrower has entered into a currency hedge transaction. The Bank has revised its risk assessment policies to reflect the regulations. In addition to the more stringent asset classification standards, the FMSA is also empowered under the regulations to require banks to increase their provisions.

In relation to retail loans, the FMSA Asset Classification Rules permit certain groups of loans to be combined into a homogeneous loan portfolio for purposes of determining the provisions against such loans. The calculation of provisions in relation to such loans is done for the entire category of loans in accordance with the Bank's internal methodology rather than in respect of each individual loan. The FMSA Asset Classification Rules permit the grouping of loans for this purpose with similar loans based on the following characteristics (i) type of borrower, (ii) loan product, (iii) purpose of loan, (iv) type of collateral, (v) tenor and (vi) other. The amount of provisions against the homogeneous loans is calculated based on the applicable methodology of the risk assessment, which contains loss estimation for the portfolio of homogeneous loans. The Bank calculates necessary provisions against the homogenous loans based on the "roll rate" methodology. Currently, the Bank has created the following homogeneous portfolios (a) PILs, (b) car credits, (c) loans to the Bank's employees, (d) student loans under the State Finance Programmes and (e) credit cards. Based on the Bank's assessment, the risk weight grades for all criteria are then combined, resulting in the classification of the Bank's portfolio as follows, according to FMSA requirements and the risk assessment methodology of the Bank:

Total Grades	Timeliness of Repayment	FMSA Classification	Risk assessment of the Bank
Less than 1	Current	Standard	Standard
1 2	Current	Doubtful 1st category	Sub standard
	Overdue	Doubtful 2nd category	Sub standard
2 3	Current	Doubtful 3rd category	Unsatisfactory
	Overdue	Doubtful 4th category	Unsatisfactory
3 4	Both current and overdue	Doubtful 5th category	Doubtful
4 and more	Both current and overdue	Loss	Loss

Total classified loans under the FMSA's classification comprise doubtful loans (irrespective of the categories) and loss loans. Total classified loans according to the risk assessment methodology of the Bank include unsatisfactory loans, doubtful loans and loss loans.

The Risk Management Division produces a monthly report to the Management Board and the Board of Directors, which covers all aspects of the Bank's loan portfolio, including the timeliness of debt repayments and the classification of loans and contingent liabilities. The Bank's determination as to whether a repayment problem has arisen is based on a number of objective criteria, including the credit's classification as described above, sudden changes in volume in the borrower's accounts with the Bank, sudden changes in the standard of living of the borrower (which imply improper use of credit facilities), applications to change credit terms, failure of the borrower or a counterparty to fulfil terms under a contract relating to the credit, and refusal of a borrower to co-operate in supplying documentation and/or refusal by the borrower to speak to the Bank's officers when required to do so.

Provisioning Policies and Write-Offs

The classification matrix described in "*Selected Statistical and Other Information — Lending Policies and Procedures — Portfolio Supervision*" above is also used to determine the provisioning rate for certain types of loans. Calculation of provisions is carried out on a monthly basis. Pursuant to the FMSA Asset Classification Rules which came into effect on 1 April 2007, the Bank sets provisions for its retail loan portfolio based on its assessment of risk in the portfolio on an aggregate basis rather than on a case-by-case basis. See "*Selected Statistical and Other Information — Lending Policies and Procedures — Portfolio Supervision*". The Bank considers historical data in its assessment of its retail loan portfolio, including past rates of overdue loans and other risk criteria, to determine its maximum risk exposure in respect of the aggregate portfolio. The Bank will continue to review historical data on this portfolio on a monthly basis and will revise its provisioning rate to reflect the results of its analysis.

After 1 June 2007, the Bank considered a loan to be non-performing when either interest or principal payments were past their due date by 90 days (or 120 days in respect of PILs) or more. Once a loan is 90 days overdue, the accrual of interest is suspended.

The provisions calculated for regulatory purposes are based on Adjusted IFRS and differ from provisions calculated based on IFRS presented in the Bank's Financial Statements. See "*Presentation of Financial and Other Information — Historical Financial and Other Information*".

In determining provisions, the main difference between Adjusted IFRS and IFRS is the treatment of collateral. According to the FMSA methodology, provisions are created against amounts of principal of outstanding loans without taking into account accrued interest and without taking into account the value of collateral in the case of collateralised loans. With respect to the uncollateralised loans, banks must provide provisions equal to 5 per cent. of the loan amount in respect of each new loan. With respect to collateralised loans, the provisioning rate is zero per cent. for loans classified as "standard", 5 per cent. for loans classified as "doubtful 1st category", 10 per cent. for loans classified as "doubtful 2nd category", 20 per cent. for loans classified as "doubtful 3rd category", 25 per cent. for loans classified as "doubtful 4th category", 50 per cent. for loans classified as "doubtful 5th category", and 100 per cent. for loans classified as "loss". In addition, according to the FMSA methodology, banks are not required to create provisions against accrued interest. Under the IFRS methodology applied by the Bank, provisions are created against amounts of loans including accrued interest but less the discounted value of collateral in the case of collateralised loans. For IFRS, provisioning rates are determined based on the type of loan (retail or corporate) and the size of the loan. For retail loans and corporate loans not exceeding KZT 200 million, the Bank determines provisions based on the "roll rate" approach applied to homogenous pools of retail and SME loans, which takes into account the historical performance of each pool and does not take into account collateral value, as under the FMSA approach. See "— *Portfolio Supervision*". For corporate loans exceeding KZT 200 million, the Bank conducts an individual analysis of each borrower's cash flow and the market value of collateral in order to determine provisions.

The Bank has sought a clarification from the FMSA with respect to its provisioning policy and the likelihood of the potential future changes to the existing rules. The FMSA responded that any

potential review of the rules would not result in a significant decrease of the required level of provisioning on classified assets.

The FMSA also advised the Bank that with respect to fair value accounting, the FMSA will not treat the difference between the face value and fair value of the Bank's debt instruments as profit for the purposes of determining compliance with the regulatory capital requirements. It stated that as the market price of the Bank's debt instruments may be volatile, the debt can move towards face value, creating losses for the Bank. It also stated that early redemption may be required due to covenant breaches which would require the debt to be repaid at face value, having a corresponding negative impact on regulatory capital. These factors in general give rise to the risk of a sharp decrease in the Bank's regulatory capital if the difference between the face value and fair value of the Bank's debt instruments is allowed to be treated as profit. Consistent with the discussions currently being had amongst the G-20 countries to improve the solvency of banks by imposing requirements on improving the quality of capital, the FMSA advised the Bank that only "real" income should be included for the purposes of determining compliance with the applicable regulatory capital requirements.

As a result of the due diligence and resulting reclassification of loans between risk categories, the Bank decided to create additional provisions totalling KZT 184,381 million as at 31 December 2009 and KZT 226,263 million as at 31 December 2008 and thereby bringing the total amount of provisions to KZT 269,790 million as at 31 December 2008 and KZT 454,171 million as at 31 December 2009. See the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*".

The following table presents a comparison of loan loss provisions calculated by the Bank based on Adjusted IFRS and IFRS:

	As at 31 December	
	2009	**2008**
	(KZT millions, except percentages)	
IFRS		
Total gross loans	697,882	703,265
Loan loss reserves	(454,175)	(269,790)
Loan loss reserves as a percentage of non performing loans [(1)]	113%	263%
Loan loss reserves as a percentage of gross loans	65%	38.36%
Adjusted IFRS		
Total gross loans	556,171*	703,265
Loan loss reserves	(350,431)	(64,280)
Loan loss reserves as a percentage of non performing Loans	132.5%	71.3%
Loan loss reserves as a percentage of gross loans	63.0%	9.1%

* Adjusted IFRS does not include loans transferred to collection agencies as at 31 December 2009, in view of the said loans residue to be included in the receivables in the amount of KZT 141,708 million.

(1) Loan loss reserves as a percentage in loans with more than 120 days overdue interest under PILs and other loans with more than 90 days overdue interest.

The table below sets forth certain information based on Adjusted IFRS relating to the Bank's loans and the credit classifications and provisions in relation to them in accordance with the risk assessment methodology of the Bank as at 31 December 2009 and 2008:

	As at 31 December					
	2009			2008		
	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure
	(KZT millions, except percentages)					
Standard	98,116	-	0.0%	386,470	-	0.0%
Doubtful category 1	8,125	406	5.0%	92,808	4,638	5.0%
Doubtful category 2	252	25	9.9%	24,583	2,458	10.0%
Doubtful category 3	4,864	973	20.0%	131,631	25,337	19.2%
Doubtful category 4	24,750	6,187	25.0%	18,726	4,681	25.0%
Doubtful category 5	11,235	5,617	50.0%	8,446	4,223	50.0%
Loss	356,875	337,222	94.5%	22,942	22,942	100.0%
Total	**504,216**	**350,431**	**70.0%**	**685,606**	**64,280**	**9.0%**

The table above does not include interest or discounts on loans to customers totalling KZT 46,249 million and KZT 34,516 million as at 31 December 2009 and 31 December 2008, respectively.

On the basis of Adjusted IFRS, non-performing loans, which during the periods under review were defined as loans which are more than 90 days (or 120 days in respect of PILs) overdue, were KZT 264,437 million (52.4 per cent. of the gross loan portfolio) as at 31 December 2009, compared to KZT 90,113 million (13.1 per cent. of the gross loan portfolio) as at 31 December 2008.

Since 30 June 2009, loans overdue by more than 90 days or more have been increasing. The Bank believes that this is largely the result of the ongoing financial instability and the inability of collection agents to achieve any significant recoveries.

The following table provides information on the credit quality of the corporate loans that were individually significant as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	Gross loans	Impairment to gross loans	Gross loans	Impairment to gross loans
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Corporate loans that are individually significant				
Loans without individual signs of impairment	27,955	2.04	98,211	-
Impaired loans:				
- not overdue	129,093	89.34	239,794	79.87
- overdue less than 90 days	64,717	90.29	2,782	38.79
- overdue more than 90 days and less than 1 year	137,385	82.38	2,104	47.15
- overdue more than 1 year	24,382	65.37	1,637	71.90
Total impaired loans	355,577	85.18	246,317	79.07
Total corporate loans that are individually significant	**383,532**	**79.12**	**344,528**	**56.53**

The following table provides information on the credit quality of corporate loans that are not individually significant and loans to individuals collectively assessed for impairment as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	Gross loans	Impairment to gross loans	Gross loans	Impairment to gross loans
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Corporate loans that are not individually significant and loans to individuals				
Not past due	86,758	2.05	202,133	0.84
Overdue less than 30 days	9,066	9.05	22,226	6.18
Overdue 30-89 days	13,816	19.13	31,035	15.37
Overdue 90-179 days	20,569	33.82	27,204	32.15
Overdue 180-360 days	70,125	69.23	55,643	80.02
Overdue more than 360 days	114,016	78.92	20,496	67.85
Total corporate loans that are not individually significant and loans to individuals	**314,350**	**47.95**	**358,737**	**20.91**

The following table provides IFRS information regarding the Bank's allowance for impairment losses on loans to customers for the year ended 31 December 2009 and 2008:

	As at and for the year ended 31 December	
	2009	2008
	(KZT millions)	
Beginning of the period	269,790	43,527
Net charge for the year	166,461	242,273
Recovery	(647)	(16,245)
Transfers from other assets	-	221
Effect of foreign currency translation	18,571	14
End of the Period	**454,175**	**269,790**

Note: See Note 15 of the 2009 Annual Financial Statements.

Maturity Limit

The Bank's lending policy includes maturity limits for different types of loans. The maximum maturity of each type of loan currently extended by the Bank is set forth below:

Nature of the Loan	Maximum maturity
Financing of working capital	Up to three years
Investments	Up to seven years
Letters of credit	Up to three years
Guarantees	Up to one year
Student loans	Up to 15 years

The following tables set forth certain information based on Adjusted IFRS as to the maturity of the Bank's gross loan portfolio by credit quality classification created by the FMSA as at as at 31 December 2009 and 2008:

	31 December 2009				
	Up to 30 days	**1 5 month period**	**5 10 month period**	**More than 10 month period**	**Total**
			(KZT millions)		
Classification					
Standard	0.4	2.0	1.4	94.2	98.0
Doubtful 1st category	0.6	0.3	0.2	7.1	8.2
Doubtful 2nd category	-	-	-	0.2	0.2
Doubtful 3rd category	-	0.1	0.1	4.6	4.8
Doubtful 4th category	1.4	0.2	0.2	23.0	24.8
Doubtful 5th category	0.2	-	0.1	11.0	11.3
Loss Loans	64.5	26.6	23.0	242.8	356.9
Total	**67.1**	**29.2**	**25.0**	**382.9**	**504.2**

	31 December 2008				
	Up to 30 days	**1 5 month period**	**5 10 month period**	**More than 10 month period**	**Total**
			(KZT millions)		
Classification					
Standard	19.3	32.6	16.8	317.7	386.4
Doubtful 1st category	4.8	8.2	6.9	73.0	92.9
Doubtful 2nd category	0.1	0.1	0.4	24.0	24.6
Doubtful 3rd category	3.9	4.1	20.2	103.5	131.6
Doubtful 4th category	0.2	0.3	0.7	17.6	18.8
Doubtful 5th category	0.5	0.2	0.6	7.1	8.4
Loss Loans	2.8	0.2	1.1	18.8	22.9
Total	**31.6**	**45.7**	**46.7**	**561.7**	**685.6**

The classification tables above are based on the classifications adopted by the Bank based on the FMSA requirements and are calculated based on Adjusted IFRS. See "*Presentation of Financial and Other Information — Historical Financial and Other Information*".

Funding

The Bank's growth in 2004 to 2007 was primarily funded through term facilities with international lenders and issuances of the Bank's debt securities in the international capital markets. In addition, the Bank relied on short-term deposits and loans from other domestic banks for funding. The proportion of customer deposits funding remained relatively low.

As a result of the global financial crisis, the Bank was no longer able to access new international sources of funding. International funding reflected on the Bank's balance sheet as at 31 December 2008 and as at 31 December 2009 was obtained prior to 31 December 2007 and represented primarily by debt securities issued and due to banks.

Starting from 2007, the Bank became appointed as an agent under certain State Finance Programmes and started to receive funds from the Government in connection with the Bank's participation in such programmes. Funding for the State Finance Programmes reflected on the Bank's balance sheet as at 31 December 2009 was obtained from 2007 to 2009 and represented primarily by customer accounts and due to the Government of the Republic of Kazakhstan.

The following table sets out the Bank's sources of funds as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Current accounts and deposits from customers	153,776	16.3	189,044	19.4
Due to the National Bank of the Republic of Kazakhstan	—	—	15,026	1.5
Loans from the Government of the Republic of Kazakhstan	22,613	2.4	4,460	0.5
Amounts subject to the Restructuring Plan as at 31 December 2009	—	—	—	—
- Loans from banks	129,647	13.7	137,377	14.1
- Loans from other financial institutions	45,832	4.9	35,741	3.7
- Debt securities issued	360,279	38.1	286,584	29.4
- Subordinated debt	48,194	5.1	41,760	4.3
- Amount due to the Parent Company	105,000	11.1	-	-
- Other liabilities subject to the Restructuring Plan	45,272	4.8	-	-
Other financing	16,206	1.7	29,449	3.0
Amounts payable under repurchase agreements	5,010	0.5	41,945	4.3
Financial instruments at fair value through profit or loss	19	0.0	50,168	5.1
Special provision for guarantees	-	-	136,972	14.0
Other liabilities	13,017	1.4	6,962	0.7
Total liabilities	**944,865**	**100.0**	**975,488**	**100.0**

State Finance Programmes

As at the date of this Prospectus the Bank participates in four State Finance Programmes: the SME State Finance Programme, the Mortgage State Finance Programme, the Student Loans State Finance Programme and the Processing Industries Support Programme. In addition to its continuing participation in these, in August 2009 the Bank received KZT 16,500 million in order to finance an unfinished residential construction project. These amounts had been fully repaid as at 1 April 2010. The Bank is also currently in talks and discussions to become appointed as an agent under the new Industrial Innovation Programme.

SME State Finance Programme

The Bank is one of 12 agents under the SME State Finance Programme adopted by the Kazakhstan Government in 2007. The SME State Finance Programme aims to provide financing to SMEs for the acquisition of new, and the modernisation of existing, material assets and the provision of working capital. The SME State Finance Programme funding can also be used to refinance existing loans previously made to SMEs by the Bank or other credit organisations provided the purpose of any loan being refinanced complies with the requirements of the programme.

Under the SME State Finance Programme, Samruk-Kazyna and its subsidiary Damu Fund collectively allocated KZT 28,100 million to the Bank in three tranches. The first tranche of KZT 6,100 million, of which KZT 2,353 million was utilised and the remaining KZT 3,747 million was returned to Samruk-Kazyna, was provided in 2007. The second tranche of KZT 2,000 million, which was fully utilised, was provided in 2008. The third tranche of KZT 18,000 million, which was fully utilised, was provided in 2009.

As at 31 December 2009, the Government had allocated KZT 120,000 million to the SME State Finance Programme since 1 January 2009, including KZT 22,000 million to BTA Bank, KZT 20,000 million to ATF Bank, KZT 18,000 million to the Bank, KZT 16,000 million to Kazkommertsbank and KZT 11,700 million to Halyk Bank. As at the date of this Prospectus, the Bank has no information about any further allocations in the future.

The interest rates on the Government funds are 7.5, 8 and 9.6 per cent. per annum, depending on the tranche.

Damu Fund has the right to demand early repayment if (i) the Bank does not make timely repayments of debt or interest, (ii) the Bank does not use the proceeds in compliance with their stated purpose,

(iii) the Bank's credit rating is downgraded by Fitch, S&P or Moody's by two or more notches, (iv) the Bank infringes the FMSA's prudential requirements in two consecutive months or its licence is suspended, (v) more than 10 per cent. of the Common Shares in the Bank are sold or transferred (if such transfer has a negative impact on the Bank's financial condition) or (vi) the Bank reports negative financial results for two consecutive quarters. Despite the Bank's infringement of the FMSA's prudential requirements for the two consecutive months in May and June 2009 and the credit rating downgrade, Damu Fund has not demanded repayment under the SME State Finance Programme. See "*Risk Factors — Risks Relating to the Bank — Samruk-Kazyna may demand early repayment of funds allocated to the Bank under the State Finance Programmes if the Bank breaches conditions for utilisation of the funds*".

In addition to its right to demand early repayment of the funds, Damu Fund is also entitled to demand from the Bank a penalty of 15 per cent. on the amount of any funds used for purposes other than those set by the agreement and a penalty of 0.2 per cent. on any late payments of principal or interest by the Bank under the agreement with Damu Fund.

Mortgage State Finance Programme

The Bank is one of 10 agents under the Mortgage State Finance Programme adopted by the Government in February 2009. The Mortgage State Finance Programme aims at reducing the current interest rate on mortgage loans to between 9 and 11 per cent., converting foreign currency loans into Tenge and extending loan maturities up to 20 years. The total amount of investments to be made under the programme is KZT 120,000 million.

Under the Mortgage State Finance Programme, Samruk-Kazyna deposited KZT 14,000 million with the Bank for the period from 24 February 2009 until 24 February 2029. As at 31 December 2009 the Bank had utilised approximately KZT 10,900 million from the total amount of placed funds. The Bank has returned the unutilised KZT 3,100 million of the deposit due to the expiry of the utilisation period and following a demand from Samruk-Kazyna. Currently the Bank provides mortgages under the Mortgage State Finance Programme only to the extent it receives repayment proceeds of the previously made Mortgage State Finance Programme loans. The Bank pays interest to Samruk-Kazyna on the amounts provided under the Mortgage State Finance Programme of 5.7 per cent. on amounts lent by the Bank to certain vulnerable borrowers and 7.7 per cent. on the amounts lent to the remaining borrowers.

Of the 10 agents selected for the Mortgage State Finance Programme, the following banks received the most support under the programme: BTA Bank (KZT 37,000 million), Halyk Bank (KZT 20,500 million), Kazkommertsbank (KZT 24,000 million), the Bank (KZT 10,900 million) and Bank CenterCredit (KZT 4,300 million).

Student Loans State Finance Programme

The Bank is the only agent under the Student Loans State Finance Programme adopted by the Government in February 2009. The Student Loans State Finance Programme aims at increasing access to higher education for "socio-economically" vulnerable people.

Under the Student Loans State Finance Programme, Samruk-Kazyna has deposited KZT 1,000 million with the Bank for the period from 20 March 2009 until 20 March 2024. Samruk-Kazyna may increase its deposit with the Bank for the Bank's participation in the programme to KZT 15,000 million provided there is sufficient demand. As at 31 December 2009, the Bank had utilised KZT 62.5 million of the allocated funds. The funds provided to the Bank under the Student Loans State Finance Programme must be used by the end of December 2009. Samruk-Kazyna is entitled to require the Bank to return the deposit, in whole or in part, prior to the maturity date, although the general agreement concerning the Bank's participation in the Student Loan State Finance Programme and the conditions attached to it does not stipulate the specific circumstances under which Samruk-Kazyna may make such a demand. Samruk-Kazyna is also entitled to unilaterally terminate

its agreement with the Bank at any time. The Bank is entitled to use the funds for the purposes of maintaining its liquidity until such deposit is used for the intended purpose.

The Bank has, among other things, agreed that the allocated funds will be used to provide loans to students for their studies at university, that the annual interest rate should not be more than 9 per cent. per annum, that the term of the loan may be up to 15 years, but may not be more than 10 years from the student's graduation from university and that the Bank will transfer loans to the accounts of universities in order to pay for the tuition of student borrowers.

The interest rate for the utilised amount of the deposit is 4 per cent. per annum and 8 per cent. per annum for the unutilised amount. However, the Bank is entitled to deduct interest and/or receive termination fees in the event of an early termination of the Bank's participation in the Student Loans State Finance Programme by Samruk-Kazyna. In the event of any unjustified failure to return the deposit or make interest payments, the Bank is liable to pay to Samruk-Kazyna a penalty for each day of delay at the rate of refinancing set by the NBK up to a maximum of 9.5 per cent. of the unreturned sum.

Processing Industries Support Programme

The Processing Industries Support Programme aims to provide financing to companies (both SME and corporate) in processing industries such as food, beverages, machinery, equipment, textiles, clothes, leather, paper, furniture, chemistry, medicine and other products. The loans are provided for the acquisition of new, and the modernisation of existing, material assets and the provision of working capital. The Processing Industries State Support Programme funding can also be used to refinance existing loans previously made to such companies provided the purpose of any loan being refinanced complies with the requirements of the Processing Industries Programme. The Bank is obliged to finance 30 per cent. of the loans provided under the Processing Industries Support Programme out of its own funds with the remaining 70 per cent. to be provided by Samruk-Kazyna.

Under the Processing Industries Support Programme, Samruk-Kazyna and its subsidiary Damu Fund collectively deposited KZT 2,000 million on 7 December 2009 with the Bank for the term of 84 months at an annual interest rate of 1 per cent.

Damu Fund has the right to demand early repayment if (i) the Bank does not make timely repayments of principal or interest, (ii) the Bank does not provide monitoring reports in compliance with its obligations, (iii) the Bank is announced to be insolvent, (iv) the Bank impedes the holding of regular checks or (v) the Bank does not use the proceeds in compliance with their stated purpose. See "*Risk Factors — Risks Relating to the Bank — Samruk-Kazyna may demand early repayment of funds allocated to the Bank under the State Finance Programmes if the Bank breaches conditions for utilisation of the funds*".

Industrial Innovation Programme

The Bank is currently in talks to become appointed as an agent under a new Industrial Innovation Programme adopted by the Government. The Industrial Innovation Programme aims to finance the development of new industries, industrial complexes and innovative products and is expected to be implemented over a five-year period beginning in 2010. The preliminary announcement published on the Government's website states that the Government plans to allocate approximately KZT 9.5 trillion for 382 projects. Further details have yet to be determined and it is unclear as at the date of this Prospectus when, or whether, the Bank will complete its negotiations with the Government to participate in the programme.

NBK

The Bank held KZT 105,000 million of Samruk-Kazyna Bonds which it used as collateral for repurchase transactions with the NBK. As at 1 March 2010, the Bank had closed all repurchase transactions with the NBK. The Bank also deposited with the NBK KZT 24,000 million of Samruk-Kazyna's deposit. On 30 December 2009 the deposit was transferred to the FMSA as a result

of the FMSA's compulsorily acquisition of 100 per cent. of the Bank's share capital for nominal consideration and subsequent transfer of all of the Bank's Common Shares and Preference Shares to Samruk Kazyna (See "*The Bank — Overview of the Bank and Background to the Restructuring*"). On 26 March 2010, Samruk-Kazyna used the KZT 24,000 million to acquire newly issued Common Shares of the Bank. As at 1 April 2010, the Bank had no funds outstanding from the NBK.

Customer Deposits

Pursuant to an agreement with the FMSA entered into in April 2009, the Bank was prohibited from carrying out any advertising campaigns to attract individual depositors and from accepting deposits from individual depositors in excess of KZT 5 million or the equivalent in any foreign currency. Following the completion of the Bank's Restructuring, this restriction was lifted. As at 31 December 2009, the total funds from customer accounts (including interest and guarantee deposits) of the Bank were KZT 153,776 million, deposited in 1,260,371 accounts (including current accounts). As at 31 December 2009, the Bank had one customer whose balances exceed 10 per cent. of total customer accounts (in 2008, the Bank did not have any such customers). The balance as at 31 December 2009 was KZT 69,625 million.

As at 31 December 2009, term deposits were KZT 81,156 million representing 52.8 per cent. of total customer accounts (less guarantee deposits), compared to KZT 153,809 million representing 81.4 per cent. of total customer accounts (less guarantee deposits) as at 31 December 2008. The decrease in the term deposits as a percentage of total customer accounts (less guarantee deposits) was due to the Samruk-Kazyna deposits (see "*The Bank — The Role of Samruk-Kazyna — Liquidity Support*") which were mostly demand deposits.

Customer Deposits by Type of Deposit

The following tables set out the customer deposits of the Bank by type of deposit as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Term deposits	81,156	52.8	153,809	81.4
Repayable on demand	70,134	45.6	25,366	13.4
Guarantee deposits	2,486	1.6	9,869	5.2
Total customer accounts	**153,776**	**100.0**	**189,044**	**100.0**

Customer Deposits by Sector

The following table sets out customer deposits by sector as at 31 December 2009 and as at 31 December 2009 and 2008:

	As at 31 December	
	2009	**2008**
	(KZT millions)	
State administration	69,946	5,143
Individuals	51,547	91,006
Trade	4,284	28,420
Agriculture	122	292
Construction	4,058	11,049
Finance services	2,189	17,883
Services provided by small and medium entities	5,465	22,045
Transport and communication	1,050	874
Energy	-	2,898
Education	248	1,225
Health care and social services	115	652
Machinery	-	63
Real Estate	10,969	289
Food Production	94	130
Production of crude oil and natural gas	46	3,290
Arts	-	184
Consumer production	-	111
Other fields of mineral resource industry	103	137
Hotel business	141	119
Chemical industry	24	18
Paper industry	49	1,217
Metallurgy	0	237
Production of coal, lignite and peat	1	1
Other services	3,326	1,763
Total customer accounts	**153,776**	**189,044**

Audited report 2009 does not cover such breakdown, data for 2009 is provided on the basis of Adjusted IFRS.

The customer deposits from the state administration increased to KZT 69,946 million as at 31 December 2009 from KZT 5,143 million as at 31 December 2008. This increase was primarily due to the funding received from Samruk-Kazyna for the State Finance Programmes as well as liquidity support. See "*Capitalisation*". Funds from Samruk-Kazyna represented 99.5 per cent. of the total amounts from state administration as at 31 December 2009, totalling KZT 69,625 million as at 31 December 2009 compared to zero as at 31 December 2008.

The following table sets out a breakdown of the Bank's demand and term deposits by type of customer as at 31 December 2009 and 2008:

	As at 31 December			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Repayable on demand				
Commercial entities[(1)]	4,682	3.0	15,880	8.4
Individuals	5,281	3.4	6,859	3.6
Government entities	60,171	39.1	2,627	1.4
Total repayable on demand	**70,134**	**-**	**25,366**	**-**
Term deposits				
Commercial entities	4,876	3.2	71,419	37.4
Individuals	44,829	29.2	78,467	41.5
Government entities[(1)]	31,451	20.5	3,923	2.1
Total term deposits	**81,156**	**-**	**153,809**	**-**
Guarantee deposits and accrued interest expenses	2,486	1.6	9,869	5.6
Total customer accounts	**153,776**	**100.0**	**189,044**	**100.0**

Note:
(1) Government entity deposits, both demand deposits and time deposits, primarily consist of the Samruk-Kazyna deposits in the total amount of KZT 82,568 million together with JSC Distressed Assets Fund.

Customer Deposits by Maturity

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

	As at 31 December			
	2009		2008	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Up to 1 month	72,980	47.4	38,082	20.1
1 month to 3 month period	740	0.5	25,305	13.4
3 month period to 1 year	11,807	7.7	10,733	5.7
1 year to 5 years	38,226	24.9	114,014	60.3
Over 5 years	30,023	19.5	910	0.5
Total customer accounts	**153,776**	**100.0**	**189,044**	**100.0**

Average Interest Rates on Customer Deposits

The interest rates on the Bank's deposits are similar to those of competing banks, allowing the Bank to offer rates which are competitive with those of other institutions in Kazakhstan.

The following table sets out the weighted average interest rates on the Bank's deposits as at 31 December 2009 and 2008, respectively:

	As at 31 December	
	2009	2008
Tenge deposits		
Time deposits	10.1%	12.0%
Demand deposits	4.9%	2.0%
Foreign currency deposits		
Time deposits	11.3%	9.0%
Demand deposits	0.1%	1.2%

Foreign Currency Bank Borrowings

Over the course of the past few years, the Bank entered into a number of financings with foreign banks and other financial institutions. The details of those financings are as follows:

Description	Date of Facility	Arranger	Maximum Principal Amount	Amount Borrowed
EBRD Kazakhstan Small Business Programme III Facility	26 January 2006	EBRD	U.S.$5 million	U.S.$5 million
Morgan Stanley KZT Facility	28 December 2005, 13 January 2006, 25 April 2006, 5 December 2006	Morgan Stanley Bank International Limited	KZT 56,300 million	KZT 56,300 million
EBRD SME Credit	9 March 2006	EBRD	U.S.$10 million	U.S.$10 million
Wachovia Facility	11 May 2006	Wachovia Bank, N.A.	U.S.$16 million	U.S.$16 million
ADB Facility	15 June 2006	Asian Development Bank	U.S.$50 million	U.S.$50 million
Moore' s Creek Facility	21 August 2006	Moore' s Creek Capital Corporation	KZT 25,360 million	KZT 25,360 million
Citibank/ING/Standard Bank Facility	1 November 2006	Citibank N.A./ING/ Standard Bank	U.S.$300 million	U.S.$300 million
Murabaha Islamic Facility	19 March 2007	CALYON & Abu Dhabi Islamic Bank	U.S.$150 million	U.S.$150 million
DEG Senior and Subordinated Facilities	24 May 2007;	DEG Bank	U.S.$22.5 million subordinated; U.S.$22.5 million senior	U.S.$45 million
DEG Senior and Subordinated Facilities	22 June 2007	DEG Bank		
Arab Bank PLC, Commerzbank Aktiengesellschaft, Standard Chartered Bank and Sumitomo Mitsui Banking Corporate Europe Limited	13 June 2007	Arab Bank PLC, Commerzbank Aktiengesellschaft, Standard Chartered Bank and Sumitomo Mitsui Banking Corporation Europe Limited	U.S.$400 million	U.S.$400 million
Nomura International Note Purchase Agreement	27 June 2007	Nomura International	JPY 20,000 million	JPY 20,000 million
Morgan Stanley JPY Facility	29 June 2007	Morgan Stanley	JPY 18,375 million	JPY 18,375 million
National City Bank Facility	31 October 2007	National City Bank	U.S.$30 million	U.S.$30 million

The financings formed part of the Designated Financial Indebtedness and were restructured in the course of the Restructuring.

Domestic Bonds

In the past, the Bank issued several series of domestic bonds.

The details of the domestic bonds issued by the Bank are as follows:

- KZT 7,000 million of unsecured bonds with a coupon rate of 8.5 per cent. due April 2009;
- KZT 3,000 million of unsecured bonds with a coupon rate of 9.0 per cent. due December 2009;
- KZT 3,000 million of unsecured bonds with a coupon rate equal to the inflation rate but never less than the refinancing rate (each as set by the NBK) due October 2011;
- KZT 17,000 million of unsecured bonds with a coupon rate of 8.5 per cent., of which KZT 7,000 million are due October 2009, KZT 5,000 million are due December 2011 and KZT 5,000 million are due July 2013;
- KZT 15,400 million of unsecured bonds, of which KZT 8,373.5 million with a coupon rate of 8.0 per cent. due February 2010 and KZT 7,000 million with a coupon rate of 9.75 per cent. due August 2014;
- KZT 2,807.2 million of unsecured bonds with a coupon rate of 11.0 per cent., of which KZT 2.4 million are due September 2010, KZT 152.4 million are due September 2015 and KZT 2,652.4 million are due September 2018;

- the Bank Bonds consisting of KZT 105,000 million of unsecured bonds with a coupon rate of 9.0 per cent. due in equal instalments each March from 2015 until 2024 (see "*The Bank — Business of the Bank — Capital Markets*").

The domestic bonds formed part of the Designated Financial Indebtedness and were restructured in the course of the Restructuring.

In March 2009, the Bank issued and fully placed the Bank Bonds as part of the liquidity support provided by Samruk-Kazyna. As part of the Restructuring, Samruk–Kazyna'a claim in relation to the Bank Bonds was cancelled in consideration for Preference Shares equal in value to KZT 105,000 million.

International Bonds

Between 2005 and 2007, the Bank's finance subsidiary, ALB Finance, incorporated in the Netherlands, issued several series of eurobonds. The details of the eurobonds issued by ALB Finance are as follows:

- U.S.$200 million 9 per cent. Notes due 2010 issued in November 2005;
- U.S.$150 million 9.375 per cent. Perpetual Non-cumulative Capital Securities issued in April 2006;
- U.S.$250 million 8.75 per cent. Notes due 2011 issued in April 2006;
- U.S.$350 million 9.25 per cent. Notes due 2013 issued in September 2006;
- €750 million 7.875 per cent. Notes due 2012 issued in February 2007; and
- £250 million 9.75 per cent. Notes due 2011 issued in February 2007.

The Bank also issued in June 2007 JPY 20,000 million floating rate senior notes due 27 June 2017 and in June 2007 its finance subsidiary Alliance Finance issued RUB 3,000 million 8.75 per cent. Rouble Notes due 2012 supported by suretyship of the Bank.

In November 2006, the Bank, through a special purpose vehicle incorporated in the Cayman Islands, Alliance DPR Company, completed a U.S.$200 million dual tranche debt issuance from a future flow DPR securitisation programme to further fund the Bank's loan portfolio and diversify its funding sources. The transaction was a true sale securitisation of the Bank's U.S. Dollar and Euro denominated present and future diversified payment rights to Alliance DPR Company.

The issuance consisted of a U.S.$100 million Series 2006 A tranche and a U.S.$100 million Series 2006 B tranche. Both tranches have a maturity of seven years. Series 2006 A was also guaranteed by the Asian Development Bank. The Bank was able to price the Series 2006 A tranche at LIBOR plus 15 basis points. In addition, under the DPR programme, the Bank completed in June 2007 another diversified payment receivable securitisation in the amount of U.S.$75 million.

Other than notes issued by Alliance DPR Company, the Bank's international bonds formed part of the Designated Financial Indebtedness and were restructured in the course of the Restructuring.

Issuance and Placement of Shares

On 15 January 2009 the Bank's extraordinary meeting of shareholders made a decision (Minutes 01/09) to increase the amount of the Bank's authorised share capital by 3,462,500 shares to 17,800,000 shares, including 15,000,000 Common Shares and 2,800,000 Preference Shares. On 30 December 2009, the FMSA approved the request of Samruk–Kazyna for the involuntary transfer of all outstanding ordinary shares of the Bank to Samruk–Kazyna. On 26 March 2010 KZT 105,000 million of bonds issued to Samruk–Kazyna were converted into 1,567,164 preference shares and 4,000,000 of common shares were purchased. The ultimate controlling party is the

Government of the Republic of Kazakhstan. As at the date of this Prospectus, the Bank's total issued and fully paid share capital consists of 13,637,56 Common Shares and 2,619,626 Preference Shares due to the Common Shares and Preference Shares issued pursuant to the Restructuring.

Treasury Operations and T Bills

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

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

In the course of its due diligence, the new management of the Bank identified transactions entered into by the Bank between 2006 and 2008 that were not properly recorded on the Bank's balance sheet. The transactions included guarantees issued by the Bank secured by pledges of T Bills.

These guarantees covered borrowings by four offshore companies registered in the British Virgin Islands and Samoa from two Russian financial institutions. The pledged T Bills were held in brokerage accounts of these financial institutions and these institutions had the right to foreclose on them at their sole discretion by sale, exchange or otherwise.

In February and May 2009, the Bank was informed that the four offshore companies had defaulted on the payment of the loans, the Russian financial institutions had exercised their right to foreclose on the T Bills and all the T Bills had been transferred out of the custody accounts of the Bank. Due to the likely losses under the guarantees as at 31 December 2008, the Bank recognised a provision for the guarantees of KZT 136,972 million in the 2008 Annual Financial Statements. See the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*". Following further investigation, it became clear that the T Bills had been used to settle the guarantees.

The relationship between these parties and the Bank and its affiliates has not been fully investigated. Part of the recovery process will involve further investigations to determine if the Bank has any claims against any party.

Investigations by the FMSA and law enforcement agencies are ongoing in Kazakhstan, in order to determine whether fraud was committed by any of the relevant parties. The FMSA and law enforcement agencies were not prepared to disclose the results of their investigations at the date of this Prospectus. See "Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future".

ASSET AND LIABILITY MANAGEMENT

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

Risk Management

The ALCO, the General Credit Committee, the Small Credit Committee and the Retail Credit Committee are collectively responsible for devising, implementing and monitoring the Bank's risk policies to ensure maximum profitability of the Bank, in addition to approving individual loan applications.

The Bank is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The ALCO sets limits on the size and structure of risk assets. The General Credit Committee is responsible for implementing the Bank's credit policy, monitoring the credit process and deciding the Bank's short- and long-term credit policies. The Credit Department performs current monitoring of compliance with such limits.

Risk management and monitoring is performed within set limits of authority. These procedures are performed by the Credit Committees and the Bank's Management Board. Before any application is made to the General Credit Committee, all recommendations on credit processes (borrower's approved limits, or amendments made to loan agreements, for example) are reviewed and approved by the branch risk-manager or the Risk Management Department.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, to industry and geographical segments. However, the Bank does have significant exposure to the real estate and construction industries. See "*Risk Factors — Risks Relating to the Bank — Concentration of the Bank's loan portfolio and deposit base and volatility in the real estate market subject it to risks*".

Limits on the level of credit risk by borrower, product, industry sector and region are approved by the General Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, which are set by the General Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Bank obtains collateral and corporate and personal guaranties. However a significant portion of loans relate to retail lending which is unsecured. Unsecured loans, collateral valuation and financial performance of creditors and/or guarantors are monitored on a continuous basis and subject to annual or more frequent reviews. See "*Risk Factors — Risks Relating to the Bank — Concentration of the Bank's loan portfolio and deposit base and volatility in the real estate market subject it to risks*".

In 2008, the Bank established a Non-Performing Loans Committee responsible for implementing and monitoring the Bank's policies in relation to non-performing loans and their effect on the Bank's risk policies generally. The Committee works jointly with the Department on Non-Performing Loans also established in 2008. The Department is subordinated to the Committee and assists the Committee in collecting information and data, and the Committee is responsible for making decisions whether to restructure or sell the relevant loan based on such information.

The Bank periodically reviews its loan portfolio to identify any borrowers who fail to make repayments on a timely basis. Working capital facilities are reviewed on a quarterly basis and facilities advanced for investment projects are reviewed on a semi-annual basis. Upon loans becoming overdue, the Bank will take steps depending on whether the loan is a corporate loan or a retail or SME loan. See "*Selected Statistical and Other Information — Lending Policies and Procedures*".

Each of the Bank's branches has a committee on SME, a retail credit committee and a non-performing loans committee. The Bank conducts its credit risk management at the head office and branch levels, depending upon the amount of risk involved. See "*Selected Statistical and Other Information — Lending Policies and Procedures*".

The Bank commenced a review of its risk management policies in early 2009. From January to June 2009, all loan applications were required to be approved by the Bank's head office. In June 2009, the SME Department of the Bank granted limited authority to the Bank's branches to approve SME loans up to certain credit limits for SME lending only. As at the date of this Prospectus, such credit limits varied from KZT 10 million to KZT 25 million depending on the branch.

The Bank monitors and manages its asset and liability position through the ALCO, which is a permanent committee reporting to the Management Board. The ALCO is headed by the Chairman of the Management Board. The ALCO also includes the Chief Financial Officer, the Managing Director of Risk, the Managing Director of International Relations, the Managing Director of Financial Reporting and the Head of the Project Finance Department. The ALCO meets on a weekly basis to review the Bank's asset and liability position based on information provided by the Treasury Department on maturities, interest rates and yields, the size of the Bank's loan portfolio, demand and time deposits and investments, the Bank's net foreign currency position, the Bank's operational ratios conforming to the regulations established by the NBK, exchange rates, inflation rates and other economic data, and general national and international political and economic trends. The ALCO can also be convened at the request of any department of the Bank.

Based on its review of this information, the ALCO evaluates the Bank's risk profile and determines strategies and policies for transactions relating to assets and liabilities for the coming month with the aim of increasing revenues for the Bank while maintaining adequate liquidity, complying with prudential norms and regulations and minimising the impact of financial market risks. These decisions are reviewed and approved by the Bank's Board of Directors, Management Board or shareholders, depending on the type of decision.

See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*" and "*Risk Factors — Risks Relating to the Bank — The Bank's risk management strategies and techniques expose the Bank to a number of unidentified or unanticipated risks*".

Liquidity and Interest Rate Risk Management

The Bank's maturity profile is monitored by means of a liquidity table, which is produced daily on the basis of a cash flow statement and reflects the Bank's current payment position as well as gap analysis procedures.

The following table summarises the Bank's consolidated assets and liabilities by maturity as at 31 December 2009:

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	No
				(KZT millions)		
ASSETS						
Cash and cash equivalents	15,388	-	-	-	-	
Placements with banks	1,035	403	569	-	695	
Financial instruments at fair value through profit or loss	-	16,369	-	-	-	
Loans to customers	875	470	3,522	81,227	16,155	
Available-for-sale assets	227	96,250	-	1,131	-	
Total financial assets	**17,525**	**113,492**	**4,091**	**82,358**	**16,850**	
LIABILITIES						
Current accounts and deposits from customers	72,980	740	11,807	38,226	30,023	
Loans from the Government of the Republic of Kazakhstan	-	-	-	2,196	20,417	
Loans from banks	7	129,640	-	-	-	
Loans from other financial institutions	-	45,832	-	-	-	
Debt securities issued	-	360,279	-	-	-	
Subordinated debt	-	26,878	-	18,530	-	
Amount due to the Parent Company	-	105,000	-	-	-	
Other liabilities subject to Restructuring Plan	-	45,272	-	-	-	
Other financing	-	16,206	-	-	-	
Amounts payable under repurchase agreements	5,010	-	-	-	-	
Financial instruments at fair value through profit or loss	19	-	-	-	-	
Other liabilities	2,905	-	-	-	-	
Total financial liabilities	**80,921**	**729,847**	**11,807**	**58,952**	**50,440**	
Net position as at 31 December 2009	**(63,396)**	**(616,355)**	**(7,716)**	**23,406**	**(33,590)**	
Net position as at 31 December 2008	(490,683)	8,278	131,368	(8,276)	99,868	
Cumulative net position as at 31 December 2009	**(63,396)**	**(679,751)**	**(687,467)**	**(664,061)**	**(697,651)**	
Cumulative net position as at 31 December 2008	(490,683)	(482,405)	(351,037)	(359,313)	(259,445)	

The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments. The table above reflects the position prior to the Restructuring, which was completed on 26 March 2010. Overdue amounts of loans to customers include only portion of loans that are contractually overdue.

The above table reflects the situation of the Bank as at 31 December 2009, according to which most of its long-term obligations have become immediately due pursuant to the Bank's defaults and cross-defaults. Also, the line item for customer accounts does not reflect the ability of the customers to actually draw on demand pursuant to the term deposit agreements.

In addition, the Bank's ability to discharge its liabilities depends upon its ability to monetise an equivalent amount of assets within the same period of time.

The maturity profile of the loan portfolio will change as a result of the focus of the Bank's new lending operations on SMEs and on the telecommunications, oil and gas and agriculture industries in the corporate sector. The Bank's management expects the maturity profile of the loan portfolio to change gradually towards shorter maturities. Moreover, loans comprising the Bank's new PILs portfolio are expected to have shorter maturities than the residual PILs portfolio. At the same time, the Bank's management expects to obtain most of its financing through domestic sources. Typically, domestic sources of funding tend to have shorter maturities than international funding, such as international debt issuances, which would match the shorter maturities of the Bank's loan portfolio.

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 net interest income by managing interest rate exposure. Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the periodic repricing of assets and liabilities. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on interest income. The Bank monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments.

The Bank is exposed to significant interest rate risk. The majority of the Bank's loans are fixed-rate agreements. Although the agreements often contain clauses allowing the Bank to change interest rates, in October 2008 the Banking Law was amended to prohibit banks from changing interest rates unilaterally. These amendments have retrospective effect and apply to any loan agreements entered into before and after their enactment. The Bank's ability to mitigate interest rate risks is therefore extremely limited. See "*Risk Factors — Risks Relating to the Bank — The Bank is exposed to significant interest rate risk*".

Liquidity risk arises in the general funding, lending and investment activities. It includes the risk of increases in funding costs and the risk of being unable to liquidate positions in a timely manner at reasonable prices.

As a general matter, liquidity is centrally managed on a daily basis by the Treasury Department according to real-time requirements and forecasts for all the Bank's divisions and branches. The Treasury Department reports to the ALCO on the structure of liquid assets and liquidity gap on a monthly basis. The Department for Financial Planning provides a cash flow report to the ALCO twice a month. All types of treasury operations are implemented within the limits established by the ALCO. Prior to the completion of the Restructuring, all non-client payments of the Bank were approved by a decision of the Management Board.

Liquidity risk management is based on the continuous monitoring of the structure of assets and liabilities, fund raising and strict compliance with reserve requirements imposed by the NBK and the Bank's internal policies. The Bank's liquidity management policy going forward will seek to ensure that, even under adverse conditions, the Bank maintains sufficient funds available to meet its operational needs and to ensure compliance with NBK regulations.

The following table gives certain information as to the Bank's liquidity as at 31 December 2009 and 2008:

	As at 31 December	
	2009	2008
	(per cent.)	
Loans (net)/assets	58.2	57.9
Loans (net)/total customer accounts	158.5	229.3
Loans (net)/equity	(46.4)	(190.8)
Liquid assets/total assets[(1)]	7.82	35.96
Liquid assets/total customer accounts	21.32	142.37

Note:
(1) Liquid assets include cash and balances with the NBK, due from banks (with maturities of less than one month), and financial assets at fair value through profit or loss.

Foreign Currency Management

On 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. Dollar exchange rate from KZT 117 – KZT 123 per U.S. Dollar to KZT 150 per U.S. Dollar (+/- 3 per cent.). This devaluation increased the costs of foreign borrowings relative to the Bank's earnings in Tenge. The majority of the Bank's funding base is denominated in U.S. Dollars, whereas income from its loan portfolio is typically denominated in Tenge. See "*Risk Factors — Risks Relating to Operating within the Kazakhstan Banking Sector — The Bank faces increased risks related to the devaluation of the Tenge*".

During the 2006 to 2008 period, the Bank economically hedged its foreign currency and interest rate risks using cross-currency interest rate swaps in respect of floating rate syndicated facilities, the Sterling and Euro denominated eurobonds and floating rate JPY notes issued by the Bank. See "*Selected Statistical and Other Information — Funding*". As at 31 December 2008 the Bank had 19 cross-currency swap transactions concluded with foreign banks with a total notional amount of U.S.$1,355 million and five cross-currency swap transactions concluded with foreign banks with a total notional amount of KZT 60,140 million. Several of the swap transactions were "conditional variance" swap transactions which exposed the Bank to volatility in the price of an underlying interest rate within a pre-defined range.

In the first half of 2009, nearly all of the Bank's swap counterparties exercised their right to designate an early termination date in respect of the cross-currency swap transactions, as a result of which the Bank incurred a total loss in the amount of KZT 39,635 million. The Bank's foreign currency exchange exposure increased immediately after the early termination of the cross-currency swap transactions as a result of such early termination of the swap transactions. Currently the Bank has little exposure to foreign currency exchange rate fluctuations as a result of the cross-currency swap transactions it enters into to hedge against its foreign currency exchange risk so as to be able to comply with the NBK's and the FMSA's requirements related to the open foreign currency position of the Bank. However there can be no assurance that the Bank will actually be able to enter into such swap transactions in the future.

Regulation and monitoring of the net foreign currency positions of banks is carried out by the NBK. According to current FMSA regulations, the ratio of a bank's net open foreign currency position to its own capital must not exceed 25 per cent. and the open foreign currency position for the currency of any country rated "A" by S&P (or the equivalent from other rating agencies) or higher or the euro must not exceed 12.5 per cent. of its own capital. The open long and short position for any currency of any country rated below "A" by S&P (or the equivalent from other rating agencies) is limited to 5 per cent. of its own capital. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Capital Adequacy*".

The following table shows the net foreign currency position of the Bank as at 31 December 2009 and as at 31 December 2008:

	As at 31 December	
	2009	**2008**
Net open long (short) position (KZT millions)	(564,758)	(264,414)
Net position as a percentage of foreign currency liabilities	60%	37.6%

See "*Risk Factors — Risks Relating to the Bank — The Bank is exposed to significant foreign currency exchange risk*".

Securities Risks

Securities risks are divided into country risk, issuer risk and portfolio risk. The Bank is currently not exposed to typical securities risks since its securities portfolio consists almost entirely of the Samruk-Kazyna Bonds. See "*The Bank — Business of the Bank — Capital Markets*". The Bank's management expects to invest in highly liquid securities including primarily "A" rated sovereign and non-sovereign issuances and domestic securities of the Government and blue chip companies.

Counterparty Risk

The Bank is not currently taking on any new counterparty risk since it has discontinued its lending operations on the interbank market in 2009 due to liquidity problems. In the normal course, the Banking Risks Department of the Bank controls and monitors counterparty risk in the interbank market as well as sovereign risk. In order to monitor these risks, the Department conducts analyses of the economic development of countries, including balance of payments, and the financial statements of counterparties. The Department uses these analyses to set limits on exposure to sovereigns and counterparties. The determination of these limits is based on a scale of valuations and classifications approved by international rating agencies and on the basis of internal policies authorised by the Board of Directors.

MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to Article 3 of the New Charter, the basic business objectives of the Bank include the provision of banking services and the participation in international financing transactions.

The General Meeting of Shareholders is the highest corporate governing body of the Bank. The Charter provides that the Bank shall have a Board of Directors and a Management Board. The JSC Law vests in the board of directors the final approval of the majority of corporate decisions, although the final approval of certain major corporate decisions is vested in the General Meeting of Shareholders. In accordance with Kazakhstan legislation, members of the Board of Directors are elected and their powers may be terminated early at any time by the General Meeting of Shareholders. The Chairman of the Board of Directors and Members of the Management Board are elected and their term of office may be terminated early by the Board of Directors. The appointment of the Chairman, members of the Board of Directors and members of the Management Board is subject to the consent of the FMSA.

The Bank has recently implemented a number of changes to the Bank's management and corporate governance. The structure of the Bank's primary management bodies remains unchanged and consists of the General Meeting of Shareholders, the Board of Directors and the Management Board. However, approval matters, composition of certain management bodies and financial and information reporting have been amended to improve the Bank's corporate governance.

Board of Directors

The Board of Directors is a permanent body involved in the general management of the Bank's activities during the periods between General Meetings of Shareholders except for the matters specifically reserved by the legislation of the Republic of Kazakhstan and the New Charter as being within the exclusive competence of the General Meeting of Shareholders. The responsibilities of the Board of Directors include determining the strategy of the Bank, defining the investment, credit and other policies of the Bank, nominating the Chairman and members of the Management Board, approving material contracts, convening General Meeting of Shareholders, approving the Bank's budget, establishing and closing branches and representative offices, adopting decisions on the Bank's acquisition of 10 per cent. or more of the shares in another legal entity and increases in the Bank's liabilities in excess of 10 per cent. of its equity capital. In addition, the JSC Law provides that at least one-third of the members of a company's board of directors must be independent.

The New Charter requires that the Board of Directors consists of at least three members and that at least 30 per cent. of the members of the Board of Directors are independent. The business address of all members of the Board of Directors is 50 Furmanov Street, Almaty 05004, Republic of Kazakhstan.

The Board of Directors consists of six members and includes one CS Director and one Creditor Director nominated by the Steering Committee, and four members appointed by Samruk–Kazyna.

In future, the appointment and/or replacement of the CS Director will be achieved through a "negative consent" process. The Creditor Director will nominate an appropriate individual to be the CS Director. The Bank will issue a public announcement to the Creditor Shareholders notifying them of the proposed new CS Director. Each Creditor Shareholder will have a period of 20 days to notify the Bank if it does not wish to approve the proposed CS Director. If Creditor Shareholders holding 25 per cent. of the aggregate amount of the outstanding restructured debt of the Bank object to this appointment, the Creditor Director will nominate another appointee and the "negative consent" process will be repeated.

The appointment and/or replacement of the Creditor Director will be achieved through a "negative consent" process similar to the CS Director. The CS Director will nominate an appropriate individual to be the Creditor Director. The Bank will issue a public announcement to the Finance Creditors notifying them of the proposed new Creditor Director. Each Finance Creditor will have a period of 20 days to notify the Bank if it does not wish to approve the proposed Creditor Director. If Finance

Creditors holding 25 per cent. of the aggregate amount of the outstanding restructured debt of the Bank object to this appointment, the CS Director will nominate another appointee and the "negative consent" process will be repeated.

The Creditor Director and CS Director have been appointed for a term of three years each unless that person resigns, is removed by Samruk-Kazyna in accordance with written instructions from Finance Creditors or Creditor Shareholders, as applicable, holding at least 25 per cent. of the aggregate amount of the outstanding restructured debt of the Bank, or is removed from the Board of Directors by Samruk-Kazyna, acting reasonably, for incapacity or gross misconduct, in which event Samruk-Kazyna shall use its reasonable endeavours to secure the appointment of a replacement. Under the terms of the Samruk-Kazyna Undertaking, Samruk-Kazyna, as the Bank's majority shareholder, is only obliged to appoint the candidates nominated by the Creditor Shareholders and Finance Shareholders to be the CS Director and the Creditor Director, respectively, for a period of three years following the Restructuring Date. Any CS Director or Creditor Director appointed as a replacement for the original CS Director or Creditor Director will not, therefore, necessarily be appointed for a period of three years.

The four members of the Board of Directors appointed by Samruk-Kazyna have each been appointed for a term of three years.

The Board of Directors consists of the following six members as at the date of this Prospectus:

Name	Position	Director Since
Aidan Karibzhanov	Chairman of the Board of Directors	19 January 2010
Maxat Kabashev	Member of the Board of Directors	28 October 2009
Marat Aitenov	Member of the Board of Directors	19 January 2010
Kamila Hairova	Member of the Board of Directors	19 January 2010
Tomas Grasse	Independent Director	25 March 2010
Hubert Pandza	Independent Director	12 February 2010

Aidan Karibzhanov — Chairman of the Board of Directors (38). Mr. Karibzhanov is currently a Managing Director at Samruk-Kazyna. Prior to joining Samruk-Kazyna he was CEO at "SamrukInvest", President and Chairman of the Board of Directors at Visor Holding and Managing Director at National Oil Company "KazMunaiGaz". He also worked as Deputy CEO and Deputy General Director at "Global Kazkommerts Securities". Mr. Karibzhanov graduated from Moscow State University of International Relations with a degree in International Relations.

Maxat Kabashev — Member of the Board of Directors (42). Mr. Kabashev joined the Bank in February 2009 as the Chairman of the Management Board. Prior to joining the Bank he worked as Director of Innovation Development in the Department of the Ministry of Industry and Trade of the Republic of Kazakhstan from 2001 to 2002. He also served as the Deputy Chairman of the Board of JSC "Sustainable Development Fund" "Kazyna" and subsequently on the Board of Samruk-Kazyna between 2006 and 2008. Between January and December 2008, Mr. Kabashev served as the Chairman of the Board of JSC Kazakhstan Investment Fund. He was appointed the Chairman of the Board of JSC Distressed Assets Fund in January 2009. He obtained a degree in engineering from Moscow Wood Technical Institute in 1991. Mr. Kabashev obtained an MBA from the Sloan School, Massachusetts Institute of Technology in 2004.

Marat Aitenov — Member of the Board of Directors (31). Mr. Aitenov is currently Director of the Legal Department at Samruk-Kazyna. Previously he served as Managing Director of the Legal Department at JSC "Sustainable Development Fund "Kazyna", Managing Director and Board Member at JSC "National Innovation Fund", Deputy General CFO at RGE "Economic Research Institute" and First Deputy General Director and Director of the Administration-Finance Department at JSC "*Centre for Marketing and Analytical Research*". He holds a degree in law from "*Miras*" University.

Kamila Hairova — Member of the Board of Directors (28). Ms. Hairova is currently a Director of the Risk Management and Treasury Department at Samruk-Kazyna. Previously, she served as Director of

the Risk Management and Tax Planning Department at JSC Fund of Sustainable Development "Kazyna", as Investment Manager of the Investment Department at JSC "Centre for Marketing and Analytical Research" and as Senior Consultant of the State Policy Analysis Department at JSC "Centre for Marketing and Analytical Research". Ms. Hairova graduated from Almaty State University with a degree in International Law. She also holds a BA degree in Economics and Finance from the University of Bristol and a Masters degree in Economics and Finance from Warwick Business School.

Tomas Grasse — Independent Director (54). Tomas Grasse was appointed as an Independent Director of the Board on 25 March 2010. Tomas Grasse has extensive experience as a manager in the financial service industry. He was a member of the Board of directors and a member in Monitoring Council in several banks in Europe and CIS; he has been working as a manager since 1974 with UniCredit Group/HypoVereinsbank AG.

Hubert Pandza — Independent Director (61). Hubert Pandza was appointed as an Independent Director of the Board on 12 February 2010. He is currently also an independent director of TransCreditBank, Investbank and New Eurasia Foundation in Russia as well as Vermögens- und Privatbank in Liechenstein. Previously, he spent 26 years at Deutsche Bank serving in a variety of positions including as chief executive of the Moscow office and CIS regional head and as a vice-president in the Frankfurt office. Between 2002 and 2006, he served as Business Group Director for Russia & Central Asia and the Group for Small Business at the European Bank for Reconstruction and Development in London. He earned a Masters of Science degree in International Economic Relations from the University of Saarland, Saarbrücken, Germany.

Certain members of the Bank's former management are currently under investigation by Kazakhstan's law enforcement agencies in connection with the identified guarantees supported by pledges of its T Bills described in "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*", "*The Bank — Legal Proceedings*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*". Mr. Margulan Seisembayev effectively discontinued his involvement in the activities of the Board of Directors after 4 June 2009 and his current location is unknown to the Bank.

Under the New Charter, the Bank's shareholders have the power to dismiss any members of the Board of Directors, including the Chairman, at any time. The Chairman of the Board of Directors can also be dismissed by the FMSA, provided the FMSA has sufficient evidence of the Chairman's non-compliance with requirements of Kazakhstan law.

Committees of the Board of Directors

The Bank's Board of Directors includes the Audit Committee, the Risk Committee, the Corporate Management and Appointments Committee and the Human Resources and Remuneration Committee.

Audit, Risk and Problem Loans Committee

As at the date of this Prospectus, the members of the Audit, Risk and Problem Loans Committee are:

Name	Position
Tomas Grasse	Chairman of the Committee, Independent Director
Maxat Kabashev	Member of the Committee, Member of the Board of Directors, Chairman of the Management Board
Rinat Shamsutdinov	Member of the Committee, Deputy Chairman of the Management Board
Orsolya Ekler	Member of the Committee, Financial Director, CFO
Kamilla Hairova	Member of the Committee, Member of the Board of Directors
Zhaidarzhan Zatayev	Member of the Committee, Managing Director, Risk Management

The chairman of the Audit, Risk and Problem Loans Committee is an independent director. The committee's major functions include controlling the work of the Bank's external auditors and the Bank's compliance with applicable laws and regulations, the quality and completeness of the financial

and accounting statements of the Bank and the qualifications and independence of the external auditors of the Bank. The committee is responsible for creating a unified risk management policy for the Bank and defining methodological approaches for the assessment of each type of risk, including credit, liquidity, interest rate and foreign exchange risks.

Corporate Management and Strategy Planning Committee

As at the date of this Prospectus, the members of the Corporate Management and Appointments Committee are as follows:

Name	Position
Hubert Pandza	Chairman of the Committee, Independent Director
Maxat Kabashev	Member of the Committee, Member of the Board of Directors, Chairman of the Management Board
Tomas Grasse	Member of the Committee, Independent Director
Orsolya Ekler	Member of the Committee, Financial Director, CFO
Gaziz Shakhanov	Member of the Committee, Advisor to the Chairman of the Management Board
Almaz Assylbek	Member of the Committee, Advisor to the Chairman of the Management Board

The chairman of the Corporate Management and Strategy Planning Committee is an independent director. The committee's major functions include supervising the general corporate governance of the Bank, considering issues that relate to the composition of the Board of Directors, supervising corporate governance, revising the Bank's business practices on issues connected with its reputation, coordination of, and participation in, the mid-term strategic plan, monitoring of the realisation and effectiveness of approved strategic and operational plans, monitoring of confidential information limitations procedures and the preliminary revision and monitoring of internal normative documents.

Human Resources and Remuneration Committee

As at the date of this Prospectus, the members of the Human Resources and Remuneration Committee are as follows:

Name	Position
Marat Aitenov	Chairman of the Committee, Member of the Board of Directors
Hubert Pandza	Member of the Committee, Independent Director
Alexandr Lymarenko	Member of the Committee, Director of the HR Department

The committee's major functions include revising strategic, hiring and staffing issues and remuneration policy and structure, deciding the amounts to be paid to Directors and members of the Management Board on the premature termination of their appointments, providing the yearly report of the Human Resources and Remuneration Committee to the Board of Directors and annually reviewing the Bank's personnel policies.

Management Board

In February 2009, SAFC appointed new members to the Management Board following the execution of the Implementation Agreement. See "*The Bank — The Role of Samruk-Kazyna — Legal Framework*". The Management Board is responsible for the day-to-day management and administration of the Bank's activities. The Management Board has executive powers, in contrast to the Board of Directors' supervisory role. The Management Board's responsibilities include making executive business decisions, implementing the Bank's business strategy, appointing senior management and branch representatives of the Bank and dealing with all other matters not reserved to the Board of Directors or the General Meeting of Shareholders.

All members of the Management Board are elected for a term defined by the annual General Meeting of Shareholders. The business address for all members of the Bank's Management Board is 50 Furmanov Street, Almaty 05004, Republic of Kazakhstan.

As at the date of this Prospectus, the members of the Management Board are:

Name	Position
Maxat Kabashev	Chairman of the Management Board
Sholpan Nurumbetova	Deputy Chairman of the Management Board
Rinat Shamsutdinov	Deputy Chairman of the Management Board
Askar Bishigayev	Deputy Chairman of the Management Board
Tatiana Belozertseva	Deputy Chairman of the Management Board

Maxat Kabashev — Chairman of the Management Board (42). See biography in "— *Board of Directors*".

Sholpan Nurumbetova — Deputy Chairman of the Board (29). Mrs. Nurumbetova has more than eight years of experience in the banking sector. She joined the Bank in February 2009 and was appointed acting Deputy Chairman of the Management Board. Prior to joining the Bank, in early 2009, Mrs. Nurumbetova worked as Deputy Chairman of the Board of Damu Fund for Entrepreneurship Development. From 2001 to 2009, she held various positions in JSC ATF Bank, OJSC Tsesna Bank and BTA Bank, in positions ranging from leading economist to Head of Branch. Mrs. Nurumbetova received a degree in Finance from the Kazakh State Management Academy in 2000.

Rinat Shamsutdinov — Deputy Chairman of the Management Board (45). In March 2009, Mr. Shamsutdinov was appointed as a Managing Director — Vice President of the Bank and in April 2009 he became Acting Deputy Chairman of the Management Board. Prior to joining the Bank, he held various positions in different government institutions, including Managing Director — Member of the Management Board of JSC Fund of Sustainable Growth "Kazyna" and Head of Defence and Law Department at the Prime Minister's Office of the Republic of Kazakhstan. Mr. Shamsutdinov also served as Vice-Minister of Justice of the Republic of Kazakhstan from 2002 to 2003 and held different positions in the President's Administration from 2001 to 2002. Mr. Shamsutdinov holds a law degree from the Kazakh State University.

Askar Bishigayev — Deputy Chairman of the Management Board (45). Mr. Bishigayev held various positions in telecommunications and information technology companies between 1998 and 2007, including at the Kazakh Agency for Information and Communications as Deputy Chairman for nearly three years. He was appointed as Acting Deputy Chairman of the Bank's Management Board in March 2009. Mr. Bishigayev received a degree in engineering from the Moscow Technical Academy named after Bauman in 1987 and a Ph.D. in Physics and Mathematics from the Kazakh State University in 1993.

Tatiana Belozertseva — Acting Deputy Chairman of the Board (45). Prior to her appointment at Alliance Bank in September 2009, Mrs. Belozertseva held various top positions in a number of financial companies in Kazakhstan and Russia, including Nurbank and Sibacadembank. She took her degree in civil engineering in 1987 from Novosibirsk Construction Engineering University. In 1994 Mrs. Belozertseva studied under the United States of America International Development programme.

Committees of the Management Board

Asset and Liability Management Committee ("ALCO")

As at the date of this Prospectus, the members of the ALCO are as follows:

Name	Position
Maxat Kabashev	Chairman of the Committee, Chairman of the Management Board
Orsolya Ekler	Deputy Chairman of the Committee, Financial Director (CFO)
Tatiana Belozertseva	Member of the Committee, Deputy Chairman of the Management Board
Zhaidarzhan Zatayev	Member of the Committee, Managing Director
Gaziz Shakhanov	Member of the Committee, Advisor to the Chairman of the Management Board
Daniyar Nurmaganbetov	Member of the Committee, Director of the Treasury Department
Bakhyt Kusainov	Member of the Committee, Director of the Corporate Business Department
Oxana Kameneva	Member of the Committee, Deputy Director of the Financial Analysis and Planning Department

The ALCO implements the asset and liability management policies and controls relevant procedures in the Bank. The ALCO is authorised to make decisions regarding liquidity control and management, profitability control and management, risk control and management and strategic performance. The ALCO meets as frequently as the business needs require, but no less than once every week. The ALCO may be convened at the request of any department of the Bank. For more detail on the duties of the ALCO, see "*Asset and Liability Management — Risk Management*".

Head Office Credit Committee

As at the date of this Prospectus, the members of the Head Office Credit Committee are as follows:

Name	Position
Sholpan Nurumbetova	Chairman of the Committee, Deputy Chairman of the Management Board
Askar Dzhailaubekov	Deputy Chairman of the Committee, Director of the Credit Risks Department
Bakhyt Kussainov	Member of the Committee, Director of the Corporate Business Department
Zhaidarzhan Zatayev	Member of the Committee, Managing Director
Anar Shakhmanova	Member of the Committee, Deputy Head of the Legal Support of Lending Operations Division of the Legal Department
Kanat Akhmetzhanov	Member of the Committee, Deputy Director of the Economic Security Department

The Head Office Credit Committee reports to the Board of Directors and is responsible for implementing the Bank's credit policy, monitoring the credit process and deciding the Bank's short- and long-term credit policies. The Head Office Credit Committee meets on a weekly basis. For further details on the Bank's Head Office Credit Committee and its portfolio supervision policies, see "*Selected Statistical and Other Information — Lending Policies and Procedures*".

Tariff Committee

As at the date of this Prospectus, the members of the Tariff Committee are:

Name	Position
Oxana Kameneva	Chairman of the Committee, Deputy Director of the Financial Analysis and Planning Department
Leila Nurkasymova	Deputy Chairman of the Committee, Director of the Corporate Business Operational Services Department
Chingiz Bakraev	Member of the Committee, Director of the Processing Centre Department
Boris Tolmachev	Member of the Committee, Head of the Applied Analysis Division of the Banking Technology Department
Gani Karymsak	Member of the Committee, Head of the Methodology and Analysis Division of the Corporate Business Department
Aigul Ryspayeva	Member of the Committee, Head of the Promotion and Marketing of Retail Products Division of the Retail Business Department

The Tariff Committee is responsible for forming the Bank's pricing policy to ensure it offers competitive rates and tariffs. The Tariff Committee keeps track of pricing and tariff policies of the Bank's competitors and decides base interest rates and tariffs of the Bank. It also approves tariffs of the Bank's branches on the basis of an analysis of the domestic markets. The Tariff Committee meets at least once a week and meets whenever a review of the Bank's tariffs is deemed to be necessary.

Write-off and Sale Committee

As at the date of this Prospectus, the members of the Write-off and Sale Committee are:

Name	Position
Orsolya Ekler	Chairman of the Committee, Financial Director (CFO)
Maira Abdikadirova	Deputy Chairman of the Committee, Deputy Chief Accountant
Gabit Kapishov	Member of the Committee, Administrative Director
Marat Zhumanbayev	Member of the Committee, Chief Officer of the Technical Systems Protection and Security Division of the Internal Security Department
Dauren Omiraliyev	Member of the Committee, Head of Budgeting and Investment Monitoring and Administrative Activity of the Financial Analysis and Planning Department
Maxim Kosenko	Member of the Committee, Head of the Infrastructure Development Division of the Information Systems Support Department

The Write-off and Sale Committee is responsible for write-offs and sales of long-term assets and inventory holdings from KZT 300,000 to KZT 5 million of depreciated cost per one unit of property, approval of depreciation rates for assets, write-offs or assignments related to receivables not associated with lending activities of the Bank not exceeding KZT 5 million, expansion and reconstruction of the Bank's branches and write-offs of capital costs for the repair of rented premises.

Retail Credit Committee

As at the date of this Prospectus, the members of the Retail Credit Committee are:

Name	Position
Tatiana Belozertseva	Chairman of the Committee, Deputy Chairman of the Management Board
Aigul Tattybayeva	Deputy Chairman of the Committee, Head of the Client Services Division of the Retail Business Department
Aigerim Koshmaganbetova	Member of the Committee, Senior Lawyer of the Legal Support of Lending Operations Division of the Legal Department
Aidar Burkytbayev	Member of the Committee, Head of the Anti Fraud Unit of the Economic Security Department
Dias Aubakirov	Member of the Committee, Deputy Head of the Credit Risks Division of the Risk Management Department

The Retail Credit Committee reports to the Management Board of the Bank and is responsible for organising, implementing and controlling the retail lending process based on the principles of transparency, collective responsibility and the delegation of powers.

SME Credit Committee

As at the date of this Prospectus, the members of the SME Credit Committee are:

Name	Position
Sholpan Nurumbetova	Chairman of the Committee, Deputy Chairman of the Management Board
Nadil Gabitov	Deputy Chairman of the Committee, Head of the Credit Risks Division of the Risk Management Department
Karlygash Aralbekova	Member of the Committee, Director of the SME Department
Marina Glazunova	Member of the Committee, Head of the Legal Support of Lending Operations Division of the Legal Department
Erlan Satylganov	Member of the Committee, Senior Manager at the Project Appraisals Division of the Economic Safety Department

The SME Committee reports to the General Credit Committee of the Bank. It is responsible for approving the terms of credit facilities and guarantees issued by the Bank (including its branches) to SMEs for amounts of up to U.S.$5 million.

Non-Performing Loans Committee

As at the date of this Prospectus, the members of the Non-Performing Loans Committee are:

Name	Position
Rinat Shamsutdinov	Chairman of the Committee, Deputy Chairman of the Management Board
Zhaidarzhan Zatayev	Deputy Chairman of the Committee, Managing Director
Naslizat Sagaliyeva	Member of the Committee, Director of the Problem Debt Department
Boris Pshenichny	Member of the Committee, Director of the Economic Safety Department
Eugeniy Bratus	Member of the Committee, Director of the Legal Department
Karlygash Aralbekova	Member of the Committee, Director of the SME Department
Madina Zhakselekova	Member of the Committee, Director of the Retail Problem Debt Department

The Non-Performing Loans Committee reports to the Board of Directors of the Bank and is responsible for the approval of decisions relating to the recovery of non-performing loans. See "*Selected Statistical and Other Information — Lending Policies and Procedures — Recovery Policies and Procedures*".

Senior Management Team

The Bank's new senior management team was appointed following the execution of the Implementation Agreement. The Bank's senior management team comprises the individuals responsible for the day-to-day management of their respective departments or divisions, each of whom reports regularly to the Board of Directors in relation to the status of his respective department. The Bank's senior management team reports to the Management Board and certain members report directly to the Chairman of the Management Board, and the Deputy Chairman. Any member of the senior management team can be called to attend a meeting of the Board of Directors as appropriate.

As at the date of this Prospectus, the senior management team consists of the following persons:

Name	Position	Department
Adilkhan Umerbaev	Vice President	Government Relations
Miyat Zhanabilov	Vice President	HR Department, Administrative Support Centre, Procurement Department
Orsolya Ekler	Financial Director (CFO)	Accounting Department, Treasury Department, Loan Administration Department, Operations Department, Department of Financial Analysis and Planning
Maral Amrina	Managing Director	International Relations Department
Zhaidarzhan Zatayev	Managing Director	Risk Department, Loan Collateral Department
Aleksey Vorontsov	Executive Director	Information Projects Department of Banking Technology, IT Strategic Projects Division
Akhmetzhan Mukajanov	Executive Director	Economic Security Department, Internal Security Department, Information and Analysis Division
Zurakhan Kalieva	Director, Chief Accountant	Accounting Department
Gabit Kapishov	Administrative Director	Administrative Department, Procurement Department

Adilkhan Umerbaev — Vice President (47). Between 1996 and 2000, Mr. Umerbaev held various positions in the Administration of the President of the Republic of Kazakhstan and at the Prime Minister's Office. From 2000 to 2002, he worked in the office of the Vice Minister of Labour and Social Defence of the Republic of Kazakhstan. Mr. Umerbaev graduated from the Belarus Polytechnic Institute.

Miyat Zhanabilov — Vice President (45). Mr. Zhanabilov started his career in Zhambyl and, in 1995, he became deputy mayor of Taraz city. In 1997, he was appointed deputy mayor of the Zhambyl region. Between 1999 and 2004, he was Head of the Prime Minister's Office. From April 2009, Mr. Zhanabilov joined the Bank as a Managing Director and in August he was appointed Deputy Chairman of the Management Board. Mr. Zhanabilov graduated from the Almaty Institute of National Economy with a degree in economics.

Orsolya Ekler – Financial Director (CFO) (38). Ms. Ekler started her banking career in 1997. She has held the positions of Project Manager, Director of Control and Accounting Department and Managing Director at various Hungarian banks. She has been working in Kazakhstan since March 2007 as a Head of the Financial Unit of Bank Caspian, Deputy Chairman of the Management Board and Head of the Financial Unit and Back-office of Nurbank. She came to the Bank in 2010. Ms. Ekler graduated from Dresden University of Technology with a degree in Econometrics.

Maral Amrina – Managing Director (30). Between 2000 and 2008, Ms. Amrina held various positions ranging from a financial analyst to the Director of Financial Institutions Department at JSC Kazkommertsbank. In 2008 she was a Vice-President at Investment Fund Kazimir Partners, Ms. Amrina graduated from Kazakh National State University named after Al-Farabi with a degree in International Economic Relations.

Zhaidarzhan Zatayev — Managing Director (31). Mr. Zatayev has wide experience in the banking and finance sectors of Kazakhstan and Russia. In March 2009, Mr. Zatayev joined the Bank as a Managing Director, Risk Management Department. Prior to joining the Bank, he held various positions in the credit and risk divisions at different banks, including Citibank Kazakhstan, Halyk Savings Bank of Kazakhstan and Moskommertsbank. Mr. Zatayev has a degree in international economics from the Kazakh State Academy of Management.

Aleksey Vorontsov — Executive Director (41). Mr. Vorontsov joined the Bank in 2004 as the Managing Director of Information Projects. In 2009 he was appointed as Executive Director. Prior to joining the Bank, he held various positions in Alfa Bank, Irtysbusinessbank, Hilan-Tech Corporation and First International Bank of Israel. Mr. Vorontsov graduated from the Institute of Automated Management Systems and Radio Electronics, Tomsk.

Akhmetzhan Mukajanov — Executive Director (55). Mr. Mukajanov joined the Bank in 2009 as Executive Director. Prior to joining the Bank, Mr. Mukajanov held various positions with different law enforcement agencies. Mr. Mukajanov received an MBA in 1995 and a degree in Law in 2002 from the Academy under the Ministry of Interior Affairs in Russia.

Zurakhan Kalieva — Director, Chief Accountant (48). Ms. Kalieva has more than 25 years of experience in the financial sector. She joined the Bank in 2010. Previously Ms. Kalieva held various positions in different banks, including Halyk Bank, Export-Import Bank of Kazakhstan and the Support Centre of the NBK, and also served as Head of the Internal Audit Service and Managing Director on financial matters at JSC "*Investment Fund Kazakhstan*". She has a degree in economics from the Almaty Institute of National Economy.

Gabit Kapishov – Director (39). Prior to joining the Bank, Mr. Kapishov held several senior positions including Deputy Director on Economic and Finance issues at CJSC KazStroyService, Deputy Director at National Centre of Expertise and Certification, Managing Director at CJSC "*National Company for Oil Transportation "KazTransOil*" and Vice-president at JSC Trade House Zangar. He graduated from the Transport and Communication Academy as an engineer and from Kazakh State Management Academy as an economist.

Corporate Governance

Corporate governance best practice in Kazakhstan is set out in the Kazakhstan Corporate Governance Code, which is based on existing international best practice in the area of corporate governance and sets out recommendations for the application of the principles of corporate governance by Kazakhstan joint stock companies. The Code was developed in 2005 by the Association of Financiers of Kazakhstan and approved by the FMSA. The Bank's New Corporate Governance Code was adopted by the shareholders of the Bank on 9 March 2010. The New Corporate Governance Code incorporates provisions of the Kazakhstan Corporate Governance Code and otherwise complies with the JSC Law in all material respects. It also introduced a number of improvements in the following areas:

- the Board of Directors' role and responsibilities, including independence of directors, establishment of a remuneration committee, clear policies for risks and controls and clear terms of reference for key Board committees;
- competence of Board members, including their selection and election criteria, training, individual and collective evaluation of performance, rotation and reappointment (subject to FMSA approval) and effective supervision;
- internal controls and risk management, including a sound system of internal controls and financial reporting, risk-based management approach and risk-based capital management, identification and control of risks, quality of management information, restrictions on related party transactions and approval structures and limitations; and
- disclosure and reporting, including director remuneration, Board activities, financial reporting, communication with shareholders and external stakeholders, and evidence of embedded principles, standards and processes.

Independent Compliance Audit

As one of the terms of the Restructuring, the Bank has agreed to arrange for an annual audit of the Bank's corporate affairs and governance policies to be conducted by an independent "*Big Four*" accounting firm and will endeavour to remedy any identified non-compliance within six months of the date of such audit report.

Management Remuneration

In accordance with the Bank's New Charter, the remuneration and compensation of the members of the Bank's senior management team are determined by the General Meeting of Shareholders of the Bank. The Bank paid KZT 542 million for the year ended 31 December 2009 and KZT 482.2 million in aggregate during the year ended 31 December 2008 to members of the Management Board and its managing directors. None of the employment contracts of members of the senior management team or the Management Board provide for benefits upon termination of employment. The Bank paid KZT 17.5 million in aggregate during the year ended 31 December 2008 and KZT 22.6 million for the year ended 31 December 2009 to the independent directors on its Board of Directors. The Bank did not pay the non-independent directors in either period for their services as members of the Board of Directors.

As at 31 December 2009, the Bank had loans outstanding to Saken Seifullin, at that time a member of the Board of Directors, in the amount of KZT 263. The Bank did not have any loans outstanding to any other members of its management as at 31 December 2009.

The decision to grant loans to members of the Bank's management teams is made by the General Credit Committee of the Bank based on the procedures described under "*Selected Statistical and Other Information — Lending Policies and Procedures*". However, these loans are considered transactions with persons associated with the Bank by "special relations" and accordingly must be

approved by the Bank's Board of Directors. These loans are then notified to the General Credit Committee and the Risk Department.

Conflicts of Interest

There are no potential conflicts of interest between duties owed to the Bank by any of the members of the Bank's management and their private interests and/or other duties.

Certain members of the Bank's former management are currently under investigation and/or were arrested by Kazakhstan's law enforcement agencies in connection with the identified guarantees supported by pledges of its T Bills described in "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future.*" and "*Selected Statistical and Other Information — Funding — Treasury Operations and T Bills*". Mr. Margulan Seisembayev effectively discontinued his involvement in the activities of the Board of Directors after 4 June 2009 and his current location is unknown to the Bank. On 14 October 2009, the Economic Crime and Corruption Agency of Kazakhstan formally accused Mr. Margulan Seisembayev, the former Chairman of the Board of Directors, Mr. Erlan Seisembayev, a shareholder of SAFC, and Mr. Arsen Saparov, the former Chairman of the Bank's Credit Committee, of stealing KZT 16,919 million from the Bank. At the same time, another investigation was launched by the Kazakhstan financial police in relation to Mr. Askar Galin, a shareholder of SAFC, who is accused of stealing EUR 1.7 million from the Bank. See "*The Bank — Legal Proceedings*". The former Chairman of the Bank's Management Board, Mr. Zhomart Yertaev, was arrested in August 2009, and the Bank's former Chief Accountant, Mr. Abylkassym Mamyrbekov, was arrested in September 2009. Another former Chairman of the Bank's Management Board, Mr. Erik Sultankulov, was arrested in April 2010. In May 2010 Mr. Yertayev was released but the investigation is being continued.

Litigation

In the five years ending with the date of this Prospectus, none of the current members of the Board of Directors or the Management Board:

- has had any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior executive officer of a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; nor
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

RELATED PARTY TRANSACTIONS

As part of the due diligence analysis commenced by the Bank's new management in February 2009, the Bank uncovered various related party transactions that were not previously disclosed or properly accounted for. For example, the Bank's former management authorised certain loans to, and other transactions with, related parties which were not properly accounted for in the Bank's Financial Statements. These related party transactions constitute a significant proportion of the Bank's non-performing loan portfolio. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*". The Bank has established substantial provisions relating to some of these transactions, primarily including asset transfers and loans issued to entities owned by the Bank's shareholders or affiliates or in which such persons have an interest. The Bank is in the process of implementing new internal procedures relating to the approval of related party transactions. It is doing so by taking a number of measures, including by adhering to the terms of the New Corporate Governance Code, by changing the composition of the Bank's management bodies and by introducing periodic audits of the Bank's compliance with its governance policies.

For a description of the definition of related parties under IAS 24 "*Related Party Disclosure*" and for quantitative disclosure on transactions with related parties, see Note 33 (Related party transaction) to the 2009 Annual Financial Statements and Note 34 (Transactions with related parties) to the 2008 Annual Financial Statements included elsewhere in this Prospectus.

The Bank has information that indicates that certain customers and counterparties may not have been properly identified as related parties. The Bank was unable to obtain appropriate evidence as to whether these customers and counterparties were related parties as at 31 December 2008 and 2007. The Bank's management is also unable to compile the information necessary to present the related party transactions for the year 2007 on a corresponding basis to 2008. As a consequence, the information related to 2007 has been omitted. See Note 34 (Transactions with related parties) to the 2008 Annual Financial Statements of the Bank included elsewhere in this Prospectus. Therefore the disclosure included in this Prospectus does not present all transactions with related parties. See "*Risk Factors — Risks Relating to the Bank — Transactions with unidentified related parties may cause future losses*".

The following table describes amounts which arose due to transactions with identified related parties as at 31 December 2009 (including affiliates and Samruk-Kazyna):

Other related parties include the Parent Company and other state companies and organisations. The outstanding balanc
as at 31 December 2009 and related profit or loss amounts of transactions for the year ended 31 December 2009 with o

	Parent company		Other state companies and organisations		Fellow subsidiaries		
	(KZT millions)	**Average interest rate** *(per cent.)*	*(KZT millions)*	**Average interest rate** *(per cent.)*	*(KZT millions)*	**Average interest rate** *(per cent.)*	*(K*
Statement of financial position							
ASSETS							
Cash and cash equivalents	-	-	6,229	-	-	-	
Financial instruments at fair value through profit or loss	-	-	7,969	-	-	-	
Available-for-sale assets	96,166	4.00	955	6.40	-	-	
Loans to customers	1,009	10.00	108	11.64	1,117		
- Principal balance	-	-	-	-	1,030	-	
- Provision for impairment	-	-	-	-	(21)	-	
Other assets	-	-	1,640	-	2	-	
LIABILITIES							
Current accounts and deposits from customers	70,449	4.80	-	-	13,815	2.26-7.96	
Loans from the Government of the Republic of Kazakhstan	-	-	22	4.00	22,591	8.22	
Amount due to the Parent Company	105,000	9.00	-	-	-	-	
Amounts payable under repurchase agreements	-	-	5,010	0.90	-	-	
Other liabilities	**2,653**	**-**	**984**	**-**	**28**	**-**	
Off balance sheet items							
Guarantees	-	-	-	-	56	0.01	
Profit/(loss)							
Interest income	3,284	-	-	-	77	-	
Fee and commission expense	(10,814)	-	(282)	-	(2,172)	-	
Net loss on available for sale assets	(5)	-	-	-	-	-	
Net loss on foreign exchange operations	-	-	-	-	(24)	-	
Impairment loss	-	-	-	-	(669)	-	
General administrative expenses	-	-	(1,990)	-	(504)	-	

The outstanding balances and the related average interest rates as at 31 December 2008 and related profit or loss amounts of transactions for the year ended 31 December 2008 with other related parties are as follows:

	Former Parent company Seimar Alliance Financial Corporation		Other		Total
		Average interest rate		Average interest rate	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*
Statement of financial position					
ASSETS					
Placements with banks	-	-	873	11.90	873
Loans to customers	-	-	49,299	14.83	49,299
Available for sale assets	-	-	37	-	37
Other assets	-	-	227	-	227
LIABILITIES					
Current accounts and deposits from customers	3,909	10.77	12,668	10.22	16,577
Loans from banks	-	-	54	-	54
Loans from other financial institutions	-	-	4,216	-	4,216
Off balance sheet items					
Contingent liabilities	1	-	35,785	-	35,786
Profit/(loss)					
Interest income	-	-	9,087	-	9,087
Interest expense	(1,439)	-	(126)	-	(1,565)
Impairment loss	(1)	-	(154,094)	-	(154,095)
Fee and commission income	15	-	8,793	-	8,808
Fee and commission expense	(2,151)	-	(21,732)	-	(23,883)
Net gain on foreign exchange operations	648	-	856	-	1,504
Other operating expenses	(92)	-	(870)	-	(962)

Loans to Customers

The Bank's related party loans to customers as at 31 December 2009 and 31 December 2008 amounted to KZT 1,141 million and KZT 49,299 million representing 0.5 per cent. and 11.4 per cent. of the total amount of loans to customers, respectively. These related party loans to customers include loans to companies affiliated with the Bank's current shareholders in the amount of KZT 1,030 million and KZT 131,266 million as at 31 December 2009 and 31 December 2008, respectively. As at 31 December 2009, the Bank had outstanding loans with one company affiliated with the Bank's current shareholder Samruk-Kazyna.

Furthermore, these related party loans to customers include loans to key management personnel of KZT 263 million and KZT 49,245 million as at 31 December 2009 and 31 December 2008 respectively. See "*Management and Corporate Governance — Management Remuneration*" for a breakdown of the loans to key management personnel as at 31 December 2009. The loans to key management personnel were made on substantially the same terms, including interest rates, as for comparable transactions with persons of a similar standing.

The Bank created provisions in respect of these related party loans amounting to KZT 21 million and KZT 131,776 million as at 31 December 2009 and 31 December 2008, respectively.

Financial Assets at Fair Value through Profit or Loss

As at 31 December 2009, the Bank's financial assets at fair value through profit or loss included KZT 7,969 million with respect to related party transactions, representing 48.7 per cent. of the total amount of financial assets at fair value through profit or loss. The related party balance is primarily comprised of the Samruk-Kazyna Bonds and interest accrued thereon. See "*The Bank — Business of the Bank — Capital Markets*".

Other Assets before Allowances for Impairment Losses

The Bank's other assets before allowances for impairment losses relating to related parties as at 31 December 2009 and 31 December 2008 amounted to KZT 1,642 million and KZT 227 million, representing 9.5 per cent. and 3.8 per cent. of the total amount of other assets during such periods, respectively. These amounts relate to claims for amounts receivable from related party collection agencies. In the fourth quarter of 2008, the Bank transferred non-performing loans, including loans previously written off, and claims receivable from Alliance Policy, a related party, to eight debt collection agencies. The transferred loans and claims were written off the Bank's balance sheet. Under the terms of the transfer, the Bank was entitled to receive consideration for the transferred assets only if the collection agencies made recovery beyond an agreed level. The Bank's new management believes that the collection agencies are also related parties. The Bank's new management has made an estimate of the recoverability of amounts due from the collection agencies and has concluded that the Bank will not be successful in collecting such amounts because of such collection agencies' uncertain financial condition. As a consequence, the Bank has recorded a provision in the amount of KZT 22,338 million as at 31 December 2008, which subsequently got reduced to nil as at 31 December 2009 due to cash collection agencies having ceased to be classified as related parties as at 31 December 2009. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*".

Cash and Balances with the NBK

As at 31 December 2009, non-cash balances with the NBK (considered to be a related party as it is considered to be an "*organisation related to the Government of Kazakhstan*") amounted to KZT 6,229 million.

Funding

The Bank's indebtedness to the Government amounted to KZT 22,613 million as at 31 December 2009, which is deemed to be entirely from related party transactions. The indebtedness to the Government is primarily comprised of the funding allocated to the Bank under the State Finance Programmes. See "*Selected Statistical and Other Information — Funding — State Finance Programmes*".

The Bank's customer accounts in respect of related parties amounted to KZT 84,586 million as at 31 December 2009, representing 55.0 per cent. of the total amount of the customer accounts. As part of the Bank's recapitalisation plan, Samruk-Kazyna provided KZT 70,449 million, representing 83.3 per cent. of the total related party amounts in customer deposits. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions in the past and other unusual transactions may be uncovered in the future*" and "*Risk Factors — Risks Relating to the Bank — Declines in customer deposits, which are an important source of funding for the Bank, have and may continue to negatively affect the Bank's funding base*".

The Bank's repurchase agreements with related parties amounted to KZT 5,010 million as at 31 December 2009, representing 100 per cent. of the total amount of repurchase agreements during such period. The repurchase agreements with related parties are represented by the repurchase transactions entered into between the Bank and the NBK. See "*The Bank — The Role of Samruk-Kazyna — Liquidity Support*".

Contingent Liabilities

The Bank's contingent liabilities in the form of guarantees in respect of related parties amounted to KZT 56 million and KZT 35,786 million as at 31 December 2009 and 31 December 2008, representing a 99.8 per cent. decrease.

PRINCIPAL SHAREHOLDERS

The following table sets out shareholding information of all direct holders of more than 3 per cent. of the Bank's Common Shares as at the date of this Prospectus:

Name	Number of Common Shares	Percentage of Common Shares
Samruk-Kazyna	9,137,195	67.0
The Bank of New York Mellon as Depositary for the GDRs	4,216,075	30.9
Kazakhstan Central Depositary	284,293	2.1
Total	**13,637,563**	**100.0**

The following table sets out shareholding information of all direct holders of more than 3 per cent. of the Bank's Preference Shares as at the date of this Prospectus:

Name	Number of Preference Shares	Percentage of Preference Shares
Samruk-Kazyna	1,755,079	67.0
The Bank of New York Mellon as Depositary for the GDRs	780,658	29.8
Kazakhstan Central Depositary	83,889	3.2
Total	**2,619,626**	**100.0**

Explained as set out above, no beneficial owners holding shares and/or GDRs through either the Kazakhstan Central Depositary or The Bank of New York Mellon as depositary for the GDRs own 3 per cent. or more of the Bank's Common Shares or Preference Shares.

None of the Bank's shareholders has voting rights different from any other holder of the Bank's Shares.

The Bank's Common Shares are listed on the third category list of the KASE.

Samruk-Kazyna

Samruk-Kazyna is wholly owned by the Government and is the national management holding company for substantially all state enterprises. Samruk-Kazyna was created in 2008 pursuant to the Presidential Edict No. 669, dated 13 October 2008, and the Resolution of the Government No. 962, dated 17 October 2008, by way of the merger of JSC "*Kazakhstan Holding for Management of State Assets*" "*Samruk*" and JSC "*Sustainable Development Fund*" "*Kazyna*". Samruk-Kazyna is a joint stock company whose shares are held by the Ministry of Finance's Committee of State Property and Privatisation on behalf of Kazakhstan.

Samruk-Kazyna's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long-term value and increasing the competitiveness of such entities in world markets.

The governance of Samruk-Kazyna's activities is subject to the general corporate governance rules applicable to all joint stock companies in Kazakhstan. Accordingly, the corporate governance structure of Samruk-Kazyna is as follows: the Government, as the sole shareholder, constitutes the supreme governing body, the board of directors constitutes the managing body, and the management board constitutes the executive body.

The members of Samruk-Kazyna's board of directors are appointed by the Government, and its members are, among others, the Minister of Economy and Budget Planning, the Minister of Finance, the Minister of Energy and Mineral Resources, the Ministry of Industry and Trade, independent directors and the chairman of the management board of Samruk-Kazyna. In addition, the board of directors is chaired by the Prime Minister of Kazakhstan.

The registered office of Samruk-Kazyna is at 23 Kabanbay Batyr Avenue, 010000 Astana, Kazakhstan and the telephone number is: +7 7172 790 486.

Other Shareholders

On 26 March 2010, Samruk-Kazyna transferred, and the Bank issued, sufficient Common Shares and Preference Shares to Claimants to ensure that the Claimants as a group owned 33 per cent. of the Bank's Common Shares and Preference Shares. Samruk-Kazyna continues to hold the remaining 67 per cent. of the Bank's Common Shares and Preference Shares.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

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

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

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

Global financial instability and market dislocation have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks. Statistics published by the FMSA show the continuation of asset quality deterioration in 2009, with non-performing loans in the banking sector increasing to 33.8 per cent. as at 31 August 2009 from 8.1 per cent. as at 31 December 2008. The banking sector overall showed a net loss of KZT 53 million for the second half of 2008 and assets of the banking sector also declined in that period.

The Government has taken a number of steps to support the Kazakhstan banking sector including significant capital injections. The Government's capital injections into the Kazakhstan banking sector is estimated at 4.1 per cent. of Kazakhstan's GDP in 2008, compared, for example, to the United Kingdom and the United States where, according to the International Monetary Fund, capital injections represented 3.7 per cent. and 2.3 per cent., respectively. The total amount of capital injected into the Kazakhstan banking sector was approximately U.S.$4,000 million as at 31 December 2009.

For a discussion of various risks associated with the banking sector and banking regulation in Kazakhstan, see "*Risk Factors — Risks Relating to Operating within the Kazakhstan Banking Sector*".

The NBK 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 (with the approval of Parliament) and remove the NBK's Chairman, to appoint and remove the NBK's Deputy Chairmen upon the proposal of the Chairman, to approve the annual report of the NBK, to approve the concept and design of the national currency and to request information from the NBK. Mr. Grigoriy Marchenko was appointed as Chairman of the NBK in January 2009. The principal governing bodies of the NBK are the Executive Board and the Board of Directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Chairman, four other representatives of the NBK, a representative of the President, two representatives of the Government and the chairperson of the FMSA.

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 over 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 principal task of the FMSA is to regulate and supervise Kazakhstan's financial markets and financial institutions,

including banks, insurance companies, pension funds and pension asset management companies, as well as professional participants in the securities market. The FMSA is empowered, among other things, to 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 to (where necessary) and to participate in the liquidation of, financial institutions.

The administration of anti-monopoly legislation in Kazakhstan with respect to the banking sector was transferred from the FMSA to the Competition Agency. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the FMSA. For example, certain transactions with a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the FMSA.

Banking Supervision

Capital Adequacy

The FMSA refined its capital adequacy and credit exposure standards in September 2005, when it set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions. In November 2005, the regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represented a substantial step towards the implementation of the Basel Accord. In particular, these regulations introduced 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 included rules for calculating risk with respect to derivatives.

As at 31 December 2009, the FMSA required banks to maintain a K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio of 6 per cent. (with the K1-2 ratio increasing to 9 per cent. from 1 July 2011), compared with the BIS Guidelines' recommendation of 4 per cent. The FMSA's K2 (own capital to total assets weighted for risk) capital adequacy ratio requirement is 12 per cent. compared with the BIS Guidelines' recommendation of 8 per cent. For banks with a bank holding company among their shareholders, state-controlled banks and banks in which the Government or a national management holding company has acquired at least a 10 per cent. stake as the result of a breach of prudential or regulatory requirements by such bank, the FMSA's K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio requirement is reduced to 5 per cent. of total assets (with the K1-2 (Tier 1 capital to total assets weighted for risk) ratio increasing to 8 per cent. from 1 July 2011) while the K2 (own capital to total assets weighted for risk ratio is reduced to 10 per cent. of risk weighted assets.

Furthermore, FMSA regulations require a bank which does not have amongst its shareholders a physical person holding at least 10 per cent. of such bank's shares to comply with higher capital adequacy ratios. Such ratios are 7 per cent. for the K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios and 14 per cent. for the K2 (own capital to total assets weighted for risk) ratio. Staring from 1 July 2011, the minimum level requirement for the K1-2 (Tier 1 capital to total assets weighted for risk) ratio will be 10 per cent. for a bank which does not have amongst its shareholders a physical person holding at least 10 per cent. of such bank's shares.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA introduced amendments to the capital adequacy regulations which imposed limits on foreign borrowings or "external liabilities" which a bank can incur to a multiple of such bank's "own capital" as calculated both including and excluding debt securities issued.

These amendments mean that banks are not permitted to increase borrowings from non-domestic holders (subject to certain exceptions) to a level in excess of certain multiples of regulatory capital. If banks exceed the prescribed ratios they would have to either repay foreign sourced debt or increase

their regulatory capital. The ratios that apply to the Bank as at the date of this Prospectus are (i) two times own capital for external liabilities excluding debt securities issued by special purpose subsidiaries of the Bank guaranteed by the Bank (K8 ratio) and (ii) four times own capital for external liabilities including such debt securities issued (K9 ratio).

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

Reserve Requirements

Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to banks. Minimum reserve requirements have been changed several times. Starting from 3 March 2009, the requirements were revised to 1.5 per cent. of total liabilities with respect to most domestic liabilities and 2.5 per cent. of total liabilities with respect to other, including foreign, liabilities.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme, the KDIF, was established and as at 1 September 2009, 36 banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme. The insurance coverage is presently limited to personal deposits in any currency up to a maximum amount per customer of KZT 5 million at any given bank. Starting from 1 January 2012, the maximum guaranteed amount is scheduled to be reduced from KZT 5 million to KZT 1 million. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals. It is anticipated that participant banks will be called upon to make further contributions to the scheme as a result of payments made by the scheme to depositors of JSC Valut-Transit Bank as described below in "*The Banking Sector in Kazakhstan — Banking Supervision — Commercial Banks*".

Acquisition of Interests in Kazakhstan Banks

Current legislation requires FMSA approval of any acquisition of a shareholding of 10 per cent. or more (whether held independently or jointly with another affiliated legal entity) in a Kazakhstan bank. Furthermore, a foreign entity must obtain a credit rating from one of the rating agencies which are recognised by the FMSA in order to hold 10 per cent. or more of a Kazakhstan bank. The rating of such an entity should be long-term and should not be less than (i) Kazakhstan's sovereign rating (or equivalent); or (ii) if the entity is a financial institution, the rating should be not less than "BB-" (by S&P) or the equivalent, *provided that* the country in which the entity is domiciled has a rating of not less than "BB-" (by S&P) or the equivalent and the respective regulator has an agreement on information exchange with the FMSA.

Other Regulations

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

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

In December 2006, and with effect from 1 April 2007, the FMSA approved new rules on classification of assets and provisioning. While the principles of classification and provisioning remain largely unchanged, these rules, among others, introduced more stringent requirements regarding monitoring of credit files, developed a definition of financial soundness with respect to borrowers, provided for a more differentiated approach to various types of borrowers, loans and security and stipulated the right of the FMSA to demand that a bank increase its provisioning ratios.

Commercial Banks

The number of commercial banks has decreased from 184 in mid-1994 to 38 as at the end of 2002 and to 37 as at 31 December 2009. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of banks. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

In November 2001, the Government divested its remaining 33 per cent. stake in OJSC Halyk Bank by means of privatisation through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT 2,100 million. In June 2005, the banking licence granted to JSC Nauryz Bank was terminated by the FMSA and this bank has been in the process of liquidation since November 2005. On 24 December 2005, the FMSA adopted a resolution to suspend the banking licence granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards. In December 2006, the FMSA revoked the banking licence of JSC Valut-Transit Bank due to the violation of Kazakhstan law, improper performance of contractual obligations and breach of prudential standards. A decision on the mandatory liquidation of JSC Valut-Transit Bank was adopted by the special inter-district economic court of Karaganda on 13 February 2007 and came into effect on 1 March 2007. As at 20 January 2008, the KDIF reported total payments of KZT 13,800 million, of the expected KZT 16,000 million, to the depositors of JSC Valut-Transit Bank.

As at 31 December 2009, 31 of the 37 commercial banks (excluding the NBK, the DBK and Zhilstroysberbank) had registered capital of over KZT 2,000 million and six banks had a registered capital of KZT 1,000 million to KZT 2,000 million. Any bank whose own capital (net worth) falls below KZT 500 million is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations.

In 2001, the Government established the DBK to provide medium- and long-term financing for, and otherwise facilitate, industrial projects in Kazakhstan. The DBK was established with a charter capital of KZT 30,000 million. The DBK is not currently licensed to accept commercial or retail deposits or to provide corporate settlement services. However, the Bank expects that the DBK may become an important competitor in the corporate lending sector if it obtains the relevant licences. The DBK is not treated as a commercial bank for the purposes of market share data and ranking in this Prospectus.

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

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

As at 31 December 2009, there were 17 banks with foreign participation operating in Kazakhstan, including RBS Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan. Under relevant Kazakhstan legislation, a bank with foreign participation is defined as a bank with more than one-third direct or indirect foreign ownership. Banks with less than one-third direct or indirect foreign ownership are considered domestic banks. 31 foreign banks have opened representative offices in Kazakhstan, including JPMorgan Chase Bank N.A., Dresdner Bank AG, Deutsche Bank AG, Kookmin Bank, GarantiBank International N.V., The Bank of Tokyo-Mitsubishi UFJ, Ltd, UBS AG, Standard Chartered Bank, Arab Bank plc., American Express Bank Ltd., Commerzbank AG, ING Bank N.V., Bankgesellschaft Berlin, Credit Agricole CIB, NATIXIS and Société Générale.

The total capital of commercial banks decreased to negative capital KZT 981 billion as at 31 December 2009 compared to negative KZT 377 billion as at 30 June 2009 and positive KZT 1,453 billion as at 31 December 2008. During this period, the total assets of such banks decreased to approximately KZT 11,555 billion as at 31 December 2009 compared to KZT 12,150 billion as at 30 June 2009 and KZT 11,890 billion as at 31 December 2008. The aggregate liabilities increased to approximately KZT 12,536 billion as at 31 December 2009 compared to KZT 12,526 billion as at 30 June 2009 and KZT 10,437 billion as at 31 December 2008, and the aggregate net loss amounted to KZT 2,837 billion as at 31 December 2009.

Financial Stability and Restructuring Reforms

Financial Stability Laws

On 23 October 2008, new legislation relating to the stability of the Kazakhstan financial system was adopted.

Under the new law, in the event of (i) a breach by a bank of capital adequacy or liquidity ratios; or (ii) two or more breaches by a bank in any twelve-month period of any other prudential or other mandatory requirements, the Government may, with the agreement of the FMSA, acquire, either directly or through Samruk-Kazyna, the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10 per cent. of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or Samruk-Kazyna) to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. The new law provides that the management and shareholders of an affected bank do not have the right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body appointed by the Government to manage the acquired bank or Samruk-Kazyna is authorised to appoint no more than 30 per cent. of the members of the board of directors and the management board of the affected bank.

The main objectives of the new financial system stability law are to improve early detection mechanisms for risks in the financial system, to provide powers to the Government to acquire shares in commercial banks that face financial problems and to improve the overall condition of financial institutions in Kazakhstan. The law also consolidates authority to oversee large and second-tier Kazakhstan banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

The Government or the national management holding company must sell the acquired shares within one year of their acquisition to a third party investor or investors. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

On 2 February 2009, the Government acquired approximately 78 per cent. of BTA Bank, Kazakhstan's largest commercial bank, for KZT 251,000 million. It was also reported that the Government is considering a potential sale of up to half of its controlling stake in BTA Bank to Russia's Sberbank. Also on 2 February 2009, the Bank announced that its major shareholder had decided to sell 76 per cent. of the Bank's Common Shares to Samruk-Kazyna, and on the same date Samruk-Kazyna announced that it was considering such purchase. Samruk-Kazyna and the Bank

signed the Deposit Agreement for the deposit of KZT 24,000 million with the Bank to support the Bank's financial stabilisation and further capitalisation.

The NBK decreased its refinancing rate from 10.5 per cent. to 10 per cent. effective from 1 January 2009, and the current refinancing rate is 7 per cent. The stated reason for the rate cut was the shortage of liquidity in the market.

These measures proved to be insufficient and both BTA Bank and the Bank defaulted on their debt in April 2009. JSC Astana Finance, a diversified financial services company, defaulted and announced a moratorium on the repayment of its debt in May 2009, and other banks face increasing pressure due to the growing number of non-performing loans. In response to the pressure faced by major banks in Kazakhstan from 2008-2009, Kazakhstan's parliament adopted the Restructuring Law with the twin aims of enabling consensual financial restructurings approved by a majority of creditors and of revising the existing framework for good bank/bad bank reorganisations. See "*The Banking Sector in Kazakhstan — Financial Stability and Restructuring Reforms — The New Restructuring Law in Kazakhstan*". As at the date of this Prospectus, the Kazakhstan banking system remains under stress with banks seeking to de-leverage through partial repayments and debt restructurings.

The New Restructuring Law in Kazakhstan

Prior to July 2009, there was no law in Kazakhstan which would allow for creditor claims to be restructured on a basis involving less than 100 per cent. consent of the affected creditors. Creditors not wishing to participate in a restructuring had the ability to set off their claims against a bank's assets or bring litigation in any jurisdiction where any of these assets are located.

Financial Restructurings

The Restructuring Law introduced a procedure for restructuring the financial indebtedness of a bank in the following general format. The bank decides to restructure its debt and enters into an agreement with the FMSA with respect to such restructuring. The bank submits a restructuring plan to the FMSA for its consideration. The restructuring plan should describe the process for and period of the restructuring, list the bank's assets and liabilities to be restructured, contain a pro forma balance sheet showing the bank's financial condition following the restructuring and describe the bank's future activities and any limitations on them. The bank applies to the Court to initiate the process described in the restructuring plan. If the Court approves the restructuring process then, with immediate effect, all relevant claims of the bank's creditors are stayed, the bank's property is protected from execution and attachment, and the bank's obligations under agreements for the sale of assets and any financial commitments as either a lender (if the commitment carries any credit risk) or as a borrower, including contingent obligations such as guarantees, may be suspended in whole or in part.

The bank convenes a meeting of its relevant creditors to approve the restructuring plan. If creditors holding at least two-thirds in value of the bank's obligations subject to restructuring vote in favour of the restructuring plan, the restructuring plan is approved. The bank then submits the approved restructuring plan to the FMSA to establish its conformity with the restructuring plan originally submitted to the FMSA. The restructuring plan is then submitted to the Court for final approval. If the restructuring plan is approved by the Court, it becomes binding on all creditors with claims subject to the restructuring.

Completion of the bank's restructuring will be achieved when the restructuring plan has been carried out to the satisfaction of the Court and the FMSA. Upon completion of the restructuring, the relevant liabilities of the bank are cancelled and any claims in relation to them are discharged and replaced by appropriate restructured claims. Completion of the restructuring is confirmed by a decision of the Court upon the FMSA's application.

The restructuring process set out in the new Restructuring Law is designed to be fair to the affected creditors and should ensure that a restructuring effected under it will be capable of international recognition in countries (such as the United Kingdom and the United States) which have adopted

legislation based on the Model Insolvency Law. As at the date of this Prospectus, the application of the new Restructuring Law has been recognised in the United Kingdom and the United States. See "*Risk Factors — Risks Relating to the Restructuring — The Restructuring Law has not been tested widely and there can be no assurance that the Restructuring, effected under such legislation, will be recognised in all relevant foreign jurisdictions*".

Good Bank/Bad Bank Reorganisations

The second principal feature of the Restructuring Law is the amendment of the existing legislative framework allowing the segregation of the "good" assets and liabilities of a distressed bank and the transfer of them to another bank (or several banks) or to a specialised stabilisation bank. The good bank/bad bank structure could be used in a number of different circumstances. For example:

- the process could be initiated by a bank itself if other efforts to restructure itself have failed or if it does not wish or cannot, for whatever reason, achieve a financial restructuring following the process described above;
- if a bank has already been placed in conservation, the reorganisation may be initiated by a temporary manager appointed by the FMSA; or
- if a bank's licence has been revoked, the reorganisation may be initiated by a temporary manager appointed by the FMSA to manage the bank's assets pending the court-ordered compulsory liquidation taking effect.

Any reorganisation under these new procedures requires the FMSA's consent and the consent of depositors and creditors. Depositors and creditors are notified of the proposed reorganisation by an announcement published in Kazakhstan's mass media and any depositor or creditor may object to it by the timely filing of a written objection.

Stabilisation Banks

The new Restructuring Law also makes provision for the establishment of stabilisation banks. These could be used as the "good" bank in the reorganisation into a good bank and bad bank of a bank which is in conservation. A stabilisation bank would be a special purpose company established by the FMSA on an ad hoc basis and would have a special status under the Banking Law and a limited scope of business compared to ordinary commercial banks. Due to its special status and purpose, a stabilisation bank would not be subject to normal capital adequacy and other prudential requirements. Its main role would be to hold "good" assets while the segregation of the "good" and "bad" assets of the distressed bank was in progress. Upon completion of the segregation process, the stabilisation bank would transfer the "good" assets to another bank designated by the FMSA, subject to the consent of the depositors and other creditors of the stabilisation bank. The procedures for obtaining this consent would be similar to the procedures for obtaining the depositors' and creditors' consent to the initial transfer of "good" assets from the distressed bank.

The Restructuring Law provides that once the stabilisation bank passes on the assets to an acquiring bank, it may either be liquidated or sold to an investor, provided the investor can procure a recapitalisation of the stabilisation bank and bring it into compliance with the requirements applicable to ordinary commercial banks because following a sale, the stabilisation bank would lose its special status and become subject to the general banking legislation applicable to an ordinary bank.

As at the date of this Prospectus, it is unclear whether one stabilisation bank can be used as a holding vehicle for "good" assets of several distressed banks.

The FMSA's Compulsory Measures under the Banking Law

Under the Banking Law, the FMSA may apply a number of compulsory restrictive measures to banks in financial distress or in breach of prudential or other mandatory regulations. Articles 45, 46, 47 and

47-1 of the Banking Law allow the FMSA to apply the following compulsory restrictive measures to second-tier banks (commercial banks) in Kazakhstan:

- issuing a warning and mandatory written instructions to a bank;
- entering into an agreement with a bank setting out measures to be taken by the bank to remedy any identified breaches of prudential requirements;
- instituting the FMSA special regime in a bank and requiring the bank to develop an action plan to restore such bank's financial condition;
- suspending or revoking a bank's licence for all or certain banking operations;
- mandatory purchase of a bank's shares;
- removing the management of a bank;
- forcing a bank to reorganise into a credit partnership;
- forcing a bank into conservation;
- forcing a bank into mandatory liquidation; and
- forcing a bank into a mandatory reorganisation to segregate such bank's "good" assets and liabilities and to mandatorily transfer such assets and liabilities to another bank or a specialised stabilisation bank, following the revocation of the bank's licence or the bank being put into conservation, pursuant to the Restructuring Law.

Where a bank's shareholders include another bank or a bank holding company, the FMSA may require such shareholders to decrease their direct or indirect ownership of the relevant bank to less than 10 per cent. of the bank's voting shares in the case of a bank shareholder and less than 25 per cent. of the bank's voting shares in the case of a bank holding company shareholder. Such measures can be applied to a bank's shareholders when a bank is in breach of the FMSA's prudential requirements or is not complying with the FMSA's mandatory instructions.

The FMSA Special Regime

Article 45.2 of the Banking Law provides for "*measures of early response*" which the FMSA may apply to a bank under certain circumstances. These are discretionary measures that the FMSA may take with respect to a bank that is in financial distress. For example, if a bank's liquidity ratio is lower than usual, the FMSA may require such bank to develop and deliver to the FMSA for approval a plan of action which the bank must undertake to improve its financial stability. If the FMSA does not approve the plan, it may apply certain early response measures including replacing the bank's management and restructuring the bank's assets.

Reorganisation into a Credit Partnership

Under Article 47 of the Banking Law, the FMSA may require a bank to reorganise into a credit partnership if the bank's capital adequacy ratios fall to a level below 50 per cent. of the minimum requirements. Shareholders of a bank being reorganised receive participation interests in a credit partnership in proportion to their shares in the reorganised bank. A credit partnership is not allowed to carry out normal banking activities and is allowed to carry out only certain limited banking operations and services for its participants.

Mandatory Purchase of a Bank's Shares

The Banking Law provides that the FMSA may, with the Government's consent, effect a mandatory purchase of all of a bank's shares (including shares underlying any GDRs) from such bank's shareholders at a price determined by the FMSA in the event the bank's own capital (net worth) is negative. According to the Banking Law, after such purchase the FMSA must transfer the shares to a

new investor which can procure an increase of the bank's capital (net worth) and restore the bank's normal operations.

Conservation

Conservation is a compulsory measure which may be applied by the FMSA to a Kazakhstan second-tier bank (i.e., not upon such bank's discretion) when, among other things, such bank is in breach of prudential norms. When a bank is put into conservation, the authority to manage the bank is transferred to a manager appointed by the FMSA. The bank put into conservation may carry out its operations in its regular manner, but specific restrictions may be imposed by the FMSA (for example suspending contingent liabilities of the bank). Under conservation, the bank is granted statutory immunity from the decisions of the Kazakhstan courts and international arbitration awards. This immunity covers decisions and arbitral awards issued prior to the bank entering into conservation as well as those issued after the establishment of the conservation. Enforcement of court orders or arbitral awards against the bank in respect of its indebtedness (whether domestic or international) is not permitted. Accordingly, conservation protects the bank from the enforcement of any domestic or foreign court decisions as well as any arbitral awards in respect of its indebtedness that arose prior to or during the conservation period. There have not been many examples of banks being put into conservation in the Kazakhstan banking sector. Financial institutions that have gone through conservation include Nauryz Bank in 2004 (the successor to Kazagroprombank which itself went through conservation in 2001) and JSC NP Valut-Transit Fund. Both these institutions were unable to improve their financial condition during the conservation period. At present, these institutions are in the process of liquidation.

Bankruptcy Regime

If a creditor files a bankruptcy claim in Kazakhstan, the debtor may, within three months from the maturity date or the date the debt became due and payable (by acceleration or otherwise), make a court application to have the bankruptcy application rejected. The three-month period is a statutory period set forth in the Bankruptcy Law. There are no filing requirements in Kazakhstan for a creditor to start the three-month period. Bankruptcy proceedings can be initiated after the three-month period has expired and the FMSA would then have to advise the court as to whether the bank was insolvent or not. If the FMSA advised that the bank was not insolvent, then the bankruptcy proceedings would be effectively terminated and the bank could be put into conservation. If the FMSA decided that the bank was indeed insolvent and this decision was confirmed by the court, then the court would have a liquidator appointed by the FMSA and there would be a liquidation of the bank's assets in accordance with the order of priority set out under the Banking Law which is as follows:

- administrative and legal expenses of bankruptcy;
- payments for tort claims involving harm to life or health;
- payments due to employees as a result of their employment and related social security and mandatory pension payments;
- KDIF's claims related to insured deposits;
- claims of individual depositors relating to deposits and transfers, deposits made from pension fund assets and deposits of life insurance companies;
- claims of non-profit organisations;
- claims of legal entities secured by pledges of the bank's property;
- tax liability settlements and repayment of borrowings from the state;
- unsecured claims of creditors; and
- subordinated unsecured claims.

TAXATION

The following summary only covers certain taxation matters in Kazakhstan and Luxembourg and does not cover taxation matters in any other jurisdiction.

The following summary is based on the laws and practice in force as at the date of this Prospectus and is subject to any changes in the 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 New Notes, and does not purport to deal with the tax consequences applicable to all categories of Noteholders, some of which may be subject to special rules. Save as otherwise indicated, this summary addresses only the position of Noteholders who do not have any connection with Kazakhstan other than a holding of New Notes.

Each investor is urged to consult its own tax adviser as to the particular tax consequences to such investor relating to the acquisition, ownership and disposal of New Notes, including the applicability and effect of tax laws or tax treaties in any relevant jurisdiction, 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, and to seek specialist Kazakhstan and Luxembourg tax advice as necessary.

Kazakhstan Taxation

This summary discusses the Kazakhstan tax consequences of the acquisition, ownership and disposal of New Notes. 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 mechanisms 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.

New Notes

Under Kazakhstan law as presently in effect, payments of interest on the New Notes to an individual who is a non-resident of Kazakhstan or to a legal entity that (i) is not established in accordance with the legislation of Kazakhstan, (ii) does not have its actual governing body (place of actual management) in Kazakhstan, (iii) does not maintain a permanent establishment in Kazakhstan and (iv) otherwise has no taxable presence in Kazakhstan (together, "**non-Kazakhstan holders**") will be subject to withholding tax at a rate of 15 per cent. unless the New Notes are listed, as at the date of accrual of interest, on the official list of a stock exchange operating in the territory of Kazakhstan. Payments of interest on the New Notes to non-Kazakhstan holders registered in specified countries with a favourable tax regime (such as Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Aruba and others) will be subject to the Kazakhstan withholding tax at a rate of 20 per cent.

Non-Kazakhstan holders who are resident in countries with which Kazakhstan has bilateral taxation treaties may be entitled to a reduced rate of withholding tax. No such treaty exists between Kazakhstan and the United States or between Kazakhstan and the United Kingdom.

The Terms and Conditions of the New Notes state that all payments of principal and interest in respect of the New Notes shall be made free and clear of, and without withholding or deduction for, any taxes.

Gains realised by non-Kazakhstan holders derived from the disposal, sale, exchange or transfer of the New Notes will be subject to withholding tax at a rate of 15 per cent. unless such New Notes are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan or foreign stock exchange and sold through an open auction on such stock exchange. If the disposal of

the New Notes is made to a Kazakhstan resident (or a non-resident with a permanent establishment in Kazakhstan) and the transferor is registered in a country with a favourable tax regime, the net gain realised from such a disposal is subject to withholding tax in Kazakhstan at the rate of 20 per cent.

Debt Cancellation

Partial cancellation of indebtedness, including as a result of an exchange of the existing debt instruments into new instruments, would be a taxable event for the Bank. The Bank would be liable to pay tax at the rate of 20 per cent. (17.5 per cent. from 1 January 2010 to 1 January 2011 and 15 per cent. from 1 January 2011 onwards) on the amount of the cancelled indebtedness.

Under Kazakhstan law, an exchange of the existing debt instruments into new instruments of the Bank would not have any tax consequences for the Noteholders.

Luxembourg Taxation

The following summarises certain tax considerations under the laws in force in the Grand-Duchy of Luxembourg as of the date of this Prospectus and is therefore subject to any future changes in such laws. This summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of New Notes. Each prospective holder or beneficial owner of New Notes should consult its own tax advisor as to the Luxembourg tax consequences of the purchase, ownership and disposal of New Notes.

The residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu). Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Tax Residence

A Noteholder who is not resident, or deemed to be resident, in Luxembourg will not become resident, or be deemed to be resident, in Luxembourg for tax purposes by reason only of its holding and/or enforcement of New Notes.

Withholding Tax

All payments of interest (including accrued but unpaid interest) and principal by the issuer in the context of the holding, disposal, redemption or repurchase of the New Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by the Grand-Duchy of Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg laws, subject however to:

(i) the application of the Luxembourg laws of 21 June 2005 (the "**Laws**") implementing the European Union Savings Directive (Council Directive 2003/48/EC of 3 June 2003) and certain similar agreements (the "**Agreements**") concluded with certain dependent or associated territories and providing for the possible application of a withholding tax on interest paid by a Luxembourg based paying agent to certain non Luxembourg resident investors (individuals and certain types of entities called "**residual entities**");

(ii) the application of the Luxembourg law of 23 December 2005 as amended introducing a final tax on certain payments of interest made to certain Luxembourg resident individuals (the "**Law**").

Resident Noteholders

Payment of interest or similar income on debt instruments made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident for tax purposes who is the beneficial owner of such payment or to certain residual entities (as defined in article 4.2 of the European Union Savings Directive, "**Residual Entities**") may be subject to a final tax at a rate of 10 per cent. Such final tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax lies with the Luxembourg paying agent.

An individual beneficial owner of interest or similar income who is a resident of Luxembourg and acts in the course of the management of his private wealth may opt for a final tax of 10 per cent. when he receives or is deemed to receive such interest or similar income from a paying agent established in another EU Member State, in a Member State of the EEA which is not an EU Member State, or in a State which has concluded a treaty directly in connection with the EU Savings Directive. The individual resident that is the beneficial owner of interest is responsible for the declaration and the payment of the 10 per cent. final tax.

Non-Resident Noteholders

Under the European Union Savings Directive and the Laws, a Luxembourg based paying agent may be required to withhold tax on interest and other similar income (within the meaning of the Laws) paid by it to (or under certain circumstances, for the benefit of) an individual resident in another Member State of the European Union or a Residual Entity established in another Member State of the European Union, unless the beneficiary of the interest payments or the Residual Entity (where applicable) elects for an exchange of information or provides the relevant documents to the Luxembourg paying agent. The same regime applies to payments by a Luxembourg based paying agent to individuals or Residual Entities resident in any of the following territories: the Netherlands Antilles, Aruba, Guernsey, Jersey, the Isle of Man, Montserrat and the British Virgin Islands.

The current tax rate is 20 per cent., increasing to 35 per cent. from 1 July 2011. The tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries (the transitional period may therefore never end).

Income Taxation

Resident Noteholders

A resident corporate Noteholder (which is not exempt from income taxation) must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the New Notes, in its taxable income for Luxembourg income tax assessment purposes. The same inclusion applies to an individual Noteholder, acting in the course of the management of a professional or business undertaking.

A resident individual Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the New Notes, except if the final tax has been levied on such payments in accordance with the Law. A gain realised by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of New Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the New Notes were acquired.

Non-Resident Noteholders

Non-resident Noteholders, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the New Notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the New Notes nor on capital gains realised on the disposal or redemption of the New Notes. Non-residents Noteholders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the New Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the New Notes and on any gains realised upon the sale or disposal of the New Notes.

Net Wealth Taxation

A corporate Noteholder, whether it is resident in Luxembourg for tax purposes or, if not, it maintains a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which such New Notes are attributable, is subject to Luxembourg wealth tax on such New Notes, except if the holder of New Notes is (i) a securitisation company governed by and compliant with the law of 22 March 2004 on securitisation, (ii) a capital company governed by and compliant with the law of 15 June 2004 on venture capital companies, (iii) a holding company governed by the law of 31 July 1929 relating to the tax regime for holding companies (iv) an undertaking for collective investment governed by the law of 20 December 2002 (as amended) relating to undertakings for collective investment (v) a specialised investment fund governed by the law of 13 February 2007 relating to specialised investment funds (vi) a private asset holding company governed by the law of 11 May 2007 introducing a private family assets holding company.

An individual holder of New Notes, whether he/she is resident in Luxembourg or not, is not subject to Luxembourg wealth tax on such New Notes.

Other Taxes

The acquisition, holding, sale and disposal of the New Notes will not give rise to any Luxembourg stamp duty, value added tax, registration tax, transfer tax or similar taxes or duties, *provided that* the relevant agreement is not registered in Luxembourg, which is not mandatory.

Where a holder of New Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the New Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of New Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

European Union Savings Directive

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted a directive regarding the taxation of savings income (the "**European Union Savings Directive**") effective from 1 July 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest within the meaning of the European Union Savings Directive or other similar income paid by a paying agent within the meaning of the European Union Savings Directive, to an individual resident or certain types of entities called "residual entities", within the meaning of the European Union Savings Directive (the "**Residual Entities**"), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria and Luxembourg will instead operate (unless during such transitional period they elect otherwise) a withholding system in relation to such payments (with the ending of such transitional period dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The tax rate of the withholding is of 20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. as from 1 July 2011. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange

of information relating to such payments. See "*European Union Directive on Taxation of Savings Income in the Form of Interest Payments*" (Council Directive 2003/48/EC).

Also with effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependant or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands Antilles and Aruba) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) in Luxembourg to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the European Union Savings Directive, which included the European Commission's advice on the need for changes to the European Union Savings Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the European Union Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the European Union Savings Directive, they may amend or broaden the scope of the requirements described above.

ISSUANCE AND TRANSFER RESTRICTIONS

United States

The New Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and may not be offered, sold, pledged or otherwise transferred except (i) to a person who is located outside the United States and is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (ii) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. Any future sale, offer, pledge or transfer of the New Notes will also be subject to (i) and (ii) above.

Therefore, by purchasing or otherwise acquiring New Notes, a Noteholder is deemed, unless in any instance the Bank otherwise agrees, to have represented, acknowledged and agreed that:

(1) the New Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States;

(2) unless so registered, the New Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in the first paragraph under the heading "*Issuance and Transfer Restrictions*";

(3) it is not, nor is it acting on behalf of, an affiliate of the Bank or acting on the Bank's behalf and that it is either:

(i) not a U.S. Person or acting for the account or benefit of a U.S. Person, it is located outside the United States and it acknowledges that until the expiration of the period which expires on and includes the 40th day after the later of the commencement of the offering of the New Notes and the Closing Date (the "**distribution compliance period**"), any offer or sale of these New Notes shall not be made by it except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account or benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or

(ii) an Accredited Investor and, if it is participating on behalf of one or more investor accounts, each of these investor accounts is an Accredited Investor, and it:

- is acquiring the New Notes for investment, in the normal course of its business, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act;
- invests in or purchases securities similar to the New Notes and it has such knowledge and experience in financial and business matters that makes it capable of evaluating the merits and risks of acquiring the New Notes; and
- is aware that it (or any of these investor accounts) may be required to bear the economic risk of an investment in the New Notes for an indefinite period of time and it (or that investor account) is able to bear this risk for an indefinite period; or

(iii) it is a QIB, and, if it is participating on behalf of one or more investor accounts, each of these investor accounts is a QIB;

(4) it understands that the New Notes bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE 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. BY ACCEPTANCE OF THE SECURITY REPRESENTED HEREBY, EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (A) IT IS EITHER (I) NOT A U.S. PERSON AND IS LOCATED OUTSIDE THE UNITED STATES AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT; OR (II) AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT ("**AN ACCREDITED INVESTOR**") OR (III) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**QIB**") AND (B) THE SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S AND (II) WITHIN THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB; AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY.

THIS SECURITY AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS SECURITY, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT;

(5) if it is a QIB or an Accredited Investor, it understands that the New Notes offered pursuant to an exemption from the Securities Act other than Regulation S are represented by a Restricted Global Note. Before any interest in any Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the agency agreement) as to compliance with applicable securities laws;

(6) if it has elected to participate in compliance with Regulation S, it understands that the New Notes are represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the agency agreement) as to compliance with applicable securities laws; and

(7) the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Transfer Restrictions

The New Notes issued to persons in the United States are transferable in the United States only to QIBs in a transaction meeting the requirements of Rule 144A or outside the United States under Regulation S. Because of the following restrictions, such persons are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such New Notes.

Each subsequent purchaser or transferee of New Notes in the United States or that is a U.S. Person is deemed to have represented, agreed and acknowledged as follows:

(i) the purchaser (a) is a QIB, (b) is acquiring the New Notes for its own account or for the account of such a QIB and (c) is aware that the sale of the New Notes to it is being made in reliance on Rule 144A or another exemption from the registration under the Securities Act;

(ii) the New Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States;

(iii) unless so registered, the New Notes may not be reoffered, resold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, except in accordance with the restrictions set forth above;

(iv) it understands that the New Notes offered pursuant to an exemption from the Securities Act are represented by a Restricted Global Note. Before any interest in any Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws;

(v) each Restricted Global Note and any Restricted Note Certificates issued in exchange for an interest in a Restricted Global Note will bear the same legend as set forth in paragraph (4) above, unless the Bank determines otherwise in accordance with applicable law; and

(vi) the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each subsequent purchaser or transferee of the New Notes in re-sales during the distribution compliance period is deemed to have represented, agreed and acknowledged as follows:

(i) it is, or at the time New Notes are purchased will be, the beneficial owner of such New Notes and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S);

(ii) it understands that such New Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such New Notes except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account or benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; and, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(iii) it understands that the New Notes are represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Note, it will be required to provide

the Registrar with a written certification (in the form provided in the agency agreement) as to compliance with applicable securities laws; and

(iv) the Bank, the Registrar, the Trustee and the Principal Paying Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

FORM OF THE NEW NOTES AND PROVISIONS RELATING TO SUCH NOTES IN GLOBAL FORM

The following information relates to the form of the New Notes when in global form.

1. Form of the New Notes

All New Notes are in registered form, without interest coupons attached. New Notes offered and sold outside the United States in reliance on Regulation S to persons who are not U.S. Persons are represented by interests in an Unrestricted Global Note, in definitive fully registered form, without interest coupons attached, which were deposited on or about the Closing Date with the Common Depositary as common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of its nominee, as nominee for such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

New Notes allocated to Eligible Investors are represented by interests in a Restricted Global Note, in fully registered form, without interest coupons attached, which were registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg. Each Restricted Global Note (and any Note Certificates issued in exchange therefor) is subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph (4) in the section entitled "*Issuance and Transfer Restrictions*".

Each Restricted Global Note and each Unrestricted Global Note will have an ISIN number and a Common Code.

Ownership of interests in the Restricted Global Notes and in the Unrestricted Global Notes will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants.

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

2. Notices

So long as any New Note is represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holder of such New Note may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders except that so long as the New Notes are listed on the Luxembourg Stock Exchange or the KASE and the rules of such Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange or in a leading newspaper having general circulation in Kazakhstan.

3. Transfers between Global Notes

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

transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out in "*Issuance and Transfer Restrictions*".

A beneficial interest in a Restricted Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the corresponding Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available) under the Securities Act.

Any beneficial interest in either a Restricted Global Note or any Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to the transfer restrictions set out in the section entitled "*Issuance and Transfer Restrictions*" and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

4. Exchange of Interests in Global Notes for Note Certificates

A Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for Note Certificates if (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (ii) an Event of Default occurs. In such circumstances, such Note Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (i) and (ii).

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

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Bank and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) in the case of a Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of a simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out in "*Issuance and Transfer Restrictions*". Restricted Note Certificates issued as described above will not be exchangeable for beneficial interests in a Unrestricted Global Note and Unrestricted Note Certificates issued as described above will not be exchangeable for beneficial interests in a Restricted Global Note.

In addition to the requirements described under "*Form of the New Notes and Provisions Relating to Such Notes in Global Form — Transfers between Global Notes*" above, the holder of a Note may transfer such Note only in accordance with the provisions of Conditions of the New Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to in "*Issuance and Transfer Restrictions*", or upon specific request for removal of the legend on a Restricted Note Certificate, the Bank will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Bank and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Bank that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

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

5. Euroclear and Clearstream, Luxembourg Arrangements

Custodial and depositary links were established between Euroclear and Clearstream to facilitate the issue of the New Notes and cross-market transfers of the New Notes associated with secondary market trading.

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.

Payments with respect to book-entry interests in the New Notes held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying and Transfer Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

General

So long as Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Note, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the New Notes represented by such Global Note for all purposes under the Agency Agreement, the New Notes Trust Deed and the New Notes. Payments of principal, interest and Additional Amounts, if any, in respect of Global Notes will be made to Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Bank, the Trustee, the Principal Paying Agent or any agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the New Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of New Notes on the Register for the accounts of the nominee of the Common Depositary to reflect the amounts of New Notes held through Euroclear and Clearstream, Luxembourg. Beneficial ownership in New Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

Interests in any Unrestricted Global Note and any Restricted Global Note will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Account Holders.

Secondary market sales of book-entry interests in the New Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the New Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the New Notes among participants of Euroclear and Clearstream, Luxembourg, neither Euroclear nor Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

The information in this section concerning Euroclear and Clearstream, Luxembourg and their book entry systems has been obtained from sources the Bank believes to be reliable, but the Bank makes no representation or warranty with respect to this information. None of the Bank, the Trustee, the Principal Paying Agent or any of the agents or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

6. Prescription

Claims against the Bank in respect of principal and interest on a New Note while such New Note is represented by a Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the relevant New Notes).

7. Meetings

The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of holders of New Notes and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount in respect of U.S. Dollar denominated New Notes for which the Global Note may be exchanged.

8. Purchase and Cancellation; Prepayments

Cancellation of any Note required by the Conditions to be cancelled following its purchase and any prepayment will be effected by a reduction in the principal amount of the relevant Global Note as provided in the New Notes Trust Deed.

9. Trustee's Powers

In considering the interests of holders of New Notes while a Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holder of the relevant Global Note.

10. Put Option

The put option in the Conditions of the New Notes may be exercised by the holder of the relevant Global Note giving notice to the Principal Paying Agent of the principal amount of such New Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in such condition and as otherwise provided in the agency agreement for the New Notes.

THE ASSET POOL FOR THE RECOVERY NOTES

The Asset Pool from which Recoveries are derived for distribution to the holders of the Recovery Notes consists of:

- the Corporate and SME Pool;
- the Litigation Recoveries;
- the Retail Pool (in the event the put option is exercised. See "— *Specified Percentages*" below); and
- the Tax Assets (for the purposes of valuing the residual value of the Recovery Notes on the Valuation Date (as defined in Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*) only).

The Retail Pool and the Tax Assets do not form part of the Asset Pool for the purposes of making Recovery Notes Payments to holders of the Recovery Notes.

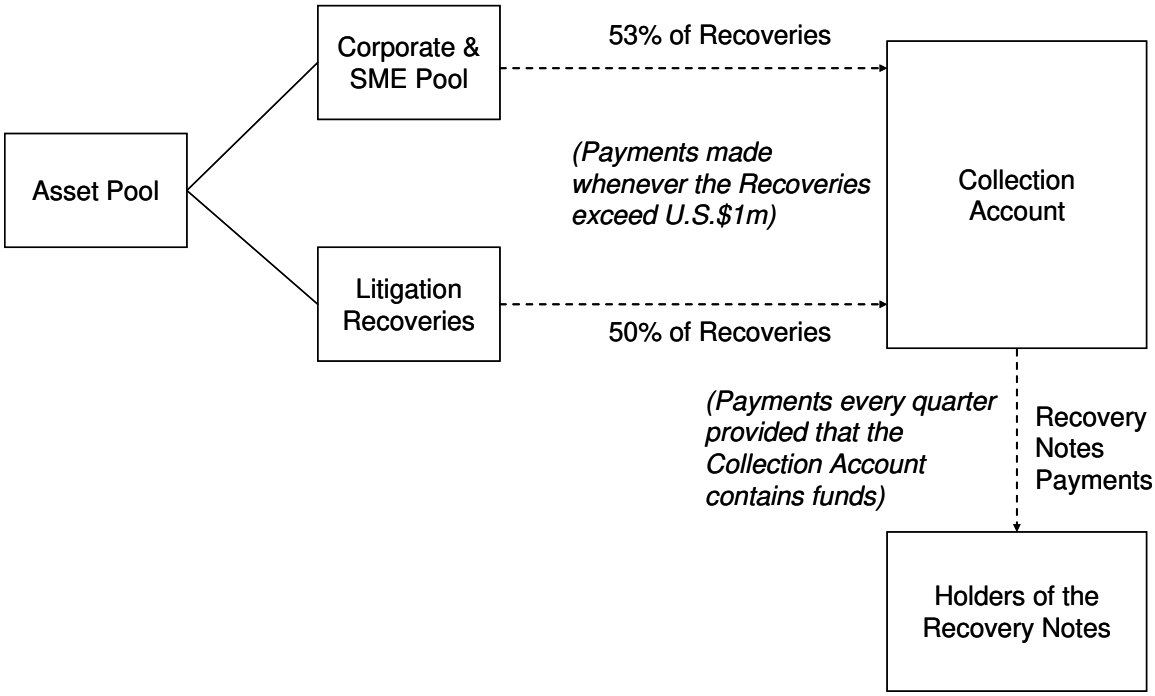
Please see Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*) for a full description of the Recovery Notes.

To the extent any Recoveries are made, Recoveries will be paid into the Collection Account administered by The Bank of New York Mellon, London Branch. Payments will be made to the holders of the Recovery Notes once Recoveries in excess of U.S.$1 million have been achieved and paid into the Collection Account. The Bank is under no obligation to make any payments to holders of the Recovery Notes unless Recoveries in excess of U.S.$1 million are achieved. The Bank confirms that, as at the date of this Prospectus, the Asset Pool has the capacity to produce funds to service any payments due and payable on the Recovery Notes (to the extent they are bound to do so pursuant to the limited recourse obligations of the Recovery Notes).

The Collection Account is an interest-bearing account situated in the United Kingdom. Once Recoveries are paid into the Collection Account, they are to remain there until paid to the holders of the Recovery Notes. The Bank of New York Mellon is not permitted to invest the Recoveries in any manner.

Structure Diagram for Recovery Notes Payments

The Bank is obliged to make Recovery Notes Payments when Recoveries are made in respect of the Corporate and SME Pool and Litigation Recoveries only.



Corporate and SME Pool

The Corporate and SME Pool consists of provisioned loans and other related provisioned assets (including collection agency receivables and related party loans, but excluding loans to customers funded or supported by Government Funding) as at 31 May 2009 relating to customers of the Bank classified as corporate legal entities and small and medium enterprises identified in the Recovery Notes Balance Sheet. Such loans are comprised as follows:

- loans to corporate customers of the Bank with an aggregate outstanding amount of approximately KZT 294,287 million and a 31 May 2009 Net Book Value of KZT 43,080 million; and
- loans to customers of the Bank that are small and medium enterprises, with an aggregate outstanding amount of KZT 53,771 million and a 31 May 2009 Net Book Value of KZT 12,528 million.

The loans to corporate customers included in the Corporate and SME Pool are made up of the following lending products of the Bank:

- Corporate Loans: The Bank granted corporate loans to corporate customers with a good business history and at least five years of experience in their industry. The loans typically had terms of between three months and seven years and bore interest at rates of between 13.2 and 16.7 per cent. Between 90 and 120 per cent. of the value of the loan was generally collateralised. The type of collateral required was determined on a case by case basis. Of the KZT 108,292 million aggregate outstanding amount of such loans as at 1 May 2010, KZT 15,031 million (or 14.0 per cent.) was collateralised (of which KZT 13,497 million was collateralised by real estate).
- Financial Leasing: The Bank granted financial leasing to corporate customers with a good business history and at least five years of experience in their industry. The loans typically had terms of between three and seven years and bore interest at rates of between 14.5 and 15 per cent. The property subject to the leasing was required as collateral and the borrower was required to

provide not less than 15 per cent. of the purchase price of such property. Of the KZT 4,297 million aggregate outstanding amount of such loans as at 1 May 2010 KZT 2,141 million (or 50.3 per cent.) was collateralised (of which KZT 1,834 million was collateralised by real estate).

- Credit Lines: The Bank granted granted credit lines to corporate customers with a good business history and at least five years of experience in their industry. The loans typically had terms of between three and seven years and bore interest at rates of between 14 and 17 per cent. Between 90 and 120 per cent. of the value of the loan was typically required to be collateralised. The type of collateral required was determined on a case by case basis. Of the KZT 160,617 million aggregate outstanding amount of such loans as at 1 May 2010 KZT 72,503 million (or 45.1 per cent.) was collateralised (of which KZT 50,745 million was collateralised by real estate).

As at 1 May 2010 the aggregate outstanding amount of loans to corporate customers amounted to KZT 273,166 million (on the basis of Adjusted IFRS) out of which KZT 89,675 million (or 32.8 per cent.) was collateralised (of which KZT 66,076 million was collateralised by real estate).

The loans to SME customers included in the Corporate and SME Pool are made up of the following lending products of the Bank:

- Business Impulse Loans: These loans were offered to licenced individual entrepreneurs and SME customers of the Bank with a good business history and at least six months' experience in their industry. Potential customers were required to have a good credit history and to demonstrate that they were not subject to significant tax or other financial liabilities and that they could provide liquid collateral to secure the loan. The Bank typically took between two to three weeks to consider an application for such a loan. The loans typically had terms of between 15 and 20 years and bore interest at rates of between 7.5 and 15 per cent. The full value of the loan was typically required to be collateralised, and between 70 and 90 per cent. of the value of the loan was required to be collateralised by real estate. Of the KZT 26,776 million aggregate outstanding amount of such loans as at 1 May 2010 KZT 26,707 million (or 99.7 per cent.) was collateralised (of which KZT 25,563 million was collateralised by real estate).

- Small Business Loans: These loans were offered to licenced individual entrepreneurs and SME customers of the Bank with a good business history and at least six months' experience in their industry. Potential customers were required to have a good credit history and to demonstrate that they were not subject to significant tax or other financial liabilities and that they could provide liquid collateral to secure the loan. The Bank typically took between two to three weeks to consider an application for such a loan. The loans typically had terms of between three and five years and bore interest at rates of between 14.5 and 18 per cent. The full value of the loan was typically required to be collateralised, and between 70 and 90 per cent. of the value of the loan was required to be collateralised by real estate. Of the KZT 13,600 million aggregate outstanding amount of such loans as at 1 May 2010 KZT 13,258 million (or 97.5 per cent.) was collateralised (of which KZT 11,337 million was collateralised by real estate).

- Car Loans: Car loans were offered to licenced individual entrepreneurs and SME customers of the Bank with a good business history. Potential customers were required to have a good credit history and to demonstrate that they were not subject to significant tax or other financial liabilities and that they could provide liquid collateral to secure the loan. The Bank typically took between two to three weeks to consider an application for such a loan. The loans had a maximum term of eight years and bore interest at 16 per cent. per annum. The full value of the loan was typically required to be collateralised, either by real estate or the vehicle purchased with the proceeds of the loan. Of the KZT 1,155 million aggregate outstanding amount of such loans as at the date of 1 May 2010, KZT 1,095 million (or 94.8 per cent.) was collateralised (of which KZT 199 million was collateralised by real estate).

- Business Mortgages: Business mortgages were offered to licenced individual entrepreneurs and SME customers of the Bank with a good business history and at least three to six months' experience in their industry. Potential customers were required to have a good credit history and to demonstrate that they were not subject to significant tax or other financial liabilities and that they could provide liquid collateral to secure the loan. The Bank typically took between two to three weeks to consider an application for a business mortgage. The maximum term of business mortgages was between 15 and 20 years and the mortgages bore interest at a minimum rate of 14.5 per cent. per annum. The full value of the mortgage was typically required to be collateralised, and between 70 and 90 per cent. of the value of the mortgage was required to be collateralised by real estate. Of the KZT 4,582 million aggregate outstanding amount of such loans as at 1 May 2010, KZT 4,582 million (or 100 per cent.) was collateralised (of which KZT 4,276 million was collateralised by real estate). The Bank estimates that as at 1 June 2009, the market value of the real estate collateral amounted to 98.84 per cent. of the aggregate outstanding value of the mortgages. No cash flow or income streams are derived from this real estate collateral by the Bank, the collateral is additional security obtained by the Bank for the purposes of making the business mortgage loans.

- Small Business "Express" Loans: These loans were offered to licenced individual entrepreneurs and SME customers of the Bank with a good business history and at least three to six months' experience in their industry. Potential customers were required to have a good credit history and to demonstrate that they were not subject to significant tax or other financial liabilities and that they could provide liquid collateral to secure the loan. The Bank typically took between three to five working days to consider an application for such a loan. The loans typically had a maximum term of 18 months and bore interest at rates of between 26 and 32 per cent. per annum. The full value of the loan was typically required to be collateralised by movables and real estate. Of the KZT 2 million aggregate outstanding amount of such loans as at 1 May 2010, KZT 2 million (or 100 per cent.) was collateralised (none of which was collateralised by real estate).

- EBRD "Express" Loans: These loans were offered to licenced individual entrepreneurs and SME customers of the Bank with a good business history and at least three to six months' experience in their industry. Potential customers were required to have a good credit history and to demonstrate that they were not subject to significant tax or other financial liabilities and that they could provide liquid collateral to secure the loan. The Bank typically took between three to five working days to consider an application for such a loan. The loans typically had a maximum term of 18 months and bore interest at rates of between 26 and 30 per cent. per annum. The full value of the loan was typically required to be collateralised by movables and real estate. Of the KZT 1,062 million aggregate outstanding amount of such loans as at 1 May 2010, KZT 1,051 million (or 99.0 per cent.) was collateralised (of which KZT 126 million was collateralised by real estate).

As at 1 May 2010, the aggregate outstanding amount of loans to SME customers amounted to KZT 47,177 million (on the basis of Adjusted IFRS) out of which KZT 46,696 million (or 99.0 per cent.) was collateralised (of which KZT 41,501 million was collateralised by real estate).

Recoveries payable under the Recovery Notes from the Corporate and SME Pool comprise any and all cash amounts actually collected or recovered by the Bank after the issue date of the Recovery Notes in respect of each asset in the Corporate and SME Pool but only to the extent that such amounts are in excess of the 31 May 2009 Net Book Value of each such asset and, in calculating cash amounts collected or recovered by the Bank, the following shall (without limitation) be included:

- amounts in respect of principal, interest, premium, penalty, late payment or similar charges, compromise or settlement;

- the gross proceeds of enforcement or realisation of any collateral guarantee or security in respect of each such asset (including any ownership interest, charge, encumbrance, proprietary or security interest, right of retention, lien or other right or claim in, over or on any Person's assets)

and the sale or disposal of any other asset received or obtained by the Bank in settlement or compromise;

- the gross proceeds of the sale of any asset in the Corporate and SME Pool;
- the financial benefit to the Bank of any set-off, netting, consolidation of accounts or similar arrangement in respect of each such asset the exercise of which results in a financial benefit accruing to the Bank; and
- the proceeds of any insurance claim relating to any asset in the Corporate and SME Pool received by the Bank.

In determining the amount of Recoveries from the Corporate and SME Pool, the amount of cash collected or recovered shall be determined (i) on a gross, pre-tax basis and (ii) on an asset-by-asset basis such that amounts collected in respect of any individual asset in excess of the 31 May 2009 Net Book Value shall not be reduced by reference to, netted or set off against any shortfall in the cash collected in respect of any other asset that does not generate Recoveries where the cash collection in respect of that other asset is less than its 31 May Net Book Value. If any loan in the Corporate and SME Pool is refinanced by a new loan, it shall be replaced, to the extent that no further amounts are lent by the Bank under such new loan, by the new loan, and the 31 May 2009 Net Book Value shall apply to the new loan.

These Recoveries will be split between the Bank and the holders of the Recovery Notes as set out under "— *Specified Percentages*" below.

Litigation Recoveries

In the course of the due diligence process commenced by the Bank's new management in February 2009, they identified transactions entered into by the Bank between 2006 and 2008 that were not properly recorded on the Bank's balance sheet. The transactions included guarantees issued by the Bank secured by pledges of the T Bills.

These guarantees covered borrowings by four offshore companies registered in the British Virgin Islands and Samoa from two Russian financial institutions. The pledged T Bills were held in brokerage accounts of these financial institutions and these institutions had the right to foreclose on them at their sole discretion by sale, exchange or otherwise.

In February and May 2009, the Bank was informed that the four offshore companies had defaulted on the payment of the loans, the Russian financial institutions had exercised their right to foreclose on the T Bills, and all the T Bills had been transferred out of the custody accounts of the Bank. Due to the likely losses under the guarantees, as at 31 December 2008, the Bank recognised a provision for the guarantees of KZT 136,972 million in the 2008 Annual Financial Statements. See the discussion on recognition of provisions in "*Presentation of Financial and Other Information — Historical Financial and Other Information*". Following further investigation, it became clear that the T Bills had been used to settle the guarantees. Part of the recovery process will involve further investigations to determine if the Bank has any claims against any party.

The Litigation Recoveries payable under the Recovery Notes comprise any and all amounts (including all costs, interests and taxes) actually recovered by the Bank after the issue date of the Recovery Notes directly or indirectly as a result of any judgment, award, compromise or settlement relating to any legal proceedings, arbitration, mediation or other steps taken in contemplation of legal action, insurance claim or otherwise in connection with or arising out of any Cause of Action that may be available to the Bank against any party in relation, directly or indirectly, to the T Bills Strips Transactions, whether a cash sum or any other amount realised by the Bank as a result of a sale, auction, enforcement process or other disposal by or on behalf of the Bank of any asset, right, claim or security received by the Bank in connection with any Causes of Action.

These Recoveries will be split between the Bank and the holders of the Recovery Notes as set out under "— *Specified Percentages*" below.

Retail Pool

Payments will only be made to holders of the Recovery Notes in respect of Recoveries from the Retail Pool in the event the put option is exercised. See "— *Specified Percentages*" and Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Clause 11(c) (*Redemption at the Option of the Noteholders*).

The Retail Pool includes all provisioned Homogeneous Retail Loans Portfolios and provisioned individual Retail Loans (including collection agency receivables in respect of Retail Loans but excluding loans to customers funded or supported by Government Funding) of the Bank as at 31 May 2009, as identified in the Recovery Notes Balance Sheet.

The Homogeneous Retail Loans Portfolios contain the following loans of the Bank:

- Auto Loans (or car loans): The Bank issued loans to individuals to purchase cars, including second hand cars, from September 2003 to September 2007. To be eligible for an auto loan, the individual needed to be solvent and other legal requirements and to have a good credit history and reputation. The Bank also considered the individual's level of indebtedness when deciding whether to approve the application. The Bank typically took between three and five working days to approve or reject an application. These loans had a maximum term of five years and an interest rate of 19 per cent. per year. The Bank charged a commission of 1.5 per cent. of the amount of the car loan. As at 31 December 2009, the gross residual amount of outstanding car loans was KZT 6,544 million and KZT 3,682 million of provisions had accrued as at that date. A car loan is deemed to be non-performing when the interest on such loan is overdue for more than 90 days. All auto loans were collateralised. As at 31 December 2009, 72.0 per cent. of the aggregate outstanding amount of such loans was collateralised.

- Personal Instalment Loans (or PILs): From 2004 until 2008, the Bank offered PILs on an unsecured basis to customers. To be eligible for a PIL, the individual needed to be solvent and to have a good credit history and reputation. The Bank also considered the individual's level of indebtedness when deciding whether to approve the application. The Bank typically took between one and two working days to approve or reject an application. PILs were offered in amounts up to three times the borrower's monthly net salary subject to a maximum limit of KZT 1 million. The term of the PILs varied from three months to 42 months and the average effective interest rate was 30.6 per cent. per annum as at 31 December 2009. The average effective interest rate is significantly higher compared to other products because the interest is accrued throughout the life of the loan based on the full original principal amount of the loan rather than the remaining balance of the loan. As at 31 December 2009, the gross residual amount of outstanding PILs was KZT 69,885 million and KZT 53,895 million of provisions had accrued as at that date. A PIL is deemed to be non-performing when the interest on such loan is overdue for more than 120 days.

- Credit Cards Loyalty Loans: Up to the end of 2008, the Bank issued Credit Card Loyalty Loans on an unsecured basis to individuals with a good credit history with the Bank. The Bank invited potential customers by post to apply for these loans. These loans were provided on a revolving basis with a maximum amount of KZT 125,000 and an interest rate of 25 per cent. The loans had no fixed term. As at 31 December 2009, the gross residual amount of outstanding Credit Card Loyalty Loans was KZT 2,030 million and KZT 1,230 million of provisions had accrued as at that date. A Credit Card Loyalty Loan is deemed to be non-performing when the interest on such loan is overdue for more than 90 days.

- Staff Loans: The Bank provided staff loans on an unsecured basis to individuals currently employed by the Bank with a maturity of more than 12 months. To be eligible for a staff loan, the employee needed to be solvent and to have a good credit history and reputation. The Bank

also considered the employee's level of indebtedness when deciding whether to approve the application. The Bank typically took between one and two working days to approve or reject an application. Loans were provided at an interest rate of between 11.5 per cent. and 13 per cent. and in amounts of between four to eight times the monthly salary of the employee depending on the number of years the employee had been employed by the Bank. The maximum amount of a loan could not exceed KZT 500,000. As at 31 December 2009, the gross residual amount of outstanding staff loans was KZT 11 million and KZT 1 million of provisions had accrued as at that date. A Staff loan is deemed to be non-performing when the interest on such loan is overdue for more than 90 days.

The provisioned individual Retail Loans includes the following loans:

- Mortgages: Prior to February 2009, the Bank offered residential mortgages to its customers with a maximum term of 30 years with an interest rate of between 10 per cent. and 16 per cent. (depending on the size of the deposit). To be eligible for a mortgage, the individual needed to be solvent and to have a good credit history and reputation. The Bank also considered the individual's level of indebtedness when deciding whether to approve the application. The Bank typically took between three and five working days to approve or reject an application. These mortgages required a down payment equal to at least 10 to 30 per cent. of the purchase price of the real estate. The Bank also charged commissions of 0.5 per cent. of the loan amount. As at 31 December 2009, the gross residual amount of outstanding residential mortgages was KZT 71,202 million and KZT 40,141 million of provisions had accrued as at the date. A mortgage loan is deemed to be non-performing when the interest on such loan is overdue for more than 90 days. The Bank estimates that as at 31 December 2009, the market value of the real estate collateral amounted to 124.14 per cent. of the aggregate outstanding value of the mortgages. No cash flow or income streams are derived from this real estate collateral by the Bank, the collateral is additional security obtained by the Bank for the purposes of making the mortgage loans.

- Loans for "Instant Consumer Needs": These loans were collateralised loans for a minimum amount of KZT 150,000 (or the U.S. Dollar equivalent) and a maximum amount determined by the value of the collateral provided by the prospective borrower. The Bank lent up to 70 per cent. of the market value of real estate collateral and up to 50 per cent. of the market value of vehicles provided as collateral. The maximum term of Loans for "*Instant Consumer Needs*" was 15 years, later reduced to five years. Loans for "*Instant Consumer Needs*" were issued with an interest rate of between 16 per cent. and 19 per cent. per annum. In addition, the Bank charged a commission of 1.5 per cent. of the principal amount for drawing down the loan. To be eligible for a loan for "*Instant Consumer Needs*", the individual needed to be solvent and to have a good credit history and reputation. The Bank also considered the individual's level of indebtedness when deciding whether to approve the application. The Bank typically took between three and five working days to approve or reject an application. As at 31 December 2009, the gross residual amount of outstanding loans for instant consumer needs was KZT 82,437 million and KZT 28,988 million of provisions had accrued as at that date. These loans are deemed to be non-performing when the interest on such loan is overdue for more than 90 days. All of these loans were collateralised. As at 31 December 2009, the market value of such collateral amounted to 64.5 per cent. of the aggregate outstanding amount of such loans.

- Collection agency receivables: In the fourth quarter of 2008, the Bank transferred non-performing loans and claims receivable from Alliance Policy, a related party, to eight debt collection agencies. The transferred loans and claims were written off the Bank's balance sheet. Under the terms of the transfer, the Bank was entitled to receive consideration for the transferred assets only if the collection agencies made recoveries beyond an agreed level. The Bank's new management believes that the collection agencies are related parties. The Bank's new management has made an estimate of the recoverability of amounts due from the collection agencies and has concluded that the Bank will not be successful in collecting such amounts because of such collection agencies' uncertain financial condition. As a consequence, the Bank

recorded a provision in the amount of KZT 22,338 million as at 31 December 2008, which subsequently was reduced to KZT 20,894 million as at 31 December 2009 due to cash collections.

The Retail Pool has an aggregate outstanding amount of KZT 207,713 million and a 31 May 2009 Net Book Value of KZT 81,504 million and being comprised as follows:

(i) Homogeneous Retail Loans Portfolios:

Homogeneous Retail Loans Portfolio	Outstanding Amount KZT	31 May 2009 Net Book Value KZT
Auto Loans	7,900,000,000	4,530,000,000
Personal Instalment Loans	93,769,000,000	49,735,000,000
Credit Cards Loyalty Loans	2,811,000,000	1,780,000,000
Staff Loans	92,000,000	88,000,000
Subtotal	**104,572,000**	**56,133,000,000**

(ii) Retail Loans not in Homogeneous Loans Portfolio

Outstanding Amount	31 May 2009 Net Book Value
KZT 81,607,000	KZT 25,371,000

(iii) Collection agency receivables

Outstanding Amount	31 May 2009 Net Book Value
KZT 21, 534,000	0

Retail Pool Cash Recoveries comprise any and all cash amounts actually collected or recovered by the Bank after the issue date of the Recovery Notes in respect of each asset in the Retail Pool (with each Homogeneous Retail Loans Portfolio being treated as a single asset) but only to the extent that such amounts are in excess of the 31 May 2009 Net Book Value of each such asset and, in calculating cash amounts collected or recovered by the Bank, the following shall (without limitation) be included:

(i) amounts in respect of principal, interest, premium, penalty, late payment or similar charges, compromise or settlement;

(ii) the gross proceeds of enforcement or realisation of any collateral guarantee or security in respect of each such asset (including any ownership interest, charge, encumbrance, proprietary or security interest, right of retention, lien or other right or claim in, over or on any Person's assets) and the sale or disposal of any other asset received or obtained by the Bank in settlement or compromise;

(iii) the gross proceeds of the sale of any asset in the Retail Pool;

(iv) the financial benefit to the Bank of any set-off, netting, consolidation of accounts or similar arrangement in respect of each such asset the exercise of which results in a financial benefit accruing to the Bank; and

(v) the proceeds of any insurance claim relating to any asset in the Retail Pool received by the Bank.

In determining the amount of Recoveries from the Retail Pool, the amount of cash collected or recovered shall be determined (i) on a gross, pre-tax basis and (ii) on an asset-by-asset basis (with each Homogeneous Retail Loans Portfolio being treated as a single asset) such that amounts collected in respect of any individual asset in excess of the 31 May 2009 Net Book Value shall not be reduced by reference to, netted or set off against any shortfall in the cash collected in respect of any other asset that does not generate Recoveries where the cash collection in respect of that other asset is less than its 31 May Net Book Value. If any loan in the Retail Pool is refinanced by a new loan, it shall be

replaced, to the extent that no further amounts are lent by the Bank under such new loan, by the new loan, and the 31 May 2009 Net Book Value shall apply to the new loan.

These Recoveries will be split between the Bank and the holders of the Recovery Notes as set out under "— *Specified Percentages*" below.

Tax Assets

Tax Assets comprise the financial benefit of any deduction for tax purposes obtained by the Bank in relation to (i) the provisions made in the Bank's accounts in respect of the T Bill Strips Transactions and (ii) any provisions made in respect of loans to related parties, which benefit shall be calculated as follows:

Benefit = {[tax payable before accounting for any 2009 loss carryforward – tax payable after accounting for any 2009 loss carryforward] x [(a+b)/(a+b+c-d)]} x 50%

where, for the purpose of calculating taxable profit, any profit from the write off of debt as part of the Restructuring shall be excluded and:

a = any deduction for tax purposes in relation to provisions in respect of loans to related parties for the financial year ended 31 December 2009;

b = any deduction for tax purposes in relation to provisions in respect of the T Bill Strips Transactions for the financial year ended 31 December 2009;

c = any deduction for tax purposes in relation to other provisions and expenses for the financial year ended 31 December 2009; and

d = tax charge related to debt write off on Restructuring.

These Recoveries will be split between the Bank and the holders of the Recovery Notes as set out under "— *Specified Percentages*" below.

Specified Percentages

The following table specifies the percentage of the Recoveries that will be distributed to the holders of the Recovery Notes for each category of Recoveries:

(i)	Corporate and SME Pool Cash Recoveries:	53 per cent.
(ii)	Litigation Recoveries:	50 per cent.
(iii)	Retail Pool Cash Recoveries:	0 per cent.
(iv)	Tax Assets:	50 per cent.

If, however, the holders of the Recovery Notes become entitled to exercise their put option (described in Schedule 1 (*Terms and Conditions of the New Notes*), Annex 3 (*Terms and Conditions of the Recovery Notes*), Condition 11(c) (*Redemption at the Option of the Noteholders*)) then the percentage of the Recoveries that will be distributed to the holders shall be as follows:

(A) in respect of those Recovery Notes holders who do not choose to exercise the put option the percentages of Recoveries to be paid to such holders shall be equal to the relevant figures in (i) to (iv) of the table above in each case multiplied by the percentage of outstanding Recovery Notes in respect of which the put option has not been exercised; and

(B) for the purpose of determining the redemption amount payable to any holder which exercises the put option, the percentages shall all be 50 per cent. multiplied by the percentage of outstanding Recovery Notes in respect of which the put option has been exercised.

Recovery Notes Balance Sheet

The Recovery Notes Balance Sheet below is based on internal management reports and has not been audited or reviewed by an independent auditor.

	31 May 2009	31 December 2009
	(unaudited)	
	(KZT thousands)	
ASSETS		
Cash and balances with the National Bank of the Republic of Kazakhstan	21,617,446	21,216,482
Financial assets at fair value through profit and loss	161,866,706	236,551,094
Investments available for sale	2,205,921	2,741,090
Investments in subsidiaries	316,677	316,677
Reverse repurchase agreements	-	131,921
Due from banks	67,227,812	45,897,202
Loans to customers, net of allowance	350,241,985	658,787,809
Other assets	14,444,940	33,414,041
Property, equipment and intangible assets	32,957,385	34,497,058
TOTAL ASSETS	**650,878,872**	**1,033,553,374**
LIABILITIES AND DEFICIT		
LIABILITIES		
Due to the National Bank of the Republic of Kazakhstan	-	15,026,250
Due to banks	140,143,200	137,376,868
Due to other financial institutions	34,295,369	35,740,742
Customer accounts	219,653,917	210,251,438
Financial liabilities at fair value through profit and loss	58,842,879	49,713,430
Other financing	33,962,173	29,449,238
Repurchase agreements	64,074,779	41,945,167
Debt securities issued	487,421,563	315,450,817
Other liabilities	7,247,036	2,849,653
Subordinated debt	43,202,808	37,723,960
Total liabilities	**1,088,843,724**	**875,527,563**
DEFICIT:		
Share capital	101,238,459	101,238,459
Investments available for sale fair value deficit	-572,620	-29,295
Property and equipment revaluation reserve	2,379,720	2,686,018
Reserves	34,000,000	34,000,000
Accumulated deficit	-575,010,411	20,130,629
Total deficit	-437,964,852	158,025,811
TOTAL LIABILITIES AND DEFICIT	**650,878,872**	**1,033,553,374**

Governing Law

The non-performing loans comprising the Corporate and SME Pool and the Retail Pool are governed by Kazakhstan law. The Tax Assets are also governed by Kazakhstan law.

With respect to the Litigation Recoveries, the documentation by which the Bank's T Bills were pledged are all governed by English law. However, no guarantee can be made that any proceedings will be commenced in relation to the T Bills and it is unclear as to which jurisdiction or jurisdictions any such proceedings may be commenced.

Reporting

On the Issue Date, and every three months thereafter, the Bank will provide the Trustee with quarterly management information concerning the Recovery Notes including a review of the Asset Pool and details of any payments made to the holders of the Recovery Notes. Such information will also be made available on the Bank's websites at www.albinvestorrelations.com and www.alb.kz.

ADDITIONAL INFORMATION

Material Adverse Change

Except as described in this Prospectus, including but not limited to, under "*Risk Factors*", "*The Bank*" and "*Management's Discussion and Analysis of Results of Operations and Financial Condition",* there has been no material adverse change in the prospects of the Bank since 31 December 2009 and no significant change in the financial or trading position of the Bank since 31 March 2010.

Auditors

On 28 August 2009 the Bank's Annual General Meeting of Shareholders approved the appointment of KPMG Audit LLC (Kazakhstan) (acting as an auditor under licence No. 0000021, dated 6 December 2006 issued by the Ministry of Finance of Kazakhstan, regulated by the Ministry of Finance of Kazakhstan and a member of the Chamber of Auditors of the Republic of Kazakhstan), Koktem Business Center, 180 Dostyk Avenue, Almaty, 050051 Republic of Kazakhstan as independent auditor to conduct the annual audit of the Bank for the year ended 31 December 2009. KPMG Audit, LLC (Kazakhstan) have finalised their audit of the financial statements of the Bank for the year ended 31 December 2009 and their audit report can be found on page F-5 of this Prospectus.

Deloitte, LLP (Kazakhstan), independent auditors (acting as an auditor under licence No. 0000015, Type MFU 2, dated 13 September 2006 issued by the Ministry of Finance of Kazakhstan, regulated by the Ministry of Finance of Kazakhstan and a member of the Chamber of Auditors of the Republic of Kazakhstan), 36, Al Farabi Avenue, Almaty Financial District, Building "B", Almaty, 050059 Republic of Kazakhstan, have audited the 2008 Annual Financial Statements and their audit report is included on page F-66 of this Prospectus.

Admission Expenses

The estimated total expenses relating to the admission of the New Notes to trading are EUR 16,800.

Documents Available for Inspection

Copies of certain documents are available for inspection by any person during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus for so long as any of the New Notes are listed on the official list of the Luxembourg Stock Exchange and are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange at the registered office of the Bank and on the Bank's websites at www.albinvestorrelations.com and www.alb.kz. These documents include:

- the New Charter;
- the Financial Statements;
- this Prospectus;
- the New Notes Trust Deed; and
- the Paying Agency Agreement in respect of the New Notes.

Material Contracts

The Bank is not a party to any material contract that might affect the Bank's obligations under the New Notes.

Resolutions

The Board of Directors authorised the issuance of the New Notes on 9 March 2010.

Information regarding the Discount Dollar Notes and the Par Dollar Notes

The Discount Dollar Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 049575556 (Reg S) and 049575564 (Rule 144A). The International Securities Identification Number for the Discount Dollar Notes is XS0495755562 (Reg S) and XS0495755646 (Rule 144A).

The Discount Dollar Notes bear interest at 10.5 per cent. on their outstanding principal amount and therefore, at the time of issue, the yield of the Discount Dollar Notes was U.S.$10,500 per annum per U.S.$100,000 in principal amount of the Discount Dollar Notes held.

The Par Dollar Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 049575637 (Reg S) and 049575645 (Rule 144A). The International Securities Identification Number for the Par Dollar Notes is XS0495756370 (Reg S) and XS0495756453 (Rule 144A).

The Par Dollar Notes bear interest at 4.7 per cent. on their outstanding principal amount and therefore, at the time of issue, the yield of the Par Dollar Notes was U.S.$4,700 per annum per U.S.$100,000 in principal amount of the Par Dollar Notes held.

Information regarding the Recovery Notes

The Recovery Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 049575572 (Reg S) and 049575602 (Rule 144A). The International Securities Identification Number for the Recovery Notes is XS0495755729 (Reg S) and XS0495756024 (Rule 144A).

At the time of issue, the Recovery Notes did not bear any interest. The Recovery Notes shall only bear interest from 25 March 2017, such rate of interest to be 5.8 per cent. on the outstanding principal amount of the Recovery Notes (as adjusted in accordance with Condition 10 of the Terms and Conditions of the Recovery Notes). From 25 March 2017, the yield on the Recovery Notes shall be U.S.$5,800 per annum per U.S.$100,000 in principal amount of the Recovery Notes held.

The Recovery Notes will be paid out of the Collection Account, which is funded by cash generated by the Asset Pool. The Recovery Notes are limited recourse obligations of the Bank, and the level of collateral of the Recovery Notes will correspond to the amount of Recoveries.

The Collection Account is administered by The Bank of New York Mellon, London Branch. All other functions regarding the administration of the Recovery Notes will be performed by the Bank.

As at 31 May 2009 the Corporate and SME Pool was represented by 2,188 loans, which represented all provisioned corporate and SME loans of the Bank as at that date. The total outstanding amount of loans included in the Corporate and SME Pool was KZT 348,058 million and the amount of provisions was KZT 292,450 million. The Corporate and SME Pool also included KZT 21,534 million of receivables from related collection agencies, the amount of provisions against which was 100 per cent.

Management estimates that approximately one quarter of the Bank's loan portfolio in May 2009 was represented by loans to related parties, which parties previously were not recognized as related. Most of these loans were heavily provisioned as at 31 May 2009 and therefore included in the Corporate and SME Pool.

Many of the loans in the Corporate and SME Pool were granted in violation of the Bank's internal credit procedures. For example, certain loans had incomplete collateral documentation in some credit files, illiquid collateral, fake collateral appraisal, bullet repayment of interest and principal and other non-standard terms and conditions. Aside from these exceptions, the loans comprising the Corporate and SME Pool range from one to five years and contain standard terms and conditions. These include the borrower being a company in good standing as at the time of the loan, the borrower being required

to post collateral covering 100 per cent. of the principal amount and interest for a minimum of three months, payment of interest on a monthly basis and certification that there was no other security over the collateralised assets.

SCHEDULE 1 — TERMS AND CONDITIONS OF THE NEW NOTES

ANNEX 1 — TERMS AND CONDITIONS OF THE DISCOUNT DOLLAR NOTES

The U.S.$615,138,114 10.5 per cent. notes due 2017 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of JSC Alliance Bank (the "**Bank**") are (a) constituted by, and subject to, and have the benefit of a trust deed dated 25 March 2010 (as amended or supplemented from time to time, the "**Trust Deed**") between the Bank and BNY Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes ("**Noteholders**") under the Trust Deed) and (b) the subject of a paying agency agreement dated 25 March 2010 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Bank, the Trustee, The Bank of New York Mellon as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes), SB HSBC Bank Kazakhstan JSC as Kazakhstan paying agent (the "**Kazakhstan Paying Agent**", which expression includes any successor or additional Kazakhstan paying agents appointed from time to time in connection with the Notes) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying and Transfer Agent. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, One Canada Square, London E14 5AL, United Kingdom. References herein to the "**Agents**" are to the Registrar and the Paying and Transfer Agents and any reference to an "**Agent**" is to any one of them.

Terms defined in the Trust Deed shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein.

1. **Status**

The obligations under the Notes are unconditional, direct, unsubordinated and, subject as provided in Clause 8.1(y) (*Negative Pledge*) of the Trust Deed, unsecured obligations of the Bank, and will at all times rank at least *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future (except as provided therein) unsubordinated obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law.

2. **Form, Denomination and Title**

(a) ***Form and Denomination***

The Notes are in registered form, without interest coupons attached, and shall be serially numbered. Notes shall be issued in denominations of U.S.$100 and integral multiples of U.S.$1.00 in excess thereof (each denomination an "**authorised denomination**").

(b) ***Title***

Title to the Notes will pass by transfer and registration as described in Conditions 3 (*Registration*) and 4 (*Transfers*). The holder (as defined below) of any Notes shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon (other than a duly executed transfer thereof in the form endorsed

thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

In these Conditions, "**holder**" means the person in whose name a Note is registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "**holders**" and "**Noteholders**" shall be construed accordingly.

3. **Registration**

The Bank shall procure that the Registrar will maintain a register (the "**Register**") at the Specified Office of the Registrar in respect of the Notes in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

4. **Transfers**

(a) Subject to Conditions 4(d) and 4(e), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "**Transfer Form**") duly completed, at the Specified Office of an Agent, together with such evidence as the Registrar or (as the case may be) such Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Transfer Forms are available from any Agent and the Bank upon the request of any holder.

(b) Within five business days of the surrender of a Note Certificate in accordance with Condition 4(a), the Registrar will register the transfer in question and deliver a new Note Certificate of alike principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 4(b), "**business day**" means a day other than a Saturday or a Sunday on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Agent has its Specified Office.

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

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

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

5. **Covenants**

The Noteholders will have the benefit of certain covenants in the Trust Deed relating to, amongst other things, restrictions on the creation of security interests, incurrence of indebtedness, disposal of assets and payment of dividends.

6. **Interest**

(a) ***Interest Accrual***

The Notes shall bear (or, as the case may be, be deemed to bear) interest on their outstanding principal amount from 1 March 2010 at the rate of 10.5 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 25 March and 25 September in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 7 (*Payments*), save that the first Interest Payment Date shall be on 25 September 2010.

Each period beginning on (and including) 1 March 2010 or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(b) ***Cessation of Interest***

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Calculation of Interest for an Interest Period***

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), *provided that* the amount of interest payable for the first Interest Period shall be U.S.$59.50 for each U.S.$1,000 in principal amount of Note.

(d) ***Calculation of Interest for any Other Period***

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Condition 6(c) (*Calculation of Interest for an Interest Period*) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

7. **Payments**

(a) ***Principal***

Payments of principal in respect of the Notes will be made to the Persons shown in the Register at the close of business on the relevant Record Date (as defined below)

upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or of any Agent.

(b) ***Interest***

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at the close of business on the Record Date for such Interest Payment Date, subject to (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or any Agent. Payments of all amounts other than as provided in Conditions 7(a) (*Principal*) and this Condition 7(b) (*Interest*) will be made as provided in these Conditions.

(c) ***Record Date***

Each payment in respect of a Note will be made to the Person shown as the holder in the Register at the close of business (in the place of the Registrar's specified office) on the business day before the due date for such payment (the "**Record Date**").

(d) ***Payments***

Each payment in respect of the Notes pursuant to Conditions 7(a) (*Principal*) and 7(b) (*Interest*) will be made by transfer to a United States Dollar account maintained by the payee with a bank in New York City.

(e) ***Payments Subject to Fiscal Laws***

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) ***Payment on a Business Day***

If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder thereof shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 7(f) (*Payment on a Business Day*), "**business day**" means any day on which banks are open for business (including dealings in foreign currencies) in New York City and, in the case of surrender (or, in the case of partial payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(g) ***Agents***

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Bank and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The Bank reserves the right (with prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying and transfer agent or registrar and additional or successor agent or agents; *provided, however, that* the Bank shall at all times maintain a principal paying and transfer agent with a specified office in a European member state, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 on the taxation of

savings income or any law implementing or complying with, or introduced to conform to, such Directive, and a registrar. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

8. **Redemption and Purchase**

(a) ***Scheduled Redemption***

Unless previously redeemed or purchased and cancelled as provided below, subject as provided in Condition 7 (*Payments*), the Notes will be partially redeemed in six equal semi-annual instalments on 25 March and 25 September of each year, with the first such instalment being payable on 25 September 2014 and the last such instalment being payable on 25 March 2017. The outstanding principal amount of each Note shall be reduced by any repayment of principal in accordance with these Conditions, including (i) any instalment amount and (ii) any prepayment amount comprising any amounts paid pursuant to Condition 8(d) (*Redemption by way of Surplus Cash*) and any prepayment made in accordance with Condition 8(e) (*Redemption after Public Offering*) with effect from the related instalment payment date or the Prepayment Date (as the case may be), unless the payment of the instalment or the prepayment is improperly withheld or refused on presentation of the Note, in which case such amount shall remain outstanding until the date of payment of such instalment amount or of such prepayment. Each Note shall be finally redeemed on due payment of the final instalment amount payment or (to the extent that the amounts to be paid pursuant to Condition 8(e) (*Redemption after Public Offering*) are sufficient to finally redeem the Notes) on the Prepayment Date.

(b) ***Redemption for Tax Reasons***

The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued but unpaid to the date fixed for redemption, if, immediately before giving such notice, the Bank satisfies the Trustee that (i) the Bank will become obliged to pay, on the next date on which any amount would be payable with respect to the Notes, additional amounts, as provided or referred to in Condition 9 (*Taxation*), to any greater extent than would have been required had such a payment been required to be made on 15 December 2009, as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction, but excluding any such change or amendment which obliges the Bank to pay additional amounts in respect of Notes held by or on behalf of a person resident, domiciled or organised in the Republic of Kazakhstan), which change or amendment becomes effective on or after 15 December 2009 and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it; *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 8(b) (*Redemption for Tax Reasons*), the Bank shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred and an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged

to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept, without further enquiry, such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event these shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 8(b) (*Redemption for Tax Reasons*), the Bank shall be bound to redeem the Notes in accordance with this Condition 8(b) (*Redemption for Tax Reasons*).

(c) ***Redemption at the Option of the Noteholders***

Unless the Noteholders have previously by an Extraordinary Resolution disapplied this Condition 8(c) (*Redemption at the Option of the Noteholders*) in relation to the applicable Relevant Event, following the occurrence of a Relevant Event (as defined below), the Bank shall promptly, and in any event within five Business Days thereafter, give notice (the "**Relevant Event Notice**") of such Relevant Event to the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*), which notice shall specify the date (which shall not be less than 30 days nor more than 60 days after the Relevant Event Notice (the "**Put Settlement Date**") on which the Bank shall, at the option of the holder of any Note, redeem such Note at its principal amount, together with interest accrued and unpaid to the Put Settlement Date. In order to exercise the option contained in this Condition 8(c) (*Redemption at the Option of the Noteholders*), the holder of a Note must, not less than 15 days before the Put Settlement Date, deposit with any Paying Agent the relevant Note Certificate and a duly completed put option notice (a "**Put Option Notice**") in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(c) (*Redemption at the Option of the Noteholders*), may be withdrawn; *provided, however, that* if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note Certificate on the Put Settlement Date, payment of the redemption monies is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Trustee shall not be responsible for monitoring whether or not any Relevant Event has occurred and shall be entitled to assume unless it receives written notice to the contrary, that no Relevant Event has occurred. In the event that a Relevant Event occurs but no Relevant Event Notice is given by the Bank, the Bank shall be deemed to have given a Relevant Event Notice specifying a Put Settlement Date on the date which is 60 days after the occurrence of the Relevant Event, unless such day is not a Business Day, in which event the Put Settlement Date shall be the immediately following day thereafter which is a Business Day.

(d) ***Application of Further Amounts***

Terms defined in the information memorandum dated 5 November 2009, as supplemented, published by the Bank describing its Restructuring Plan are used in this Condition 8(d) (*Application of Further Amounts*) as so defined.

(i) *Application of Unallocated Cash*

If and to the extent that, after completion of the Allocation and Reallocation of Claims Mechanism, the Bank determines that the amount of cash allocated to Option 1 and Option 1A under the Allocation and Reallocation of Claims Mechanism is less than U.S.$500,000,000 the balance (the "**Unallocated Cash**") shall be distributed between the Discount Notes and the Par Notes in the proportion which the aggregate principal amount of the Designated

Financial Indebtedness allocated to the Discount Notes bears to the aggregate principal amount of the Designated Financial Indebtedness allocated to the Par Notes under the Allocation and Reallocation of Claims Mechanism.

The Unallocated Cash that is to be distributed to holders of the Discount Notes shall then be allocated between the Notes and the Discount Tenge Notes in the proportion which their respective aggregate principal amounts bear to each other (for which purpose the aggregate principal amount of the Discount Tenge Notes shall be converted into Dollars using the rate displayed on the appropriate Thompson Reuters page at or about 11 a.m. Almaty time two Business Days prior to the date of distribution).

The Bank shall inform the Noteholders within six months of 25 March 2010 (the "**Issue Date**") of the amount of any Unallocated Cash that is distributable in respect of the Notes. The proportion of the Unallocated Cash that is distributed to the Notes shall then, not less than six and not more than seven months after the Issue Date, be paid *pro rata* to the Noteholders and shall be applied *pro rata* towards reduction *pro tanto* of the principal of the Notes and each instalment of principal shall be reduced accordingly. A note of such application shall be endorsed on the relevant Note Certificates.

(ii) *Application of Surplus Cash*

(A) While the Recovery Notes are outstanding, any surplus cash (calculated as set out below) after any instalment of principal in respect of the Recovery Notes is paid shall be applied *pro rata* towards the reduction *pro tanto* of the principal of the Discount Notes and the Par Notes (and each instalment of principal of the Discount Notes and the Par Notes shall be reduced accordingly) or, if the Discount Notes have already been redeemed, shall be applied towards the reduction *pro tanto* of the principal of the Par Notes (and each instalment of principal of the Par Notes shall be reduced accordingly). A note of such application shall be endorsed on the relevant Note Certificates.

(B) The Trust Deed provides that if the Recovery Notes have been fully redeemed (including following exercise of the Put Option), any surplus cash shall be applied *pro rata* towards the reduction *pro tanto* of the principal of the Discount Notes and the Par Notes (and each instalment of principal of the Discount Notes and the Par Notes shall be reduced accordingly) or, if the Discount Notes have already been redeemed, shall be applied towards the reduction *pro tanto* of the principal of the Par Notes (and each instalment of principal of the Par Notes shall be reduced accordingly). A note of such application shall be endorsed on the relevant Note Certificates.

The surplus cash that is allocated to the Discount Notes pursuant to (A) or (B) above will be allocated between the Notes and the Discount Tenge Notes in the proportion which their respective aggregate principal amounts bear to each other (for which purpose the aggregate principal amount of the Discount Tenge Notes shall be converted into Dollars using the rate displayed on the appropriate Thompson Reuters page at or about 11 a.m. Almaty time two Business Days prior to the date of distribution).

The surplus cash is calculated and applied every six months. For the purposes of calculating the surplus cash, the Bank shall prepare (and send to the Trustee and publish on the Bank's website before the end of January 2018

and every six months thereafter) a cash flow statement, based on the most recently available semi-annual or annual consolidated financial statements of the Bank prepared in accordance with Adjusted IFRS. The surplus cash shall be calculated in accordance with the following formula:

Surplus cash = 50 per cent. x (B - C)

where:

B = the amount shown as "cash inflow from operating activities before changes in operating assets and liabilities" in such cash flow statement, and

C = the amount of cash which the Bank forecasts it will need in its operations in the next three months while exceeding by a multiple of 1.1 each applicable liquidity ratio specified by the FMSA from time to time.

(e) ***Redemption after Public Offering***

Following the completion of any public offering by the Bank of its common shares, warrants or instruments convertible or exchangeable into common shares or depositary receipts representing common shares after 25 March 2015 (the "**Public Offering**"), the Bank shall promptly, and in any event within five Business Days thereafter, give notice of such Public Offering (the "**Public Offering Notice**") to the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*), which notice shall specify the date being a Business Day (which shall not be less than 30 days nor more than 60 days after the Public Offering (the "**Prepayment Date**")) on which the Bank shall apply 50 per cent. of the proceeds of the Public Offering to redeem the Notes in part in an amount equal to the proceeds and if sufficient proceeds have been raised, in full, at their principal amount together with interest accrued and unpaid to the Prepayment Date. The Trustee shall not be responsible for monitoring whether or not any Public Offering has occurred and shall be entitled to assume unless it receives written notice to the contrary, that no Public Offering has occurred. In the event that a Public Offering occurs but no Public Offering Notice is given by the Bank, the Bank shall be deemed to have given a Public Offering Notice specifying a Prepayment Date on the date which is 60 days after the occurrence of the Public Offering, unless such day is not a Business Day, in which event the Prepayment Date shall be the immediately following Business Day thereafter.

For the purposes of these Conditions, "**Business Day**" means a day other than a Saturday or Sunday on which commercial banks are open for business (including dealings in foreign currencies) in London and New York.

(f) ***Purchase***

The Bank may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (*provided that* such resale is in compliance with all applicable laws) or surrendered for cancellation at the option of the Bank, in compliance with Condition 8(g) (*Cancellation of Notes*). Any Notes so purchased, while held by or on behalf of the Bank, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at such meetings.

(g) ***Cancellation of Notes***

All Notes which are redeemed or surrendered for cancellation pursuant to this Condition 8 (*Redemption and Purchase*) shall be cancelled and may not be reissued or resold.

(h) ***Definitions***

As used in this Condition 8 (*Redemption and Purchase*):

"**Adjusted IFRS**" means International Financial Reporting Standards adjusted to reflect the FMSA's requirements for preparation of financial statements for regulatory purposes;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

"**Control**" means the control exercised or capable of being exercised by any person, entity or undertaking over another undertaking by virtue of:

(i) holding a majority of the voting rights in the undertaking, or

(ii) being (directly or indirectly) a member, shareholder or participant (or equivalent) of the undertaking and having the right to appoint or remove a majority of its board of directors, or

(iii) having the right to exercise, or actually exercising, a dominant influence over the undertaking:

(A) by virtue of provisions contained in the undertaking's charter (or equivalent), or

(B) by virtue of any contract, or

(iv) being a member, shareholder or participant (or equivalent) of the undertaking and controlling, pursuant to an agreement with other members, shareholders or participants (or equivalents), a majority of the voting rights in the undertaking.

and the terms "Controlled" and "Controlling" have meanings correlative to the foregoing;

"**Rating Agency**" means Standard & Poors ("**S&P**") and its successors, Moody's Investors Service Inc. ("**Moody's**") and it successors or Fitch Ratings Ltd. ("**Fitch**") and its successors; and

A "**Relevant Event**" shall be deemed to have occurred if the government of the Republic of Kazakhstan (i) whether through JSC National Welfare Fund Samruk-Kazyna ("**Samruk-Kazyna**") or any other Agency of or entity Controlled by the government of the Republic of Kazakhstan ceases to own at least 51 per cent. of the Capital Stock of, or otherwise to Control, the Bank or (ii) ceases to own at least 51 per cent. of the Capital Stock of, or otherwise to Control, Samruk-Kazyna, unless the Person to which is transferred 51 per cent. or more of the Capital Stock (or other Control) of the Bank or of Samruk-Kazyna (as the case may be) is at the time of transfer a bank or other financial institution authorised by the appropriate authority to accept deposits and having a foreign currency long-term debt rating by S&P no lower than:

(a) A- in the case of a Relevant Event occurring before the anniversary of the Issue Date falling in 2012; or

(b) BBB in the case of a Relevant Event occurring after the anniversary of the Issue Date falling in 2012

or at the relevant time the equivalent rating by another Rating Agency, *provided that* any agreement whereby management of the Bank is transferred to a third party (the "**manager**") that does not, in conjunction with any acquisition of any Capital Stock by such manager or its Affiliates (whether or not occurring at the same time), cause the government of the Republic of Kazakhstan to cease to own at least 51 per cent. of the Bank's Capital Stock or otherwise to Control the Bank, will not constitute a Relevant Event if:

(i) the Trustee, the CS Director and the Creditor Director have been provided with an opinion in form and substance satisfactory to them of independent legal advisers of recognised standing to the effect that the management agreement, in conjunction with any acquisition of any Capital Stock by such manager or its Affiliates (whether or not occurring at the same time), does not cause the government of the Republic of Kazakhstan (directly or indirectly) to cease to Control the Bank or to have majority economic risk and/or benefit in the Bank and continues to allow the government of the Republic of Kazakhstan (directly or indirectly) to retain the sole right to exercise its rights as a majority shareholder (including in relation to the appointment of directors);

(ii) any fees, commission or other compensation or reward payable to the manager are agreed by a Qualified Majority of the Board; and

(iii) the manager (and any change to the manager) and the terms of appointment of the manager (and any change to those terms) are agreed by a Simple Majority of the Board.

9. **Taxation**

(a) ***Taxation***

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any other jurisdiction from or through which payment is made, or in any case, any political subdivision or any authority thereof or therein having power to tax (each, a "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than the mere holding of such Note; or

(ii) presented (in the case of a payment of principal or interest on redemption) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(iii) to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In the event that the foregoing obligation to pay additional amounts is for any reason unenforceable against the Bank, the Bank shall pay to any holder of a Note (subject to the exclusions set out in (i), (ii) and (iii) above) which has received a payment subject to deduction or withholding as aforesaid, upon written request of such holder (subject to the exclusions set out in (i), (ii) and (iii) above), and *provided that* reasonable supporting documentation is provided, an amount equal to the amount withheld or deducted, so that the net amount received by such holder after such payment would not be less than the net amount the holder would have received had such deduction or withholding not taken place. Any payment made pursuant to this paragraph shall be considered an additional amount.

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

(b) ***Relevant Date***

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of such Note first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation.

(c) ***Additional Amounts***

Any reference in these Conditions to principal or interest shall be deemed to include instalments of principal as well as any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 9 (*Taxation*) pursuant to the Trust Deed.

(d) ***Taxing Jurisdiction***

If the Bank becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan references in this Condition 9 (*Taxation*) to the Republic of Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction.

10. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

11. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, give notice to the Bank that the Notes are and they shall become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

(a) ***Non Payment***

the Bank fails to pay the principal of the Notes when the same becomes due and payable and, where such failure to pay is caused by technical or administrative errors affecting the transfer of funds by the Bank, the failure to pay continues for a period of three Business Days, or the Bank is in default with respect to the payment of interest and such default continues for a period of ten days; or

(b) ***Breach of Other Obligations***

the Bank is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed or in respect of the Par Notes, Subordinated Tenge B Notes or Recovery Notes (other than a default or breach elsewhere specifically dealt with in this Condition 11 (*Events of Default*)) and, where such default or breach is, in the opinion of the Trustee, capable of remedy, such default or breach is not remedied within 30 days after notice thereof has been given to the Bank, by the Trustee, and the Trustee certifies that such default or breach is materially prejudicial to the interests of the Noteholders; or

(c) ***Cross Default***

(a) any Indebtedness for Borrowed Money of the Bank or any Subsidiary of the Bank becomes (or becomes capable of being declared) due and payable prior to the due date for the payment thereof by reason of default of the Bank or the relevant Subsidiary (as the case may be), or is not paid when due subject to any originally applicable grace period or (b) any Indebtedness Guarantee given by the Bank or any Subsidiary of the Bank in respect of Indebtedness for Borrowed Money of another Person is not honoured when due and called, *provided that* the amount of Indebtedness for Borrowed Money referred to in (a) above and/or the amount payable under any Indebtedness Guarantee referred to in (b) above individually or in the aggregate exceeds U.S.$7,000,000 (or its equivalent in any other currency or currencies (as determined by the Trustee)); or

(d) ***Judgment Default***

a judgment or order or arbitration award for the payment of an aggregate amount in excess of U.S.$5,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against the Bank or any Subsidiary or any part of their assets and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or

(e) ***Bankruptcy***

any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements in respect of the Bank or any Material Subsidiary, or all or substantially all of its properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days or the Bank or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Bank or any Material Subsidiary, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Bank commences proceedings with a view to the general adjustment of its Indebtedness or the Bank or any Material Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than in connection with a disposal of assets pursuant to Clause 8.1(z) (*Restriction on Disposal*s) of the Trust Deed; or

(f) ***Maintenance of Business***

the Bank fails to take any action as is required of it under applicable banking regulations in Kazakhstan or otherwise to maintain in full effect its banking licence or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is in the opinion of the Trustee materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may determine) after notice thereof has been given to the Bank; or

(g) ***Material Compliance with Applicable Laws***

the Bank fails to comply in any material respect (in the opinion of the Trustee) with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or

(h) ***Removal of a Creditor Director or CS Director***

any CS Director or Creditor Director is removed within three years of the Issue Date without Cause or with Cause, but without the appointment of a successor to the relevant Director pursuant to the terms of the Trust Deed or following any removal of the relevant Director any decision requiring a Qualified Majority is taken by the Board prior to the appointment of a successor to the relevant Director pursuant to the terms of the Trust Deed, for which purpose "**Cause**" means, with respect to any removal of a CS Director or Creditor Director, a removal by reason of the incapacity or gross misconduct of the relevant Director.

(i) ***Shareholder Approval***

the Bank fails to obtain the Super Majority approval of its shareholders or the Qualified Majority approval of the Board for actions requiring such approval or fails to remedy any material breach of the terms of its charter or the Alliance Undertaking within 60 days after such breach has occurred; or

(j) ***Invalidity or Unenforceability***

the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Bank or the Bank denies any of its obligations under the Notes, the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it is or becomes unlawful for the Bank to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement or all or any of the obligations of the Bank provided in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of those events specified in this Condition 11(a)(x) (*Invalidity or Unenforceability*), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(k) ***Government Intervention***

all or any substantial part of the undertaking, assets and revenues of the Bank or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government (other than the purchase by Samruk-Kazyna of any shares of the Bank or any transfer by Samruk-Kazyna of any shares of the Bank owned by Samruk-Kazyna to any successor entity that is Controlled by the government of the Republic of Kazakhstan) or the Bank or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 11(a)(xi) (*Government Intervention*), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(l) ***Breach of Certain Covenants***

the Bank is in breach of (a) its covenants in the Trust Deed relating to Substantial Change of Business, Restriction on Intra-Group and Related Party Transactions, Limitation on Payment of Dividends or Additional Indebtedness or (b) any regulatory requirements applicable to the Bank, subject to any applicable cure period provided for by the applicable regulation; or

(m) ***Money Laundering, Corruption and Terrorism***

the Bank fails to comply with its covenants in the Trust Deed relating to Money Laundering, Corruption and Terrorism.

12. **Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Transfer Agent and the Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Bank, or by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum (a "**special quorum resolution**"). Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

The Trust Deed contains provisions for convening meetings of holders of the Notes with holders of notes of other series issued under the Trust Deed if the Trustee so decides.

(b) ***Written Resolution***

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 clear days' notice of such resolution, by or on behalf of persons holding three quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) ***Modification Without Noteholders' Consent***

The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including these Conditions) or the Trust Deed (other than in respect of a matter requiring a special quorum resolution), which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed, which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a matter requiring a special quorum resolution) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such modification, waiver or authorisation

shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 14 (*Notices*).

14. **Notices**

(a) ***To the Noteholders***

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (not being a Saturday or a Sunday) after the date of mailing. In addition, so long as the Notes are listed on the Luxembourg Stock Exchange or the Kazakhstan Stock Exchange and the relevant Stock Exchanges requires notices to the Noteholders shall be published in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and/or in a leading newspaper having general circulation in Kazakhstan. Any such notice shall be deemed to have been given on the date of first publication.

(b) ***To the Bank***

Notices to the Bank will be deemed to be validly given if delivered to the Bank at 50 Furmanov Street, Almaty 050004, Republic of Kazakhstan and clearly marked on their exterior "*Urgent — Attention: International Relations Department*" (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 14(a)) and will, be deemed to have been validly given at the opening of business on the next day on which the Bank's principal offices, as applicable, are open for business.

(c) ***To the Trustee and Agents***

Notices to the Trustee or any Agent will be deemed to have been validly given if delivered to the registered office, for the time being, of the Trustee or the Specified Office, for the time being, of such Agent, as the case may be, and will be validly given on the next day on which such office is open for business.

15. **Trustee**

(a) ***Indemnification***

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Bank and any entity relating to the Bank without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Bank of its obligations under or in respect of the Notes or the Trust Deed, as applicable.

(b) ***Exercise of Power and Discretion***

In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in these Conditions and the Trust Deed), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or

otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction. The Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Bank (in the case of a Noteholder) the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(c) ***Enforcement; Reliance***

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do unless:

(i) it has been so requested in writing by the holders of a least one fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified or provided with security or pre funded to its satisfaction.

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. In particular, the Trust Deed provides that the Trustee may rely on certificates or reports from auditors whether or not such certificate or report or any engagement letter or other document entered into by the Bank and the auditors contains any limit on liability (monetary or otherwise) of the auditors and provides further that nothing shall require the Trustee to enter into or to agree to be bound by the terms of any engagement letter or other document entered into by the Bank or any such auditor. If such evidence is relied upon, the Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 (*Events of Default*) become an Event of Default has occurred.

The Trust Deed provides that the Bank is required to deliver to the Trustee, pursuant to, and in the circumstances detailed in, the Trust Deed, a certificate signed by any two of its Directors that there has not been and is not continuing any Event of Default, an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 (*Events of Default*) become an Event of Default, or other breach of the Trust Deed. The Trustee shall be entitled to rely without liability on such certificates. The Trustee shall not be responsible for monitoring any of the covenants and obligations of the Bank set out in these Conditions and shall be entitled to rely upon the information provided pursuant to these Conditions and the Trust Deed and to assume, unless it receives actual notice to the contrary, that the Bank is complying with all covenants and obligations imposed upon it, respectively, herein and therein.

(d) ***Failure to Act***

No Noteholder may proceed directly against the Bank unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

(e) ***Retirement and Removal***

Any Trustee may retire at any time on giving at least three months' written notice to the Bank without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee, *provided that* the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee. In the event of any change of the Trustee, two separate notices shall be published in two leading newspapers one of which will have general circulation in the Republic of Kazakhstan and the other in Luxembourg.

(f) ***Substitution***

The Trust Deed contains provisions to the effect that the Trustee may (without the consent of the Noteholders) agree on such terms as it may specify to the substitution of the Bank's successor in business in place of the Bank as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to all relevant conditions of the Trust Deed having been complied with (including an unconditional guarantee by the Bank of the obligation assumed by the substitute). Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Bank to the Noteholders in accordance with Condition 14 (*Notices*).

16. **Further Issues**

The Bank may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest).

17. **Currency Indemnity**

If any sum due from the Bank in respect of the Notes under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions, the Trust Deed or such order or judgment into another currency (the "**second currency**") for the purpose of making or filing a claim or proof against the Bank, obtaining an order or judgment in any court or other tribunal or enforcing any order or judgment given or made in respect of the Notes or in respect thereof under the Trust Deed, the Bank shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Bank and delivered to the Bank or to the Specified Office of the Principal Agent or the Agent having its Specified Office in London, against any loss suffered as a result of any discrepancy between the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Bank and shall give rise to a separate and independent cause of action.

18. **Contracts (Rights of Third Parties) Act 1999**

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

19. **Governing Law; Arbitration and Jurisdiction**

(a) ***Governing Law***

The Trust Deed, the Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

(b) ***Arbitration***

The Bank agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes or the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or any non contractual obligations arising out of or in connection with the Trust Deed) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the Bank, one by the Trustee and the third of whom, who shall act as Chairman, shall be nominated by the two party nominated arbitrators, *provided that* if the third arbitrator has not been nominated within 30 days of the nomination of the second party nominated arbitrator, such third arbitrator shall be appointed by the LCIA. The parties may nominate and the LCIA may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) ***Trustee's Option***

At any time before the Trustee has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 19(b) (*Arbitration*), the Trustee, at its sole option, may elect by notice in writing to the Bank that such Dispute(s) shall instead be heard by the courts of England, as more particularly described in Condition 19(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

(d) ***Jurisdiction***

In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 19(c) (*Trustee's Option*), the Bank agrees for the benefit of the Trustee and the Noteholders that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Subject to Condition 19(b) (*Arbitration*), nothing in this Condition shall (or shall be construed so as to) limit the right of the Trustee to bring proceedings ("**Proceedings**") for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by the Trustee in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) ***Appropriate Forum***

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

(f) ***Agent for Service of Process***

The Bank has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being. If for any reason the Bank does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Bank, the Bank shall, on the written demand of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice to the Bank. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(g) ***Consent to Enforcement, etc.***

The Bank has consented generally in respect of any Disputes (or Proceedings in accordance with Condition 19(d) (*Jurisdiction*)) to the giving of any relief or the issue of any process in connection with such Disputes or Proceedings, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be given in such Proceedings or in connection with such Disputes.

(h) ***Waiver of Immunity***

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

ANNEX 2 — TERMS AND CONDITIONS OF THE PAR DOLLAR NOTES

The U.S.$219,343,079 4.7 per cent. notes due 2020 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of JSC Alliance Bank (the "**Bank**") are (a) constituted by, and subject to, and have the benefit of a trust deed dated 25 March 2010 (as amended or supplemented from time to time, the "**Trust Deed**") between the Bank and BNY Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes ("**Noteholders**") under the Trust Deed) and (b) the subject of a paying agency agreement dated 25 March 2010 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Bank, the Trustee, The Bank of New York Mellon as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes), SB HSBC Bank Kazakhstan JSC as Kazakhstan paying agent (the "**Kazakhstan Paying Agent**", which expression includes any successor or additional Kazakhstan paying agents appointed from time to time in connection with the Notes) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying and Transfer Agent. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL, United Kingdom. References herein to the "**Agents**" are to the Registrar and the Paying and Transfer Agents and any reference to an "**Agent**" is to any one of them.

Terms defined in the Trust Deed shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein.

1. **Status**

The obligations under the Notes are unconditional, direct, unsubordinated and, subject as provided in Clause 8.1(y) *(Negative Pledge*) of the Trust Deed, unsecured obligations of the Bank, and will at all times rank at least *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future (except as provided therein) unsubordinated obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law.

2. **Form, Denomination and Title**

(a) ***Form and Denomination***

The Notes are in registered form, without interest coupons attached, and shall be serially numbered. Notes shall be issued in denominations of U.S.$100 and integral multiples of U.S.$1.00 in excess thereof (each denomination an "**authorised denomination**").

(b) ***Title***

Title to the Notes will pass by transfer and registration as described in Conditions 3 (*Registration*) and 4 (*Transfers*). The holder (as defined below) of any Notes shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon (other than a duly executed transfer thereof in the form endorsed

thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

In these Conditions, "**holder**" means the person in whose name a Note is registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "**holders**" and "**Noteholders**" shall be construed accordingly.

3. **Registration**

The Bank shall procure that the Registrar will maintain a register (the "**Register**") at the Specified Office of the Registrar in respect of the Notes in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

4. **Transfers**

(a) Subject to Conditions 4(d) and 4(e), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "**Transfer Form**") duly completed, at the Specified Office of any Agent, together with such evidence as the Registrar or (as the case may be) such Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Transfer Forms are available from any Agent and the Bank upon the request of any holder.

(b) Within five business days of the surrender of a Note Certificate in accordance with Condition 4(a), the Registrar will register the transfer in question and deliver a new Note Certificate of alike principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 4(b), "**business day**" means a day other than a Saturday or a Sunday on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Agent has its Specified Office.

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

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

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

5. **Covenants**

The Noteholders will have the benefit of certain covenants contained in the Trust Deed relating to, amongst other things, restrictions on the creation of security interests, incurrence of indebtedness, disposal of assets and payment of dividends.

6. **Interest**

(a) ***Interest Accrual***

The Notes shall bear or, as the case may be, be deemed to bear interest on their outstanding principal amount from 1 March 2010 up to but excluding 25 March 2017 (the "**Amortisation Date**") at the rate of 4.7 per cent. per annum (the "**Initial Rate of Interest**") and thereafter until 25 March 2020 at a rate per annum (the "**Step Up Rate of Interest**") equal to six month LIBOR (determined as set out below) plus the Margin (as defined below) payable in arrear on 25 March and 25 September in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 7 (*Payments*), save that:

(i) the first Interest Payment Date shall be on 25 September 2010;

(ii) if any Interest Payment Date after the Amortisation Date would otherwise fall on a day which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day;

(iii) at the end of each Interest Period during the period beginning on 1 March 2010 and ending on (but excluding) the Amortisation Date, that portion of the interest payable equal to the Capitalisation Amount for that Interest Period accrued on the Notes during that Interest Period shall, unless the Bank elects to pay such accrued interest in cash on the corresponding Interest Payment Date by giving the Principal Paying and Transfer Agent not less than three Business Days' notice of such election (which notice shall be irrevocable for such Interest Payment Date), be automatically capitalised and added to the amount of the principal in respect of the Notes, for which purpose, the "**Capitalisation Amount**" for any Interest Period shall be an amount equal to the interest that would have accrued for that Interest Period had the Initial Rate of Interest been 2.7 per cent. per annum. Any such accrued interest shall, after being so capitalised, be (and be treated as) part of the principal in respect of the Notes and shall bear interest in accordance with this Condition 6 (*Interest*) and, except to the extent repaid or prepaid at an earlier time in accordance with these Conditions, shall be payable in accordance with the provisions of these Conditions and the Trust Deed. If all or part of the principal of the Notes is prepaid prior to the end of an Interest Period (including by way of the Put Option), any accrued and unpaid interest on such principal of the Notes that has not been so capitalised will be payable in cash on the date of such prepayment.

The Margin shall be 8.5 per cent. per annum *provided that* if and for so long as the Bank has an investment grade rating from at least two of Standard & Poors ("**S&P**") and its successors, Moody's Investors Service Inc. ("**Moody's**") or its successors and Fitch Ratings Ltd. ("**Fitch**") or its successors (each a "**Rating Agency**"), the Margin shall be reduced to 6.5 per cent. per annum. Any reduction or increase in the Step Up Rate of Interest following any rating of the Bank by a Rating Agency shall take effect from the first day of the next Interest Period following the issuance of such rating.

Each period beginning on (and including) the 1 March 2010 or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(b) ***Cessation of Interest***

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Calculation of Interest for an Interest Period Prior to the Amortisation Date***

The amount of interest payable in respect of each Note for any Interest Period prior to the Amortisation Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) *provided that* the amount of interest payable for the first Interest Period shall be U.S.$26.63 for each U.S.$1,000 in principal amount of Note (subject always to automatic capitalisation of interest pursuant to Condition 6(a)(ii)).

(d) ***Calculation of Interest for any Other Period Prior to the Amortisation Date***

If interest is required to be calculated for any period prior to the Amortisation Date other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Condition 6(c) (*Calculation of Interest for an Interest Period Prior to the Amortisation Date*) by the Principal Paying Agent shall, in the absence of manifest error, be binding on all parties.

(e) ***Calculation of Interest from and Including the Amortisation Date***

The Principal Paying and Transfer Agent will, in relation to each Interest Period from and including the Amortisation Date, calculate the amount of interest payable in respect of each Note for such Interest Period (the **"Interest Amount")**. The Interest Amount shall be calculated by applying the Step Up Rate of Interest to the principal amount of such Note and multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

For the purposes of determining the Step Up Rate of Interest, LIBOR shall be calculated by the Principal Paying and Transfer Agent as follows:

(i) On any Interest Determination Date, LIBOR will be equal to the offered rate for deposits in U.S. Dollars having an index maturity of six months, in amounts of at least U.S.$1,000,000, as such rate appears on Reuters Page LIBOR01 at approximately 11:00 a.m., London time, on such Interest Determination Date. If Reuters Page LIBOR01 is replaced by another service or ceases to exist, the Principal Paying and Transfer Agent will use the replacing service or such other service that may be nominated by the British

Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits.

(ii) On the occurrence of a Disruption Event, the Principal Paying and Transfer Agent (after consultation with the Bank) will select four major banks in the London interbank market and shall request each of their principal London offices to provide a quotation of the rate at which six-month deposits in U.S. Dollars in amounts of at least U.S.$1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the Principal Paying and Transfer Agent will select three major banks in New York City and shall request each of them to provide a quotation of the rate offered by them at approximately 11:00 a.m., New York City time, on the Interest Determination Date for loans in U.S. Dollars to leading European banks having an index maturity of six months for the applicable Interest Period in an amount of at least U.S.$1,000,000 that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the rate of LIBOR for the next Interest Period will be set equal to the rate of LIBOR for the then current Interest Period.

Past and future performance and volatilities of the six month U.S. Dollar LIBOR may be obtained from Reuters Page LIBOR01.

Promptly upon determination of LIBOR, the Principal Paying and Transfer Agent will inform the Trustee and the Bank of the Step Up Rate of Interest for the next Interest Period. Absent manifest error, the determination of the Step Up Rate of Interest by the Principal Paying Agent shall be binding and conclusive on the Noteholders, the Trustee and the Bank.

The Luxembourg Stock Exchange shall be notified by the Principal Paying and Transfer Agent of the Step Up Rate of Interest, the Interest Amount and the Interest Payment Date for a particular Interest Period not later than the first day of such Interest Period. Upon request from any Noteholder, the Principal Paying Agent will provide the Step Up Rate of Interest in effect on the Notes for the current Interest Period and, if it has been determined, the Step Up Rate of Interest to be in effect for the next Interest Period.

For the purposes of this Condition 6 (*Interest*):

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including foreign exchange and foreign currency deposits) in London and New York;

"**Disruption Event**" shall be deemed to have occurred if no offered rate appears on Reuters Page LIBOR01 on an Interest Determination Date at approximately 11:00 a.m., London time;

"**Interest Determination Date**" means the second London Business Day prior to the start of each Interest Period; and

"**London Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

7. **Payments**

(a) ***Principal***

Payments of principal in respect of the Notes will be made to the Persons shown in the Register at the close of business on the relevant Record Date (as defined below) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or of any Agent.

(b) ***Interest***

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at the close of business on the Record Date for such Interest Payment Date, subject to (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or any Agent. Payments of all amounts other than as provided in Conditions 7(a) (*Principal*) and this Condition 7(b) (*Interest*) will be made as provided in these Conditions.

(c) ***Record Date***

Each payment in respect of a Note will be made to the Person shown as the holder in the Register at the close of business (in the place of the Registrar's specified office) on the business day before the due date for such payment (the "**Record Date**").

(d) ***Payments***

Each payment in respect of the Notes pursuant to Conditions 7(a) (*Principal*) and 7(b) (*Interest*) will be made by transfer to a United States Dollar account maintained by the payee with a bank in New York City.

(e) ***Payments Subject to Fiscal Laws***

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) ***Payment on a Business Day***

If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder thereof shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 7(f) (*Payment on a Business Day*), "**business day**" means any day on which banks are open for business (including dealings in foreign currencies) in New York City and, in the case of surrender (or, in the case of partial payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(g) ***Agents***

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Bank and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The Bank reserves the right (with prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying and transfer agent or registrar and additional or

successor agent or agents; *provided, however, that* the Bank shall at all times maintain a principal paying and transfer agent with a specified office in a European member state, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive, and a registrar. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

8. **Redemption and Purchase**

(a) ***Scheduled Redemption***

Unless previously redeemed or purchased and cancelled as provided below, subject as provided in Condition 7 (*Payments*), the Notes will be partially redeemed in six equal semi-annual instalments on 25 March and 25 September of each year, with the first such instalment being payable on 25 September 2017 and the last such instalment being payable on 25 March 2020. The outstanding principal amount of each Note shall be reduced by any repayment of principal in accordance with these Conditions, including (i) any instalment amount and (ii) any prepayment amount comprising any amounts paid pursuant to Condition 8(d) (*Redemption by way of Surplus Cash*) and any prepayment made in accordance with Condition 8(e) (*Redemption after Public Offering*), with effect from the related instalment payment date or the Prepayment Date (as the case may be), unless the payment of the instalment or the prepayment is improperly withheld or refused on presentation of the Note, in which case such amount shall remain outstanding until the date of payment of such instalment amount or of such prepayment. Each Note shall be finally redeemed on due payment of the final instalment amount payment or (to the extent that the amounts to be paid pursuant to Condition 8(e) (*Redemption after Public Offering*) are sufficient to finally redeem the Notes) on the Prepayment Date.

(b) ***Redemption for Tax Reasons***

The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued but unpaid to the date fixed for redemption, if, immediately before giving such notice, the Bank satisfies the Trustee that (i) the Bank will become obliged to pay, on the next date on which any amount would be payable with respect to the Notes, additional amounts, as provided or referred to in Condition 9 (*Taxation*), to any greater extent than would have been required had such a payment been required to be made on 15 December 2009, as a result of any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction, but excluding any such change or amendment which obliges the Bank to pay additional amounts in respect of Notes held by or on behalf of a person resident, domiciled or organised in the Republic of Kazakhstan), which change or amendment becomes effective on or after 15 December 2009 and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it; *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 8(b) (*Redemption for Tax Reasons*), the Bank shall deliver or procure that there is delivered to the

Trustee a certificate signed by two directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred and an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept, without further enquiry, such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event these shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 8(b) (*Redemption for Tax Reasons*), the Bank shall be bound to redeem the Notes in accordance with this Condition 8(b) (*Redemption for Tax Reasons*).

(c) ***Redemption at the Option of the Noteholders***

Unless the Noteholders have previously by an Extraordinary Resolution disapplied this Condition 8(c) (*Redemption at the Option of the Noteholders*) in relation to the applicable Relevant Event, following the occurrence of a Relevant Event (as defined below), the Bank shall promptly, and in any event within five Business Days thereafter, give notice (the "**Relevant Event Notice**") of such Relevant Event to the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*), which notice shall specify the date, (which shall not be less than 30 days nor more than 60 days after the Relevant Event Notice (the "**Put Settlement Date**")), on which the Bank shall, at the option of the holder of any Note, redeem such Note at its initial face value. In order to exercise the option contained in this Condition 8(c) (*Redemption at the Option of the Noteholders*), the holder of a Note must, not less than 15 days before the Put Settlement Date, deposit with any Paying Agent the relevant Note Certificate and a duly completed put option notice (a "**Put Option Notice**") in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(c) (*Redemption at the Option of the Noteholders*), may be withdrawn; *provided, however, that* if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note Certificate on the Put Settlement Date, payment of the redemption monies is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Trustee shall not be responsible for monitoring whether or not any Relevant Event has occurred and shall be entitled to assume unless it receives written notice to the contrary, that no Relevant Event has occurred. In the event that a Relevant Event occurs but no Relevant Event Notice is given by the Bank, the Bank shall be deemed to have given a Relevant Event Notice specifying a Put Settlement Date on the date which is 60 days after the occurrence of the Relevant Event, unless such day is not a Business Day, in which event the Put Settlement Date shall be the immediately following day thereafter which is a Business Day.

(d) ***Application of Further Amounts***

Terms defined in the information memorandum dated 5 November 2009, as supplemented, published by the Bank describing its Restructuring Plan are used in this Condition 8(d) (*Application of Further Amounts*) as so defined.

(i) *Application of Unallocated Cash*

If and to the extent that, after completion of the Allocation and Reallocation of Claims Mechanism, the Bank determines that the amount of cash allocated

to Option 1 and Option 1A under the Allocation and Reallocation of Claims Mechanism is less than U.S.$500,000,000 the balance of the U.S.$500,000,000 (the "**Unallocated Cash**") shall be distributed between the Discount Notes and the Par Notes in the proportion which the aggregate principal amount of the Designated Financial Indebtedness allocated to the Discount Notes bears to the aggregate principal amount of the Designated Financial Indebtedness allocated to the Par Notes under the Allocation and Reallocation of Claims Mechanism.

The Unallocated Cash that is to be distributed to holders of the Par Notes shall then be allocated between the Notes and the Par Tenge Notes in the proportion which their respective aggregate principal amounts bear to each other (for which purpose the aggregate principal amount of the Par Tenge Notes shall be converted into Dollars using the rate displayed on the appropriate Thompson Reuters page at or about 11 a.m. Almaty time two Business Days prior to the date of distribution).

The Bank shall inform the Noteholders within six months of 25 March 2010 (the "**Issue Date**") of the amount of any Unallocated Cash that is distributable in respect of the Notes. The proportion of the Unallocated Cash that is distributed to the Notes shall then, not less than six and not more than seven months after the Issue Date, be paid *pro rata* to the Noteholders and shall be applied *pro rata* towards reduction *pro tanto* of the principal of the Notes and each instalment of principal shall be reduced accordingly. A note of such application shall be endorsed on the relevant Note Certificates.

(ii) *Application of Surplus Cash*

(A) While the Recovery Notes are outstanding, any surplus cash (calculated as set out below) after any instalment of principal in respect of the Recovery Notes is paid shall be applied *pro rata* towards the reduction *pro tanto* of the principal of the Discount Notes and the Par Notes (and each instalment of principal of the Discount Notes and the Par Notes shall be reduced accordingly) or, if the Discount Notes have already been redeemed, shall be applied towards the reduction *pro tanto* of the principal of the Par Notes (and each instalment of principal of the Par Notes shall be reduced accordingly). A note of such application shall be endorsed on the relevant Note Certificates.

(B) The Trust Deed provides that if the Recovery Notes have been fully redeemed (including by way of put option), any surplus cash shall be applied *pro rata* to the reduction *pro tanto* of the principal of the Discount Notes and the Par Notes (and each instalment of principal of the Discount Notes and the Par Notes shall be reduced accordingly) or, if the Discount Notes have already been redeemed, shall be applied towards the reduction *pro tanto* of the principal of the Par Notes (and each instalment of principal of the Par Notes shall be reduced accordingly). A note of such application shall be endorsed on the relevant Note Certificates.

The surplus cash that is allocated to the Par Notes pursuant to (A) or (B) above will be allocated between the Notes and the Par Tenge Notes in the proportion which their respective aggregate principal amounts bear to each other (for which purpose the aggregate principal amount of the Par Tenge Notes shall be converted into Dollars using the rate displayed on the

appropriate Thompson Reuters page at or about 11 a.m. Almaty time two Business Days prior to the date of distribution).

The surplus cash is calculated and applied every six months. For the purposes of calculating the surplus cash, the Bank shall prepare (and send to the Trustee and publish on the Bank's website before the end of January 2018 and every six months thereafter) a cash flow statement, based on the most recently available semi-annual or annual consolidated financial statements of the Bank prepared in accordance with Adjusted IFRS. The surplus cash shall be calculated in accordance with the following formula:

Surplus cash = 50 per cent. x (B - C),

where:

B = the amount shown as "cash inflow from operating activities before changes in operating assets and liabilities" in such cash flow statement, and

C = the amount of cash which the Bank forecasts it will need in its operations in the next three months while exceeding by a multiple of 1.1 each applicable liquidity ratio specified by the FMSA from time to time.

(e) ***Redemption after Public Offering***

Following the completion of any public offering by the Bank of its common shares, warrants or instruments convertible or exchangeable into common shares or depository receipts representing common shares after 25 March 2015 (the "**Public Offering**"), the Bank shall promptly, and in any event within five Business Days thereafter, give notice of such Public Offering (the "**Public Offering Notice**") to the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*), which notice shall specify the date being a Business Day (which shall not be less than 30 days nor more than 60 days after the Public Offering (the "**Prepayment Date**")) on which the Bank shall apply 50 per cent. of the proceeds of the Public Offering to first redeem the Discount Notes at their principal amount together with interest accrued and unpaid to the Prepayment Date and then (to the extent that there are any amounts left over after redemption of the Discount Notes) to redeem the Notes in part in an amount equal to the proceeds left over and if sufficient proceeds have been raised, in full at their principal amount together with interest accrued and unpaid to the Prepayment Date. The Trustee shall not be responsible for monitoring whether or not any Public Offering has occurred and shall be entitled to assume unless it receives written notice to the contrary, that no Public Offering has occurred. In the event that a Public Offering occurs but no Public Offering Notice is given by the Bank, the Bank shall be deemed to have given a Public Offering Notice specifying a Prepayment Date on the date which is 60 days after the occurrence of the Public Offering, unless such day is not a Business Day, in which event the Prepayment Date shall be the immediately following Business Day thereafter.

For the purposes of this Condition 6 (*Interest*), "**Business Day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in London and New York.

(f) ***Purchase***

The Bank may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (*provided that* such resale is in compliance with all applicable laws) or

surrendered for cancellation at the option of the Bank, in compliance with Condition 8(g) (*Cancellation of Notes*). Any Notes so purchased, while held by or on behalf of the Bank, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at such meetings.

(g) ***Cancellation of Notes***

All Notes which are redeemed or surrendered for cancellation pursuant to this Condition 8 (*Redemption and Purchase*) shall be cancelled and may not be reissued or resold.

(h) ***Definitions***

As used in this Condition 8 (*Redemption and Purchase*):

"**Adjusted IFRS**" means International Financial Reporting Standards adjusted to reflect the FMSA's requirements for preparation of financial statements for regulatory purposes.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

"**Control**" means the control exercised or capable of being exercised by any person, entity or undertaking over another undertaking by virtue of:

(i) holding a majority of the voting rights in the undertaking, or

(ii) being (directly or indirectly) a member, shareholder or participant (or equivalent) of the undertaking and having the right to appoint or remove a majority of its board of directors, or

(iii) having the right to exercise, or actually exercising, a dominant influence over the undertaking:

(A) by virtue of provisions contained in the undertaking's charter (or equivalent), or

(B) by virtue of any contract, or

(iv) being a member, shareholder or participant (or equivalent) of the undertaking and controlling, pursuant to an agreement with other members, shareholders or participants (or equivalents), a majority of the voting rights in the undertaking.

and the terms "Controlled" and "Controlling" have meanings correlative to the foregoing;

"**Relevant Event**" shall be deemed to have occurred if the government of the Republic of Kazakhstan (i) whether through JSC National Welfare Fund Samruk-Kazyna ("**Samruk-Kazyna**") or any other Agency of or entity Controlled by the government of the Republic of Kazakhstan ceases to own at least 51 per cent. of the Capital Stock of, or otherwise to Control, the Bank or (ii) ceases to own at least 51 per cent. of the Capital Stock of, or otherwise to Control, Samruk-Kazyna, unless the Person to which is transferred 51 per cent. or more of the Capital Stock (or other Control) of the Bank or of Samruk-Kazyna (as the case may be) is at the time of

transfer a bank or other financial institution authorised by the appropriate authority to accept deposits and having a foreign currency long-term debt rating by S&P no lower than:

(a) A- in the case of a Relevant Event occurring before the anniversary of the Issue Date falling in 2012; or

(b) BBB in the case of a Relevant Event occurring after the anniversary of the Issue Date falling in 2012

or at the relevant time the equivalent rating by another Rating Agency, *provided that* any agreement whereby management of the Bank is transferred to a third party (the "**manager**") that does not, in conjunction with any acquisition of any Capital Stock by such manager or its Affiliates (whether or not occurring at the same time), cause the government of the Republic of Kazakhstan to cease to own at least 51 per cent. of the Bank's Capital Stock or otherwise to Control the Bank, will not constitute a Relevant Event if:

(v) the Trustee, the CS Director and the Creditor Director have been provided with an opinion in form and substance satisfactory to them of independent legal advisers of recognised standing to the effect that the management agreement, in conjunction with any acquisition of any Capital Stock by such manager or its Affiliates (whether or not occurring at the same time), does not cause the government of the Republic of Kazakhstan (directly or indirectly) to cease to Control the Bank or to have the majority economic risk and/or benefit in the Bank and continues to allow the government of the Republic of Kazakhstan (directly or indirectly) to retain the sole right to exercise its rights as a majority shareholder (including in relation to the appointment of directors);

(vi) any fees, commission or other compensation or reward payable to the manager are agreed by a Qualified Majority of the Board; and

(vii) the manager (and any change to the manager) and the terms of appointment of the manager (and any change to those terms) are agreed by a Simple Majority of the Board.

9. **Taxation**

(a) ***Taxation***

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any other jurisdiction from or through which payment is made, or in any case, any political subdivision or any authority thereof or therein having power to tax (each, a "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation)

and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than the mere holding of such Note; or

(ii) presented (in the case of a payment of principal or interest on redemption) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(iii) to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In the event that the foregoing obligation to pay additional amounts is for any reason unenforceable against the Bank, the Bank shall pay to any holder of a Note (subject to the exclusions set out in (i), (ii) and (iii) above) which has received a payment subject to deduction or withholding as aforesaid, upon written request of such holder (subject to the exclusions set out in (i), (ii) and (iii) above), and *provided that* reasonable supporting documentation is provided, an amount equal to the amount withheld or deducted, so that the net amount received by such holder after such payment would not be less than the net amount the holder would have received had such deduction or withholding not taken place. Any payment made pursuant to this paragraph shall be considered an additional amount.

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

(b) ***Relevant Date***

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of such Note first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation.

(c) ***Additional Amounts***

Any reference in these Conditions to principal or interest shall be deemed to include instalments of principal as well as any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 9 (*Taxation*) pursuant to the Trust Deed.

(d) ***Taxing Jurisdiction***

If the Bank becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan references in this Condition 9 (*Taxation*) to the Republic of

Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction.

10. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

11. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre funded to its satisfaction) shall, give notice to the Bank that the Notes are and they shall become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

(a) ***Non Payment***

the Bank fails to pay the principal of the Notes when the same becomes due and payable and, where such failure to pay is caused by technical or administrative errors affecting the transfer of funds by the Bank, the failure to pay continues for a period of three Business Days, or the Bank is in default with respect to the payment of interest and such default continues for a period of ten days; or

(b) ***Breach of Other Obligations***

the Bank is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed or in respect of the Discount Notes, Subordinated Tenge B Notes or Recovery Notes (other than a default or breach elsewhere specifically dealt with in this Condition 11 (*Events of Default*)) and, where such default or breach is, in the opinion of the Trustee, capable of remedy, such default or breach is not remedied within 30 days after notice thereof has been given to the Bank, by the Trustee, and the Trustee certifies that such default or breach is materially prejudicial to the interests of the Noteholders; or

(c) ***Cross Default***

(a) any Indebtedness for Borrowed Money of the Bank or any Subsidiary of the Bank becomes (or becomes capable of being declared) due and payable prior to the due date for the payment thereof by reason of default of the Bank or the relevant Subsidiary (as the case may be), or is not paid when due subject to any originally applicable grace period or (b) any Indebtedness Guarantee given by the Bank or any Subsidiary of the Bank in respect of Indebtedness for Borrowed Money of another Person is not honoured when due and called, *provided that* the amount of Indebtedness for Borrowed Money referred to in (a) above and/or the amount payable under any Indebtedness Guarantee referred to in (b) above individually or in the aggregate exceeds U.S.$7,000,000 (or its equivalent in any other currency or currencies (as determined by the Trustee)); or

(d) ***Judgment Default***

a judgment or order or arbitration award for the payment of an aggregate amount in excess of U.S.$5,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against the Bank or any Subsidiary or any part of their assets and

continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or

(e) ***Bankruptcy***

any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements in respect of the Bank or any Material Subsidiary, or all or substantially all of its properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days or the Bank or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Bank or any Material Subsidiary, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Bank commences proceedings with a view to the general adjustment of its Indebtedness or the Bank or any Material Subsidiary ceases or threatens to cease all or any substantial part of its business (otherwise than in connection with a disposal of assets permitted pursuant to Clause 8.1(z) (*Restriction on Disposals*) of the Trust Deed; or

(f) ***Maintenance of Business***

the Bank fails to take any action as is required of it under applicable banking regulations in Kazakhstan or otherwise to maintain in full effect its banking licence or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is in the opinion of the Trustee materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may determine) after notice thereof has been given to the Bank; or

(g) ***Material Compliance with Applicable Laws***

the Bank fails to comply in any material respect (in the opinion of the Trustee) with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable it lawfully to exercise its rights or perform or comply with its obligations under the Notes, the Trust Deed or the Agency Agreement or to ensure that those obligations are legally binding and enforceable or that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect; or

(h) ***Removal of a Creditor Director or CS Director***

any CS Director or Creditor Director is removed within three years of the Issue Date without Cause or with Cause, without the appointment of a successor to the relevant Director pursuant to the terms of the Trust Deed or following any removal of the relevant Director any decision requiring a Qualified Majority is taken by the Board prior to the appointment of a successor to the relevant Director pursuant to the terms of the Trust Deed, for which purpose, "**Cause**" means, with respect to any removal of

a CS Director or Creditor Director, a removal by reason of the incapacity or gross misconduct of the relevant Director.

(i) ***Shareholder Approval***

the Bank fails to obtain the Super Majority approval of its shareholders or the Qualified Majority approval of the Board for actions requiring such approval or fails to remedy any material breach of the terms of its charter or the Alliance Undertaking within 60 days after such breach has occurred; or

(j) ***Invalidity or Unenforceability***

the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Bank or the Bank denies any of its obligations under the Notes, the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it is or becomes unlawful for the Bank to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement or all or any of the obligations of the Bank provided in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid and, following the occurrence of any of those events specified in this Condition 11(a)(x) (*Invalidity or Unenforceability*), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(k) ***Government Intervention***

all or any substantial part of the undertaking, assets and revenues of the Bank or any Material Subsidiary is condemned, seized, nationalised or otherwise appropriated by any person acting under the authority of any national, regional or local government (other than the purchase by Samruk-Kazyna of any shares of the Bank or any transfer by Samruk-Kazyna of any shares of the Bank owned by Samruk-Kazyna to any successor entity that is Controlled by the government of the Republic of Kazakhstan) or the Bank or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets, revenues and, following the occurrence of any of the events specified in this Condition 11(a)(xi) (*Government Intervention*), the Trustee is of the opinion that such occurrence is materially prejudicial to the interests of the Noteholders; or

(l) ***Breach of Certain Covenants***

the Bank is in breach of (a) its covenants in the Trust Deed Relating to Substantial Change of Business, Restriction on Intra-Group and Related Party Transactions, Limitation on Payment of Dividends or Additional Indebtedness or (b) any regulatory requirements applicable to the Bank, subject to any applicable cure period provided for by the applicable regulation; or

(m) ***Money Laundering, Corruption and Terrorism***

the Bank fails to comply with its covenants in the Trust Deed relating to Money Laundering, Corruption and Terrorism.

12. **Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Transfer Agent and the Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security,

indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Bank, or by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum (a "**special quorum resolution**"). Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

The Trust Deed contains provisions for convening meetings of holders of the Notes with holders of notes of other series issued under the Trust Deed if the Trustee so decides.

(b) ***Written Resolution***

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 clear days' notice of such resolution, by or on behalf of persons holding three quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) ***Modification Without Noteholders' Consent***

The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including these Conditions) or the Trust Deed (other than in respect of a matter requiring a special quorum resolution), which in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed, which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a matter requiring a special quorum

resolution) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 14 (*Notices*).

14. **Notices**

(a) ***To the Noteholders***

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (not being a Saturday or a Sunday) after the date of mailing. In addition, so long as the Notes are listed on the Luxembourg Stock Exchange or the Kazakhstan Stock Exchange and the relevant Stock Exchange so requires, notices to the Noteholders shall be published in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and/or in a leading newspaper having general circulation in Kazakhstan. Any such notice shall be deemed to have been given on the date of first publication.

(b) ***To the Bank***

Notices to the Bank will be deemed to be validly given if delivered to the Bank at 50 Furmanov Street, Almaty 050004, Republic of Kazakhstan and clearly marked on their exterior "Urgent — Attention: International Relations Department" (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 14(a)) and will, be deemed to have been validly given at the opening of business on the next day on which the Bank's principal offices, as applicable, are open for business.

(c) ***To the Trustee and Agents***

Notices to the Trustee or any Agent will be deemed to have been validly given if delivered to the registered office, for the time being, of the Trustee or the Specified Office, for the time being, of such Agent, as the case may be, and will be validly given on the next day on which such office is open for business.

15. **Trustee**

(a) ***Indemnification***

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Bank and any entity relating to the Bank without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Bank of its obligations under or in respect of the Notes or the Trust Deed, as applicable.

(b) ***Exercise of Power and Discretion***

In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in these Conditions and the Trust Deed), the Trustee shall have regard to the interests of the Noteholders as a class and,

in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction. The Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Bank (in the case of a Noteholder) the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(c) ***Enforcement; Reliance***

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do unless:

(i) it has been so requested in writing by the holders of a least one fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified or provided with security or pre funded to its satisfaction.

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. In particular, the Trust Deed provides that the Trustee may rely on certificates or reports from auditors whether or not such certificate or report or any engagement letter or other document entered into by the Bank and the auditors contains any limit on liability (monetary or otherwise) of the auditors and provides further that nothing shall require the Trustee to enter into or to agree to be bound by the terms of any engagement letter or other document entered into by the Bank or any such auditor. If such evidence is relied upon, the Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 (*Events of Default*) become an Event of Default has occurred.

The Trust Deed provides that the Bank is required to deliver to the Trustee, pursuant to, and in the circumstances detailed in, the Trust Deed, a certificate signed by any two of its Directors that there has not been and is not continuing any Event of Default, an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 (*Events of Default*) become an Event of Default, or other breach of the Trust Deed. The Trustee shall be entitled to rely without liability on such certificates. The Trustee shall not be responsible for monitoring any of the covenants and obligations of the Bank set out in these Conditions and shall be entitled to rely upon the information provided pursuant to these Conditions and the Trust Deed and to assume, unless it receives actual notice to the contrary, that the Bank is complying with all covenants and obligations imposed upon it, respectively, herein and therein.

(d) ***Failure to Act***

No Noteholder may proceed directly against the Bank unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

(e) ***Retirement and Removal***

Any Trustee may retire at any time on giving at least three months' written notice to the Bank without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee, *provided that* the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee. In the event of any change of the Trustee, two separate notices shall be published in two leading newspapers one of which will have general circulation in the Republic of Kazakhstan and the other in Luxembourg.

(f) ***Substitution***

The Trust Deed contains provisions to the effect that the Trustee may (without the consent of the Noteholders) agree on such terms as it may specify to the substitution of the Bank's successor in business in place of the Bank as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to all relevant conditions of the Trust Deed having been complied with (including an unconditional guarantee by the Bank of the obligations assumed by the substitute). Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Bank to the Noteholders in accordance with Condition 14 (*Notices*).

16. **Further Issues**

The Bank may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest).

17. **Currency Indemnity**

If any sum due from the Bank in respect of the Notes under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions, the Trust Deed or such order or judgment into another currency (the "**second currency**") for the purpose of making or filing a claim or proof against the Bank, obtaining an order or judgment in any court or other tribunal or enforcing any order or judgment given or made in respect of the Notes or in respect thereof under the Trust Deed, the Bank shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Bank and delivered to the Bank or to the Specified Office of the Principal Agent or the Agent having its Specified Office in London, against any loss suffered as a result of any discrepancy between the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Bank and shall give rise to a separate and independent cause of action.

18. **Contracts (Rights of Third Parties) Act 1999**

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

19. **Governing Law; Arbitration and Jurisdiction**

(a) ***Governing Law***

The Trust Deed, the Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

(b) ***Arbitration***

The Bank agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes or the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or any non contractual obligations arising out of or in connection with the Trust Deed) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the Bank, one by the Trustee and the third of whom, who shall act as Chairman, shall be nominated by the two party nominated arbitrators, *provided that* if the third arbitrator has not been nominated within 30 days of the nomination of the second party nominated arbitrator, such third arbitrator shall be appointed by the LCIA. The parties may nominate and the LCIA may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) ***Trustee's Option***

At any time before the Trustee has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 19(b) (*Arbitration*), the Trustee, at its sole option, may elect by notice in writing to the Bank that such Dispute(s) shall instead be heard by the courts of England, as more particularly described in Condition 19(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

(d) ***Jurisdiction***

In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 19(c) (*Trustee's Option*), the Bank agrees for the benefit of the Trustee and the Noteholders that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Subject to Condition 19(b) (*Arbitration*), nothing in this Condition shall (or shall be construed so as to) limit the right of the Trustee to bring proceedings ("**Proceedings**") for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by the Trustee in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) ***Appropriate Forum***

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

(f) ***Agent for Service of Process***

The Bank has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being. If for any reason the Bank does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Bank, the Bank shall, on the written demand of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice to the Bank. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(g) ***Consent to Enforcement, etc.***

The Bank has consented generally in respect of any Disputes (or Proceedings in accordance with Condition 19(d) (*Jurisdiction*)) to the giving of any relief or the issue of any process in connection with such Disputes or Proceedings, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be given in such Proceedings or in connection with such Disputes.

(h) ***Waiver of Immunity***

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

ANNEX 3 — TERMS AND CONDITIONS OF THE RECOVERY NOTES

The U.S.$978,059 5.8 per cent. Notes due 2020 (the "**Notes**"), of JSC Alliance Bank (the "**Bank**") are (a) constituted by, and subject to, and have the benefit of a trust deed dated 25 March 2010 (as amended or supplemented from time to time, the "**Trust Deed**") between the Bank and BNY Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes ("**Noteholders**") under the Trust Deed) and (b) the subject of a paying agency agreement dated 25 March 2010 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Bank, the Trustee, The Bank of New York Mellon as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes), SB HSBC Bank Kazakhstan JSC as Kazakhstan paying agent (the "**Kazakhstan Paying Agent**", which expression includes any successor or additional Kazakhstan paying agents appointed from time to time in connection with the Notes) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**" which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying and Transfer Agent. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee, One Canada Square, London E14 5AL, United Kingdom. References herein to the "**Agents**" are to the Registrar and the Paying and Transfer Agents and any reference to an "**Agent**" is to any one of them.

1. Definitions

Terms not defined in these Conditions shall have the meaning set out in the Trust Deed and for the purposes of these Conditions:

"**Adjusted IFRS**" means International Financial Reporting Standards adjusted to reflect the FMSA's requirements for the preparation of financial statements of a bank for regulatory purposes;

"**Amortisation Date**" means the date that falls on the seventh anniversary of the Issue Date;

"**Cash Management Agreement**" means the cash management agreement entered into in relation to the Collection Account between the Trustee, the Bank and the Cash Manager and dated 25 March 2010;

"**Charged Property**" means all the property and rights of the Bank which are subject to the Charge and Assignment (as defined in Condition 2(c) (*Security*);

"**Cause of Action**" means any and all statutory, legal or equitable cause or causes of action, whether to be capable of being enforced in the Republic of Kazakhstan, the United Kingdom or in any other jurisdiction, that are or may be available to the Bank against any Person in relation, directly or indirectly, to the T-Bill Strips Transactions;

"**Collected**" means in respect of the collection of any Recoveries, collected, recovered, obtained or received by or on behalf of the Bank in any manner whatsoever and, in respect of Tax Assets, means receiving (lawfully and in compliance with applicable regulations) the financial benefit of any deduction for tax purposes obtained by the Bank in respect of any tax, including a credit against, relief or remission for, set-off or repayment of, any tax. For the purposes of this definition, the date on which the Bank is treated as receiving the financial benefit of any deduction for tax purposes in respect of any tax is the date on which such tax would have been payable by the Bank to the relevant tax authority if it had not obtained

(lawfully and in compliance with applicable regulations) a deduction for tax purposes in respect of the tax;

"**Collection Account**" means the term defined as such in the Trust Deed;[1]

"**Corporate and SME Pool**" means the pool of provisioned loans and other related provisioned assets (including collection agency receivables and related party loans, but excluding loans to customers funded or supported by Government Funding) as at 31 May 2009 relating to customers of the Bank classified as corporate legal entities and small and medium enterprises identified in the Recovery Notes Asset Schedule and comprised as follows:

(a) loans to corporate customers of the Bank with an aggregate outstanding amount of approximately KZT 294,287 million and a 31 May 2009 Net Book Value of approximately KZT 43,080 million; and

(b) loans to customers of the Bank that are small and medium enterprises, with an aggregate outstanding amount of approximately KZT 53,771 million and a 31 May 2009 Net Book Value of approximately KZT 12,528 million;

"**Corporate and SME Pool Cash Recoveries**" means any and all cash amounts actually collected or recovered by the Bank in respect of each asset in the Corporate and SME Pool but only to the extent that such amounts are in excess of the 31 May 2009 Net Book Value of each such asset and, in calculating cash amounts collected or recovered by the Bank, the following shall (without limitation) be included:

(i) amounts in respect of principal, interest, premium, penalty, late payment or similar charges, compromise or settlement;

(ii) the gross proceeds of enforcement or realisation of any collateral guarantee or security in respect of each such asset (including any ownership interest, charge, encumbrance, proprietary or security interest, right of retention, lien or other right or claim in, over or on any Person's assets) and the sale or disposal of any other asset received or obtained by the Bank in settlement or compromise;

(iii) the gross proceeds of the sale of any asset in the Corporate and SME Pool;

(iv) the financial benefit to the Bank of any set-off, netting, consolidation of accounts or similar arrangement in respect of each such asset the exercise of which results in a financial benefit accruing to the Bank; and

(v) the proceeds of any insurance claim relating to any asset in the Corporate and SME Pool received by the Bank.

In determining the amount of Corporate and SME Pool Cash Recoveries, the amount of cash collected or recovered shall be determined (i) on a gross, pre-tax basis and (ii) on an asset-by-asset basis such that amounts collected in respect of any individual asset in excess of the 31 May 2009 Net Book Value shall not be reduced by reference to, netted or set off against any shortfall in the cash collected in respect of any other asset that does not generate Recoveries where the cash collection in respect of that other asset is less than its 31 May Net Book Value. If any loan in the Corporate and SME Pool is refinanced by a new loan, it shall

[1] For the convenience of the reader of this Prospectus, the definition of 'Collection Account' in the Trust Deed is as follows: "Collection Account" means the account to which the Specified Percentage of the Recoveries is paid, initially being the account with account number 4562458401 in the name of the Bank with The Bank of New York Mellon, or as such account may be renumbered, redesignated or replaced, and its sub-accounts from time to time.

be replaced, to the extent that no further amounts are lent by the Bank under such new loan, by the new loan, and the 31 May 2009 Net Book Value shall apply to the new loan;

"**Homogeneous Retail Loans Portfolios**" means pools of individual Retail Loans grouped in accordance with the FMSA rules and the Bank's internal documentation, and a list of which is set out in the definition of Retail Pool;

"**Issue Date**" means 25 March 2010;

"**Litigation Recoveries**" means any and all amounts (including all costs, interests and taxes) actually recovered by the Bank directly or indirectly as a result of any judgment, award, compromise or settlement relating to any Proceedings, insurance claim or otherwise in connection with or arising out of the Causes of Action, whether a cash sum or any other amount realised by the Bank as a result of a sale, auction, enforcement process or other disposal by or on behalf of the Bank of any asset, right, claim or security received by the Bank in connection with the Causes of Action;

"**31 May 2009 Net Book Value**" means the outstanding amount of a loan or related asset minus the provisions applicable to such loan or asset, each calculated in accordance with the FMSA rules applicable on 31 May 2009, and as set out in the Recovery Notes Asset Schedule;

"**Proceedings**" means any legal proceedings, arbitration, mediation or other steps taken in contemplation of legal action, arbitration or mediation in relation to any Causes of Action, including but not limited to all forms of alternative dispute resolution and whether proposed to be conducted in the Republic of Kazakhstan or in any other jurisdiction;

"**Put Option**" means the option contained in Condition 11(c) (*Redemption at the Option of the Noteholders*) pursuant to which the Bank may be required to redeem a Note at the option of the holder of such Note;

"**Recoveries**" means Corporate and SME Pool Cash Recoveries, Retail Pool Cash Recoveries and Litigation Recoveries;

"**Recovery Notes Asset Schedule**" means the balance sheet as at 31 May 2009 specially prepared by the Bank in accordance with Adjusted IFRS for the purpose of tracking the Recoveries;

"**Recovery Notes Payments**" means, in relation to all outstanding Notes and in respect of all Recoveries Collected by the Bank during a Recovery Notes Payment Period, the Specified Percentage of such Recoveries payable pursuant to Condition 7(b) (*Recovery Notes Payments*);

"**Recovery Notes Payment Period**" means each period beginning on (and including) (a) 1 March 2010 or (b) any Recovery Notes Payment Date (as the case may be) and ending on (but excluding) the next Recovery Notes Payment Date;

"**Reference Amount**" means U.S.$978,059,000 (as capitalised in accordance with Condition 9 (*Reference Amount*));

"**Residual Amounts**" means the outstanding Tax Assets and the expected future Recoveries as at the Valuation Date or any Put Settlement Date occurring prior to the Valuation Date, as the case may be;

"**Retail Loans**" means loans provided by the Bank to individuals;

"**Retail Pool**" means all provisioned Homogeneous Retail Loans Portfolios and provisioned individual Retail Loans (including collection agency receivables in respect of Retail Loans but excluding loans to customers funded or supported by Government Funding) of the Bank

as at 31 May 2009, as identified in the Recovery Notes Asset Schedule, the Retail Pool having an aggregate outstanding amount of approximately KZT 207,713 million and a 31 May 2009 Net Book Value of approximately KZT 81,504 million and being comprised as follows:

(i) Homogeneous Retail Loans Portfolios:

Homogeneous Retail Loans Portfolio	Outstanding Amount KZT as at the date of this Prospectus	31 May 2009 Net Book Value KZT
Auto Loans	7,900,000,000	4,530,000,000
Personal Instalment Loans	93,769,000,000	49,735,000,000
Credit Cards Loyalty Loans	2,811,000,000	1,780,000,000
Staff Loans	92,000,000	88,000,000
Subtotal	**104,572,000**	**56,133,000,000**

(ii) Retail Loans not in Homogeneous Loans Portfolio

Outstanding Amount as at the date of this Prospectus KZT	31 May 2009 Net Book Value KZT
81,607,000	25,371,000

(iii) Collection agency receivables

Outstanding Amount as at the date of this Prospectus KZT	31 May 2009 Net Book Value
21, 534,000	0

"**Retail Pool Cash Recoveries**" means any and all cash amounts actually collected or recovered by the Bank in respect of each asset in the Retail Pool (with each Homogeneous Retail Loans Portfolio being treated as a single asset) but only to the extant that such amounts are in excess of the 31 May 2009 Net Book Value of each such asset and, in calculating cash amounts collected or recovered by the Bank, the following shall (without limitation) be included:

(i) amounts in respect of principal, interest, premium, penalty, late payment or similar charges, compromise or settlement;

(ii) the gross proceeds of enforcement or realisation of any collateral guarantee or security in respect of each such asset (including any ownership interest, charge, encumbrance, proprietary or security interest, right of retention, lien or other right or claim in, over or on any Person's assets) and the sale or disposal of any other asset received or obtained by the Bank in settlement or compromise;

(iii) the gross proceeds of the sale of any asset in the Retail Pool;

(iv) the financial benefit to the Bank of any set-off, netting, consolidation of accounts or similar arrangement in respect of each such asset the exercise of which results in a financial benefit accruing to the Bank; and

(v) the proceeds of any insurance claim relating to any asset in the Retail Pool received by the Bank.

In determining the amount of Retail Pool Cash Recoveries, the amount of cash collected or recovered shall be determined (i) on a gross, pre-tax basis and (ii) on an asset-by-asset basis (with each Homogeneous Retail Loans Portfolio being treated as a single asset) such that amounts collected in respect of any individual asset in excess of the 31 May 2009 Net Book Value shall not be reduced by reference to, netted or set off against any shortfall in the cash collected in respect of any other asset that does not generate Recoveries where the cash collection in respect of that other asset is less than its 31 May Net Book Value. If any loan in the Retail Pool is refinanced by a new loan, it shall be replaced, to the extent that no further

amounts are lent by the Bank under such new loan, by the new loan, and the 31 May 2009 Net Book Value shall apply to the new loan;

"**Security Interests**" means the security interests created in favour of the Trustee in relation to the Collection Account and the Cash Management Agreement pursuant to Clause 4 (*Security*) of the Trust Deed;

"**Specified Percentage**" means the following percentages in relation to the following Recoveries and in relation to the Tax Assets (as the case may be):

(i)	Corporate and SME Pool Cash Recoveries:	53 per cent.
(ii)	Litigation Recoveries:	50 per cent.
(iii)	Retail Pool Cash Recoveries:	0 per cent.
(iv)	Tax Assets:	50 per cent.

provided that, on the occurrence of a Relevant Event as defined in Condition 11(c) (*Redemption at the Option of the Noteholders*) prior to the Valuation Date:

(A) in respect of those Noteholders who do not choose to exercise the Put Option, after the Put Settlement Date the Specified Percentages for the outstanding Notes shall be equal to the relevant figures in (i)-(iv) above in each case multiplied by the percentage of outstanding Notes in respect of which the Put Option has not been exercised; and

(B) for the purpose of determining the redemption amount payable to any holder which exercises the Put Option on the occurrence of a Relevant Event, the Specified Percentages shall all be 50 per cent. multiplied by the percentage of outstanding Notes in respect of which the Put Option has been exercised;

"**Spot Rate of Exchange**" means the spot rate of exchange quoted by SB HSBC Bank Kazakhstan JSC (or any other internationally recognized financial institution) for the purchase of United States Dollars with the relevant currency at or about 11:00 a.m. Almaty time on the relevant day;

"**T Bill Strips Transactions**" means transactions entered into by the Bank and other parties from 2006 to 2008 involving U.S. Treasury Strips in the amount of approximately U.S.$1,100,000,000, and reflected in Note 30 to the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2008;

"**Tax Assets**" means the financial benefit of any deduction for tax purposes obtained by the Bank in relation to (i) the provisions made in the Bank's accounts in respect of the T Bill Strips Transactions and (ii) any provisions made in respect of loans to related parties, which benefit shall be calculated as follows:

Benefit = {[tax payable before accounting for any 2009 loss carryforward – tax payable after accounting for any 2009 loss carryforward] x [(a+b)/(a+b+c-d)]} x 50%

where, for the purpose of calculating taxable profit, any profit from the write off of debt as part of the Restructuring shall be excluded and:

a = any deduction for tax purposes in relation to provisions in respect of loans to related parties for the financial year ended 31 December 2009;

b = any deduction for tax purposes in relation to provisions in respect of the T Bill Strips Transactions for the financial year ended 31 December 2009;

c = any deduction for tax purposes in relation to other provisions and expenses for the financial year ended 31 December 2009; and

d = tax charge related to debt write off on Restructuring; and

"**Valuation Date**" means the date which falls on the day before the seventh anniversary of the Issue Date.

2. **Status**

(a) ***Status Prior to and Including the Valuation Date***

This Condition 2(a) applies to all the Notes from and including the Issue Date up to and including the Valuation Date or, in relation to any Notes in respect of which the Put Option has been exercised, up to the Put Settlement Date.

(i) The Notes constitute direct, general, unconditional and, subject to and in accordance with Clause 4 (*Security*) of the Trust Deed, Condition 6(b) (*Preservation of Security Interests*) and Condition 2(a)(ii), unsecured and limited recourse obligations of the Bank. The Notes rank at all times without preference or priority *pari passu* among themselves.

(ii) Each of the Noteholders agrees with the Bank that notwithstanding any other provisions in the Notes and the Trust Deed, all obligations of the Bank to the Noteholders are limited in recourse as set out below:

(A) each Noteholder will have a claim only in respect of the Charged Property and will not have any claim, by operation of law or otherwise, against or recourse to any of the Bank's other assets;

(B) sums payable to each Noteholder in respect of the Bank's obligations to such Noteholder shall be limited to the lesser of the aggregate amount of all sums due and payable to such Noteholder and the aggregate amounts received, realised or otherwise recovered by or for the account of the Bank in respect of the Charged Property whether pursuant to enforcement of the Security Interests or otherwise; and

(C) if following final distribution of the proceeds of enforcement of the Security Interests, the Trustee certifies, in its sole discretion, that the Charged Property has been fully realised and no further funds are available from the Charged Property to make any further payment, then such Noteholder shall have no further claim against the Bank in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

(b) ***Status After Valuation Date***

This Condition 2(b) applies to all the Notes after the Valuation Date and to those Notes in respect of which the Put Option has been exercised.

After the Valuation Date (or on the Put Settlement Date, as the case may be), the Notes shall constitute direct, general, unconditional, unsubordinated and (subject as provided in Clause 8.1(y) (Negative Pledge) of the Trust Deed) unsecured obligations of the Bank which shall rank at least *pari passu* in right of payment with all other present and future unsecured obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law.

(c) ***Security***

This Condition 2(c) applies to all the Notes from and including the Issue Date up to and including the Valuation Date or, in relation to any Notes in respect of which the Put Option has been exercised, up to the Put Settlement Date.

As continuing security for the payment of all sums due under the Notes, and subject always to Condition 2(a) (*Status Prior to and Including the Valuation Date*), the Bank will, in favour of the Trustee, for itself and on trust for the Noteholders, in accordance with the terms of the Trust Deed, charge with full title guarantee and by way of a first fixed charge all monies held from time to time in the Collection Account and assign with full title guarantee all its right, title and interest in, to and under the Cash Management Agreement and the Collection Account and all sums derived therefrom (the "**Charge and Assignment**").

In certain circumstances, the Trustee may (subject to it being indemnified, prefunded or secured to its satisfaction) be required by Noteholders holding at least 20 per cent. of the principal amount of the Notes outstanding or by an Extraordinary Resolution of the Noteholders to exercise its powers under the Trust Deed arising under the Charge and Assignment.

3. **Form, Denomination and Title**

(a) ***Form and Denomination***

The Notes are in registered form, without interest coupons attached, and shall be serially numbered. Notes shall be issued in nominal denominations of U.S.$1 and integral multiples of U.S.$1 in excess thereof (each denomination an "**authorised denomination**").

(b) ***Title***

Title to the Notes will pass by transfer and registration as described in Conditions 4 (*Registration*) and 5 (*Transfers*). The holder (as defined below) of any Notes shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

In these Conditions, "**holder**" means the person in whose name a Note is registered in the Register (as defined below) (or, in the case of joint holders, the first named thereof) and "**holders**" and "**Noteholders**" shall be construed accordingly.

4. **Registration**

The Bank shall procure that the Registrar will maintain a register (the "**Register**") at the Specified Office of the Registrar in respect of the Notes in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

5. **Transfers**

(a) Subject to Conditions 5(d) and 5(e), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "**Transfer Form**") duly completed, at the Specified Office of an Agent, together

with such evidence as the Registrar or (as the case may be) such Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided*, *however*, *that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Transfer Forms are available from any Agent and the Bank upon the request of any holder.

(b) Within five business days of the surrender of a Note Certificate in accordance with Condition 5(a), the Registrar will register the transfer in question and deliver a new Note Certificate of alike principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 5(b), "**business day**" means a day other than a Saturday or a Sunday on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Agent has its Specified Office.

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

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

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

6. **Covenants**

The Noteholders will have the benefit of certain covenants in the Trust Deed relating to, amongst other things, restrictions on the creation of security interests, incurrence of indebtedness, disposal of assets and payment of dividends. In addition, the Bank covenants as follows:

(a) ***Conversion and Payment***

The Bank shall, within 10 Business Days of receipt of any Recoveries causing the aggregate amount of undistributed Recoveries Collected by the Bank to exceed the equivalent in any currency or currencies of U.S.$1,000,000 convert the Specified Percentage of such Recoveries to U.S. Dollars at the Spot Rate of Exchange and deposit such converted amounts into the Collection Account.

In this Condition 6(a) (*Conversion and Payment*) "**Business Day**" means a day other than a Saturday or a Sunday on which commercial banks are open for business (including dealings in foreign currencies) in Almaty, London and New York City.

(b) ***Preservation of Security Interests***

The Bank shall ensure that the Security Interests created in the Trust Deed shall at all times be in full force and effect. In addition, the Bank shall not take or omit to take any action that would have the result of materially impairing the Security Interests created in the Trust Deed and the Bank will not grant any person other than the Trustee for the benefit of the Noteholders any interests whatsoever with respect to the Charged Property.

7. **Interest and Recovery Notes Payments**

This Condition 7 (*Interest and Recovery Notes Payments*) shall apply in respect of all Notes other than Notes in respect of which the Put Option has been exercised. This Condition 7 (*Interest and Recovery Notes Payments*) shall cease to apply to the Notes in respect of which the Put Option has been exercised from the Put Settlement Date.

(a) ***Interest***

(i) *Interest Accrual*

The Notes shall bear interest on their outstanding principal amount (subject to adjustment pursuant to Condition 10(a) (*Adjustment to Principal Amount After Valuation Date*)) from (and including) the Amortisation Date at the rate of 5.8 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 25 March in each year (each, an "**Interest Payment Date**"), subject as provided in Condition 8 (*Payments*). Accordingly the first Interest Payment Date shall be 25 March 2018.

Each period beginning on (and including) the Amortisation Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

(ii) *Cessation of Interest*

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(iii) *Calculation of Interest for an Interest Period*

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such Note and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(iv) *Calculation of Interest for any Other Period*

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the amount of interest payable under Condition 7(b) (*Calculation of Interest for an Interest Period*) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

(b) *Recovery Notes Payments*

In the period commencing on 1 March 2010 and ending on the Valuation Date, the Bank shall make Recovery Notes Payments *pro rata* to Noteholders on 25 March, 25 June, 25 September and 25 December of each year (each, a "**Recovery Notes Payment Date**") *provided that*:

(i) Recovery Notes Payments will only be made if and to the extent that the Collection Account contains any funds; and

(ii) the aggregate of the Recovery Notes Payments made by the Bank shall not exceed the initial Reference Amount (plus any Capitalisation Amounts capitalised from time to time in accordance with Condition 9 (*Reference Amount*) and added to the Reference Amount) on such Recovery Note Payment Date.

On the making of any Recovery Notes Payment, the balance of the Reference Amount with respect to the Notes (as so increased by capitalisation) shall be reduced by the amount of such Recovery Notes Payment with effect from the relevant Recovery Notes Payment Date, unless the Recovery Notes Payment is improperly withheld or refused, in which case such amount shall remain outstanding until the date of payment of such Recovery Notes Payment. If the balance of the Reference Amount is reduced to zero, no further Recovery Notes Payments shall be made by the Bank, and the outstanding principal shall be redeemed in full.

8. **Payments**

(a) ***Recovery Notes Payments***

Recovery Notes Payments will be made from the Collection Account to the Persons shown in the Register at the close of business on the relevant Record Date (as defined below) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or of any Agent.

(b) ***Principal***

Payments of the principal in respect of the Notes will be made to the Persons shown in the Register at the close of business on the relevant Record Date (as defined below) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or of any Agent.

(c) ***Interest***

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at the close of business on the Record Date for such Interest Payment Date, subject to (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or any Agent. Payments of all amounts other than as provided in Conditions 8(a) (*Recovery Notes Payments*), 8(b) (*Principal*) and this Condition 8(c) (*Interest*) will be made as provided in these Conditions.

(d) ***Record Date***

Each payment in respect of a Note will be made to the Person shown as the holder in the Register at the close of business (in the place of the Registrar's specified office) on the business day before the due date for such payment (the "**Record Date**").

(e) ***Payments***

Each payment in respect of the Notes pursuant to Conditions 8(a) (*Recovery Notes Payments*), 8(b) (*Principal*) and 8(c) (*Interest*) will be made by wire transfer to a United States Dollar account maintained by the payee with a bank in New York City.

(f) ***Payments Subject to Fiscal Laws***

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(g) ***Payment on a Business Day***

If the due date for payment of any amount in respect of any Note is not a business day in the place of presentation, the holder thereof shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 8(g) (*Payment on a Business Day*), "**business day**" means any day on which banks are open for business (including dealings in foreign currencies) in New York City and, in the case of surrender (or, in the case of partial payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(h) ***Agents***

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Bank and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The Bank reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying and transfer agent or registrar and additional or successor agent or agents; *provided*, *however*, *that* the Bank shall at all times maintain a principal paying and transfer agent with a specified office in a European member state, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council meeting of June 3, 2003 on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive, and a registrar. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 17 (*Notices*).

9. **Reference Amount**

This Condition 9 (*Reference Amount*) applies in respect of all Notes other than Notes in respect of which the Put Option has been exercised and, accordingly, shall cease to apply to the Notes in respect of which the Put Option has been exercised as from the Put Settlement Date.

(a) ***Capitalisation***

The balance of the Reference Amount shall be capitalised from 1 March 2010 up to the Valuation Date at the rate of 3.4 per cent. per annum (the "**Rate of Capitalisation**") on 25 March, 25 June, 25 September and 25 December of each year (each, a "**Capitalisation Amount Accrual Date**"), with the amount capitalised per annum being herein referred to as a "**Capitalisation Amount**", save that the first Capitalisation Amount Accrual Date shall be on 25 June 2010. At the end of each Capitalisation Amount Accrual Period during the period beginning on the Issue Date and ending on the Valuation Date, the Capitalisation Amount accrued on the Notes from time to time during that Capitalisation Amount Accrual Period shall be automatically capitalised and added to the balance of the Reference Amount in respect of the Notes. Any such accrued Capitalisation Amount shall, after being so capitalised, be (and be treated as) part of the Reference Amount in respect of the Notes.

Each period beginning on (and including) 1 March 2010 or any Capitalisation Amount Accrual Date and ending on (but excluding) the next Capitalisation Amount Accrual Date is herein called a "**Capitalisation Amount Accrual Period**".

(b) ***Cessation of Capitalisation Amount***

The Capitalisation Amount will cease to accrue from the Valuation Date unless any payment due under the Notes prior to the Valuation Date is improperly withheld or refused, in which case the Capitalisation Amount shall continue to accrue at the rate of 3.4 per cent. per annum (as well after as before judgment) until the earlier of (i) the day on which all sums due in respect of such Notes up to that day are paid to or on behalf of the relevant Noteholders and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Calculation of Capitalisation Amount for a Capitalisation Amount Accrual Period***

The Capitalisation Amount in respect of each Note for any Capitalisation Amount Accrual Period shall be calculated by applying the Rate of Capitalisation to the balance of the Reference Amount of such Note, dividing the product by four and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), *provided that* the Capitalisation Amount for the first Capitalisation Amount Accrual Period shall be U.S.$10.77 for each U.S.$1 in nominal principal amount of Note.

(d) ***Calculation of Capitalisation Amount for any Other Period***

If the Capitalisation Amount is required to be calculated for any period other than a Capitalisation Amount Accrual Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

The determination of the Capitalisation Amount by the Principal Paying and Transfer Agent under Condition 9(c) (*Calculation of Capitalisation Amount for a*

Capitalisation Amount Accrual Period) shall, in the absence of manifest error, be binding on all parties.

10. **Valuation**

(a) ***Adjustment to Principal Amount After Valuation Date***

To the extent that there are any Notes outstanding as at the Valuation Date, a valuation of the Residual Amounts shall be carried out on the Valuation Date by an independent valuer of recognised standing appointed by the Bank and approved by the Trustee. The valuation shall be carried out on a discounted cash flow basis and, in the case of the Tax Assets, shall take into account both the actual cash benefit received in respect of the Tax Assets for the period from 31 May 2009 up to and including the Valuation Date as well as the potential additional benefit in respect of the Tax Assets expected to be received after the Valuation Date.

After the Valuation Date, the aggregate principal amount outstanding in respect of the Notes shall be adjusted for all purposes (including for the purposes of Condition 11 (*Redemption and Purchase*)) to be an amount equal to the lesser of (i) the balance of the Reference Amount (including the Capitalised Amount) and (ii) an amount equal to U.S.$978,059 plus the relevant Specified Percentages of the Residual Amounts. The principal amount of the Notes as so adjusted, is referred to as the "**Adjusted Principal Amount**".

(b) ***Valuation on Put Settlement Date***

If a Relevant Event occurs prior to the Valuation Date, for the purposes of calculating the amounts due to the Noteholders wishing to exercise the Put Option, a valuation of the Residual Amounts shall be carried out on the Put Settlement Date by an independent valuer of recognised standing appointed by the Bank and approved by the Trustee. The valuation shall be carried out on a discounted cash flow basis and, in the case of the Tax Assets, shall take into account both the actual cash benefit received in respect of the Tax Assets for the period up to and including the Put Settlement Date as well as the potential benefit in respect of the Tax Assets after the Put Settlement Date.

After the Put Settlement Date, in respect of the Notes in relation to which the Put Option has not been exercised, the principal amount outstanding and the balance of the Reference Amount shall each be reduced by the percentage of Notes in respect of which the Put Option has been exercised.

11. **Redemption and Purchase**

Conditions 11(a) (*Scheduled Redemption*) and 11(b) (*Application of Surplus Cash*) only apply to Notes in respect of which the Put Option has not been exercised.

(a) ***Scheduled Redemption***

The Adjusted Principal Amount of the Notes will be redeemed in three equal annual instalments on 25 March of each year, with the first such instalment being payable on 25 March 2018 and the last such instalment being payable on 25 March 2020. The outstanding principal amount of each Note shall be reduced by the amount of any instalments paid (including by way of payment of any amounts pursuant to Condition 11(b) (*Application of Surplus Cash*)) with effect from the related instalment payment date, unless payment of the instalment is improperly withheld or refused on presentation of the Note, in which case such amount shall remain outstanding until the date of payment thereof.

(b) ***Application of Surplus Cash***

The Trust Deed provides that from and including the Amortisation Date, any surplus cash (calculated as set out below) shall be applied towards the instalments of principal payable with respect to the outstanding Notes. The amount of any surplus cash is calculated and applied as provided below every six months.

For the purposes of calculating the surplus cash, a cash flow statement, based on the most recently available annual or semi-annual consolidated financial statements of the Bank prepared in accordance with Adjusted IFRS, shall be prepared and sent to the Trustee and published on the Bank's website within one month of the end of the first financial half year following the Amortisation Date and the end of each financial half year or year thereafter.

The surplus cash shall be calculated in accordance with the following formula:

Surplus cash = 50% x (B - C)

where:

B = the amount shown as "cash inflow from operating activities before changes in operating assets and liabilities" in such cash flow statement and

C = the amount of cash which the Bank forecasts it will need in its operations the next three months while exceeding by a multiple of 1.1 each applicable liquidity ratio specified by the FMSA from time to time.

(c) ***Redemption at the Option of the Noteholders***

Unless the Noteholders have previously by an Extraordinary Resolution disapplied this Condition 11(c) (*Redemption at the Option of the Noteholders*) in relation to the applicable Relevant Event, following the occurrence of a Relevant Event (as defined below), the Bank shall promptly, and in any event within five Business Days thereafter, give notice (the "**Relevant Event Notice**") of such Relevant Event to the Noteholders (with a copy to the Trustee) in accordance with Condition 17 (*Notices*), which notice shall specify the date (which shall not be less than 30 days nor more than 60 days after the Relevant Event Notice (the "**Put Settlement Date**")) on which the Bank shall, at the option of the holder of any Note, redeem such Note in accordance with the following:

(i) if the Relevant Event occurs prior to the Valuation Date:

(A) if C – D is greater than or equal to zero, the amount payable with respect to the Notes in respect of which the Put Option has been exercised shall be calculated as follows:

[The lesser of (I) the Specified Percentage of the Residual Amounts and (II) the balance of the Reference Amount x the percentage of Notes in respect of which the Put Option has been exercised] + [(C-D) x the percentage of Notes in respect of which the Put Option has been exercised]; or

(B) if C - D is less than zero, the amount payable with respect to the Notes in respect of which the Put Option has been exercised shall equal the lesser of (I) the Specified Percentage of the Residual Amounts and (II) the balance of the Reference Amount x the percentage of Notes in respect of which the Put Option has been exercised,

where:

C = 50% x the Retail Pool Cash Recoveries made in the period up to the Put Settlement Date; and

D = Σ {[4.7% x (number of days in each year/360)] x amount outstanding under the Discount Notes on the Issue Date, on each anniversary thereof prior to the Put Settlement Date and on the Put Settlement Date},

where each year shall begin on the Issue Date or an anniversary thereof and end on the earlier of the day preceding the first or following anniversary as the case may be (in which case it shall be deemed to have 360 days) or the Put Settlement Date (in which case it shall be deemed to have the actual number of days elapsed in the relevant year to the Put Settlement Date),

save that:

(I) the sum of (x) C x the percentage of Notes in respect of which the Put Option has been exercised and (y) the Specified Percentage of the net present value of the Retail Pool Cash Recoveries expected from the Put Settlement Date must not exceed the percentage of Notes in respect of which the Put Option has been exercised x the net present value of seven notional interest payments of 4.7% of the outstanding principal amount of the Notes as at the first anniversary of the Issue Date and the following six anniversaries thereafter; and

(II) the sum of (x) the Recovery Notes Payments made to the Put Settlement Date in respect of the Notes in relation to which the Put Option has been exercised and (y) the Residual Amounts paid in respect of the Notes in relation to which the Put Option has been exercised must not exceed the product of the Reference Amount and the percentage of Notes in relation to which the Put Option has been exercised; and

(ii) if the Relevant Event occurs on or after the Valuation Date, the amount payable in respect of the outstanding Notes in respect of which the Put Option has been exercised shall equal the Adjusted Principal Amount.

In order to exercise the Put Option, the holder of a Note must, not less than 15 days before the Put Settlement Date, deposit with any Paying Agent the relevant Note Certificate and a duly completed put option notice (a "**Put Option Notice**") in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(c) (*Redemption at the Option of the Noteholders*), may be withdrawn; *provided*, *however*, *that* if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or,

upon due presentation of any such Note Certificate on the Put Settlement Date, payment of the redemption monies is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Trustee shall not be responsible for monitoring whether or not any Relevant Event has occurred and shall be entitled to assume unless it receives written notice to the contrary, that no Relevant Event has occurred. In the event that a Relevant Event occurs but no Relevant Event Notice is given by the Bank, the Bank shall be deemed to have given a Relevant Event Notice specifying a Put Settlement Date on the date which is 60 days after the occurrence of the Relevant Event, unless such day is not a Business Day, in which event the Put Settlement Date shall be the immediately following Business Day thereafter.

(d) ***Purchase***

The Bank may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (*provided that* such resale is in compliance with all applicable laws) or surrendered for cancellation at the option of the Bank, in compliance with Condition 11(e) (*Cancellation of Notes*). Any Notes so purchased, while held by or on behalf of the Bank, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at such meetings.

(e) ***Cancellation of Notes***

All Notes which are redeemed or surrendered for cancellation pursuant to this Condition 11(e) (*Cancellation of Notes*) shall be cancelled and may not be reissued or resold.

(f) ***Definitions***

As used in this Condition 11 (*Redemption and Purchase*):

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options or any other equivalent of any of the foregoing (however designated) in relation to the share capital of a company and any and all equivalent ownership interests in a Person other than a company, in each case whether now outstanding or hereafter issued;

"**Control**" means the control exercised or capable of being exercised by any person, entity or undertaking over another undertaking by virtue of:

(i) holding a majority of the voting rights in the undertaking, or

(ii) being (directly or indirectly) a member, shareholder or participant (or equivalent) of the undertaking and having the right to appoint or remove a majority of its board of directors, or

(iii) having the right to exercise, or actually exercising, a dominant influence over the undertaking:

(A) by virtue of provisions contained in the undertaking's charter (or equivalent), or

(B) by virtue of any contract, or

(iv) being a member, shareholder or participant (or equivalent) of the undertaking and controlling, pursuant to an agreement with other members, shareholders or participants (or equivalents), a majority of the voting rights in the undertaking,

and the terms "**Controlled**" and "**Controlling**" have meanings correlative to the foregoing;

"**Rating Agency**" means Standard & Poors ("**S&P**") and its successors, Moody's Investors Service Inc. ("**Moody's**") and it successors or Fitch Ratings Ltd. ("**Fitch**") and its successors; and

"**Relevant Event**" shall be deemed to have occurred if:

the government of the Republic of Kazakhstan (i) whether through JSC National Welfare Fund Samruk-Kazyna ("**Samruk-Kazyna**") or any other Agency of or entity Controlled by the government of the Republic of Kazakhstan, ceases to own at least 51 per cent. of the Capital Stock of, or otherwise to Control, the Bank, or (ii) ceases to own at least 51 per cent. of the Capital Stock of, or otherwise to Control, Samruk-Kazyna, unless the Person to which is transferred 51 per cent. or more of the Capital Stock (or other Control) of the Bank or of Samruk-Kazyna (as the case may be) is at the time of transfer a bank or other financial institution authorised by the appropriate authority to accept deposits and having a foreign currency long-term debt rating by S&P no lower than:

(A) A- in the case of a Relevant Event occurring before the anniversary of the Issue Date falling in 2012; or

(B) BBB in the case of a Relevant Event occurring after the anniversary of the Issue Date falling in 2012

or at the relevant time the equivalent rating by another Rating Agency, *provided that* any agreement whereby management of the Bank is transferred to a third party (the "**manager**") that does not, in conjunction with any acquisition of any Capital Stock by such manager or its Affiliates (whether or not occurring at the same time), cause the government of the Republic of Kazakhstan to cease to own at least 51 per cent. of the Bank's Capital Stock, or otherwise to Control the Bank, will not constitute a Relevant Event if:

(I) the Trustee, the CS Director and the Creditor Director have been provided with an opinion in form and substance satisfactory to them of independent legal advisers of recognised standing to the effect that the management agreement, in conjunction with any acquisition of any Capital Stock by such manager or its Affiliates (whether or not occurring at the same time), does not cause the government of the Republic of Kazakhstan (directly or indirectly) to cease to Control the Bank or to have majority economic risk and/or benefit in the Bank and continues to allow the government of the Republic of Kazakhstan (directly or indirectly) to retain the sole right to exercise its rights as a majority shareholder (including in relation to the appointment of directors);

(II) any fees, commission or other compensation or reward payable to the manager are agreed by a Qualified Majority of the Board; and

(III) the manager (and any change to the manager) and the terms of appointment of the manager (and any change to those terms) are agreed by a Simple Majority of the Board.

12. **Taxation**

(a) ***Taxation***

All Recovery Notes Payments as well as payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any other jurisdiction from or through which payment is made, or in any case, any political subdivision or any authority thereof or therein having power to tax (each, a "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than the mere holding of such Note; or

(ii) presented (in the case of a Recovery Notes Payment or a payment of principal or interest on redemption) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(iii) to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note.

In the event that the foregoing obligation to pay additional amounts is for any reason unenforceable against the Bank, the Bank shall pay to any holder of a Note (subject to the exclusions set out in (i), (ii) and (iii) above) which has received a payment subject to deduction or withholding as aforesaid, upon written request of such holder (subject to the exclusions set out in (i), (ii) and (iii) above), and *provided that* reasonable supporting documentation is provided, an amount equal to the amount withheld or deducted, so that the net amount received by such holder after such payment would not be less than the net amount the holder would have received had such deduction or

withholding not taken place. Any payment made pursuant to this paragraph shall be considered an additional amount.

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

(b) ***Relevant Date***

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of such Note first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation.

(c) ***Additional Amounts***

Any reference in these Conditions to Recovery Notes Payments, principal or interest shall be deemed to include any additional amounts in respect of the Recovery Notes Payments, principal or interest (as the case may be) which may be payable under this Condition 12 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 12 (*Taxation*) pursuant to the Trust Deed.

(d) ***Taxing Jurisdiction***

If the Bank becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan references in this Condition 12 (*Taxation*) to the Republic of Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction.

13. **Prescription**

Claims for Recovery Notes Payments and for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

14. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, give notice to the Bank that the Notes are and they shall become due and repayable at their outstanding principal amount, or (in the case of (ii) to (iv) below) shall enforce the security created by the Trust Deed in respect of the Charged Property, if any of the following events (each, an "**Event of Default**") occurs and is continuing:

(i) *Non Payment*

the Bank fails to pay the principal of the Notes when the same becomes due and payable and, where such failure to pay is caused by technical or administrative errors affecting the transfer of funds by the Bank, the failure to

pay continues for a period of three Business Days, or the Bank is in default with respect to the payment of interest and such default continues for a period of ten days; or

(ii) *Bankruptcy*

any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements in respect of the Bank or any Material Subsidiary, or all or substantially all of its properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days or the Bank or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Bank or any Material Subsidiary, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Bank commences proceedings with a view to the general adjustment of its Indebtedness; or

(iii) *Failure to Make Recovery Notes Payments*

if and to the extent that on the date that is three Business Days prior to any Recovery Notes Payment Date the Bank has actually received and is in possession of any Recoveries, and the aggregate value of such Recoveries exceeds U.S.$1,000,000, and the Bank fails to make the appropriate Recovery Notes Payment on such Recovery Notes Payment Date and the non payment continues for a period of three Business Days; or

(iv) *Breach of Covenant to Preserve Security Interests*

the Bank is in breach of Condition 6(b) (*Preservation of Security Interests*) and such breach is not remedied within 10 Business Days, where "**Business Day**" means a day other than a Saturday or a Sunday on which commercial banks are open for business (including dealings in foreign currencies) in New York and in the jurisdiction in which the Collection Account is located.

15. **Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Transfer Agent and the Agent, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

16. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be

made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Bank, or by the Trustee upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided*, *however*, *that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum (a "**special quorum resolution**"). Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

The Trust Deed contains provisions for convening meetings of holders of the Notes with holders of notes of other series issued under the Trust Deed if the Trustee so decides.

(b) ***Written Resolution***

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 clear days' notice of such resolution, by or on behalf of persons holding three quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) ***Modification Without Noteholders' Consent***

The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including these Conditions) or the Trust Deed (other than in respect of a matter requiring a special quorum resolution), which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed, which is of a formal, minor or technical nature or to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a matter requiring a special quorum resolution) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 17 (*Notices*).

17. **Notices**

(a) ***To the Noteholders***

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (not being a Saturday or a Sunday) after the date of mailing. In addition, so long as the Notes are listed on the Luxembourg Stock Exchange or the Kazakhstan Stock Exchange and the relevant Stock Exchange so requires, notices to the Noteholders shall be published in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and/or in a leading newspaper having general circulation in Kazakhstan. Any such notice shall be deemed to have been given on the date of first publication.

(b) ***To the Bank***

Notices to the Bank will be deemed to be validly given if delivered to the Bank at 50, Furmanov Street, Almaty 050004, Republic of Kazakhstan and clearly marked on their exterior "Urgent — Attention: International Relations Department" (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 17(a)) and will, be deemed to have been validly given at the opening of business on the next day on which the Bank's principal offices, as applicable, are open for business.

(c) ***To the Trustee and Agents***

Notices to the Trustee or any Agent will be deemed to have been validly given if delivered to the registered office, for the time being, of the Trustee or the Specified Office, for the time being, of such Agent, as the case may be, and will be validly given on the next day on which such office is open for business.

18. **Trustee**

(a) ***Indemnification***

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Bank and any entity relating to the Bank without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Bank of its obligations under or in respect of the Notes or the Trust Deed, as applicable.

(b) ***Exercise of Power and Discretion***

In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in these Conditions and the Trust Deed), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction. The Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Bank (in the case of a Noteholder) the Trustee any

indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(c) ***Enforcement; Reliance***

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do unless:

(i) it has been so requested in writing by the holders of a least one fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified or provided with security or pre funded to its satisfaction.

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. In particular, the Trust Deed provides that the Trustee may rely on certificates or reports from auditors whether or not such certificate or report or any engagement letter or other document entered into by the Bank and the auditors contains any limit on liability (monetary or otherwise) of the auditors and provides further that nothing shall require the Trustee to enter into or to agree to be bound by the terms of any engagement letter or other document entered into by the Bank or any such auditor. If such evidence is relied upon, the Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual or express knowledge to the contrary, the Trustee may assume that no Event of Default or event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*) become an Event of Default has occurred.

The Trust Deed provides that the Bank is required to deliver to the Trustee, pursuant to, and in the circumstances detailed in, the Trust Deed, a certificate signed by any two of its Directors that there has not been and is not continuing any Event of Default, an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*) become an Event of Default, or other breach of the Trust Deed. The Trustee shall be entitled to rely without liability on such certificates. The Trustee shall not be responsible for monitoring any of the covenants and obligations of the Bank set out in these Conditions and shall be entitled to rely upon the information provided pursuant to these Conditions and the Trust Deed and to assume, unless it receives actual notice to the contrary, that the Bank is complying with all covenants and obligations imposed upon it, respectively, herein and therein.

(d) ***Failure to Act***

No Noteholder may proceed directly against the Bank or enforce the Security Interests unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

(e) ***Retirement and Removal***

Any Trustee may retire at any time on giving at least three months' written notice to the Bank without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee, *provided that* the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee. In the event of any change of the Trustee, two separate notices shall be published in two leading newspapers one of which will have general circulation in the Republic of Kazakhstan and the other in Luxembourg.

(f) ***Substitution***

The Trust Deed contains provisions to the effect that the Trustee may (without the consent of the Noteholders) agree on such terms as it may specify to the substitution of the Bank's successor in business in place of the Bank as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to all relevant conditions of the Trust Deed having been complied with (including an unconditional guarantee by the Bank of the obligation assumed by the substitute). Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Bank to the Noteholders in accordance with Condition 17 (*Notices*).

(g) ***Substitution for Tax Reasons***

The Bank may substitute in its place a special purpose vehicle as principal obligor (the "**New Principal Obligor**", on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), if, immediately before giving such notice, the Bank satisfies the Trustee that (i) the Bank will become obliged to pay, on the next date on which any amount would be payable with respect to the Notes, additional amounts, as provided or referred to in Condition 12 (*Taxation*), to any greater extent than would have been required had such a payment been required to be made on 15 December 2009, as a result of: (A) any change in, or amendment to, the laws or regulations of the Republic of Kazakhstan or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a ruling by a court of competent jurisdiction, but excluding any such change or amendment which obliges the Bank to pay additional amounts in respect of Notes held by or on behalf of a person resident, domiciled or organised in the Republic of Kazakhstan), which change or amendment becomes effective on or after 15 December 2009; or (B) the Notes ceasing to be listed on the Kazakhstan Stock Exchange, and (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it, and (iii) the Notes continue to be listed on the Luxembourg Stock Exchange, and (iv) the obligations of the New Principal Obligor in respect of the outstanding Recovery Notes are unconditionally and irrevocably guaranteed by the Bank and (v) the New Principal Obligor shall indemnify each Noteholder against any tax, duty, assessment or governmental charge which is imposed on it by the Republic of Kazakhstan or the jurisdiction of incorporation of such New Principal Obligor and which would not have been so imposed had the substitution not been made; *provided*, *however*, *that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 18(g) (*Substitution for Tax Reasons*), the Bank shall deliver or procure that there is delivered to the Trustee a

certificate signed by two directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred and an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Bank has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept, without further enquiry, such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event these shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 18(g) (*Substitution for Tax Reasons*), the Bank shall be bound to redeem the Notes in accordance with this Condition 18(g) (*Substitution for Tax Reasons*).

19. **Currency Indemnity**

If any sum due from the Bank in respect of the Notes under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions, the Trust Deed or such order or judgment into another currency (the "**second currency**") for the purpose of making or filing a claim or proof against the Bank, obtaining an order or judgment in any court or other tribunal or enforcing any order or judgment given or made in respect of the Notes or in respect thereof under the Trust Deed, the Bank shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Bank and delivered to the Bank or to the Specified Office of the Principal Paying and Transfer Agent or the Agent having its Specified Office in London, against any loss suffered as a result of any discrepancy between the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Bank and shall give rise to a separate and independent cause of action.

20. **Contracts (Rights of Third Parties) Act 1999**

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

21. **Governing Law; Arbitration and Jurisdiction**

(a) ***Governing Law***

The Trust Deed, the Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

(b) ***Arbitration***

The Bank agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes or the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or any non contractual obligations arising out of or in connection with the Trust Deed) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the Bank, one by the Trustee and the third of whom,

who shall act as Chairman, shall be nominated by the two party nominated arbitrators, *provided that* if the third arbitrator has not been nominated within 30 days of the nomination of the second party nominated arbitrator, such third arbitrator shall be appointed by the LCIA. The parties may nominate and the LCIA may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) ***Trustee's Option***

At any time before the Trustee has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 21(b) (*Arbitration*), the Trustee, at its sole option, may elect by notice in writing to the Bank that such Dispute(s) shall instead be heard by the courts of England, as more particularly described in Condition 21(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

(d) ***Jurisdiction***

In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 21(c) (*Trustee's Option*), the Bank agrees for the benefit of the Trustee and the Noteholders that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Subject to Condition 21(b) (*Arbitration*), nothing in this Condition shall (or shall be construed so as to) limit the right of the Trustee to bring proceedings ("**Proceedings**") for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by the Trustee in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) ***Appropriate Forum***

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

(f) ***Agent for Service of Process***

The Bank has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being. If for any reason the Bank does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Bank, the Bank shall, on the written demand of the Trustee, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice to the Bank. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(g) ***Consent to Enforcement, etc.***

The Bank has consented generally in respect of any Disputes (or Proceedings in accordance with Condition 21(d) (*Jurisdiction*)) to the giving of any relief or the issue

of any process in connection with such Disputes or Proceedings, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be given in such Proceedings or in connection with such Disputes.

(h) ***Waiver of Immunity***

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

INDEX TO FINANCIAL STATEMENTS

Unaudited Financial Statements for the three months ended 31 March 2010 ..... F-2

Consolidated Statement of Aggregate Income for the three-month period ended 31 March 2010 ..... F-2

Consolidate Statement of Financial Position as at 31 March 2010 ..... F-3

Consolidated Financial Statements for the year ended 31 December 2009 ..... F-4

Independent Auditors' Report F-5

Consolidated Statement of Comprehensive Income F-8

Consolidated Statement of Financial Position F-9

Consolidated Statement of Cash Flows F-10

Consolidated Statement of Changes in Deficit F-11

Notes to the Consolidated Financial Statements F-13

Consolidated Financial Statements for the year ended 31 December 2008 ..... F-63

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the year ended 31 December 2008 ..... F-64

Independent Auditors' Report F-66

Consolidated Income Statement F-69

Consolidated Balance Sheet F-70

Consolidated Statement of Changes in Equity F-71

Consolidated Statement of Cash Flows F-72

Notes to the Consolidated Financial Statements F-74

JOINT STOCK COMPANY ALLIANCE BANK
CONSOLIDATED STATEMENT OF AGGREGATE INCOME
FOR THE PERIOD ENDED 31 MARCH 2010
in million tenge

	31.03.2010	31.03.2009
	unaudited	
	in million tenge	
Interest income	13,907	31,962
Interest expense	-11,967	-23,389
NET INTEREST INCOME BEFORE IMPAIRMENT RESERVE	**1,940**	**8,573**
Interest asset impairment reserve	-30,589	-67,004
NET INTEREST LOSS	**-28,649**	**-58,431**
Fee and commission income	1,142	2,325
Fee and commission expense	-512	-393
NET FEE AND COMMISSION INCOME	**630**	**1,932**
Net income/(loss) on financial instruments at fair value through profit or loss	604	-29,214
Net income from foreign exchange operations	18,705	13,618
Net income from operations with assets available-for-sale	179	-
Income from restructuring	321,780	-
Other operating income	63	1,978
OPERATING INCOME/(LOSS)	**341,332**	**-13,619**
Income/(loss) from impairment	23,382	-40,175
General administrative expenses	-4,379	-4,826
INCOME/(LOSS) BEFORE TAXATION	**332,315**	**-115,118**
Income tax benefit	100	26,547
NET INCOME/(LOSS) FOR THE PERIOD	**332,415**	**-88,572**

O. Ekler
Chief Financial Officer

Z.G. Kaliyeva
Chief Accountant

Note: This consolidated statement of aggregate income was prepared in accordance with IFRS but does not comply with the requirements of IAS 34.8.

JOINT STOCK COMPANY ALLIANCE BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2010
in million tenge

	31.03.2010	31.12.2009
	unaudited	*Audited*
	in million tenge	
ASSETS		
Cash and equivalents	25,398	15,388
Cash due from banks	6,355	2,702
Financial assets at fair value through profit and loss	19,101	16,369
Loans to customers	221,216	243,707
Available-for-sale investments	96,352	97,657
Investments in subsidiaries	317	-
Current requirements to profit tax	1,135	919
Property, equipment and intangible assets	24,492	25,012
Other assets	18,418	17,340
TOTAL ASSETS	**412,784**	**419,094**
LIABILITIES AND CAPITAL DEFICIT		
LIABILITIES		
Cash due to customers	145,349	153,776
Loans from the Government of the Republic of Kazakhstan	21,207	22,613
Liabilities under Restructuring Plan as of 31 December 2009		
- Cash due to banks	10,767	129,647
- Cash due to other financial institutions	14,545	45,832
- Issued debt securities	125,850	360,279
- Subordinated Debt	132,757	48,194
- Liabilities to Parent Company	-	105,000
- Other liabilities under Restructuring Plan	2,160	45,272
Other financing	-	16,206
REPO	59,176	5,010
Financial liabilities at fair value through profit and loss	318	19
Deferred income tax liabilities	880	-
Other liabilities	28,169	13,017
TOTAL LIABILITIES	**541,177**	**944,865**
CAPITAL DEFICIT		
Share capital	120,380	96,380
Additional paid-in capital	42,292	1,222
Revaluation reserve for property and equipment	2,134	2,134
Fair value revaluation reserve for available-for-sale assets	-18	-408
Retained loss	-293,181	-625,099
TOTAL CAPITAL DEFICIT	**-128,393**	**-525,771**
TOTAL LIABILITIES AND CAPITAL DEFICIT	**412,784**	**419,094**

O. Ekler
Chief Financial Officer

Z.G. Kaliyeva
Chief Accountant

Note: This consolidated statement of financial position was prepared in accordance with IFRS but does not comply with the requirements of IAS 34.8.

Alliance Bank JSC

Consolidated Financial Statements

for the year ended 31 December 2009

Report on the Consolidated Financial Statements

To the Management of Alliance Bank JSC

We have audited the accompanying consolidated financial statements of Alliance Bank JSC and its subsidiaries, (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion – derivative liabilities

In 2008 the Group had entered into derivative financial instruments in the form of credit default cross currency swaps. The Group was not able to estimate the fair value of this derivative liability as at 31 December 2008. As at 31 December 2008 the previous auditor estimated that the fair value of such derivative liability was understated by KZT 5,250 million. Accordingly, in their view, as at 31 December 2008, financial liabilities at fair value through profit or loss should have been increased by KZT 5,250 million to KZT 55,418 million and the net loss for the year and accumulated deficit should have each been increased by KZT 5,250 million to KZT 391,460 million and KZT 232,430 million respectively.

During the year ended 31 December 2009 the Group terminated early derivative positions which were open as at 31 December 2008, including the derivative liability associated with the KZT 5,250 million understatement mentioned above. Accordingly for the year ended 31 December 2009 the net loss on financial assets at fair value through profit and loss and loss for the year should be decreased by KZT 5,250 million to KZT 59,161 million.

Basis for Qualified Opinion – property, equipment and intangible assets

As at 31 December 2008 and for the year then ended, in accordance with the Group's accounting policy, certain land and buildings included in property, equipment and intangible assets are carried at revalued amounts. During the year ended 31 December 2008, not all material assets within land and buildings were revalued. As a result, the previous auditor was unable to obtain sufficient appropriate evidence to conclude that there was no significant difference between the carrying value and fair value of land and buildings included within property, equipment and intangible assets. Therefore the previous auditor was unable to satisfy itself as to the appropriateness and accuracy of the carrying amounts of property, equipment and intangible assets in the amount of KZT 34,197 million, the revaluation reserve balances in the amount of KZT 2,023 million and the related depreciation expense in the amount of KZT 3,033 million as at and for the year ended 31 December 2008. The effect of the change on the revaluation surplus and related depreciation as at and for the year ended 31 December 2009 has not been determined.

Basis for Qualified Opinion – related parties

The Group has information that indicates that certain customers and counterparties may not have been properly identified as related parties at 31 December 2008. Owing to this uncertainty the previous auditor was unable to satisfy themselves as to the completeness or accuracy of such disclosures and their associated tax effects, if any.

Basis for Qualified Opinion – financial guarantees and pledges

Owing to the nature of the Group's records, the previous auditor was unable to complete its procedures as to the completeness of financial guarantees or similar pledges made by, or on behalf, of the Group as at 31 December 2008.

Qualified Opinion

In our opinion, except for the effects on the current year's financial performance and corresponding figures of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(e) which describes that the Group incurred a net loss of KZT 298,440 million for the year ended 31 December 2009 and as at 31 December 2009 has a deficit of KZT 525,771 million. These conditions, along with other matters described in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 were audited by another auditor who expressed a modified opinion on those statements on 31 July 2009 because of the matters described in the Basis for Qualified Opinion paragraphs.

Nigay A. N.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.536
of 10 January 2003

Gregor William Mowat

Audit Partner

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

31 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
		In million tenge	
Interest income	4	85,189	166,086
Interest expense	4	(80,627)	(100,677)
Net interest income		**4,562**	**65,409**
Fee and commission income	5	7,452	12,817
Fee and commission expense	6	(2,191)	(24,584)
Net fee and commission income/(expense)		**5,261**	**(11,767)**
Net loss on financial instruments at fair value through profit or loss	7	(64,411)	(32,882)
Net foreign exchange (loss)/gain	8	(51,785)	15,564
Net gain on repurchase of liabilities		3,967	3,712
Net loss on available for sale assets		(299)	(1)
Other operating (loss)/income		(728)	1,718
Operating (loss)/income		**(103,433)**	**41,753**
Impairment losses	9	(174,842)	(406,420)
General administrative expenses	10	(20,140)	(21,889)
Loss before taxes		**(298,415)**	**(386,556)**
Income tax (expense)/benefit	11	(25)	346
Loss for the year		**(298,440)**	**(386,210)**
Other comprehensive (loss)/income			
Revaluation reserve for available for sale assets:			
- Net change in fair value of available for sale assets		(491)	5
- Net change in fair value of available for sale assets transferred to profit or loss		112	(1)
Currency translation differences		31	
Revaluation of property, net of tax		197	51
Other comprehensive (loss)/income, net of tax		**(151)**	**55**
Total comprehensive loss		**(298,591)**	**(386,155)**
Loss per share	26		
			Restated
Basic and diluted, tenge		(14,922)	(19,311)

On behalf of the Management Board of the Bank:

Kabashev Maksat Rakhimzhanovich
Chairman of the Management Board

Zhakanbayev Rishat Selmarovich
Chief Accountant

31 March 2010

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	2009	2008
		In million tenge	
ASSETS			
Cash and cash equivalents	12	15,388	60,855
Placements with banks	13	2,702	6,318
Financial instruments at fair value through profit or loss	14	16,369	201,973
Loans to customers	15	243,707	433,475
Amounts receivable under reverse repurchase agreements		-	132
Available for sale assets	16	97,657	2,741
Current tax asset		919	2,677
Property, equipment and intangible assets	17	25,012	34,197
Other assets	18	17,340	5,940
Total assets		**419,094**	**748,308**
LIABILITIES			
Current accounts and deposits from customers	19	153,776	189,044
Due to the National Bank of the Republic of Kazakhstan		-	15,026
Loans from the Government of the Republic of Kazakhstan	20	22,613	4,460
Amounts subject to Restructuring Plan as at 31 December 2009	21		
- Loans from banks		129,647	137,377
- Loans from other financial institutions		45,832	35,741
- Debt securities issued		360,279	286,584
- Subordinated debt		48,194	41,760
- Amount due to the Parent Company		105,000	-
- Other liabilities subject to Restructuring Plan		45,272	-
Other financing	22	16,206	29,449
Amounts payable under repurchase agreements		5,010	41,945
Financial instruments at fair value through profit or loss	14	19	50,168
Special provision for guarantees	23	-	136,972
Other liabilities	24	13,017	6,962
Total liabilities		**944,865**	**975,488**
DEFICIT			
Share capital	25	96,380	96,380
Additional paid in capital		1,222	1,222
Revaluation surplus for property		2,134	2,023
Revaluation reserve for available for sale assets		(408)	(29)
Accumulated losses		(625,099)	(326,776)
Total deficit		**(525,771)**	**(227,180)**
Total liabilities and deficit		**419,094**	**748,308**
Commitments and Contingencies	29, 31		

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	In million tenge	
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	84,384	151,944
Interest payments	(72,969)	(105,031)
Fee and commission receipts	7,696	12,817
Fee and commission payments	(2,184)	(24,584)
Net (payments on)/receipts from financial instruments at fair value through profit or loss	(30,393)	782
Net receipts from foreign exchange	632	1,575
Other (payments)/receipts	(727)	4,316
General administrative payments	(16,886)	(18,432)
(Increase)/decrease in operating assets		
Placements with banks	3,935	26,850
Financial instruments at fair value through profit or loss	54,144	28,348
Loans to customers	50,704	158,486
Amounts receivable under reverse repurchase agreements	132	(132)
Other assets	(3,091)	(7,220)
Increase/(decrease) in operating liabilities		
Loans from the Government of the Republic of Kazakhstan	17,780	-
Due to the National Bank of the Republic of Kazakhstan	(15,000)	9,431
Current accounts and deposits from customers	(50,063)	(47,945)
Loans from banks	(37,635)	(156,731)
Loans from other financial institutions		(17,832)
Other financing	(12,971)	(1,547)
Amounts payable under repurchase agreements	(36,864)	35,560
Financial instruments at fair value through profit or loss	(4,457)	(27,019)
Other liabilities	11,500	(986)
Net cash (used in)/provided from operating activities before income tax paid	**(52,333)**	**22,650**
Income tax paid	(483)	(5,743)
Cash flows (used in)/from operations	**(52,816)**	**16,907**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from available for sale assets	596	309
Purchases of property and equipment	(519)	(6,940)
Sales of property and equipment	-	386
Cash flows from/(used in) investing activities	**77**	**(6,245)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt securities issued	-	(19,131)
Repurchase of debt securities issued	(1,581)	(12,886)
Proceeds from subordinated debt issued	-	6,589
Cash flows used in financing activities	**(1,581)**	**(25,428)**
Net decrease in cash and cash equivalents	**(54,320)**	**(14,766)**
Effect of changes in exchange rates on cash and cash equivalents	8,853	2,114
Cash and cash equivalents as at the beginning of the year	60,855	73,507
Cash and cash equivalents as at the end of the year (Note 12)	**15,388**	**60,855**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Additional paid in capital	Revaluation surplus for property	Revaluation reserve for available for sale assets	Retained earnings/ (accumulated losses)	Total equity/(deficit)
			In million tenge			
Balance as at 1 January 2008	96,380	1,222	2,109	(33)	59,297	158,975
Total comprehensive loss						
Loss for the year	-	-	-	-	(386,210)	(386,210)
Other comprehensive income						
Net change in fair value of available for sale assets	-	-	-	5	-	5
Net change in fair value of available for sale assets transferred to profit or loss	-	-	-	(1)	-	(1)
Depreciation of property revaluation surplus	-	-	(137)	-	137	-
Revaluation of property, net of tax	-	-	51	-	-	51
Total other comprehensive income	-	-	(86)	4	137	55
Total comprehensive loss	**-**	**-**	**(86)**	**4**	**(386,073)**	**(386,155)**
Balance as at 31 December 2008	**96,380**	**1,222**	**2,023**	**(29)**	**(326,776)**	**(227,180)**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Additional paid in capital	Revaluation surplus for property	Revaluation reserve for available for sale assets	Accumulated losses	Total deficit
			In million tenge			
Balance as at 1 January 2009	96,380	1,222	2,023	(29)	(326,776)	(227,180)
Total comprehensive loss						
Loss for the year	-	-	-	-	(298,440)	(298,440)
Other comprehensive income						
Net change in fair value of available for sale assets	-	-	-	(491)	-	(491)
Net change in fair value of available for sale assets transferred to profit or loss	-	-	-	112	-	112
Currency translation differences	-	-	-	-	31	31
Depreciation of property revaluation surplus	-	-	(86)	-	86	-
Revaluation of property, net of tax	-	-	197	-	-	197
Total other comprehensive income	-	-	111	(379)	117	(151)
Total comprehensive loss	**-**	**-**	**111**	**(379)**	**(298,323)**	**(298,591)**
Balance as at 31 December 2009	**96,380**	**1,222**	**2,134**	**(408)**	**(625,099)**	**(525,771)**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Background

(a) *Principal activities*

These consolidated financial statements include the financial statements of Joint Stock Company Alliance Bank ("**Alliance Bank JSC**", the "**Bank**") and its subsidiaries, ALB Finance B.V. and Alliance Finance LLC (together referred to as the "**Group**").

Alliance Bank JSC was incorporated in the Republic of Kazakhstan in 1999 under the name of Open Joint Stock Company ("**OJSC**") IrtyshBusinessBank as a result of a merger of OJSC Semipalatinsk Municipal Joint Stock Bank and OJSC Irtyshbusinessbank. In accordance with a decision made by the Bank's shareholders, Alliance Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 Alliance Bank was re-registered as Alliance Bank JSC.

The registered address of the Bank's Head Office is 50, Furmanov Str., 050004, Almaty, the Republic of Kazakhstan. The Bank's activity is regulated by the National Bank of the Republic of Kazakhstan (the "**NBRK**") and the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organisations (the "**FMSA**"). Alliance Bank JSC conducts its business under the licence No. 250 issued by the FMSA on 26 December 2007 for performing banking and other operations and activity on security market stipulated by the banking legislation.

The Bank's primary business is related to commercial banking activity, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

Alliance Bank JSC is a member of the Kazakhstan Deposits Insurance Fund (the "**KDIF**"). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a member-bank. Depositors can receive limited insurance coverage for deposits up to a maximum of KZT 5 million per deposit, depending on the amount of the deposit.

The Group consists of the following subsidiaries:

Name	Country of operation	Proportion or ownership interest/voting rights in 2009 and 2008	Type of operation
ALB Finance B.V.	The Netherlands	100%	Raising funds in international capital markets
LLC Alliance Finance.....	Russian Federation	100%	Raising funds in Russian capital markets

ALB Finance B.V. is a limited liability company and has operated under laws of The Netherlands since October 2005. The company was established for the primary purpose of raising funds for the Bank in international capital markets.

Alliance Finance LLC is a limited liability company and has operated under the laws of the Russian Federation since June 2007. The company was established for the primary purpose of raising funds for the Bank in the Russian capital market.

(b) ***Shareholders***

As at 31 December 2008 three individuals: Margulan Seisembayev, Yerlan Seisembayev and Askar Galin owned 23.03%, 23.03% and 23.02% of the shares of the Bank through Seimar Alliance Financial Corporation JSC ("**SAFC**"). The rest of the shares were held by other shareholders none of which owned more than 5% of the shares.

On 1 February 2009, 76% of the Bank's ordinary shares owned by SAFC were pledged to Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "**Parent Company**") and on 2 February 2009 SAFC took a decision to sell 76% of ordinary shares to the Parent Company.

On 30 December 2009, FMSA adopted a resolution on mandatory repurchase of all outstanding ordinary shares of the Bank and their sale to the Parent Company. From that date the Parent Company is the sole shareholder of the Group. The ultimate controlling party is the Government of the Republic of Kazakhstan. Related party transactions are detailed in note 33.

(c) ***Kazakhstan business environment***

Kazakhstan is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Kazakhstan involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of Preparation

(a) ***Statement of compliance***

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

(b) ***Basis of measurement***

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value and property is stated at revalued amounts.

(c) ***Presentation of consolidated statement of cash flows***

The Bank has re-presented its consolidated statement of cash flows for 2008 using the direct method.

(d) ***Functional and presentation currency***

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("**KZT**"). Management has determined the Group's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Group. The KZT is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT has been rounded to the nearest million.

(e) ***Going concern***

The Group has prepared the consolidated financial statements as at and for the year ended 31 December 2009 on a going concern basis, although it is aware of material uncertainties that may cast significant doubt as to the Group's ability to continue as a going concern. These uncertainties have resulted from:

- The devaluation of the Kazakhstan Tenge on 4 February 2009, which caused an increase in the non-performing rate on customer loans and increased the cost to repay the Group's foreign debt;
- A significant deterioration in the quality of the customer loan portfolio during 2009 and 2008 (see note 15);
- The identification of a substantial number of transactions with parties related to the previous shareholders, in particular guarantees, which resulted in a provision for losses on guarantees of KZT 136,972 million (see note 23);
- A breach of debt covenants, the resulting acceleration of requests for repayment, the consequential default on loan payments and the absence of access to adequate alternative funding sources;
- A deteriorating liquidity position as a result of the above developments and a significant outflow of customer deposits, and
- A loss for the year ended 31 December 2009 of KZT 298,440 million and deficit of KZT 525,771 million.

As a result of the circumstances and uncertainties described above, in April 2009 the Group announced the beginning of its debt restructuring process. Successful completion of the restructuring process would allow the Group to convert funding from the Parent Company to equity and to start the implementation of its new business plan.

In early 2009 fundamental changes have been made to the Bank's management resulting in the appointment of a new Chairman of the Management Board, Deputy Chairman of the Management Board, Chief Financial Officer and several other senior managers. In addition, the Kazakh Government took actions to assist the Group to continue on a going concern basis by providing access to special lines of credit and term deposits.

On 6 July 2009 a Memorandum of Understanding was concluded between the Bank and members of the creditors committee: Asian Development Bank, Calyon, Commerzbank Aktiengesellschaft, DEG – Deutsche Investitions and Entwicklungsgesellschaft mbH, HSBC Bank plc, ING Asia Private Bank Limited, JP Morgan Chase Bank, N. A., Sumitomo Mitsui Banking Corporation Europe Limited and Wachovia Bank N. A. (the "**Creditors Committee**"). Whilst it was a non-binding agreement on any of the creditors, management believes that it demonstrated the creditors' willingness to work together with the Group in restructuring its debt.

On 14 July 2009 in an intention agreement signed between the Parent Company and the Group, the Parent Company agreed to consider:

- Assisting the Group in restructuring its liabilities;
- Acquisition of a controlling block of voting shares in the Group;

- Conversion of a deposit of KZT 24,000 million, which was placed according to the bank deposit agreement dated 1 February 2009, into equity in the Group;
- Conversion of bonds with a par value of KZT 105,000 million into equity in the Group; and
- Provision of additional liquidity in the form of a short-term deposit.

In addition, the Parent Company agreed to consider providing support for the maintenance of the liquidity ratio, the capital ratio and other regulatory requirements.

On 21 July 2009 the FMSA approved the Group's indicative restructuring and recapitalisation plan.

On 18 September 2009 the Bank's application to initiate a restructuring was approved by the Specialised Financial Court in Almaty.

On 5 November 2009 the Bank issued an Information Memorandum to certain creditors, which were subject to restructuring, in connection with its proposed restructuring plan (the "**Restructuring Plan**").

On 15 December 2009 the creditors, with a majority of 95.1% approved the Restructuring Plan.

On 1 February 2010 the FMSA approved the Restructuring Plan.

On 26 February 2010 approval was given to the Restructuring Plan by the Specialised Financial Court in Almaty.

On 5 March 2010 the Allocation and Reallocation of Entitlements to the Participants in the Restructuring Plan came into force and from 26 March 2010 the distribution of cash, new notes and equity began.

On 26 March 2010 KZT 105,000 million of bonds issued to the Parent Company were converted into 1,567,164 preference shares and 4,000,000 of common shares were placed.

Accordingly, distribution of cash, new notes and equity within the restructuring programme was completed on 30 March 2010.

Management has commenced implementation of the new business model. The assumptions on which the new business model is based, have been made by management using all available information. The main assumptions are that the Group can:

- Continue the progress in building up a balanced portfolio of retail, small and medium sized enterprises ("**SME**") and corporate loans, based on its unique relationship with state bodies and its wide geographical network across Kazakhstan;
- Change its funding base from largely international borrowing to customer deposits;
- Improve its cost efficiency by increasing the proportion of non-interest bearing financial services it carries out.

The implementation of the new business model is in its early stages and accordingly considerable uncertainty still exists in relation to the estimates that have been incorporated in the new business model, particularly as there has been little time for management to obtain evidence to compare the Bank's actual performance with

management's assumptions. Management has concluded that the combination of circumstances described above represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the going concern basis is adopted in preparing these consolidated financial statements.

(f) ***Use of estimates and judgments***

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Note 15 – loan impairment estimates;
- Note 16 – available-for-sale assets.

3. Significant Accounting Policies

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements. Changes in accounting policies are described at the end of this note.

(a) ***Basis of consolidation***

(i) *Subsidiaries*

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of

available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) ***Cash and cash equivalents***

The Group considers cash on hand, unrestricted balances on correspondent and time deposit accounts with the NBRK and deposits in other banks with original maturities of less than three months to be cash and cash equivalents.

(d) ***Financial instruments***

(i) *Classification*

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- Acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- Derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- Upon initial recognition, designated by the Group as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- The assets or liabilities are managed and evaluated on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- Intends to sell immediately or in the near term;
- Upon initial recognition designates as at fair value through profit or loss;
- Upon initial recognition designates as available-for-sale; or
- May not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- Upon initial recognition designates as at fair value through profit or loss;
- Designates as available-for-sale; or
- Meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial asset that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

(ii) *Recognition*

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) *Measurement*

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- Loans and receivables which are measured at amortised cost using the effective interest method;
- Held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at

amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to profit or loss as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(iv) *Fair value measurement principles*

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

(v) *Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- A gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;

- A gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale

financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) *Derecognition*

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(vii) *Repurchase and reverse repurchase agreements*

Securities sold under sale and repurchase ("**repo**") agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("**reverse repo**") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(viii) *Derivative financial instruments*

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the

same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) *Placements with banks*

In the normal course of business, the Group maintains advances, deposits for various periods of time with other banks and repo transactions. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses, if any.

(x) *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 realise the asset and settle the liability simultaneously.

(e) ***Property and equipment***

(i) *Owned assets*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) *Revaluation*

Land and buildings ("**property**") are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the property being revalued. A revaluation increase on an item of property is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of property is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

(iii) *Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	30 to 40 years
Computers	3 to 4 years
Vehicles	5 to 7 years
Other	2 to 15 years

(f) ***Intangible assets***

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Amortisation commences from the first day of the month subsequent to the date the asset is available for use. The estimated useful life of intangible assets is 1 to 8 years.

(g) ***Impairment***

(i) *Financial assets carried at amortised cost*

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an

impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) *Financial assets carried at cost*

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and can not be reversed.

(iii) *Available-for-sale assets*

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) *Non financial assets*

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) ***Provisions***

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(i) ***Credit related commitments***

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit

related commitments are recognised when losses are considered probable and can be measured reliably.

(j) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) ***Taxation***

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) ***Income and expense recognition***

With the exception of financial assets held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in profit or loss using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service has been provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

(m) ***Segment reporting***

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(n) ***Changes in accounting policies***

Starting from 1 January 2009 the Group adopted the revised version of IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale assets and revaluation of property. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Starting from 1 January 2009 the Group adopted IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009) which introduces the management approach to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment's performance and to allocate resources to them.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis.

(o) ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these pronouncements on its financial statements.

- IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will be measured at its fair value.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and*

Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

- Revised IAS 24 *Related Party Disclosures* (2009) (effective for annual periods beginning on or after 1 January 2011) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively.

- Amendment to IAS 39 Financial Instruments: *Recognition and Measurement – Eligible Hedged Items* clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

Various *Improvements to IFRSs* which result in accounting changes for presentation, recognition or measurement purposes will come into effect not earlier than 1 January 2010.

4. Net interest Income

	2009	2008
	In million tenge	
Interest income		
Loans to customers	69,416	142,275
Financial instruments at fair value through profit or loss	11,999	22,349
Available for sale assets	3,500	323
Placements with banks	274	1,133
Amounts receivable under reverse repurchase agreements	-	6
	85,189	**166,086**
Interest expense		
Debt securities issued	(35,795)	(30,268)
Current accounts and deposits from customers	(14,697)	(21,043)
Financial instruments at fair value through profit or loss	(9,481)	(21,386)
Loans from banks	(7,581)	(16,510)
Subordinated debt	(4,174)	(4,159)
Repurchase agreements	(3,375)	(1,995)
Loans from other financial institutions	(2,255)	(2,926)
Other financing	(1,672)	(2,023)
Loans from the Government of the Republic of Kazakhstan	(1,597)	(367)
	(80,627)	**(100,677)**

5. Fee and Commission Income

	2009	2008
	In million tenge	
Settlement	5,324	8,465
Commissions on letters of credit and guarantees	1,524	3,052
Foreign exchange and securities operations	314	436
Trust, custodian and other fiduciary services	77	86
Lending operations	52	551
Other	161	227
	7,452	**12,817**

6. Fee and Commission Expense

	2009	2008
	In million tenge	
Collection services	1,673	2,151
Settlement bank services	115	133
Maintenance of card accounts	103	100
Customer accounts services by financial agents	76	123
Foreign currency and security operations	61	52
Eurobonds and loans	40	28
Documentary operations	16	56
Insurance premium to related party	-	21,723
Other	107	218
	2,191	**24,584**

7. Net loss on Financial Instruments at Fair Value Through Profit or Loss

	2009	2008
	In million tenge	
Realised (loss)/gain on operations with derivative financial instruments	(40,426)	314
Unrealised (loss)/gain on trading operations	(13,769)	174
Realised (loss)/gain on trading operations	(10,196)	293
Unrealised loss on operations with derivative financial instruments	(20)	(33,663)
	(64,411)	**(32,882)**

8. Net Foreign Exchange (Loss)/Gain

	2009	2008
	In million tenge	
Translation differences, net	(52,417)	13,989
Dealing, net	632	1,575
	(51,785)	**15,564**

9. Impairment Losses

	2009	2008
	In million tenge	
Impairment		
Loans to customers	166,461	242,273
Property and equipment	6,562	-
Guarantees and letters of credit	2,002	4,642
Placements with banks	1,417	-
Special provisions for guarantees	-	136,972
Other assets	-	22,533
Recovery		
Other assets	(1,600)	-
	174,842	**406,420**

10. General Administrative Expenses

	2009	2008
	In million tenge	
Payroll and related taxes	8,438	10,055
Depreciation and amortisation	3,253	3,033
Taxes other than on income	1,644	1,423
Legal services	1,228	31
Payments to Deposit Insurance fund	921	654
Occupancy	876	1,591
Professional services	726	452
Advertising and marketing	616	1,132
Communications and information services	518	648
Security	377	216
Cash collection services	249	240
Buildings maintenance	237	249
Repairs and maintenance	129	579
Travel expenses	112	219
Transportation services	97	147
Representative expenses	84	288
Charity and sponsorship	72	224
Office supplies	57	102
Insurance	35	64
Other	471	542
	20,140	**21,889**

11. Income Tax (Expense)/Benefit

	2009	2008
	In million tenge	
Current tax expense		
Current year	-	(1,208)
Under provided in prior years	(25)	-
	(25)	(1,208)
Deferred tax benefit		
Origination and reversal of temporary differences	-	1,554
	-	1,554
Total income tax (expense)/benefit	**(25)**	**346**

The applicable tax rate in 2009 is the income tax rate of 20% for Kazakhstan companies (2008: 30%). With effect from 1 January 2009, the income tax rate for Kazakhstan companies was reduced to 20% in 2009, 17.5% in 2010 and 15% in 2011. These rates were announced by the Government in 2008 and are used in the calculation of deferred tax assets and liabilities as at 31 December 2008. During 2009 the Government postponed the reduction in the income tax rate for 2010. In accordance with the changes the income tax rate will remain at 20% for 2010 - 2012 and will decrease to 17.5% for 2013 and to 15% for later years. These rates are used in the calculation of deferred tax assets and liabilities as at 31 December 2009.

Reconciliation of effective tax rate:

	2009		2008	
	In million tenge	*%*	*In million tenge*	*%*
Loss before tax	**(298,415)**	**100**	**(386,556)**	**100**
Income tax at the applicable tax rate	59,683	(20)	115,967	(30)
Change in unrecognised deferred tax assets	17,186	(6)	(70,393)	18
Non taxable income on securities	1,186	-	588	-
Non taxable income	(139)	-	(908)	-
Non deductible interest expense	(5,965)	2	(120)	-
Effect of change in tax rate	(15,025)	5	(44,935)	12
Non deductible impairment on loans to related parties	(16,612)	6	147	-
Change in tax loss carry forwards	(40,339)	13	-	-
	(25)	**-**	**346**	**-**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2009 and 2008. These deferred tax assets are not recognised in these consolidated financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods. These future tax benefits are not recognised due to uncertainties concerning their realisation.

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2019.

Movements in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows:

	Balance 1 January 2009	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance 31 December 2009**
		In million tenge		
Financial instruments at fair value through profit or loss	3,679	607	-	4,286
Loans to customers	34,450	(28,389)	-	6,061
Accrued interest on loans to customers, written off	288	(119)	-	169
Property, equipment and intangible assets	(790)	(78)	54	(814)
Other assets	31,858	(28,876)	-	2,982
Loans from banks and other financial institutions	-	109	-	109
Current account and deposits from customers	-	129	-	129
Other liabilities	908	(908)	-	-
Tax loss carry forwards	-	40,339	-	40,339
	70,393	**(17,186)**	**54**	**53,261**
Allowance for deferred tax asset	**(70,393)**	**17,186**	**(54)**	**(53,261)**
	-	**-**	**-**	**-**

	Balance 1 January 2008	Recognised in profit or loss	Balance 31 December 2008
		In million tenge	
Financial instruments at fair value through profit or loss	(432)	4,111	3,679
Loans to customers	(10)	34,460	34,450
Accrued interest on loans to customers, written off	146	142	288
Property, equipment and intangible assets	(1,258)	468	(790)
Other assets	-	31,858	31,858
Other liabilities	-	908	908
	(1,554)	**71,947**	**70,393**
Allowance for deferred tax asset	**-**	**(70,393)**	**(70,393)**
	(1,554)	**1,554**	**-**

12. Cash and Cash Equivalents

	2009	2008
	In million tenge	
Cash at current bank accounts		
National Bank of the Republic of Kazakhstan		
Rated BBB	6,228	8,284
Other banks		
Rated from AA to AA+	-	362
Rated from A to A+	-	702
Rated from BBB to BBB+	-	102
Total cash at current bank accounts	**6,228**	**9,450**
Demand deposits		
Other banks		
Rated from AA to AA+	-	23,134
Rated from A to A+	-	15,338
Total demand deposits	-	**38,472**
Cash on hand	9,160	12,933
	15,388	**60,855**

Ratings are based on the standards of Standard&Poor's.

Concentration of cash and cash equivalents

As at 31 December 2009 and 2008 the Group has deposits with one and six banks, respectively, whose balances exceed 10% of total cash and cash equivalents. The gross value of these balances as at 31 December 2009 and 2008 are KZT 6,228 million and KZT 46,432 million, respectively.

13. Placements with Banks

	2009	2008
	In million tenge	
Nostro accounts		
Rated from AA to AA+	395	-
Rated A to A+	238	-
Rated BBB to BBB+	21	-
Rated from BB to BB+	-	29
Rated below B+	101	177
Not rated	208	50
Total nostro accounts	**963**	**256**
Loans and deposits		
Rated from AA to AA+	972	-
Rated A to A+	732	-
Rated from BB to BB+	-	5,180
Rated below B+	669	-
Not rated	777	882
Total loans and deposits	**3,150**	**6,062**
Total placements with banks	**4,113**	**6,318**
Impairment allowance	(1,411)	-
Net placements with banks	**2,702**	**6,318**

Overdue or impaired placements with banks comprise placements with banks overdue less than 90 of KZT 1,411 million.

Concentration of placements with banks

As at 31 December 2009 and 2008 the Group has 4 and 2 banks, whose balances exceeded 10% of total placements with banks. The gross value of these balances as at 31 December 2009 and 2008 are KZT 3,150 million and KZT 6,062 million, respectively.

Analysis of movements in the impairment allowance

	2009	2008
	In million tenge	
Balance at the beginning of the year	-	-
Net charge for the year	(1,417)	-
Write offs	6	-
Balance at the end of the year	**(1,411)**	**-**

14. Financial Instruments at Fair Value Through Profit or Loss

	2009	2008
	In million tenge	
ASSETS		
Debt and other fixed income instruments		
- Government bonds		
Rated from AAA	-	136,972
Rated from BBB to BBB+	7,969	5,487
- Total government bonds	**7,969**	**142,459**
- Corporate bonds		
Rated from BBB to BBB+	-	99
Rated from BB to BB+	314	3,745
Rated from B to B+	-	205
Rated below B	985	-
Not rated	711	1,136
- Total corporate bonds	**2,010**	**5,185**
- Bank bonds		
Rated from AA to AA+	2,896	3,263
Rated from A to A+	2,936	1,054
Rated from BBB to BBB+	402	-
Rated from BB to BB+	-	17,189
Rated from B to B+	156	551
- Total bank bonds	**6,390**	**22,057**

Ratings are based on the standards of Standard&Poor's.

	2009	2008
	In million tenge	
Derivative financial instruments – assets		
Foreign currency contracts		
Spots	-	4
Swaps	-	32,268
	-	**32,272**
	16,369	**201,973**
LIABILITIES		
Derivative financial instruments – liabilities		
Foreign currency contracts		
Spots	(19)	-
Forwards	-	(477)
Swaps	-	(46,417)
Securities contracts		
Forward	-	(3,274)
	(19)	**(50,168)**
Assets include:		
Pledged under sale and repurchase agreements		
Debt instruments		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5,122	487
Corporate bonds	-	15,179
Bank bonds	-	13,405
	5,122	**29,071**
Pledged under guarantees		
Government bonds	-	136,972
	-	**136,972**

As at 31 December 2009 and 2008, the Group pledged certain debt securities as collateral under repurchase agreements.

During May-July all outstanding swaps were terminated early with KZT 32,001 million out of total losses on termination being transferred to amounts subject to Restructuring Plan.

Government bonds were used to settle claims under guarantees in 2009 (see note 23).

Unquoted debt securities

Included in financial instruments at fair value through profit or loss are non-quoted debt securities:

	2009	2008
	In million tenge	
Debt and other fixed income instruments		
Corporate bonds	5,831	4,904

Included in financial instruments at fair value through profit or loss at 31 December 2009 are KZT 10,538 million in financial assets that are classified as held for trading and KZT 5,831 million in financial assets which were, upon initial recognition, designed as financial instruments at fair value through profit or loss (2008: KZT 196,889 million and KZT 4,904 million, respectively).

15. Loans to Customers

	2009	2008
	In million tenge	
Corporate loans that are individually significant		
Loans to large corporates	359,044	329,152
Interest accrued	24,488	15,376
Total corporate loans that are individually significant	**383,532**	**344,528**
Corporate loans that are not individually significant and loans to individuals		
Corporate loans that are not individually significant	53,297	68,847
Mortgage loans	71,202	61,847
Consumer loans	68,765	110,126
Auto loans	6,544	7,932
Credit card loans	2,692	4,091
Other loans	88,798	85,944
Interest accrued	23,052	19,950
Total corporate loans that are not individually significant and loans to individuals	**314,350**	**358,737**
Gross loans to customers	**697,882**	**703,265**
Impairment allowance	(454,175)	(269,790)
Net loans to customers	**243,707**	**433,475**

Movements in the loan impairment allowance for the year ended 31 December 2009 are as follows:

	2009	2008
	In million tenge	
Balance at the beginning of the year	(269,790)	(43,527)
Net charge for the year	(166,461)	(242,273)
Recovery	647	16,245
Transfer from other assets	-	(221)
Effect of foreign currency translation	(18,571)	(14)
Balance at the end of the year	**(454,175)**	**(269,790)**

As at 31 December 2009, interest accrued on impaired loans amount to KZT 22 million (31 December 2008: nil).

(a) ***Credit quality of corporate loans that are individually significant***

The following table provides information on the credit quality of the corporate loans that are individually significant as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
		In million tenge		*%*
Corporate loans that are individually significant				
Loans without individual signs of impairment	27,955	571	27,384	2.04
Impaired loans:				
- not overdue	129,093	115,326	13,767	89.34
- overdue less than 90 days	64,717	58,433	6,284	90.29
- overdue more than 90 days and less than 1 year	137,385	113,176	24,209	82.38
- overdue more than 1 year	24,382	15,938	8,444	65.37
Total impaired loans	355,577	302,873	52,704	85.18
Total corporate loans that are individually significant	**383,532**	**303,444**	**80,088**	**79.12**

The following table provides information on the credit quality of the corporate loans that are individually significant as at 31 December 2008:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
		In million tenge		*%*
Corporate loans that are individually significant				
Loans without individual signs of impairment	98,211	-	98,211	-
Impaired loans:				
- not overdue	239,794	191,519	48,275	79.87
- overdue less than 90 days	2,782	1,079	1,703	38.79
- overdue more than 90 days and less than 1 year	2,104	992	1,112	47.15
- overdue more than 1 year	1,637	1,177	460	71.90
Total impaired loans	246,317	194,767	51,550	79.07
Total corporate loans that are individually significant	**344,528**	**194,767**	**149,761**	**56.53**

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in business environment, negative changes in the borrower's markets.

The Group estimates loan impairment for the corporate loans that are individually significant based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for corporate loans that are individually significant, management makes the following key assumptions:

- historic annual loss rate of 2.04%;
- migration rates are constant and can be estimated based on historic loss migration patterns for the past 12 months;

- a discount of between 30% and 50% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could effect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment allowance for corporate loans that are individually significant as at 31 December 2009 would be KZT 801 million lower/higher (31 December 2008: KZT 1,498 million).

During the year ended 31 December 2009 the Group renegotiated corporate loans that are individually significant that would otherwise be past due or impaired of KZT 76,353 million (31 December 2008: KZT 52,663 million). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in loans without individual signs of impairment unless the borrower does not comply with the renegotiated terms.

(i) *Analysis of collateral*

The following table provides the analysis of corporate loans that are individually significant, net of impairment, by types of collateral as at 31 December 2009:

	2009	**Loan portfolio**	**2008**	**Loan portfolio**
	In million tenge	*%*	*In million tenge*	*%*
Real estate	203,224	52.99	136,552	39.63
Mixed	52,419	13.67	106,872	31.02
Transport	6,408	1.67	11,886	3.45
Deposits	5,577	1.45	15,792	4.58
Guarantee	278	0.07	2,186	0.63
Securities	31	-	27,751	8.06
Other collateral	20,299	5.29	34,776	10.09
No collateral	95,296	24.85	8,713	2.53
	383,532	**100.00**	**344,528**	**100.00**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

As at 31 December 2009 and 2008 it was impracticable to determine the fair value of collateral for impaired or overdue loans with gross value of KZT 355,577 million and KZT 246,317 million respectively.

During the year ended 31 December 2009 the Group obtained assets with the carrying amount of

KZT 267 million by taking control of collateral securing corporate loans (2008: KZT 48 million).

(ii) *Analysis of movements in the impairment allowance*

Movements in the loan impairment allowance by classes of corporate loans that are individually significant for the year ended 31 December 2009 are as follows:

	2009	2008
	In million tenge	
Loan impairment allowance as at 1 January	(194,767)	(18,310)
Loan impairment losses during the year	(102,276)	(176,513)
Loans written off as uncollectible	415	-
Effect of foreign currency translation	(6,816)	56
Loan impairment allowance as at 31 December	**(303,444)**	**(194,767)**

(b) ***Credit quality of corporate loans that are not individually significant and loans to individuals***

The following table provides information on the credit quality of corporate loans that are not individually significant and loans to individuals collectively assessed for impairment as at 31 December 2009:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
		In million tenge		*%*
Corporate loans that are not individually significant				
- Not past due	18,775	1,355	17,420	7.22
- Overdue less than 30 days	1,923	551	1,372	28.65
- Overdue 30-89 days	2,819	1,023	1,796	36.29
- Overdue 90-179 days	3,667	2,074	1,593	56.56
- Overdue 180-360 days	12,627	11,631	996	92.11
- Overdue more than 360 days	17,671	16,161	1,510	91.45
Total corporate loans that are not individually significant	**57,482**	**32,795**	**24,687**	**57.05**
Mortgage loans				
- Not past due	19,282	129	19,153	0.67
- Overdue less than 30 days	1,973	20	1,953	1.01
- Overdue 30-89 days	3,664	615	3,049	16.78
- Overdue 90-179 days	5,779	1,872	3,907	32.39
- Overdue 180-360 days	26,157	17,732	8,425	67.79
- Overdue more than 360 days	20,418	13,714	6,704	67.17
Total mortgage loans	**77,273**	**34,082**	**43,191**	**44.11**
Consumer loans				
- Not past due	11,541	172	11,369	1.49
- Overdue less than 30 days	1,641	186	1,455	11.33
- Overdue 30-89 days	1,467	472	995	32.17
- Overdue 90-179 days	1,893	904	989	47.75
- Overdue 180-360 days	7,059	6,698	361	94.89
- Overdue more than 360 days	51,008	48,404	2,604	94.89
Total consumer loans	**74,609**	**56,836**	**17,773**	**76.18**
Auto loans				
- Not past due	2,344	4	2,340	0.17
- Overdue less than 30 days	345	-	345	-
- Overdue 30-89 days	265	-	265	-
- Overdue 90-179 days	265	2	263	0.75
- Overdue 180-360 days	592	92	500	15.54
- Overdue more than 360 days	2,982	780	2,202	26.16
Total auto loans	**6,793**	**878**	**5,915**	**12.93**

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
		In million tenge		*%*
Credit cards				
- Not past due	751	15	736	2.00
- Overdue less than 30 days	91	21	70	23.08
- Overdue 30-89 days	71	36	35	50.70
- Overdue 90-179 days	90	66	24	73.33
- Overdue 180-360 days	357	346	11	96.92
- Overdue more than 360 days	1,544	1,497	47	96.96
Total credit cards	**2,904**	**1,981**	**923**	**68.22**
Other loans to individuals				
- Not past due	34,065	104	33,961	0.31
- Overdue less than 30 days	3,093	43	3,050	1.39
- Overdue 30-89 days	5,530	497	5,033	8.99
- Overdue 90-179 days	8,875	2,040	6,835	22.99
- Overdue 180 - 360 days	23,333	12,047	11,286	51.63
- Overdue more than 360 days	20,393	9,428	10,965	46.23
Total other loans to individuals	**95,289**	**24,159**	**71,130**	**25.35**
Total corporate loans that are not individually significant and loans to individuals	**314,350**	**150,731**	**163,619**	**47.95**

The following table provides information on the credit quality of corporate loans that are not individually significant and loans to individuals, continued collectively assessed for impairment as at 31 December 2008:

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans,
		In million tenge		*%*
Corporate loans that are not individually significant				
- Not past due	45,749	430	45,319	0.94
- Overdue less than 30 days	2,322	227	2,095	9.78
- Overdue 30-89 days	6,863	1,264	5,599	18.42
- Overdue 90-179 days	4,894	2,157	2,737	44.07
- Overdue 180-360 days	5,077	5,077	-	100.00
- Overdue more than 360 days	8,509	7,402	1,107	86.99
Total corporate loans that are not individually significant	**73,414**	**16,557**	**56,857**	**22.55**
Mortgage loans				
- Not past due	40,190	252	39,938	0.63
- Overdue less than 30 days	3,491	133	3,358	3.81
- Overdue 30-89 days	4,713	371	4,342	7.87
- Overdue 90-179 days	4,211	1,250	2,961	29.68
- Overdue 180-360 days	9,293	4,983	4,310	53.62
- Overdue more than 360 days	4,118	2,208	1,910	53.62
Total mortgage loans	**66,016**	**9,197**	**56,819**	**13.93**
Consumer loans				
- Not past due	48,745	967	47,778	1.98
- Overdue less than 30 days	9,437	957	8,480	10.14
- Overdue 30-89 days	11,128	2,730	8,398	24.53
- Overdue 90-179 days	11,827	4,261	7,566	36.03
- Overdue 180-360 days	31,720	31,720	-	100.00
- Overdue more than 360 days	3,011	3,011	-	100.00
Total consumer loans	**115,868**	**43,646**	**72,222**	**37.67**
Auto loans				
- Not past due	4,185	11	4,174	0.26
- Overdue less than 30 days	733	15	718	2.05
- Overdue 30-89 days	542	41	501	7.56
- Overdue 90-179 days	554	129	425	23.29
- Overdue 180-360 days	1,203	574	629	47.71
- Overdue more than 360 days	906	432	474	47.68
Total auto loans	**8,123**	**1,202**	**6,921**	**14.80**
Credit cards				
- Not past due	2,476	-	2,476	-
- Overdue less than 30 days	265	-	265	-
- Overdue 30-89 days	237	127	110	53.59
- Overdue 90-179 days	575	455	120	79.13
- Overdue 180-360 days	647	641	6	99.07
- Overdue more than 360 days	89	88	1	98.88
Total credit cards	**4,289**	**1,311**	**2,978**	**30.57**

	Gross loans	Impairment allowance	Net loans	Impairment to gross loans
		In million tenge		*%*
Other loans to individuals				
- Not past due	60,788	42	60,746	0.07
- Overdue less than 30 days	5,978	41	5,937	0.69
- Overdue 30-89 days	7,552	238	7,314	3.15
- Overdue 90-179 days	5,143	495	4,648	9.62
- Overdue 180-360 days	7,703	1,528	6,175	19.84
- Overdue more than 360 days	3,863	766	3,097	19.83
Total other loans to individuals	**91,027**	**3,110**	**87,917**	**3.42**
Total corporate loans that are not individually significant and loans to individuals	**358,737**	**75,023**	**283,714**	**20.91**

The Group estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used by management in determining the impairment losses for corporate loans that are not individually significant and loans to individuals include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months;
- in respect of mortgage loans, a delay of 24 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the loan impairment on corporate loans that are not individually significant and loans to individuals as at 31 December 2009 would be KZT 4,909 million lower/higher (31 December 2008: KZT 8,511 million).

As at 31 December 2009 included in the loan portfolio are restructured corporate loans that are not individually significant and loans to individuals of KZT 22,305 million (31 December 2008: KZT 54,835 million).

(i) *Analysis of collateral*

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars. Credit card overdrafts and consumer loans are not secured.

Management believes that it is impracticable to estimate the fair value of collateral held in respect of other loans to individuals.

(ii) *Analysis of movements in the impairment allowance*

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for the year ended 31 December 2009 are as follows:

	Loans that are not individually significant	**Mortgage loans**	**Consumer loans**	**Auto loans**	**Credit cards**	**Other loans**	**Total**
			In million tenge				
Loan impairment allowance as at 1 January	(16,557)	(9,197)	(43,646)	(1,202)	(1,311)	(3,110)	(75,023)
Loan impairment losses	(13,720)	(19,619)	(13,377)	424	(556)	(17,337)	(64,185)
Loans written off as uncollectible	38	3	187	3	-	1	232
Effect of foreign currency translation	(2,556)	(5,269)	-	(103)	(114)	(3,713)	(11,755)
Loan impairment allowance as at 31 December	**(32,795)**	**(34,082)**	**(56,836)**	**(878)**	**(1,981)**	**(24,159)**	**(150,731)**

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for the year ended 31 December 2008 are as follows:

	Loans that are not individually significant	Mortgage loans	Consumer loans	Auto loans	Credit cards	Other loans	Total
	In million tenge						
Loan impairment allowance as at 1 January	(3,617)	(7,182)	(1,215)	(834)	(215)	(12,154)	(25,217)
Loan impairment losses	(13,240)	(4,025)	(54,404)	(810)	(1,099)	7,818	(65,760)
Loans written off as uncollectible	545	2,042	11,973	443	-	1,242	16,245
Other transfers	(221)	-	-	-	-	-	(221)
Effect of foreign currency translation	(24)	(32)	-	(1)	3	(16)	(70)
Loan impairment allowance as at 31 December	**(16,557)**	**(9,197)**	**(43,646)**	**(1,202)**	**(1,311)**	**(3,110)**	**(75,023)**

(c) ***Industry and geographical analysis of loans that are individually significant***

Corporate loans that are individually significant were issued primarily to customers located within the Republic of Kazakhstan who operate in the following economic sectors:

	2009	2008
	In million tenge	
Construction	113,729	96,228
Production of crude oil and natural gas	56,916	45,014
Real estate operations	56,413	32,623
Services provided by small and medium entities	42,151	48,963
Wholesale	28,807	32,979
Financial services	21,640	21,904
Transportation	15,534	12,175
Metallurgy industry	9,851	8,830
Finance lease	5,526	8,786
Chemical industry	4,495	2,405
Agriculture	4,486	8,484
Food	3,978	4,138
Retail	3,171	1,093
Production of metal goods	939	295
Post and communications	502	461
Other	15,394	20,151
	383,532	**344,529**
Impairment allowance	(303,444)	(194,768)
	80,088	**149,761**

Corporate loans that are not individually significant and loans to individuals are also issued to customers located within the Republic of Kazakhstan.

(d) ***Significant credit exposures***

As at 31 December 2009 and 2008 the Group has no borrowers or groups of connected borrowers, respectively, whose loan balances exceed 10% of loans to customers.

(e) ***Loan maturities***

The maturity of the loan portfolio is presented in note 36, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the term based on contractual terms.

16. Available-for-Sale Assets

	2009	2008
	In million tenge	
Held by the Group		
Debt and other fixed-income instruments		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan		
Rated from BBB- to BBB+	955	964
- Corporate bonds		
Rated from BBB- to BBB+	-	377
Rated from BB- to BB+	59	-
Not rated	85	616
- Bank bonds		
Rated from BBB- to BBB+	340	-
Rated from BB- to BB+	-	634
Rated from B- to B+	-	101
Rated below B-	3	-
- Bonds of the Parent Company		
Not rated	96,166	-
- Equity investments		
Corporate shares	49	49
	97,657	**2,741**
Pledged under sale and repurchase agreements		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan		
Rated from BBB- to BBB+	526	121
- Corporate bonds		
Rated from BBB- to BBB+	-	359
Not rated	-	356
- Bank bonds		
Rated from BB- to BB+	-	483
	526	**1,319**

Fair value of the bonds of the Parent Company was determined using a market rate of 5.3% determined with reference to government securities having similar terms and credit risk.

Non-quoted debt securities

Included in available-for-sale assets are non-quoted debt securities as follows:

	2009	2008
	In million tenge	
Debt and other fixed-income instruments		
Corporate bonds	96,254	624

Equity investments included in available-for-sale assets are non-quoted equity securities carried at cost with total carrying value of KZT 49 million (2008: KZT 49 million), the fair value of which cannot be reliably determined. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

17. Property, Equipment and Intangible Assets

	Land and buildings	Computers	Vehicles	Construction in progress	Other	Intangible Assets	Total
				In million tenge			
Cost/revalued amount							
At 1 January 2008	16,235	2,076	559	5,332	8,252	1,727	34,181
Additions	4,065	619	1	46	1,787	422	6,940
Revaluation	(861)	-	-	-	-	-	(861)
Transfers	2,157	(1)	-	(2,722)	565	1	-
Disposals	(6)	(139)	(155)	-	(722)	(144)	(1,166)
At 31 December 2008	21,590	2,555	405	2,656	9,882	2,006	39,094
Additions	38	28	5	-	738	74	883
Revaluation	(7,446)	-	-	-	-	-	(7,446)
Transfers	223	7	-	(253)	23	-	-
Disposals	-	(10)	(41)	(399)	(313)	-	(763)
As at 31 December 2009	**14,405**	**2,580**	**369**	**2,004**	**10,330**	**2,080**	**31,768**
Depreciation/ amortisation							
At 1 January 2008	468	632	137	-	1,604	291	3,132
Depreciation and amortisation charge	487	515	59	-	1,646	326	3,033
Elimination of revaluation on disposal	(489)	-	-	-	-	-	(489)
Disposals	(1)	(134)	(49)	-	(452)	(143)	(779)
At 31 December 2008	465	1,013	147	-	2,798	474	4,897
Depreciation and amortisation charge	617	562	43	-	1,687	344	3,253
Transfers	(1)	2	-	-	(1)	-	-
Revaluation	(1,081)	-	-	-	-	-	(1,081)
Disposals	-	(9)	(18)	-	(286)	-	(313)
At 31 December 2009	**-**	**1,568**	**172**	**-**	**4,198**	**818**	**6,756**
Net book value							
At 1 January 2008	15,767	1,444	422	5,332	6,648	1,436	31,049
At 31 December 2008	21,125	1,542	258	2,656	7,084	1,532	34,197
At 31 December 2009	**14,405**	**1,012**	**197**	**2,004**	**6,132**	**1,262**	**25,012**

Revalued assets

At 31 December 2009 buildings are revalued based on the results of an independent appraisal performed by Sert LLC. The basis used for the appraisal is the market approach.

The carrying value of buildings as at 31 December 2009, if the buildings would not have been revalued, would be KZT 20,769 million (31 December 2008: KZT 21,123 million).

18. Other Assets

	2009	2008
	In million tenge	
Receivables from collection agencies	20,894	22,338
Prepayments and other debtors	13,683	2,048
Inventory	969	828
Tax settlements, other than income tax	726	1,024
Other services provided	467	555
Debtors for capital investments	415	604
Other transit accounts	74	72
Prepaid expenses	25	338
Other	1,018	775
Total other assets	**38,271**	**28,582**
Impairment allowance	(20,931)	(22,642)
	17,340	**5,940**

Analysis of Movements in the Impairment Allowance:

	2009	2008
	In million tenge	
Balance at the beginning of the year	(22,642)	(354)
Net recovery/(charge)	1,600	(22,533)
Transfers to loans to customers	-	221
Write-offs	111	24
Balance as at the end of the year	**(20,931)**	**(22,642)**

19. Current Accounts and Deposits from Customers

	2009	2008
	In million tenge	
Current accounts and demand deposits		
- Retail	5,281	6,859
- Corporate	64,853	18,507
Term deposits		
- Retail	44,829	78,467
- Corporate	36,327	75,342
Guarantee Deposits		
- Retail	1,507	5,680
- Corporate	979	4,189
	153,776	**189,044**

Concentrations of Current Accounts and Deposits from Customers

As at 31 December 2009 the Group had one customer whose balances exceed 10% of total customer accounts (2008: nil). This balance as at 31 December 2009 is KZT 69,625 million.

KZT 84,586 million of the current accounts and deposits from customers are originated with related parties (see note 33).

20. Loans from the Government of the Republic of Kazakhstan

	2009	2008
	In million tenge	
Loans from the Government of the Republic of Kazakhstan	22,592	4,432
Other loans	21	28
	22,613	**4,460**

21. Amounts Subject to Restructuring Plan as at 31 December 2009

As part of the Restructuring Plan summarised in note 2(e) creditors were given options in relation to how their claims are restructured. The allocation and reallocation of claims was carried out on 5 March 2010 based on the balance sheet, risk weighted assets and capital adequacy ratios of the Bank at 1 March 2010 and on the pro-forma figures after restructuring.

The amount due to the Parent Company was converted to KZT 129 billion by issuing ordinary shares of KZT 24 billion and converting the right of claim with respect to the bonds into preference shares of KZT 105 billion.

On 26 March 2010 USD 500 million in cash was paid out to creditors, senior and subordinated debts of KZT 125 billion and KZT 21 billion, respectively, were issued.

As part of the restructuring the Bank issued "recovery notes" with a reference amount of KZT 144 billion, which were allocated to creditors in accordance with the Restructuring Plan. The holders of the notes are entitled to receive a share of the proceeds of certain assets in excess of the amounts fixed on the balance sheet at 31 May 2009. Recoveries will be distributed in accordance with the criteria set out in the Restructuring Plan.

The Bank is establishing a reporting system to provide the information that is required by the terms of the recovery notes and will be in position to report to the holders of the recovery notes, the necessary information, in the future.

The following liabilities are subject to the terms of the Restructuring Plan as at 31 December 2009 (with 2008 corresponding amounts):

	2009	2008
	In million tenge	
Loans from banks		
– Loans with fixed interest rate		
Loans from OECD banks	64,075	63,222
Loans from non OECD banks	1,182	6,160
Total loans with fixed interest rate	**65,257**	**69,382**
– Loans with floating interest rate		
Loans from OECD banks	14,347	23,429
Loans from non OECD banks	4,117	7,417
Syndicated Loan Facility	46,132	37,415
Total loans with floating interest rate	**64,596**	**68,261**
Less unamortised portion	(217)	(327)
Vostro Accounts	11	61
	129,647	**137,377**
Loans from other financial institutions		
– Loans with fixed interest rate		
Loans from OECD banks	889	9,621
– Loans with floating interest rate		
Loans from OECD banks	46,627	27,506
Less unamortised portion	(1,684)	(1,386)
	45,832	**35,741**
Debt securities issued		
– Debt securities with fixed interest rate		
Nominal	340,233	274,202
Unamortised discount, net	(2,192)	(2,848)
	338,041	**271,354**
Accrued interest	22,238	15,230
	360,279	**286,584**
Subordinated Debt		
– Subordinated Debt with fixed coupon rate		
Nominal in KZT	46,917	41,801
Unamortised discount, net	(1,129)	(1,198)
	45,788	**40,603**
Accrued dividends attributed to preference shares	–	400
Accrued interest	2,406	757
	48,194	**41,760**
	105,000	**–**
Amount due to the Parent Company		
Other liabilities subject to Restructuring Plan		
– Swaps early terminated	32,001	–
– Letters of credit	13,110	–
– Guarantees	161	–
	45,272	–

During the year ended 31 December 2009, as the Group was undergoing a restructuring process, there were breaches of covenants on many of its debt liabilities.

22. Other Financing

	2009	2008
	In million tenge	
Loans with fixed interest rate	5,944	12,185
Loans with floating interest rate	10,795	17,797
Less unamortised portion of borrowing costs	(533)	(533)
	16,206	**29,449**

23. Special Provision for Guarantees

As at 31 December 2008, a special provision for guarantees was established to cover probable losses under guarantee contracts entered into from 2006 to 2008 with two brokerage

companies, which acted as custodians of treasury bills issued by the US Government (the "**treasury bills**"). The Group pledged treasury bills as guarantee for loans made by the two brokerage companies to companies registered in British Virgin Islands and Samoa (the "**offshore companies**").

The Group and its legal advisors, together with various regulatory arms of the Kazakhstan Government, are taking actions considered necessary to assess legal matters regarding the guarantee contracts and reduce the potential losses. However, due to the high level of uncertainty, the Group recorded a provision in the amount of KZT 136,972 million as at 31 December 2008 for estimated losses related to the guarantee transactions. The provision represents the total amount of the treasury bills given as guarantees.

In February and May 2009, the Group was informed that the offshore companies had defaulted on the payment of these loans and the custodians had consequently taken possession of the collateral in the form of the treasury bills. Consequently, the treasury bills were used to settle the guarantees as at 30 June 2009.

24. Other Liabilities

	2009	2008
	In million tenge	
Accrued interest on loans payable to the Parent Company	2,653	–
Other provisions	2,373	4,731
Taxes payable, other than income tax	1,005	1,175
Other transit accounts	303	404
Creditors for capital lease	252	153
Other	6,431	499
	13,017	**6,962**

25. Share Capital

As at 31 December 2009 and 2008, authorised share capital consisted of 15,000,000 and 11,537,500 ordinary shares with voting rights and 400,000 preference shares. All shares have a nominal value of KZT 10,000. As at 31 December 2009 and 2008 ordinary shares issued and outstanding consisted of 9,637,563.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

26. Loss Per Share

The calculation of loss per share as at 31 December 2009 is based upon the loss for the year and the number of ordinary shares issued according to the Restructuring Plan on 26 March 2010 (as detailed in note 2(e)) as this change occurred before the consolidated financial statements were auhtorised for issue. The number of new ordinary shares issued according to the Restructuring Plan was 20,000,000 and all previously issued ordinary shares were cancelled. Loss per share for the year ended 31 December 2008 was adjusted retrospectively.

The management determined that 3,000,000 convertible preference shares issued according to the Restructuring Plan in addition to ordinary shares do not have a dilutive effect as their conversion to ordinary shares would neither decrease earnings per share nor increase loss per share.

27. Risk Management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

(a) *Risk management policies and procedures*

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Service (Risk Department and Collateral Department) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors other financial and operational risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) *Market risk*

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprise currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Chairman of the Management Board. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division and subsequently agreed by the Board of Directors.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. There are monitored on a regular basis and reviewed and approved by the Management Board and Board of Directors.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

(c) ***Interest rate risk***

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of profit or loss and deficit to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2009 and 2008 is as follows:

	2009		2008	
	Profit or loss	Deficit	Profit or loss	Deficit
	In million tenge			
100 bp parallel fall	4,209	4,209	853	853
100 bp parallel rise	(4,209)	(4,209)	(853)	(853)

An analysis of sensitivity of profit or loss and deficit as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2009		2008	
	Profit or loss	Deficit	Profit or loss	Deficit
	In million tenge			
100 bp parallel fall	7,956	7,996	1,559	1,247
100 bp parallel rise	(7,285)	(7,323)	(1,559)	(1,247)

(d) ***Currency risk***

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency

are either greater or less than the liabilities in that currency. For further information on the exposure to currency risk at year end refer to note 37.

An analysis of sensitivity of profit or loss and deficit to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 10% change in USD, Euro and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2009		2008	
	Profit or loss	Deficit	Profit or loss	Deficit
	In million tenge			
10% appreciation of USD against KZT	(14,183)	(14,183)	(6,506)	(6,506)
10% appreciation of EUR against KZT	(12,856)	(12,856)	(6,309)	(6,309)
10% appreciation of other currencies against KZT	(10,368)	(10,368)	(5,693)	(5,693)

The effects resulting from a depreciation of USD, Euro and other currencies against KZT is the inverse of what is shown above.

(e) ***Price risk***

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and deficit to changes in securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 10% change in all securities prices is as follows:

	2009		2008	
	Profit or loss	Deficit	Profit or loss	Deficit
	In million tenge			
10% increase in securities prices	459	459	302	302
10% decrease in securities prices	(459)	(459)	(302)	(302)

(f) **Credit risk**

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- Procedures for review and approval of loan credit applications;
- Methodology for the credit assessment of borrowers (corporate and individuals);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Financing Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department's Credit Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and application data verification procedures developed together with the Risk Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

For the analysis of concentration of credit risk in respect of loans to customers refer to note 15.

The maximum exposure to off balance credit risk at the reporting date is presented in note 29.

(g) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position of the Group are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the NBRK. The Bank is in compliance with these ratios during the years ended 31 December 2009 and 2008.

The following tables show the undiscounted cash flows on financial liabilities on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liabilities. The expected cash flows on these financial liabilities can vary significantly from this analysis.

The liquidity position as at 31 December 2009 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total	Carrying amount
				In million tenge			
Financial liabilities							
Current accounts and deposits from customers	71,175	396	12,432	47,722	62,413	194,138	153,776
Loans from Government of the Republic of Kazakhstan	–	1,837	2,684	13,421	16,655	34,597	22,613
Amounts subject to Restructuring Plan	–	734,224	–	–	–	734,224	734,224
Other financing	949	1,670	7,392	7,188	–	17,199	16,206
Amounts payable under repurchase agreements	5,011	–	–	–	–	5,011	5,010
Financial liabilities at fair value through profit or loss	19	–	–	–	–	19	19
Other liabilities	8,733	–	–	–	–	8,733	8,733
Total financial liabilities	**85,887**	**738,127**	**22,508**	**68,331**	**79,068**	**993,921**	**940,581**

Amounts subject to the Restructuring Plan detailed in note 2(e) do not include any future interest as accrual of contractual interest on them was suspended.

28. Capital Management

The NBRK sets and FMSA monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation of Republic of Kazakhstan as capital for credit institutions. Under the current capital requirements set by the NBRK the Bank has to maintain statutory capital ratios (ratios of capital to total assets and commitments, less equity investments (K1) and to risk weighted assets (K2)) above the prescribed minimum level. As at 31 December 2009, this minimum level is 6% for K1 and 12% for K2. Both ratios were negative and the Bank was not in compliance with the statutory capital ratios during the years ended 31 December 2009 and 31 December 2008.

Capital as calculated in accordance with Basle Accord.

	2009	2008
		Unaudited
	In million tenge	
Tier 1 capital	**(505,228)**	**(211,055)**
Tier 2 capital	**19,396**	**21,293**

Capital as calculated in accordance with NBRK requirements.

	2009	2008
		Unaudited
	In million tenge	
Capital K1	**(448,023)**	**171,807**
Capital K2	**(448,023)**	**191,636**

Tier 1 capital calculated in accordance with the requirements of the Basle Accord, as at 31 December 2009 and 31 December 2008 was negative.

As a result of the matters discussed in note 2(e) the Bank entered a Restructuring Plan which was approved by FMSA in order to ensure future compliance with capital adequacy requirements.

29. Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2009	2008
		Unaudited
	In million tenge	
Contracted amount		
Commitments on loans and unused credit lines	101,659	126,491
Guarantees issued and similar commitments	7,477	12,927
Letters of credit and other transaction related contingent obligations	4,534	20,622
Pledge of the treasury bills (notes 14, 23)	–	136,972
	113,670	**297,012**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

30. Operating Leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

	2009	2008
	In million tenge	
Less than 1 year	347	939
Between 1 and 5 years	556	1,559
More than 5 years	87	277
	990	**2,775**

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During 2009 KZT 876 million is recognised as an expense in profit or loss in respect of operating leases (2008: KZT 1,591 million).

31. Contingencies

(a) *Insurance*

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) *Litigation*

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such

actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Management is unaware of any significant actual, pending or threatened claims against the Group.

(c) ***Taxation contingencies***

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) ***Restructuring***

As a result of the matters discussed in note 2(e) the Bank is required to fulfil certain obligations under the Restructuring Plan.

32. Funds Management, Trust and Custody Activities

(a) ***Funds management and trust activities***

The Group provides trust services to individuals, trusts, retirement benefit plans and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets are not assets of the Group and are not recognised in the consolidated statement of financial position. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

(b) ***Custody activities***

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

33. Related Party Transactions

(a) ***Control relationships***

The Bank's parent company is the Sovereign Wealth Fund "Samruk-Kazyna" JSC. The party with ultimate control over the Bank is the Government of the Republic of Kazakhstan.

Publicly available financial statements are produced by the Parent Company, however, no publicly available financial statements are produced by the ultimate controlling party.

(b) ***Transactions with the members of the Board of Directors and the Management Board***

Total remuneration included in personnel expenses (refer to note 10):

	2009	2008
	In million tenge	
Members of the Board of Directors	81	19
Members of the Management Board	205	152
	286	**171**

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

(c) ***Transactions with other related parties***

Other related parties include Parent Company and other state companies and organisations. The outsta
interest rates as at 31 December 2009 and related profit or loss amounts of transactions for the yea
related parties are as follows:

	Parent company		Other state companies and organisations		Fellow subsidiaries		C
	In million tenge	Average interest rate *%*	*In million tenge*	Average interest rate *%*	*In million tenge*	Average interest rate *%*	*In*
Statement of financial position							
ASSETS							
Cash and cash equivalents	-	-	6,229	-	-	-	
Financial instruments at fair value through profit or loss ..	-	-	7,969	-	-	-	
Available-for-sale assets	96,166	4.00	955	6.40	-	-	
Loans to customers					1,009	10.00	
- Principal balance.....	-	-	-	-	1,030	-	
- Provision for impairment.....	-	-	-	-	(21)	-	
Other assets	-	-	1,640	-	2	-	
LIABILITIES							
Current accounts and deposits from customers	70,449	4.80	-	-	13,815	2.26-7.96	
Loans from the Government of the Republic of Kazakhstan..	-	-	22	4.00	22,591	8.22	
Amount due to Parent Company.....	105,000	9.00	-	-	-	-	
Amounts payable under repurchase agreements.....	-	-	5,010	0.90	-	-	
Other liabilities.....	2,653	-	984	-	28	-	
Off balance sheet items.....							
Guarantees.....	-	-	-	-	56	0.01	
Profit/(loss)							
Interest income.....	3,284	-	-	-	77	-	
Interest expense.....	(10,814)	-	(282)	-	(2,172)	-	
Fee and commission expense...	-	-	-	-	-	-	
Net loss on available-for-sale assets.....	(5)	-	-	-	-	-	
Net loss on foreign exchange operations.....	-	-	-	-	(24)	-	
Impairment loss.....	-	-	-	-	(669)	-	
General administrative expenses.....	-	-	(1,990)	-	(504)	-	

The outstanding balances and the related average interest rates as at 31 December 2008 and related profit or loss amounts of transactions for the year ended 31 December 2008 with other related parties are as follows:

	Former Parent company Seimar Alliance Financial Corporation		Other		Total
		Average interest rate		Average interest rate	
	In million tenge	*%*	*In million tenge*	*%*	*In million tenge*
Statement of financial position					
ASSETS					
Placements with banks	-	-	873	11.90	873
Loans to customers	-	-	49,299	14.83	49,299
Available for sale assets	-	-	37	-	37
Other assets	-	-	227	-	227
LIABILITIES					
Current accounts and deposits from customers	3,909	10.77	12,668	10.22	16,577
Loans from banks	-	-	54	-	54
Loans from other financial institutions	-	-	4,216	-	4,216
Off balance sheet items					
Contingent liabilities	1	-	35,785	-	35,786
Profit/(loss)					
Interest income	-	-	9,087	-	9,087
Interest expense	(1,439)	-	(126)	-	(1,565)
Impairment loss	(1)	-	(154,094)	-	(154,095)
Fee and commission income	15	-	8,793	-	8,808
Fee and commission expense	(2,151)	-	(21,732)	-	(23,883)
Net gain on foreign exchange operations	648	-	856	-	1,504
Other operating expenses	(92)	-	(870)	-	(962)

34. Segment Reporting

The Group's primary format for reporting segment is business.

The Group, prior to February 2009, was organised on the basis of three main business segments: retail banking, corporate banking and investment banking. As a result of the events in early 2009 and subsequently, the Chief Operating Decision Maker determined that the previous operating segments did not provide appropriate information to decide how to allocate resources in a way that would enable the Chief Operating Decision Maker to focus on the Group's primary objective during 2009, which was to work with the Creditors Committee and the Parent Company in restructuring its debt.

The Chief Operating Decision Maker suspended reporting by business segment and requested specific information required in order to ensure the restructuring would take place. Following the restructuring, the reportable segments of the Group will change. The system changes necessary to provide relevant information are currently being implemented.

Accordingly as business segment information was not presented to or used by the Chief Operating Decision Maker for most of the year ended December 2009, management has not presented business segment information.

35. Fair value of Financial Instruments

(a) *Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy note 3(e)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The estimated fair values of all financial instruments except for loans to customers approximates their carrying values. As at 31 December 2009 the total fair value of loans to

customers was KZT 171,497 million (2008: KZT 383,443 million). It was not practicable to determine fair values of liabilities subject to Restructuring Plan due to a significant range of different settlement options.

(b) ***Valuation of financial instruments***

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered as less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting in an arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value as at 31 December 2009, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1	Level 2	Level 3	Total
			In million tenge		
Assets					
Financial instruments at fair value through profit or loss	14	–	10,537	5,832	16,369
Available for sale assets	16	–	1,201	96,456	97,657
Liabilities					
Financial instruments at fair value through profit or loss	14	–	(19)	–	(19)
		–	**11,719**	**102,288**	**114,007**

The available-for-sale assets with fair values determined using valuation techniques that use observable inputs are classified into Level 2. Observable inputs include transaction prices in markets that are active for similar, but not identical, instruments and transaction prices in markets that are not active for identical instruments. Although all the instruments are listed in Kazakhstan stock exchange, management believes that the market for these identical instruments is not active.

The Group applies discounted cash flow methodology in respect of valuation of impaired available-for-sale assets and available-for-sale assets for which fair values cannot be determined based on observable market inputs.

For impaired debt securities cash flow projections were based on publicly available information on expected post-restructuring payoff schedule for each respective type of securities. Assumptions on discount rates were made based on issuers' credit risk premiums implied by market quotes of the issues on which the trades were not suspended.

Certain available-for-sale assets that do not have observable market prices and cannot be valued based on observable market inputs were also valued applying discounted cash flow methodology. Cash flow projections for these securities were derived from contractual payment schedules. Assumptions regarding discount rates were made based on quoted prices in active markets of similar instruments of an issuer with adjacent credit rating adjusted to the difference in credit ratings.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Available for sale assets	Financial instruments at fair value through profit or loss
	In million tenge	
Balance as at 1 January	–	4,904
Profit or loss	–	928
Purchases	96,368	–
Transfer from Level 2	88	–
Balance at 31 December	**96,456**	**5,832**

Sensitivity analysis

The discounted cash flow technique is often used by participants to price financial instruments with no observable market data. However this technique is subject to inherent limitations, such as estimation of the appropriate risk adjusted discount rate, and different assumptions and inputs would yield different results.

Model inputs and values are calibrated against historical data and published forecast and, where possible, against current or recent observed transactions. This process is inherently subjective as different input sources may imply different levels of expected losses and discount rates.

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing assumed discount rates used to reasonably possible alternative assumptions would have the following effects:

	Effect on profit or loss		Effect on other comprehensive income	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
	In million tenge			
Available for sale assets	–	–	9,152	(7,898)
Financial instruments at fair value through profit or loss	80	(77)	80	(77)

36. Maturity Analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2009.

	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity	Overdue	Total
	In million tenge							
ASSETS								
Cash and cash equivalents	15,388	–	–	–	–	–	–	15,388
Placements with banks	1,035	403	569	–	695	–	–	2,702
Financial instruments at fair value through profit or loss	–	16,369	–	–	–	–	–	16,369
Loans to customers	875	470	3,522	81,227	16,155	–	141,458	243,707
Available for sale assets	227	96,250	–	1,131	–	49	–	97,657
Total financial assets	**17,525**	**113,492**	**4,091**	**82,358**	**16,850**	**49**	**141,458**	**375,823**
LIABILITIES								
Current accounts and deposits from customers	72,980	740	11,807	38,226	30,023	–	–	153,776
Loans from the Government of the Republic of Kazakhstan	–	–	–	2,196	20,417	–	–	22,613
Loans from banks	7	129,640	–	–	–	–	–	129,647
Loans from other financial institutions	–	45,832	–	–	–	–	–	45,832
Debt securities issued	–	360,279	–	–	–	–	–	360,279
Subordinated debt	–	26,878	–	18,530	–	–	2,786	48,194
Amount due to the Parent Company	–	105,000	–	–	–	–	–	105,000
Other liabilities subject to Restructuring Plan	–	45,272	–	–	–	–	–	45,272
Other financing	–	16,206	–	–	–	–	–	16,206
Amounts payable under repurchase agreements	5,010	–	–	–	–	–	–	5,010
Financial instruments at fair value through profit or loss	19	–	–	–	–	–	–	19
Other liabilities	2,905	–	–		–	–	5,828	8,733
Total financial liabilities	**80,921**	**729,847**	**11,807**	**58,952**	**50,440**	–	**8,614**	**940,581**
Net position as at 31 December 2009	**(63,396)**	**(616,355)**	**(7,716)**	**23,406**	**(33,590)**	**49**	**132,844**	**(564,758)**
Net position as at 31 December 2008	(490,683)	8,278	131,368	(8,276)	99,868	–	–	(259,445)
Cumulative net position as at 31 December 2009	**(63,396)**	**(679,751)**	**(687,467)**	**(664,061)**	**(697,651)**	–	–	
Cumulative net position as at 31 December 2008	(490,683)	(482,405)	(351,037)	(359,313)	(259,445)	–	–	

The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments. The table above reflects the position prior to the restructuring and recapitalisation, which was completed on 26 March 2010. Overdue amounts of loans to customers include only portion of loans that are contractually overdue.

37. Currency Analysis

The following table shows the currency structure of assets and liabilities at 31 December 2009:

	KZT	USD	EUR	Other currencies	Total
			In million tenge		
ASSETS					
Cash and cash equivalents	12,233	1,810	1,216	129	15,388
Placements with banks	–	2,540	80	82	2,702
Financial instruments at fair value through profit or loss	10,323	5,831	215	–	16,369
Loans to customers	114,582	123,938	5,034	153	243,707
Available for sale assets	97,657	–	–	–	97,657
Total financial assets	**234,795**	**134,119**	**6,545**	**364**	**375,823**
LIABILITIES					
Current accounts and deposits from customers	135,794	14,763	3,098	121	153,776
Loans from the Government of the Republic of Kazakhstan	22,613	–	–	–	22,613
Loans from banks	23,073	72,507	2,677	31,390	129,647
Loans from other financial institutions	–	14,346	–	31,486	45,832
Debt securities issues	22,527	109,314	161,476	66,962	360,279
Subordinated debt	15,027	33,167	–	–	48,194
Amount dut to the Parent Company	105,000	–	–	–	105,000
Other liabilities subject to Restructuring Plan	–	45,272	–	–	45,272
Other financing	–	16,206	–	–	16,206
Amounts payable under repurchase agreements	5,010	–	–	–	5,010
Financial instruments at fair value through profit or loss	19	–	–	–	19
Other liabilities	2,898	5,835	–	–	8,733
Total financial liabilities	**331,961**	**311,410**	**167,251**	**129,959**	**940,581**
Net on and off balance sheet positions as at 31 December 2009	**(97,166)**	**(177,291)**	**(160,706)**	**(129,595)**	**(564,758)**
Net on and off balance sheet positions as at 31 December 2008	1,382	(92,949)	(90,132)	(81,333)	(263,032)

38. Subsequent Events

As discussed in note 2(e), on 26 March 2010 the Bank started distribution of cash, new notes and equity to the claimants in accordance with the Allocation and Reallocation of Entitlements between Restructuring Options as detailed in the Restructuring Plan. The distribution of cash, new notes and equity to creditors was substantially completed on 30 March 2010. Following the completion of the restructuring process, the Parent Company owned 67% and the creditors - 33% of voting shares.

JOINT STOCK COMPANY
ALLIANCE BANK

Consolidated Financial Statements
for the Year Ended 31 December 2008

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages F-66 to F-68, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company ("**JSC**") Alliance Bank and its subsidiaries (the "**Group**").

Management of the Group is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2008, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("**IFRS**").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS has been followed; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The global financial crisis has significantly affected the banking sector of Kazakhstan. Deteriorating economic conditions around the globe accompanied by large exposures entered into by the Group (aggressive growth policy followed by the issuance of significant guarantees and loans to related parties), before the appointment of the current management team, resulted in the Group incurring significant losses and to a rapidly deteriorating financial position. In particular, during the first half of 2009 the extent of the difficulties became apparent and certain strategies were developed to cope with the worsening financial situation. The Group has defaulted on certain of its liabilities and has entered into negotiations with its creditors in an attempt to restructure its liabilities. Successful completion of the restructuring negotiations is a critical first step in the Group's efforts to extricate itself from its current financial position. The Group will also need to receive substantial Kazakhstan Government support through the Government owned Joint Stock Company "Sovereign Welth Fund "Samruk-Kazyna" ("**Samruk-Kazyna**").

In addition, the Government launched several initiatives to stabilize the economy of Kazakhstan. The Group actively participates in those Kazakhstan Government programs that provide additional funding to minimize the impact of the global financial crisis. Management expects that the Group will continue to rely on and utilize such facilities for the foreseeable future.

Management is taking what it considers to be appropriate steps to implement measures, which it believes will enhance its internal control as well as return the Group to profitable operations and a sound financial position. The consolidated financial statements for the year ended 31 December 2008 were authorized for issue on 31 July 2009 by the Management Board of the Bank.

On behalf of the Management Board of the Bank:

_____	_____
Dauletkhanov K.K.	**Zhakanbayev R.S.**
Chief Financial Officer	**Chief Accountant**
31 July 2009	31 July 2009
Almaty, Kazakhstan	Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Alliance Bank:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Alliance Bank and its subsidiaries (together, the "**Group**"), which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. Except as discussed in the basis for qualified opinion paragraphs below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualified Opinion – Financial Guarantees and Pledges

As discussed in Note 30, the Group has recorded a liability at 31 December 2008 for the fulfillment of certain guarantees in the amount of KZT 136,972 million. These guarantees were not recorded in the books or records of the Group at the time of their issuance and there is no evidence that the guarantees were appropriately authorized by the Board of Directors. Owing to the nature of the Group's records, we were unable to satisfy ourselves as to the completeness of guarantees or similar pledges made by, or on behalf of, the Group as at 31 December 2008 and 2007.

Qualified Opinion – Related Parties

As discussed in Notes 1 and 34, the Group has information that indicates that certain customers and counterparties may not have been properly identified as related parties. The Group was unable to obtain appropriate evidence as to whether these entities are related parties as at 31 December 2008 and 2007. In the accompanying consolidated financial statements, the Group has not presented corresponding related parties disclosures for the year ended 31 December 2007. Owing to this uncertainty and the omission of corresponding related parties disclosures for the year ended 31 December 2007, we were unable to satisfy ourselves as to the completeness or accuracy of such disclosures, and their associated tax effects, if any.

Qualified Opinion – Property, equipment and intangible assets

As discussed in Note 3 to the consolidated financial statements, in accordance with the Group's accounting policy, certain land and buildings included in property, equipment and intangible assets are carried at revalued amounts. These revaluations should be made with sufficient regularity to ensure that the carrying amount of property and equipment does not differ materially from the values which would be determined using the fair value at the balance sheet date. In addition, when an item of property, equipment and intangible assets is revalued, the entire class of assets to which it belongs should also be revalued. During the year ended 31 December 2008, the Group performed a valuation of certain land and buildings, however not all material assets within land and buildings were revalued. As a result, we were unable to obtain sufficient appropriate audit evidence to conclude that there is no significant difference between the carrying amount and fair value of land and buildings included within property, equipment and intangible assets. Therefore, we have been unable to satisfy ourselves as to the appropriateness and accuracy of the carrying amounts of property, equipment and intangible assets in the amount of KZT 34,197 million, the revaluation reserve balances in the amount of KZT 2,023 million and the related depreciation and amortization expense in the amount of KZT 3,033 million as at 31 December 2008 and for the year then ended.

Qualified Opinion – Derivative liabilities

As discussed in Notes 14 and 15, the Group has entered into derivative financial instruments in the form of credit default cross currency swaps. The Group was not able to estimate the fair value of this derivative liability as at 31 December 2008. As at 31 December 2008, we have estimated that the fair value of such derivative liability was understated by KZT 5,250 million. Accordingly, financial liabilities at fair value through profit or loss should be increased by KZT 5,250 million to KZT 55,418 million, the net loss on operations with financial assets at fair value through profit or loss should be increased by KZT 5,250 million to KZT 38,132 million and the Net loss and Accumulated deficit should each be increased by KZT 5,250 million to KZT 391,460 million and KZT 232,430 million, respectively.

Qualified Audit Opinion

In our opinion, except for the effects of the adjustment related to the derivative liabilities, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the completeness of guarantees, pledges, related parties disclosures, and their associated tax effects, if any, and the valuation of land and buildings within property, equipment and intangible assets, revaluation reserve balances and depreciation expense related to land and buildings, referred to above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group and its subsidiaries as at 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

Without further qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Group incurred a net loss amounting to KZT 386,210 million for the year ended 31 December 2008 and, as of that date, the Group's liabilities exceeded its total assets by KZT 227,180 million. As discussed in Note 1, on 21 July 2009, the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations approved the Group's indicative restructuring and recapitalization plan. The indicative plan is set out in the non-binding Memorandum of Understanding entered into by the Group with the Creditors' Steering Committee dated 6 July 2009 to restructure its financial indebtedness and the Intention Agreement signed on 14 July 2009 between the Group and Samruk-Kazyna for the conversion of Samruk-Kazyna deposits of KZT 24,000 million into equity and a further KZT 105,000 million to be provided by converting bonds of the Bank held by Samruk-Kazyna to preferred shares. There is no assurance that any debt restructuring plan will be successfully consummated. Furthermore, the Group is dependent on the continuing support of the Government the Republic of Kazakhstan and the successful implementation of the Group's business plan which also cannot be assured. These conditions, together with other matters described in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Emphasis of Matter – Corresponding Figures

Without further qualifying our opinion, we draw attention to Notes 30 and 34 in the financial statements which indicate that certain corresponding figures relating to guarantees and related parties, respectively, were omitted in the previously issued financial statements for the year ended 31 December 2007. Corresponding figures relating to guarantees have been updated in the consolidated financial statements to the extent that management have been able to verify such arrangements. As noted above, no corresponding figures for related parties disclosures have been provided.

Arman Chingilbayev
Engagement Partner
Qualified auditor
Qualification certificate №0000487,
Republic of Kazakhstan

Deloitte, LLP
Audit license for Republic of Kazakhstan
№0000015, type MFU - 2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

31 July 2009
Almaty

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008
(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	4, 34	163,488	181,768
Interest expense	4, 34	(100,677)	(92,889)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	4	62,811	88,879
Provision for impairment losses on interest bearing assets	5, 34	(242,273)	(25,571)
NET INTEREST (LOSS)/INCOME		(179,462)	63,308
Net (loss)/gain on financial assets at fair value through profit or loss	6	(32,882)	14,792
Net gain on repurchase of liabilities	28	3,712	5,733
Net (loss)/ gain on investments available-for-sale		(1)	108
Net gain/(loss) on foreign exchange transactions	7, 34	15,564	(9,474)
Fee and commission income	8, 34	12,817	12,629
Fee and commission expense	8, 34	(24,584)	(10,508)
Special provision for guarantees	5	(136,972)	—
(Provision)/recovery of provision for impairment losses on other transactions	5, 34	(27,175)	79
Other income	9, 34	4,316	2,323
NET NON-INTEREST (LOSS)/INCOME		(185,205)	15,682
OPERATING (LOSS)/INCOME		(364,667)	78,990
OPERATING EXPENSES	10, 34	(21,889)	(22,401)
(LOSS)/PROFIT BEFORE INCOME TAX		(386,556)	56,589
Income tax benefit/(expense)	11	346	(13,906)
NET (LOSS)/PROFIT		(386,210)	42,683
Attributable to:			
Preference shareholders		—	1,512
Ordinary shareholders of the parent		(386,210)	41,171
(LOSS)/EARNINGS PER SHARE Basic and diluted (KZT)	12	(40,073.67)	4,780.19

On behalf of the Management Board of the Bank:

Dauletkhanov K.K.
Chief Financial Officer

31 July 2009
Almaty, Kazakhstan

Zhakanbayev R.S.
Chief Accountant

31 July 2009
Almaty, Kazakhstan

The notes on pages F74 to F-144 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2008
(in Kazakhstani tenge and in millions)

	Notes	31 December 2008	31 December 2007
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	13	21,217	69,795
Financial assets at fair value through profit or loss	14	201,973	179,620
Due from banks	15, 34	45,956	37,079
Loans to customers, net of allowance	16, 34	433,475	819,194
Reverse repurchase agreements	17	132	-
Investments available-for-sale	18, 34	2,741	3,057
Current income tax assets		2,677	-
Other assets	20, 34	5,940	21,137
Property, equipment and intangible assets	19	34,197	31,049
TOTAL ASSETS		748,308	1,160,931
LIABILITIES AND (DEFICIT)/EQUITY			
LIABILITIES:			
Due to the National Bank of the Republic of Kazakhstan	21	15,026	5,569
Financial liabilities at fair value through profit or loss	22	50,168	6,280
Due to banks	23, 34	137,377	292,565
Due to other financial institutions	24	35,741	48,533
Other financing	25	29,449	31,051
Customer accounts	26, 34	193,504	241,817
Repurchase agreements	27	41,945	6,357
Debt securities issued	28	286,584	328,265
Deferred income tax liabilities	11	-	1,554
Current income tax liabilities		-	1,860
Other liabilities	29, 34	6,962	3,307
Special provision for guarantees	30	136,972	-
Subordinated debt	31	41,760	34,798
TOTAL LIABILITIES		975,488	1,001,956
(DEFICIT)/EQUITY:			
Share capital	32	96,380	96,380
Additional paid-in-capital		1,222	1,222
Investments available-for-sale fair value reserve		(29)	(33)
Property and equipment revaluation reserve		2,023	2,109
(Accumulated deficit)/retained earnings		(326,776)	59,297
TOTAL (DEFICIT)/EQUITY		(227,180)	158,975
TOTAL LIABILITIES AND (DEFICIT)/EQUITY		748,308	1,160,931

On behalf of the Management Board of the Bank:

Dauletkhanov K.K.
Chief Financial Officer

31 July 2009
Almaty, Kazakhstan

Zhakanbayev R.S.
Chief Accountant

31 July 2009
Almaty, Kazakhstan

The notes on pages F-74 to F-144 are an integral part of these consolidated financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

(in Kazakhstani tenge and in millions)

	Share capital	Additional paid-in-capital	Investments available-for-sale fair value reserve	Property and equipment revaluation reserve	(Accumulated/deficit)/ retained earnings	Total (deficit)/ equity
31 December 2006	60,013	1,222	80	2,255	16,468	80,038
Depreciation of property and equipment revaluation reserve	-	-	-	(146)	146	-
Loss transferred to income statement on sale of investments available-for-sale	-	-	2	-	-	2
Unrealized losses on revaluation of investments available-for-sale	-	-	(115)	-	-	(115)
Net (loss)/ income recognized directly in equity	-	-	(113)	(146)	146	(113)
Net profit	-	-	-	-	42,683	42,683
Total recognized income and expense	-	-	(113)	(146)	42,829	42,570
Issue of ordinary share capital	36,367	-	-	-	-	36,367
31 December 2007	96,380	1,222	(33)	2,109	59,297	158,975
Depreciation of property and equipment revaluation reserve	-	-	-	(137)	137	-
Revaluation of property and equipment	-	-	-	(359)	-	(359)
Change in deferred tax on revaluation of property and equipment	-	-	-	410	-	410
Loss transferred to income statement on sale of investments available-for-sale	-	-	(1)	-	-	(1)
Unrealized gains on revaluation of investments available-for-sale	-	-	5	-	-	5
Net income/(loss) recognized directly in equity	-	-	4	(86)	137	55
Net loss	-	-	-	-	(386,210)	(386,210)
Total recognized income and expense	-	-	4	(86)	(386,073)	(386,155)
31 December 2008	96,380	1,222	(29)	2,023	(326,776)	(227,180)

On behalf of the Management Board of the Bank:

Dauletkhanov K.K.
Chief Financial Officer

31 July 2009
Almaty, Kazakhstan

Zhakanbayev R.S.
Chief Accountant

31 July 2009
Almaty, Kazakhstan

The notes on pages F-74 to F-144 are an integral part of these consolidated financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before income tax		(386,556)	56,589
Adjustments for:			
Provision for impairment losses on interest bearing assets	5	242,273	25,571
Special provision for guarantees	5	136,972	-
Provision/(recovery of provision) for impairment losses on other transactions	5	27,175	(79)
Unrealized loss/(gain) on derivative financial instruments		33,664	(12,020)
Unrealized loss/(gain) on securities and amortization of premiums		3,917	(2,439)
Amortization of discount on issued securities		515	452
Gains on sales of investments available-for-sale		-	(108)
Net gain on derecognition of liabilities		(3,712)	(5,733)
Depreciation and amortization	10	3,033	2,238
Changes in interest accruals, net		(20,328)	8,865
Net gain on disposal of property and equipment		-	(30)
Unrealized (gain)/ loss on foreign exchange transactions	7	(13,989)	10,748
Other non-cash items		423	215
Cash inflow from operating activities before changes in operating assets and liabilities		23,387	84,269
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		28,348	(36,385)
Due from banks		26,850	(29,401)
Loans to customers		158,486	(230,201)
Reverse repurchase agreements		(132)	18,075
Other assets		(7,220)	(11,275)
Due to the National Bank of the Republic of Kazakhstan		9,431	3,569
Financial liabilities at fair value through profit or loss		(27,019)	6,262
Due to banks		(156,731)	(24,195)
Due to other financial institutions		(17,832)	24,515
Other financing		(1,547)	6,104
Customer accounts		(47,945)	(1,702)
Repurchase agreements		35,560	(38,008)
Other liabilities		(986)	(130)
Net cash inflow/(outflow) from operating activities before taxation		22,650	(228,503)
Income tax paid		(5,743)	(12,504)
Net cash inflow/(outflow) from operating activities		16,907	(241,007)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2008

(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	19	(6,940)	(20,624)
Proceeds from sale of property and equipment		386	149
Proceeds from sale of non-current assets held for sale		-	793
Proceeds from sale of investments available-for-sale		309	2,197
Proceeds from maturity of investments held-to-maturity		-	43
Net cash outflow from investing activities		(6,245)	(17,442)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of ordinary share capital		-	36,367
Proceeds from debt securities sale		-	198,572
Repayment of debt securities issued		(19,131)	-
Repurchase of debt securities issued		(12,886)	(22,293)
Proceeds from subordinated debt issued		6,589	1,206
Net cash (outflow)/inflow from financing activities		(25,428)	213,852
Effect of changes in foreign exchange rate on cash and cash equivalents		2,114	1,395
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,652)	(43,202)
CASH AND CASH EQUIVALENTS, beginning of year	13	73,507	116,709
CASH AND CASH EQUIVALENTS, end of year	13	60,855	73,507

SUPPLEMENTARY INFORMATION:

Interest received and paid by the Group during the year ended 31 December 2008 amounted to KZT 148,028 million and KZT 95,808 million, respectively.

Interest received and paid by the Group during the year ended 31 December 2007 amounted to KZT 175,650 million and KZT 77,906 million, respectively.

On behalf of the Management Board of the Bank:

Dauletkhanov K.K.	**Zhakanbayev R.S.**
Chief Financial Officer	**Chief Accountant**
31 July 2009	31 July 2009
Almaty, Kazakhstan	Almaty, Kazakhstan

The notes on pages F-74 to F-144 are an integral part of these consolidated financial statements.

1. ORGANISATION AND DEVELOPMENT

Joint Stock Company ("**JSC**") Alliance Bank (the "**Bank**") was incorporated in the Republic of Kazakhstan in 1999 under the name of Open Joint Stock Company ("**OJSC**") Irtyshbusinessbank as a result of a merger of OJSC Semipalatinsk Municipal Joint Stock Bank and OJSC Irtyshbusinessbank. In accordance with a decision made by the Bank's shareholders, Alliance Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 Alliance Bank was re-registered as Joint Stock Company Alliance Bank.

The registered address of JSC Alliance Bank's Head Office is 50, Furmanov St., 050004, Almaty, the Republic of Kazakhstan. JSC Alliance Bank's activity is regulated by the National Bank of the Republic of Kazakhstan ("**NBRK**") and the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations ("**FMSA**"). JSC Alliance Bank conducts its business under the license No. 250 issued by the FMSA on 24 January 2006 for performing operations in Kazakhstani Tenge ("**KZT**" or "**tenge**") and foreign currencies stipulated by the banking legislation.

JSC Alliance Bank's primary business is related to commercial banking activity, originating loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

Alliance Bank is a member of the Kazakhstan Deposits Insurance Fund ("**KDIF**"). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a member-bank. Depositors can receive limited insurance coverage for the deposit, which represents a maximum of KZT 5,000,000 per deposit, depending on the amount of the deposit.

As at 31 December 2008, JSC Alliance Bank had 21 branches, 176 cash offices in the Republic of Kazakhstan, number of employees 3,819 (as at 31 December 2007 - 24 branches, 199 cash offices number of employees 5,807).

JSC Alliance Bank is the parent company of a banking group (together, the "**Group**") which consists of the following subsidiaries consolidated in the financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights	Type of operation
ALB Finance B.V.	The Netherlands	100%	Raising funds on international capital markets
LLP Alliance Finance	Russian Federation	100%	Raising funds on Russian capital markets

ALB Finance B.V. is a limited liability partnership ("**B.V.**") and operates under laws of The Netherlands since October 2005. The company was established for the primary purpose of raising funds for the Bank in international capital markets.

LLP Alliance Finance is a limited liability partnership and operates under laws of the Russian Federation since June 2007. The company was established for the primary purpose of raising funds for the Bank in the Russian capital market.

The following shareholders individually owned more than 5% of the issued shares:

Shareholders	31 December 2008	31 December 2007
	%	
Ultimate shareholders:		
Margulan Seisembayev	23.03	18.93
Erlan Seisembayev	23.03	18.93
Askar Galin	23.02	18.93
Total ultimate shareholders	69.08	56.79
Others (individually hold less than 5%)	30.92	43.21
Total	**100.00**	**100.00**

The interest of Margulan Seisembayev, Erlan Seisembayev and Askar Galin are held through Seimar Alliance Financial Corporation ("**SAFC**").

These consolidated financial statements were authorized for issue by the Management Board of the Group on 31 July 2009.

The Group is facing a number of significant risks and uncertainties, which might have material implications on business operations.

Going concern assessment

The Group have prepared the consolidated financial statements as at and for the year ended 31 December 2008 on a going concern basis, although it is aware of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. These uncertainties have resulted from:

- a significant deterioration in the quality of the customer loan portfolio during 2008, and subsequently (see Note 16);
- the discovery of off-balance sheet guarantees and pledges which have resulted in a charge to the consolidated income statement for the year ended 31 December 2008 of KZT 136,972 million (see Note 30);
- the incomplete investigation to determine whether all off-balance sheet guarantees and pledge transactions have been accounted for (see Note 30);
- the identification of a substantial number of possible related party transactions and balances as at and for the year ended 31 December 2008, which has resulted in a provision for loan losses to the consolidated income statement for the year ended 31 December 2008 of KZT 131,776 million (see Notes 16 and 34);
- the identification of such possible related party transactions and balances, if subsequently corroborated, could necessitate the recording of associated tax effects, if applicable (see Note 34);
- a loss for the year ended 31 December 2008 of KZT 386,210 million and deficiency in shareholders' equity of KZT 227,180 million;
- a breach of debt covenants, the resulting acceleration of debt payments, the consequential default on loan payments of KZT 490,489 million and the absence of access to alternative adequate funding sources (see Note 40);
- unrealized losses on derivatives as at 31 December 2008 of KZT 33,663 million (see Note 6) and realized losses on derivatives subsequent to the balance sheet date up to the date of this report on early termination of certain cross currency swaps of KZT 59 billion (see Note 40); and

- the devaluation of the Kazakhstan Tenge on 4 February 2009 which increased the non-performing rate on customer loans and increased the Group's difficulty in repaying foreign currency debt (see Note 40).

As a result of the circumstances and uncertainties described above, the Group faces a very difficult financial situation, in which it is attempting to restructure its external debt, convert the Samruk-Kazyna funding to equity, and successfully implement its new business plan. Successful completion of restructuring plans, recapitalization and adoption of a new business model are seen by the Management of the Group as the only alternatives to operate the business, to comply with local regulatory requirements and, as a consequence, to continue on a going concern basis. Please see the overview below and Note 40 for a more detailed description of the funding received subsequent to year-end by the Group as well as the various restructuring options.

In early 2009, the Group made fundamental changes in its management resulting in the replacement of the Board of Directors, chairman, deputy chairman, chief financial officer and several other managers. In addition, the Kazakhstan Government have taken actions in order to assist the Group to continue on a going concern basis by providing access to special lines of credit and term deposits.

On 6 July 2009, a Memorandum of Understanding was concluded between the Bank, members of the Creditors committee: Asian Development Bank, Calyon, Commerzbank Aktiengesellschaft, DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, HSBC Bank plc, ING Asia Private Bank Limited, JP Morgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation Europe Limited and Wachovia Bank N.A. (hereinafter referred to as "**Creditors Committee**") (the "**Memorandum of Understanding**"). Whilst it is non-binding on any of the creditors, Management of the Group consider that it demonstrates a willingness by the Creditors Committee to work together with the Group in restructuring its debt. The details of the Memorandum of Understanding as well as the various restructuring options are discussed in more detail in Note 40.

A Memorandum of Understanding was concluded between the Ministry of Finance of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan, Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations, Samruk-Kazyna, the Bank and SAFC (hereinafter referred to as the "**Memorandum of Understanding on Recapitalization**"). In accordance with the Memorandum of Understanding on Recapitalization, on 2 February 2009, a sales agreement was concluded between Samruk-Kazyna, SAFC, the Bank and Margulan Seisembayev. Additionally as a consequence thereto, in an intention agreement dated 14 July 2009, between Samruk-Kazyna and the Bank, Samruk-Kazyna agreed to consider:

- assisting the Bank in restructuring of the Bank's liabilities;
- acquisition of the controlling block of voting shares of the Bank;
- conversion of the deposit of KZT 24,000 million, which was placed in the Bank according to the bank deposit agreement concluded between Samruk-Kazyna and the Bank on 1 February 2009 into equity of the Bank;
- conversion of bonds with par value of KZT 105,000 million owned by Samruk-Kazyna into equity of the Bank; and
- provision to the Bank of additional liquidity in the form of a short-term deposit and support for the maintenance of the liquidity ratio, capital ratio and other regulatory requirements applicable to the Bank.

The possibility of fulfilment of the intentions of Samruk-Kazyna indicated above will be considered only upon a documented confirmation of the occurrence of all the following conditions ('the conditions precedent'):

- confirmation by the Bank that at the moment of completion of restructuring there were no adverse changes with respect to the business of the Bank, financial position of the Bank and perspectives of the development of the Bank;
- there were no further significant adverse changes in the international or respective domestic financial markets;
- approval by the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations of the Plan of restructuring and recapitalization of the Bank;
- signing by the Bank and Creditors Committee of the Term Sheet as described in Note 40; and
- approval of the Plan of restructuring and recapitalization of the Bank by the creditors of the Bank who control not less than 2/3 (two thirds) of the total sum of restructured liabilities of the Bank;

The Bank is obliged to present the result of the analysis that has been performed and:

- present to Samruk-Kazyna the Financial Due Diligence Report prepared by outside consultants;
- present to Samruk-Kazyna the business plan;
- present to Samruk-Kazyna the report prepared by an external law firm on the results of the due diligence of the Bank; and
- undertake all the measures provided by the legislation and the Plan of restructuring and recapitalization.

The Managements assessment of going concern was based on the new business model, which incorporates the use of certain assumptions, and is necessarily subject to risks and uncertainties. Evaluation of the estimates incorporated into the new business model under such assumptions has been performed by management of the Group using all available information and to the best of its knowledge. The main assumptions are:

- The debt restructuring plan will be completed and its results will initially permit the Group to pay its obligations with cash generated by operations;
- The Bank aims to build up a balanced loan portfolio of retail, small and medium sized enterprises ("**SMEs**") and corporate loans based on its unique relationship with state bodies, its wide geographical network across Kazakhstan, and via the implementation of more advanced operating and risk management processes;
- The Group aims to change the funding base from large international borrowings (see Notes 23, 24 and 31) to customer deposits;
- The Group will significantly decrease its number of employees during the next 3 years.

On 21 July 2009, the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations approved the Group's indicative restructuring and recapitalization plan.

The Group's management have concluded that the combination of the circumstances described above represent a material uncertainty that casts significant doubt upon the Group's

and the Bank's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties, the Group's management has a reasonable expectation that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("**KZT million**"), unless otherwise indicated. These consolidated financial statements have been prepared on a going concern basis as explained in Note 1 and under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard ("**IAS**") 39 "Financial Instruments: Recognition and Measurement" and IAS 16 "Property, Plant and Equipment", respectively.

The Bank maintains its accounting records in accordance with Kazakhstani legislation, while its foreign subsidiaries maintain their accounting records in accordance with the requirements of the Netherlands and the Russian Federation, where the subsidiaries operate. These consolidated financial statements have been prepared based on accounting records of the Bank and the financial information of the foreign subsidiaries, which have been adjusted to conform to IFRS. As discussed in Note 3, reclassifications have been made to these consolidated financial statements to reflect the economic substance of underlying transactions and to ensure certain assets and liabilities, income and expenses are included in the appropriate consolidated financial statement classifications.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "**functional currency**"). The reporting currency of these consolidated financial statements is the Kazakhstani Tenge.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation

policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("**IAS 21**") and performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment; and
- On disposal of the investment in the foreign entity related exchange differences are recognized in the consolidated income statement.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and balances with the National Bank of the Republic of Kazakhstan

Cash and balances with the National Bank of the Republic of Kazakhstan include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan.

For the purposes of determining cash flows, cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within 90 days. The minimum reserve deposits with the National Bank of the Republic of Kazakhstan are not subject to restrictions as to their availability. The Bank is required by the NBRK to maintain average balances for 14 days of cash sufficient to cover a particular percentage of average balances of deposits and international borrowings. The minimum reserve deposit is not subject to restrictions as to its availability and is therefore included in cash and cash equivalents.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near

future, (2) which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or (3), which are designated by the Group at fair value through profit or loss upon initial recognition. A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards and swaps. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated balance sheet. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Repurchase and reverse repurchase agreements

In the normal course of business, the Group enters into sale and repurchase agreements ("**repos**") and securities purchased under agreements to resell ("**reverse repos**"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the consolidated balance sheet and consideration received under these agreements is recorded as collateralized deposit received within repurchase agreements on the consolidated balance sheet. The difference between the sale and repurchase prices is treated as interest expense in the consolidated income statement and accrued over the life of the repo agreement using the effective interest rate method.

The amounts related to securities purchased under agreements to resell are recorded in reverse repo agreements on the consolidated balance sheet. The difference between the purchase and resale prices is treated as interest income in the consolidated income statement and accrued over the life of the reverse repo agreement using the effective interest rate method.

The Group enters into repos and reverse repos under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other CIS countries, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

Allowance for impairment losses

Assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate.

Such impairment losses are not reversed, unless 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 recognized, such as recoveries, in which case the previously recognized impairment loss is reversed.

For financial assets carried at cost, impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

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 derecognized 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.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as lessor

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement date, property and equipment purchased for future transfer to financial lease is recognized in the consolidated financial statements as property and equipment purchased to transfer to finance lease at cost.

The Group as lessee

At the commencement of the lease term, the Group as a lessee recognizes finance leases as assets and liabilities in its consolidated balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Investments held-to-maturity

Investments held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, using the effective interest method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method. The Bank did not have investments held-to-maturity as at 31 December 2008 and 2007.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at

fair value and subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the consolidated income statement, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Dividends received on investments available-for-sale are included in dividend income in the consolidated income statement.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured. When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the consolidated income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the consolidated income statement. These financial assets are recognized at net of reserve for impairment.

Property, equipment and intangible assets

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the consolidated income statement, which is partially offset by a related transfer from the revaluation reserve to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

The market value of property is determined using one of the following methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;

- The income-based method which assumes a direct relationship between revenues generated by the property and its market value; or
- The costs method, which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Computers, vehicles, intangible and other assets are stated at cost less accumulated depreciation or amortization and accumulated impaired losses.

Depreciation or amortization is charged on the carrying value of property, equipment and intangible assets and it is designed to write off assets over their useful economic lives. Depreciation or amortization is calculated on a straight line basis using the following useful life years:

	Years
Building	30-40
Computers	3-4
Vehicles	5-7
Other	2-15
Intangible assets	1-8

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation or amortization charge for property, and intangible assets equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the balance sheet if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Kazakhstan where the Group operates also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement. (See also discussion of tax effects on possible related party transactions under "Going concern assessment" paragraph above.)

Due to banks and other financial institutions, other financing, customer accounts, debt securities issued and subordinated debt

Due to banks and other financial institutions, other financing, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value less transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, 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.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group that provides for specified payments to be made in order to reimburse the holder for a loss it incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

Contingent liabilities are recognized for probable losses and disclosed if it is possible of any outflow in settlement is probable. A contingent asset is not recognized in the consolidated balance sheet but disclosed when an inflow of economic benefits is probable.

Reserves on possible losses are determined based on the best estimates of the Management at the date of signing taking into consideration all available facts, including events after the reporting date.

Share capital and additional paid-in-capital

Contributions to share capital are recognized at historic cost. Additional paid-in-capital represents the excess of contributions over the nominal value of the shares issued. External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("**IAS 10**") and disclosed accordingly.

Preference shares

Preference shares, which carry a mandatory dividend payment, are classified as compound financial instruments in accordance with the substance of the contractual agreement and accordingly the liability and equity components are presented separately in the consolidated balance sheet. On initial recognition, the fair value of the debt is equivalent to the present value of the mandatory dividend obligations over the term of the preferred share discounted at the market interest rate for a similar instrument that does not retain a residual benefit to discretionary dividends.

Dividends on preference shares are classified as an expense and are recognized in the consolidated income statement with interest expense.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Kazakhstan in which the Group operates, certain percentages of pension payments are withheld from total disbursement to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. Such expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan and countries where it operates. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated income statement when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency transactions

The financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates. In preparing the financial statements of the individual entities, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Transactions in currencies other than their functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net (loss)/gain on foreign exchange operations.

Rates of exchange

The exchange rates at the date of issuance of the financial statements and at the end of the year used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 July2009	14 July2009	31 December 2008	31 December 2007
KZT/USD	150.71	150.44	120.79	120.30
KZT/EURO	213.22	209.73	170.24	177.17
KZT/RUR	4.80	4.55	4.11	4.92

During 2008 and 2007 the National Bank of the Republic of Kazakhstan supported the exchange rate of the Kazakhstan tenge to the US Dollar within a range of 117 KZT to 1 US Dollar and 123 KZT to 1 US Dollar, respectively. On 4 February 2009, the National Bank of the Republic of Kazakhstan reduced the support level of the exchange rate to 150 KZT to 1 US Dollar. As of 31 July 2009, the exchange rate was KZT 150.71 to 1 US Dollar.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers, which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty. The Group's primary format for reporting segment information is based on the type of clients served by the Group: corporate or retail. Business activities that are not included in these two segments are classified as investment banking.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and 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 Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the 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.

Allowance for contingent liabilities

The Group regularly reviews the status of its contingent liabilities to assess if there is a present obligation for which a reliable estimate of the probable outflow of economic benefits exists. In instances where management can reliably estimate an outflow of economic benefits, a provision is recorded in the consolidated financial statements.

In assessing the probability and amount of a potential loss, the Group reviews all available information and observable data in relation to the contingent liabilities and uses Management judgment based on historical experience.

The Group has disclosed all contingent liabilities in Note 33 and, where necessary, has recorded a provision in the consolidated financial statements.

Taxation

The preparation of the Group's financial statement requires management to assess the Group's tax liabilities. As commercial legislation of the Republic of Kazakhstan where the Group operates, including tax legislation, may allow more than one interpretation, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available-for-sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models, which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools is used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation

technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its balance sheet as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net income.

The table below summarizes the Group's trading portfolios and other assets and liabilities held at fair value by valuation methodology at 31 December 2008:

Balance sheet category		Quoted prices in active markets(in millions KZT)	Internal models based on market prices(in millions KZT)	Valuation techniques	Total category as per financial statements caption
Assets					
Trading assets	Debt securities	165,384	4,317	A	169,701
Derivative assets	Foreign currency contracts	4	32,268	B	32,272
					201,973
Available-for-sale financial assets*	Debt securities	2,692	-		2,692
Liabilities					
Derivative liabilities.....	Foreign currency contracts	477	46,417	B	46,894
	Securities contracts	3,274	-		3,274
					50,168

* - the amount is reflected without the equity securities held at cost

The table below summarizes the Group's trading portfolios and other assets and liabilities held at fair value by valuation methodology at 31 December 2007:

Balance sheet category		Quoted prices in active markets(in millions KZT)	Internal models based on market prices(in millions KZT)	Valuation techniques	Total category as per financial statementscaption
Assets					
Trading assets	Debt securities	157,133	-		157,133
Derivative assets	Foreign currency contracts	851	20,301	B	21,152
	Securities contract	1,335	-		1,335
					179,620
Available-for-sale financial assets*	Debt securities	2,981	-		2,981
Liabilities					
Derivative liabilities.....	Foreign currency contracts	467	3,124	B	3,591
	Securities contracts	2,689	-		2,689
					6,280

* - the amount is reflected without the equity securities held at cost

The main valuation techniques employed in the Group's internal models to measure the fair value of the financial instruments disclosed above at 31 December 2008 and 2007 are set out below. In substantially all cases, the principal inputs into these models are derived from observable market data.

(A) In the valuation of securities that are not widely traded (structured instruments), proprietary stochastic volatility models are used. Observable market inputs are used in these models to generate variables such as the bid-offer spread, foreign currency exchange rates, credit risk and volatility. In limited circumstances, other inputs may be used in these models that are based on data other than observable market data

(B) In the valuation of cross-currency derivatives the 'present value' method is used. Expected future cash flows are discounted using the interest rate curves of the applicable currencies. The interest rate curves are generally observable market data and reference yield curves derived from quoted interest rates in appropriate time bandings, which match the timings of the cash flows and maturities of the instruments.

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the International Financial Reporting Interpretations Committee (the "**IFRIC**") of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2008. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IAS 1 "Capital Disclosures" ("**IAS 1**") – On 18 August 2005, the IASB issued an amendment to IAS 1, which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. Additional information was disclosed in the consolidated financial statements for the current and comparative reporting periods as required by amended IAS 1.

Amendments to IAS 39, "Financial Instruments: Recognition and Measurement", and IFRS 7, "Financial Instruments: Disclosures", titled "Reclassification of Financial Assets" – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available for sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and in certain circumstances can be applied retrospectively from 1 July 2008. The Group has not made any reclassifications of financial assets.

Standards and interpretations issued and not yet adopted

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following Interpretations were in issue but not yet effective.

IFRS 3 'Business Combinations' — On 10 January 2008, the IASB issued an amendment to IFRS 3 'Business Combinations' which clarifies and changes certain elements of accounting for a business combination, including measurement of contingent consideration, step acquisition and intangible assets and also widens the scope of this standard. There are also

associated amendments to IAS 27, IAS 28 and IAS 31. The amendment to IFRS 3 is effective for periods beginning on or after 1 July 2009.

IFRS 8 – The IASB issued IFRS 8 "Operating Segments" in December 2006. This will replace IAS 14 "Segment Reporting" for accounting periods beginning on or after 1 January 2009. IFRS 8 requires segmental analysis reported by an entity to be based on information used by management. Management is currently assessing the impact of the adoption of IFRS 8.

IAS 1 – on September 2006, the IASB issued an amendment to IAS 1, which changes the way in which non-owner changes in equity are required to be presented to in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009.

IAS 23 – On March 2007 the IASB issued a revised IAS 23 "Borrowing Costs". The main change is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such asset. The Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009.

IAS 27 - In 2008, the standard was amended as part of the second phase of the business combinations project. That phase of the project was undertaken jointly with the US Financial Accounting Standards Board (FASB). The amendments related, primarily, to accounting for non-controlling interests and the loss of control of a subsidiary. The boards concluded the second phase of the project by the IASB issuing the amended IAS 27 and the FASB issuing FASB Statement No. 160 Noncontrolling Interests in Consolidated Financial Statements, along with, respectively, a revised IFRS 3 Business Combinations and FASB Statement No. 141 (revised 2007) Business Combinations. The amended standard must be applied for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IFRS 3 (as revised in 2008).

Prior period reclassification

The Group is presenting in separate captions on the consolidated balance sheet transactions under repurchase and reverse repurchase agreements.

In addition, in order to conform the prior year's presentation to the current year, certain reclassifications have been made to the consolidated balance sheet as at 31 December 2007 as follows:

	Amount	Income statement line as per the previous report	Income statement line as per current report
Income statement:			
Net gain on financial assets at fair value through profit or loss	425	14,367	14,792
Net (loss)/gain on foreign exchange operations	(425)	(9,049)	(9,474)

4. NET INTEREST INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired financial assets	70,741	72,231
- interest income on unimpaired financial assets	70,075	97,402
Interest income on financial assets at fair value	22,672	12,135
Total interest income	**163,488**	**181,768**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	139,677	166,785
Interest on due from banks	1,133	2,639
Interest on reverse repurchase agreements	6	207
Interest on investments held-to-maturity	-	2
Total interest income on financial assets recorded at amortized cost	140,816	169,633
Interest income on financial assets at fair value:		
Interest income on financial assets designated at fair value through profit or loss	22,349	11,826
Interest income on investments available-for-sale	323	309
Total interest income on financial assets at fair value	22,672	12,135
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	79,291	86,265
Interest on financial liabilities at fair value through profit or loss	21,386	6,624
Total interest expense	**100,677**	**92,889**
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on debt securities issued	30,268	30,522
Interest on customer accounts	21,410	17,775
Interest on due to banks	16,510	27,914
Interest on subordinated debt	4,159	3,416
Interest on due to other financial institutions	2,926	3,372
Interest on other financing	2,023	2,329
Interest on repurchase agreements	1,995	937
Total interest expense on financial liabilities recorded at amortized cost	79,291	86,265
Interest expense on financial liabilities at fair value through profit or loss	21,386	6,624
Net interest income before provision for impairment losses on interest bearing assets	**62,811**	**88,879**

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans to customers
31 December 2006	21,113
Additional provision recognized	25,571
Write-off of assets	(3,229)
Recoveries of assets previously written off	72
31 December 2007	43,527
Additional provision recognized	242,273
Write-off of assets	(16,245)
Other transfers	221
Foreign exchange translation gain	14
31 December 2008	269,790

The movements in other allowances presented as Provision for possible commitments and (Provision)/recovery of provision for impairment losses on other transaction in the income statement were as follows:

	Other assets	Guarantees and letters of credits	Special provision for guarantees	Total
31 December 2006	45	506	-	551
Additional provision/(recovery of provision) recognized	338	(417)	-	(79)
Write-off of assets	(29)	-	-	(29)
31 December 2007	354	89	-	443
Additional provision recognized	22,533	4,642	136,972	164,147
Other transfers	(221)	-	-	(221)
Write-off of assets	(24)	-	-	(24)
31 December 2008	22,642	4,731	136,972	164,345

The special provision for guarantees had been established to cover estimated losses on guarantees contracts entered into with two brokerage companies from 2006 to 2008. These guarantees protect the two brokerage companies from losses in certain of their loans to customers (see Note 30).

During 2008 and 2007, the Group insured its uncollateralized express consumer loans to individuals with JSC Insurance Company "Alliance Policy", a related party. The related party reinsured its insurance risk with an international reinsurance company. An insured event occurs when payments on express consumer loans are past due for a period greater than 180 days. The contracts with JSC Insurance Company "Alliance Policy" had no expiry dates. In June 2008, the contract was amended to include a maximum threshold based on the level of loans past-due, which would trigger termination of the contract. Due to this trigger, the contract was terminated in September 2008 and unamortized insurance premiums were consequently released. In 2008 and 2007, the Bank paid approximately KZT 6 billion and KZT 24 billion in insurance premiums to JSC Insurance Company "Alliance Policy" and received insurance claim payments of approximately KZT 19 billion and KZT 24 billion, respectively, which equals the principal loan amount plus interest accrued. The amount received reduced the expenses with allowance for loan losses.

During 2008, the Bank sold non-performing uncollateralized consumer loans and a claim receivable from JSC Insurance Company "Alliance Policy" to certain collection agencies. Management believes that the collecting agencies will not pay the Bank and therefore has accrued a provision in the amount of KZT 22,338 million which is presented as other assets (See Note 20).

6. NET (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2008	Year ended 31 December 2007
Net (loss)/gain on operations with financial assets designated at fair value through profit and loss at initial recognition comprise:		
Realized gain on trading operations	293	23
Realized gain/(loss) on operation with derivative financial instruments	314	(1,905)
Unrealized gain on trading operations	174	2,324
Unrealized (loss)/gain on operation with derivative financial instruments	(33,663)	14,350
Total net (loss)/gain on operations with financial assets designated at fair value through profit and loss at initial recognition	**(32,882)**	**14,792**

The Group enters into derivative financial instruments to economically manage currency and liquidity risks.

7. NET GAIN/(LOSS) ON FOREIGN EXCHANGE OPERATIONS

Net gain/(loss) on foreign exchange operations comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Dealing, net	1,575	1,274
Translation differences, net	13,989	(10,748)
Total net gain/(loss) on foreign exchange operations	**15,564**	**(9,474)**

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income:		
Cash operations and settlements	8,465	6,849
Commissions on letters of credit and guarantees	3,052	2,175
Lending operations	551	2,374
Foreign currency and securities operations	436	618
Trust operations	86	80
Other	227	533
Total fee and commission income	**12,817**	**12,629**

	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission expense:		
Insurance premium to related party (see Note 5)	21,723	7,665
Collection services	2,151	1,518
Customer accounts services by financial agents	123	508
Settlement bank services	133	164
Commissions on ATM transactions	100	139
Foreign currency and security operations	52	115
Eurobonds and loans	28	110
Documentary operations	56	64
Other	218	225
Total fee and commission expense	**24,584**	**10,508**

9. OTHER INCOME

Other income includes mainly imposition of fines and penalties received from customers.

10. OPERATING EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2008
Staff costs	9,414	9,252
Depreciation and amortization	3,033	2,238
Operating lease	1,591	1,882
Taxes, other than income tax	1,423	1,407
Advertising and marketing expenses	1,132	1,545
Payments to Deposit Insurance Fund	654	1,081
Telecommunication expenses	648	487
Social tax	641	928
Repair and maintenance	579	707
Consulting	452	296
Business development expenses	288	390
Buildings maintenance	249	184
Cash collection services	240	130
Charity	224	82
Business trip and related expenses	219	263
Security service	216	254
Transportation services	147	148
Stationery	102	203
Expenses on insurance	64	180
Legal services expenses	31	100
Other	542	644
Total operating expenses	**21,889**	**22,401**

11. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2008 and 2007 comprise:

	31 December 2008	31 December 2007
Tax basis of deferred tax assets:		
Provision for impairment losses on loans to customers	210,370	-
Special provision for guarantees	136,972	-
Other assets	22,319	-
Unrealized losses on revaluation of financial assets at fair value through profit or loss and derivatives	18,398	-
Accrued interests on loans, written off	1,438	485
Total tax basis of deferred tax assets	389,497	485
Tax basis of deferred tax liabilities:		
Property and equipment, accrued depreciation	(5,070)	(4,192)
Unrealized gains on revaluation of financial assets at fair value through profit or loss and derivatives	-	(1,439)
Provision for impairment losses on loans to customers	-	(34)
Total tax basis of deferred tax liabilities	(5,070)	(5,665)
Net tax basis assets/(liabilities)	384,427	(5,180)
Net deferred tax asset/(liability)	70,393	(1,554)
Deferred tax asset not recognized	(70,393)	-
Net deferred tax liabilities	-	(1,554)

Relationships between tax expenses and accounting profit for the years ended 31 December 2008 and 2007 are explained as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
(Loss)/profit before income tax	(386,556)	56,589
Statutory tax rate	30%	30%
Tax at the statutory tax rate	(115,967)	16,977
Change in deferred tax asset not recognized	70,393	-
Effect of change in tax rate	44,935	-
Tax effect of permanent differences:		
Tax-exempt interest income on mortgage loans and finance leasing	(410)	(2,382)
Tax-exempt interest income and other related income on state and other qualifying securities	(178)	(625)
Other non-taxable income	(64)	(260)
Non-deductible interest expense	120	17
Provisions on loans to related parties and finance leases	147	20
Other non-deductible expenditure	678	159
	293	(3,071)
Income tax (benefit)/expense	(346)	13,906
Current income tax expense	1,208	13,452
(Recovery)/provision for deferred tax liabilities	(1,144)	454
Deferred income tax through property revaluation reserve	(410)	-
Income tax (benefit)/expense	(346)	13,906

The tax rate used for the 2008 and 2007 reconciliations above is the corporate tax rate of 30 % payable by corporate entities in the Republic of Kazakhstan on taxable profit under tax law in that jurisdiction.

The Group has not recorded the deferred tax asset because of the significant level of uncertainty of economic benefits in future periods. Deferred tax assets arose from the amount of provision for impairment losses on loans to customers, special provision for guarantee, provision for impairment losses on other assets, unrealized losses on revaluation of financial assets at fair value through profit or loss and derivatives and accrued interest on loans written off. The carry forward period for tax losses is ten years.

In November 2008, the new Tax Code of the Republic Kazakhstan was enacted to reduce the corporate income tax rate from 30% to 20% effective from 1 January 2009, to 17.5% effective from 1 January 2010 and to 15% effective from 1 January 2011. Current year income tax is measured at 30% of the estimated taxable profit for the year. The 2008 deferred taxes are measured at the substantially enacted tax rates expected to apply to the period when the asset is realized or liability is settled.

	31 December 2008	31 December 2007
Deferred income tax assets/(liabilities)		
Beginning of the period	(1,554)	(1,100)
(Decrease)/ increase in income tax assets/(liabilities) for the period	1,554	(454)
Net deferred tax assets/(liabilities)	-	(1,554)

12. (LOSS)/ EARNINGS PER SHARE

Basic and diluted losses and 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.

As described in Note 32, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net (loss)/profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Year ended 31 December 2008	Year ended 31 December 2007
(Loss)/profit:		
Net (loss)/profit for the year attributable to equity holders of the parent	(386,210)	42,683
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	-	(1,512)
(Loss)/earnings attributable to ordinary shareholders	(386,210)	41,171
Weighted average number of ordinary shares for purpose of basic and diluted earnings per share	9,637,501	8,612,843
(Loss)/earnings per share – basic and diluted (KZT)	(40,073.67)	4,780.19

13. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2008	31 December 2007
Balance with the National Bank of the Republic of Kazakhstan, recorded as loans and receivables	8,284	49,097
Cash on hand	12,933	20,698
Total cash and balances with the National Bank of the Republic of Kazakhstan	21,217	69,795

The balances with the National Bank of the Republic of Kazakhstan ("**NBRK**") as at 31 December 2008 and 2007 include KZT 20,853 million and KZT 71,400 million, respectively, which represent the obligatory minimum reserve deposits with the NBRK. The Bank is required by the NBRK to maintain average balances for 14 days of cash sufficient to cover a particular percentage of average balances of deposits and international borrowings. The minimum reserve deposit is not subject to restrictions as to its availability and is therefore included in cash and cash equivalents.

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	31 December 2008	31 December 2007
Cash and balances with the National Bank of the Republic of Kazakhstan	21,217	69,795
Due from banks in Organisation for Economic Co-operations and Development ("OECD") countries (Note 39)	39,638	3,712
Total cash and cash equivalents	60,855	73,507

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit at loss comprise:

	31 December 2008	31 December 2007
Debt securities of central governments	142,459	135,706
Derivative financial instruments	32,272	22,487
Debt securities of financial institutions	26,106	18,397
Debt securities of corporate	1,136	3,030
Total financial assets at fair value through profit or loss	201,973	179,620

Financial assets held-for-trading comprise:

	31 December 2008		31 December 2007	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities of central governments:				
Bonds of the Government of the United States of America	-	136,972	-	128,328
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.35-6.10	5,487	3.35-6.40	6,879
Notes of the National Bank of the Republic of Kazakhstan	-	-	-	499
Total debt securities of central governments		142,459		135,706

	31 December 2008		31 December 2007	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities of financial institutions:				
Bonds of JSC BTA Bank	11.00-12.00	12,743	12.00	245
Bonds of JSC Bank CenterCredit	9.00-12.00	2,353	9.00-12.00	1,868
Structured notes HSBC	0.50	2,258	-	-
Bonds of JSC BTA Mortgage	10.00	2,032	9.10-10.00	2,248
Bonds of Kazkommerts International B. V.	5.13-8.50	1,748	5.13-8.50	2,355
Structured notes Bayerische Hypo und Vereinsbank	8.00	1,054	8.00	1,268
Structured notes Societe Generale Acceptanci NV [(1)]	-	1,005	10.00	1,287
Bonds HSBK Europe BV	7.75	638	0.50-7.75	3,228
Bonds of JSC Kazkommertsbank	8.00-9.50	572	8.00	141
Bonds of JSC Kaspi Bank	8.50	551	-	-
Bonds of JSC Sberbank Rossii	11.00	436	11.00	445
Bonds of JSC ATF Bank	11.00	252	8.13-9.80	2,509
Bonds of JSC Halyk Bank Kazakhstan	7.50	195	7.50	296
Bonds of TuranAlem Finance B.V.	8.00	170	8.00	312
Bonds of JSC Kazakhstani Mortgage Company	6.90-7.50	99	4.90-7.50	1,944
Bonds of JSC Temir Bank	-	-	9.75	251
Total debt securities of financial institutions		26,106		18,397

(1) Interest rate is calculated based on difference between the average market yield and profitability of fund which invest in Euro capital markets, derivative market and structured financing.

	31 December 2008		31 December 2007	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities of corporate				
Bonds of JSC Doszhan Temir Zholy	19.95	739	8.05	989
Bonds of JSC KazTransCom	8.00	397	8.00	390
Bonds of JSC Ulbinsky Metallurgical Plant	-	-	8.25	1,501
Bonds of JSC KazPost	-	-	8.00	150
Total debt securities of corporate		1,136		3,030

The derivatives are not designated in hedging relationships in any of the years presented. The notional amounts and fair value of derivatives outstanding at each balance sheet date is as follows:

	31 December 2008			31 December 2007		
	Nominalamount	Fair value		Nominalamount	Fair value	
		Asset	Liability		Asset	Liability
Derivative financial instruments:						
Foreign currency contracts						
Forwards	4,722	-	(477)	26,559	851	(467)
Swaps	320,639	32,268	(46,417)	298,137	20,301	(3,124)
Spot	15,181	4	-	-	-	-
Securities contracts						
Forward	98,229	-	(3,274)	132,388	1,335	(2,689)
Total derivative financial instruments		32,272	(50,168)		22,487	(6,280)

As at 31 December 2008 and 2007, included in financial assets at fair value through profit or loss was accrued interest income amounting to KZT 614 million and KZT 603 million, respectively.

As at 31 December 2008, the Group held Treasury Bills of the US Government of KZT 136,972 million (2007: KZT 128,328 million) in custody accounts with two brokerage companies (see Note 5 and Note 30).

During 2007 and 2008, the Group concluded forward securities sale agreements with an independent third party. As at 31 December 2008, given the credit risk of the counterparty, Management believes the value of these agreements to be immaterial. In May 2009, the Group decided to terminate these contracts.

The Group estimates changes in fair value due to credit risk, by estimating the amount of change in the fair value that is not due to changes in market conditions that give rise to market risks.

As at 31 December 2008 and 2007, financial assets at fair value through profit or loss included bonds of the Ministry of Finance of the Republic of Kazakhstan, banks and corporate eurobonds pledged under repurchase agreements with other banks/customers amounting to KZT 15,408 million and KZT 1,513 million, respectively. All the agreements as at 31 December 2008 and 2007 have maturity before 30 April 2009 and 17 January 2008, respectively (see Note 27).

The Bank entered into a cross currency credit default swap linked to the performance of Gazprom on its debts whereby the Bank is selling protection to the counterparty for the full notional amount of EUR 100 million in case of default by Gazprom. The Bank will receive Gazprom notes and the counterparty will retain the initially exchanged notional amount of KZT 17,024 million in case of default on the notes by Gazprom.

15. DUE FROM BANKS

Due from banks comprise:

	31 December 2008	31 December 2007
Recorded as loans and receivables:		
Long-term deposit to banks	34,158	3,022
Short-term deposits to banks	5,421	29,533
Overnight deposits to banks	4,256	124
Correspondent accounts with other banks	1,481	3,409
Long-term loans to other banks	640	991
Total due from banks	45,956	37,079

Included in due from banks is accrued interest of KZT 112 million and KZT 110 million as at 31 December 2008 and 2007, respectively.

As at 31 December 2008 and 2007, the maximum credit risk exposure on due from banks amounted to KZT 45,956 million and KZT 37,079 million, respectively.

As at 31 December 2008, long-term deposits to banks include a number of margin call deposits in the amount of KZT 32,668 million. The margin call deposits had been placed under cross-currency swap agreements. The swap agreement terms stipulate that the Group should place a deposit with the counterparty bank if the floating component of the swap crosses a certain level. The main purpose of the swaps was to convert EUR, GBP and JPY-borrowings into USD and KZT to on-lend to customers. Subsequent to the reporting date the majority of swap agreements have been terminated early by the Bank. The margin call deposits would reduce the Group's liability arising under that early termination (See Note 40).

The Bank has a credit linked deposit agreement in the amount of KZT 21,591 million included within Long-term deposits to banks which was pledged as collateral for a cross currency credit default swap with a notional amount of KZT 17,024 million as at 31 December 2008. The terms of the credit linked deposits contract establish that the deposit will be retained by the counterparty and notes issued by Gazprom will be delivered to the Bank in case of Gazprom defaulting on payments of the notes.

16. LOANS TO CUSTOMERS, NET OF ALLOWANCE

Loans to customers comprise:

	31 December 2008	31 December 2007
Recorded as loans and receivables:		
Loans to customers	694,479	851,968
Net investment in finance lease	8,786	10,753
	703,265	862,721
Less allowance for impairment losses	(269,790)	(43,527)
Total loans to customers	433,475	819,194

As at 31 December 2008 loans to related parties included in loans to customers amounted to KZT 181,075 million and allowance for impairment losses amounted to KZT 131,776 million. (See comments regarding of omission of related party disclosure as of 31 December 2007 in Note 34.)

As discussed in Note 20, certain non-performing unsecured consumer loans amounting to KZT 22,338 million were sold to collection agencies, which are considered by the Group to be related parties. As at 31 December 2008, the Group has fully provided for the amounts receivable from those collection agencies.

As at 31 December 2008 and 2007 accrued interest income included in loans to customers amounted to KZT 35,326 million and KZT 19,884 million, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2008 and 2007 are disclosed in Note 5.

The table below summarizes the amount of uncollateralized and collateralized loans secured by type of collateral and their amortized cost, rather than the fair value of the collateral itself:

	31 December 2008			31 December 2007		
Collateralized loans	**Gross amount**	**Allowance for impairment losses**	**Net amount**	**Gross amount**	**Allowance for impairment losses**	**Net amount**
Loans collateralized by real estate, equipment and inventories	409,726	(129,215)	280,511	474,231	(22,078)	452,153
Loans collateralized by deposits	17,411	(23)	17,388	9,438	(124)	9,314
Loans collateralized by guarantees	5,877	(3,702)	2,175	4,922	(913)	4,009
Loans collateralized by securities	702	(26)	676	40,027	(4,578)	35,449
Loans collateralized by goods	1,423	(897)	526	12,900	(513)	12,387
Loans collateralized by equipment	633	(135)	498	12,827	(1,356)	11,471
Loans collateralized by transport vehicles	6,938	(6,640)	298	32,335	(2,313)	30,022
Loans insured by related party	-	-	-	215,329	(7,598)	207,731
Other	27,235	(5,622)	21,613	37,295	(2,225)	35,070
Uncollateralized loans	233,320	(123,530)	109,790	23,417	(1,829)	21,588
Total loans and advances to customers	703,265	(269,790)	433,475	862,721	(43,527)	819,194

Customer concentration per economic sector is presented as follows:

	31 December 2008			31 December 2007		
	Gross amount	**Allowance for impairment losses**	**Net amount**	**Gross amount**	**Allowance for impairment losses**	**Net amount**
Analysis by sector:						
Individuals	285,327	(58,467)	226,860	426,658	(21,600)	405,058
Services provided by small and medium entities	79,278	(28,211)	51,067	110,479	(3,196)	107,283
Wholesale	63,045	(22,617)	40,428	41,757	(3,216)	38,541
Construction	102,305	(75,762)	26,543	105,714	(3,987)	101,727
Transportation	19,119	(6,340)	12,779	14,592	(1,031)	13,561
Retail	13,777	(1,974)	11,803	16,686	(593)	16,093
Paper manufacturing	16,758	(5,158)	11,600	18,619	(245)	18,374
Entertainment and recreational activities	16,308	(5,297)	11,011	2,190	(133)	2,057
Metallurgy industry	12,343	(5,651)	6,692	10,613	(505)	10,108
Finance services	9,847	(7,563)	2,284	24,460	(5,536)	18,924
Food	5,912	(1,291)	4,621	12,700	(578)	12,122
Oil and gas services	43,843	(39,941)	3,902	14,819	-	14,819
Chemical industry	3,805	(86)	3,719	4,281	(85)	4,196
Agriculture	3,482	(296)	3,186	5,389	(421)	4,968
Coal mining	3,136	(163)	2,973	1,869	(125)	1,744
Real estate operations	5,480	(3,536)	1,944	24,464	(978)	23,486
Production of metal goods	886	(27)	859	833	(3)	830
Mass media	468	(180)	288	1,804	(85)	1,719
Post and Communications	516	(244)	272	626	-	626
Heavy industry	172	(82)	90	957	(22)	935
Other	17,458	(6,904)	10,554	23,211	(1,188)	22,023
Total loans and advances to customers	703,265	(269,790)	433,475	862,721	(43,527)	819,194

Loans to individuals comprise the following products:

	31 December 2008			31 December 2007		
	Gross amount	Allowance for impairment losses	Net amount	Gross amount	Allowance for impairment losses	Net amount
Unsecured consumer loans	115,868	(43,647)	72,221	20,850	(1,215)	19,635
Loans insured by related party	-	-	-	215,329	(7,598)	207,731
Secured consumer loans	80,954	(3,335)	77,619	89,889	(3,524)	86,365
Mortgage loans	66,426	(9,196)	57,230	71,655	(7,182)	64,473
Car credits	8,138	(1,203)	6,935	11,574	(834)	10,740
Other loans	13,941	(1,086)	12,855	17,361	(1,247)	16,114
Total loans to individuals	285,327	(58,467)	226,860	426,658	(21,600)	405,058

As at 31 December 2008 and 2007, the Group granted loans to two and one customers, totaling KZT 44,101 million and KZT 20,105 million, respectively, which were related parties and individually exceeded 10% of the Group's equity.

As at 31 December 2008 and 2007, the maximum credit risk exposure of loans to customers, without considering the potential benefit of collateral realization, amounted to KZT 703,265 million and KZT 862,721 million, respectively.

As at 31 December 2008 and 2007, the Group had loans originated in Almaty totaling KZT 446,721 million and KZT 500,357 million, respectively, which represents significant geographical concentration in this region forming 64 per cent. and 57.3 per cent. of the loan portfolio, respectively.

As at 31 December 2008, loans to customer included loans of KZT 180,565 million, with renegotiated terms.

As at 31 December 2008 and 2007, loans to customers included loans of KZT 218,658 million and KZT 432,240 million, respectively, that were individually determined to be impaired. As at 31 December 2008 and 2007 such loans were collateralized by real estate, securities, equipment and goods with a fair value of KZT 130,359 million and KZT 578,157 million, respectively.

During the years ended 31 December 2008 and 2007, the Group entered as a lessor into finance lease agreements for equipment and non-production buildings for a long-term period. The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is 14.9% per cent per annum.

The components of net investment in finance lease as at 31 December 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
Not later than one year	3,727	4,427
From one year to five year	6,784	9,187
More than five years	25	115
Minimum lease payments	10,536	13,729
Less: unearned finance income	(1,750)	(2,976)
Net investment in finance lease	8,786	10,753
Current portion	3,645	3,127
Long-term portion	5,141	7,626
Net investment in finance lease	8,786	10,753

Material leasing arrangements were concluded with customers for purchases of vehicles and equipment, which represent the collateral for such arrangements.

17. REVERSE REPURCHASE AGREEMENTS

The carrying value of the loans and fair value of collateral under reverse repurchase agreements as at 31 December 2008 and 2007 are presented as follows:

	31 December 2008		31 December 2007	
Collateral	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**
Recorded as loans and receivables:				
Bonds of banks	132	119	-	-
Total	132	119	-	-

The Group entered into reverse repurchase agreements using the automated system of the Kazakhstan Stock Exchange (KASE) in accordance with the trading rules established by KASE (the "**Rules**"). According to the Rules, the automated reverse repurchase transactions are concluded using open sale methods. For open sale methods the counterparty remains undefined, and all risks the Group undertook, including credit and settlement risks, remain with KASE.

18. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	31 December 2008		31 December 2007	
	Nominal interest rate	**Amount**	**Nominal interest rate**	**Amount**
Debt securities				
Bonds of the Ministry of finance of the Republic of Kazakhstan	6.10-6.44	964	6.10-6.44	972
JSC Kazakhstan Kagazi bonds	13.00	616	10.40	586
JSC Kazakhstani Mortgage Company bonds	18.70-19.20	377	11.70-12.2 0	361
JSC ATF Bank bonds	8.50	366	8.5	390
JSC Bank CenterCredit bonds	17.3	261	21	315
JSC Nurbank bonds	9	100	9	100
JSC BTA Bank bonds	15.00	8	9.9	9
JSC Halyk Bank Kazakhstan Euronotes	-	-	8.13	248
		2,692		2,981

	Share	**Amount**	**Share**	**Amount**
	%		%	
Equity securities				
LLP First Credit Office	18.40	37	18.4	37
JSC Processing Center	0.81	10	1.49	10
JSC Kazakhstan Stock Exchange	1.33	2	1.37	2
JSC Alliance Policy	-	-	5.4	27
		49		76
Total investments available-for-sale		2,741		3,057

As at 31 December 2008 and 2007, included in investments available-for-sale was accrued interest income on debt securities amounting to KZT 72 million and KZT 67 million, respectively.

Equity securities are non-marketable and therefore held at cost, less impairment losses, in accordance with the Group's accounting policy.

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land and building	Computers	Vehicles	Construction in progress	Other	Intangible assets	Total
At cost							
At 31 December 2006	8,020	942	386	1,140	2,978	376	13,842
Additions	8,278	1,172	194	4,212	5,417	1,351	20,624
Disposals	(63)	(38)	(21)	(20)	(143)	-	(285)
At 31 December 2007	16,235	2,076	559	5,332	8,252	1,727	34,181
Additions	4,065	619	1	46	1,787	422	6,940
Revaluation	(861)	-	-	-	-	-	(861)
Transfers	2,157	(1)	-	(2,722)	565	1	-
Disposals	(6)	(139)	(155)	-	(722)	(144)	(1,166)
At 31 December 2008	21,590	2,555	405	2,656	9,882	2,006	39,094
Accumulated depreciation and amortization							
At 31 December 2006	26	251	71	-	598	114	1,060
Charge for the year	445	411	75	-	1,130	177	2,238
Disposals	(3)	(30)	(9)	-	(124)	-	(166)
At 31 December 2007	468	632	137	-	1,604	291	3,132
Charge for the year	487	515	59	-	1,646	326	3,033
Elimination of revaluation on disposal	(489)	-	-	-	-	-	(489)
Disposals	(1)	(134)	(49)	-	(452)	(143)	(779)
At 31 December 2008	465	1,013	147	-	2,798	474	4,897
Net book value							
At 31 December 2007	15,767	1,444	422	5,332	6,648	1,436	31,049
At 31 December 2008	21,125	1,542	258	2,656	7,084	1,532	34,197

In 2008, land and buildings of the Group were revalued to market prices by an independent appraiser, LLP Consulting Company "Kenes", registration number UL-00630. The legal address of the appraiser is the Republic of Kazakhstan, Almaty, Otegen Batyr street, 76-d. The revaluation was performed with the purpose to record their fair value and amounted to a KZT 861 million write down on land and buildings for the year ended 31 December 2008. The appraiser used the comparative approach method of revaluation based on analysis of prices on judgment analogy of revaluation assets.

As at 31 December 2008 and 2007, included in property and equipment were fully depreciated equipment at cost of KZT 548 million and KZT 178 million, respectively.

Intangible assets include software, patents and licenses.

20. OTHER ASSETS

	31 December 2008	31 December 2007
Receivables from collection agencies	22,338	-
Prepayments and other debtors	2,048	602
Tax settlements, other than income tax	1,024	1,147
Debtors for capital investments	604	1,405
Other services provided	555	727
Prepaid expenses	338	262
Other inventory	335	299
Foreclosed assets	264	225
Inventory	229	99
Other transit accounts	72	725
Unamortized insurance premium to related party	-	15,691
Other	775	309
	28,582	21,491
Less allowance for impairment losses	(22,642)	(354)
Total other assets	5,940	21,137

Movements in allowances for impairment losses on other assets for the years ended 31 December 2008 and 2007 are disclosed in Note 5.

During 2007 and 2008, the Group insured its uncollateralized loans in Alliance Policy LLP (see Note 5). The insurance company terminated the insurance agreements in September 2008 and the unamortized insurance premiums were released in the income statement "Fee and commission income and expense".

In the last quarter of 2008, the Bank sold non-performing loans, including loans written-off previously, and claims receivable from Alliance Policy Insurance Company, a related party, to eight collection agencies disclosed below. Management believes that the collection agencies are related parties of the Group, and as described in Note 34, there is uncertainty as to the financial capacity of related parties. Management has made an estimate of recoverability of amounts due by debt collection agencies, and has concluded that the Group will not be successful in collecting the amounts below. As a consequence, the Bank has fully provided for the amounts receivable from collection agencies as at 31 December 2008.

Collection agency	31 December 2008
BRD LLC	8,334
Kazakhstan Collector Company LLC	6,072
Central Debt Operator LLC	2,235
Assessment LLC	2,230
FA Alliance Finance LLC	1,254
Credit returning company LLC	1,148
Center for Protection of Interest of Creditors LLC	1,046
Lex Dominus LLC	19
Total	22,338

21. DUE TO THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

On 25 December 2008, the National Bank of the Republic of Kazakhstan placed a deposit with the Group in amount of KZT 15,000 million with maturity on 5 January 2009 and interest rate of 10.5%. As at 31 December 2008 accrued interest expenses amounted to KZT 26 million.

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss are represented by derivative financial instruments as disclosed in Note 14.

23. DUE TO BANKS

	31 December 2008	31 December 2007
Recorded at amortized cost:		
Correspondent accounts of other banks	61	529
Due to banks including:		
Syndicated loan from banks including:		
Sumitomo Mitsui* Tranche B, due on 12/06/2009 coupon rate 3.23% annual, semi-annual payment of interest	26,965	26,927
Calyon*, France on 19/03/2009 coupon rate 5.83% annual, semi-annual payment of interest	7,965	18,365
Standard Bank* due on 01/11/2009, coupon rate 4.94% annual, semi-annual payment of interest	2,485	13,586
Sumitomo Mitsui Tranche A, due on 17/06/2008 coupon rate 5.65% annual, semi-annual payment of interest	-	21,284
Bank of Tokyo-Mitsubishi UFJ Tranche B due on 20/06/2008, coupon rate 6.55% annual, semi-annual payment of interest	-	17,698
Loans from other banks:		
Morgan Stanley Bank International Ltd* due on 27/04/2009-28/06/2010, coupon rate 6.1-9.44% annual, quarterly payment of interest	38,284	33,196
CoBank* due on 28/02/2011-07/10/2011, coupon rate 3.2-4.68% annual, semi-annual payment of interest	10,013	-
JP MORGAN Bank* London due on 24/08/2009, coupon rate 9.89% annual, semi-annual payment of interest	8,849	27,498
Merrill Lynch International* due on 20/01/2010,coupon rate 10.74% annual, monthly payment of interest	7,273	-
Asian Development Bank* 31/12/2010, coupon rate 5.634 % annual, semi-annual payment of interest	4,003	5,985
National City Bank* due on 07/11/2014, coupon rate 5.915% annual, semi-annual payment of interest	3,626	3,620
DEG-Deutsche Investitions und Entwicklungesellschaft MBH Bank* due on 15/06/2012, coupon rate 8.98% annual, semi-annual payment of interest	2,729	2,715
Landesbank Berlin AG*, Germany due on 19/01/2009- 30/08/2014, coupon rate 2.625-7.39% annual, semi-annual payment of interest	2,141	8,798
European Bank of Reconstruction and Development ("EBRD")* due on 05.03.2010-07.03.2011, coupon rate 6.11-6.36 % annual, semi-annual payment of interest	1,394	3,836
The Bank of Nova Scotia* due on 14/12/2012, coupon rate 5.1479% annual, semi-annual payment of interest	1,380	8,718
ABN Amro Bank*, Rotterdam due on 08/06/2009, coupon rate 9.52 % annual, interest payment at maturity	539	5,113
ING Bank* due on 23/01/2009-05/05/2011, coupon rate 4.07-8.92% annual, semi-annual payment of interest	307	2,888
HSBC Bank, due on 31/03/2008-05/11/2008, coupon rate 7.06-8.03% annual, semi-annual payment of interest	-	21,592
Standard Bank due on 26/02/08-28/03/2008, coupon rate 7.36-7.64% annual, semi-annual payment of interest	-	4,925
Fortis Bank S.A., Belgium due on 16/01/2008 30/07/2008, coupon rate 6.46-7.17% annual, semi-annual payment of interest	-	4,907
Bank of Montreal due on 03/01/2008-31/12/2008, coupon rate 6.10-7.37% annual, semi-annual payment of interest	-	3,312
Other loans from other banks, interest payment at maturity	12,529	33,658
Time deposits of banks, interest payment at maturity	6,834	23,415
Total due to banks	137,377	292,565

(*) Covenants breached as at 31 December 2008 (see Note 40)

The payment and maturity terms above do not consider the effects of the covenants breached.

As at 31 December 2008 and 2007, accrued interest expenses included in due to banks amounted to KZT 1,183 million and KZT 4,627 million, respectively.

As at 31 December 2008 and 2007, due to banks of KZT 92,076 million (67%) and KZT 130,497 million (45%), respectively, were due to 5 banks, which represents significant concentration.

As at 14 July 2009, the date of signing of the intention agreement between the Bank and Samruk-Kazyna (see Note 1), the overdue to a number of foreign banks amounted to KZT 64,559 million.

24. DUE TO OTHER INSTITUTIONS

	Ccy	Maturity	Interest rate	31 December 2008	Interest rate	31 December 2007
			%		%	
Recorded at amortized cost:						
Nomura International plc*, quarterly payment of interest	JPY	27/06/2017	6.08	25,432	5.30	20,200
Cargill Financial Services International, Inc*, USA, monthly payment of interest	USD	20/01/2009-22/04/2009	8.22-10.00	6,453	6.96-7.67	7,921
Bunge SA*, Geneva, monthly payment of interest	USD	13/04/2009-08/01/2010	3.68-9.62	2,511	5.31-8.66	5,307
GSTS Financial Services Ltd*, USA, prepaid interest	USD	11/02/2009-17/02/2009	7.48-7.66	837	-	-
C.V.A. Trade Resources Ltd*, UK, *semi-annual payment of interest*	USD	11/06/2010-22/10/2010	3.03-5.08	508	5.51-5.59	1,357
TR Commodity Trading GMBH, Sweden, monthly payment of interest	USD	02/11/2007-28/05/2008	-	-	6.99-7.89	9,152
Cargill Financial Services International, Inc, USA	USD	02/06/2008-12/06/2008	-	-	7.75	4,159
Bunge HMBH, *semi-annual payment of interest*	USD	09/06/2008-04/06/2009	-	-	8.64	437
Total due to other institutions				35,741		48,533

(*) Covenants breached as at 31 December 2008 (see Note 40)

The payment and maturity terms above do not consider the effects of the covenants breached.

As at 31 December 2008 and 2007, accrued interest expenses included in due to other institutions amounted to KZT 16 million and KZT 81 million, respectively.

As at 14 July 2009, the date of signing of the intention agreement between the Bank and Samruk-Kazyna (see Note 1), the amount overdue to Bunge SA and C.V.A. Trade Resources Ltd. amounted was USD 10,500 thousand and USD 290 thousand, respectively.

25. OTHER FINANCING

	31 December 2008	31 December 2007
Recorded at amortized cost:		
Alliance DPR Company* Tranche A due on 13/11/2013	11,872	11,955
Alliance DPR Company* Tranche B due on 13/11/2013	8,679	10,230
Alliance DPR Company* Tranche A due on 27/06/2015	8,898	8,866
Total other financing	29,449	31,051

(*) Covenants breached as at 31 December 2008 (see Note 40)

The payment and maturity terms above do not consider the effects of the covenants breached.

As at 31 December 2008 and 2007, accrued interest expenses included in other financing amounted to KZT 215 million and KZT 316 million, respectively. Interest is payable quarterly.

On 13 November 2006, the Group launched and priced a USD 200 million, dual tranche debt issuance of a newly established future flow Diversified Payment Rights ("**DPR**") securitization program. The transaction was a true-sale securitization of the Bank's dollar and

Euro denominated present and future diversified payment rights (SWIFT MT 100 and MT 202) to Alliance DPR company (special purpose vehicle incorporated in the Cayman Islands). The issuance consisted of a USD 100 million Series 2006A Tranche And a USD 100 million Series 2006B tranche with coupon rate 3 month Libor + 2.00 %. Series 2006A was guaranteed by Asian Development Bank, the rate of which amounted to 3-month LIBOR plus 0.15%.

The next securitization transaction dated 27 June 2007 consisted of a USD 75 million Series 2007A Floating Rate Notes due on 27 June 2015. The interest rate on the securitization was 3 month LIBOR plus 2.30%.

26. CUSTOMER ACCOUNTS

	31 December 2008	31 December 2007
Recorded at amortized cost:		
Time deposits	158,269	165,907
Repayable on demand	25,366	34,515
Guarantee deposits	9,869	41,395
Total customer accounts	193,504	241,817

As at 31 December 2008 and 2007, ten customers amounted to 21.4% and 21.5% of total customer accounts, respectively, which represents significant concentration.

As at 31 December 2008 and 2007, customer accounts amounting to KZT 2,283 million and KZT 11,375 million, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As at 31 December 2008 and 2007 customer accounts amounting to KZT 1,392 million and KZT 574 million, respectively, were held as security against guarantees issued.

As at 31 December 2008 and 2007, accrued interest income included in customer accounts amounted to KZT 873 million and KZT 1,287 million, respectively.

	31 December 2008	31 December 2007
Analysis by sector:		
Individuals	91,004	97,652
Trade	28,420	33,446
Services provided by small and medium entities	22,045	13,812
Finance services	17,883	65,191
Construction	11,049	9,303
State administration	9,603	8,905
Production of crude oil and natural gas	3,290	690
Energy	2,898	1,932
Education	1,225	775
Paper industry	1,217	740
Transport and communication	874	1,930
Health care and social services	652	232
Agriculture	292	2,047
Real estate	289	269
Metallurgy	237	776
Arts	184	179
Other fields of mineral resource industry	137	246
Food production	130	426
Hotel business	119	105
Consumer production	111	65
Machinery	63	170
Chemical industry	18	26
Production of coal, lignite and peat	1	148
Other services	1,763	2,752
Total customer accounts	193,504	241,817

27. REPURCHASE AGREEMENTS

The carrying value of loans and fair value of collateral under repurchase agreements as at 31 December 2008 and 2007:

	31 December 2008		31 December 2007	
Collateral	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Recorded at amortized cost				
Bonds of ALB Finance B.V.	25,018	10,080	-	-
Bonds of Kazakhstani banks	12,420	13,136	1,328	1,310
Eurobonds of Kazakhstani banks	2,295	1,682	-	-
Bonds of Kazakhstani companies	1,649	1,632	2,221	2,181
Bonds of the Ministry of finance of the Republic of Kazakhstan	563	590	210	203
US treasury bills	-	-	2,598	2,721
Total repurchase agreement	41,945	27,120	6,357	6,415

As at 31 December 2008 and 2007, included in loans under repurchase agreements was accrued interest amounting to KZT 73 million and KZT 44 million, respectively.

As at 31 December 2008, the Group entered into repurchase agreement with the NBRK. Under this agreement the Group pledged its own repurchased bonds at fair value of KZT 10,080 million.

All repurchase agreements are short term in nature (see Note 39).

28. DEBT SECURITIES ISSUED

	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %		31 December 2008		31 December 2007
Recorded at amortized cost:							
Issued Eurobonds							
Issuance of ALB Finance B.V. Eurobonds*, denominated in EUR	02/02/2007	02/02/2012	7.93	136,819		142,039	
Repurchase of ALB Finance B.V. Eurobonds, denominated in EUR				(7,819)		(6,520)	
ALB Finance B.V. Eurobonds*, denominated in EUR, semi-annual payment of interest					129,000		135,519
Issuance of ALB Finance B.V. Eurobonds*, denominated in GBP.....	13/02/2007	14/02/2011	10.90	47,635		65,430	
Repurchase of ALB Finance B.V. Eurobonds, denominated in GBP.....				(8,347)		(11,699)	
ALB Finance B.V. Eurobonds*, denominated in GBP, semi-annual payment of interest					39,288		53,731
Issuance of ALB Finance B.V. Eurobonds*, denominated in USD	26/09/2006	26/09/2013	9.30	42,806		42,539	
Repurchase of ALB Finance B.V. Eurobonds, denominated in USD				(5,081)		(2,135)	
ALB Finance B.V. Eurobonds*, denominated in USD, semi-annual payment of interest					37,725		40,404
Issuance of ALB Finance B.V. Eurobonds*, denominated in USD	20/04/2006	20/04/2011	8.80	30,483		30,269	
Repurchase of ALB Finance B.V. Eurobonds, denominated in USD				(3,950)		(3,614)	
ALB Finance B.V. Eurobonds*, denominated in USD, semi-annual payment of interest					26,533		26,655
Issuance of ALB Finance B.V. Eurobonds*, denominated in USD	22/11/2005	22/11/2010	9.04	24,489		24,305	
Repurchased of ALB Finance B.V. Eurobonds, denominated in USD				(3,064)		(3,343)	
ALB Finance B.V. Eurobonds*, denominated in USD, semi-annual payment of interest					21,425		20,962
Alliance Bank Eurobonds 1ssuance, denominated in USD, semi-annual payment of interest.....	27/06/2005	27/06/2008	9.42		-		17,838
					253,971		295,109
Russian rouble-denominated bonds							
Issuance of LLP Alliance				11,057		14,662	

	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %		31 December 2008		31 December 2007
Finance*, semi-annual payment of interest							
Repurchase of LLP Alliance Finance*, semi-annual payment of interest				(204)		-	
LLP Alliance Finance*, semi-annual payment of interest	27/06/2007	19/06/2012	9.72		10,853		14,662
Tenge-denominated bonds							
Bonds of 9 issuance, semi-annual payment of interest*	23/02/2007	23/02/2010	8.0		8,292		1,036
Bonds of 6 issuance, semi-annual payment of interest*	10/04/2006	10/04/2009	8.5		7,126		7,104
Bonds of 4 issuance, semi-annual payment of interest*	23/04/2005	24/04/2008	7.0		-		5,023
Issued bonds of 8 issuance*	26/12/2006	26/12/2011	8.5	4,888		5,029	
Repurchased bonds of 8 issuance*				(885)		(715)	
Bonds of 8 issuance, semi-annual payment of interest*					4,003		4,314
Bonds of 14 issuance, semi-annual payment of interest*	20/09/2008	20/09/2018	11.0		2,205		-
Bonds of 12 issuance, semi-annual payment of interest*	20/09/2008	20/09/2015	11.0		132		-
Bonds of 13 issuance, semi-annual payment of interest*	20/09/2008	20/09/2010	11.0		2		-
Bonds of 5 issuance, semi-annual payment of interest*	01/09/2005	01/09/2008	7.0		-		1,017
					21,760		18,494
Total debt securities issued					286,584		328,265

(*) Covenants breached as at 31 December 2009 (see Note 40)

The payment and maturity terms above do not consider the effects of the covenants breached.

As at 31 December 2008 and 2007, accrued interest expense included in debt securities issued amounted to KZT 15,230 million and KZT 16,667 million, respectively.

29. OTHER LIABILITIES

	31 December 2008	31 December 2007
Other provisions	4,731	89
Taxes payable, other than income tax	1,175	1,824
Other transit accounts	404	598
Creditors for capital lease	153	185
Other	499	611
Total other liabilities	**6,962**	**3,307**

Movements in provision for guarantees and other commitments for the years ended 31 December 2008 and 2007 are disclosed in Note 5.

30. SPECIAL PROVISION FOR GUARANTEES

A special provision for guarantees has been established to cover probable losses under guarantee contracts entered into from 2006 to 2008 with two brokerage companies, which acted as custodians of treasury bills issued by the US Government (the "**treasury bills**"). The Bank pledged the treasury bills as guarantee for loans made by the two brokerage companies to companies registered in British Virgin Islands and Samoa (the "**offshore companies**"). As at 31 December 2008 the Group held treasury bills in the amount of KZT 136,972 million (2007: KZT 128,328 million) in custody accounts with the two brokerage companies.

In February and May 2009, the Group was informed that the offshore companies had defaulted on the payment of these loans and the custodians had consequently taken possession of the collateral in the form of the treasury bills.

The guarantees issued were not identified at the time of issuance of the financial statements for the year ended 31 December 2007. The Bank is performing an assessment in order to identify whether there are other potential off-balance sheet guarantees and pledges not recorded in the financial statements for the years ended 31 December 2007 and 2008. As of the date of the issuance of these financial statements, the assessment has not been concluded and therefore other transactions may also exist but not be recorded in the Bank's books.

The Bank and its legal advisors, together with various regulatory arms of the Kazakhstan Government, are taking actions considered necessary to assess legal matters of the guarantee contracts above and reduce the potential losses. However, due to the high level of uncertainty, the Bank has recorded a provision in the amount of KZT 136,972 million as at 31 December 2008 for estimated losses related to the identified guarantee transactions. The provision represents the total amount of the treasury bills given as guarantees. In addition, the Bank does not have any indication that the offshore companies did not meet the obligation in their loan obligations in 2007. As a consequence, the Bank did not record the special provision for guarantees as of 31 December 2007.

31. SUBORDINATED DEBT

	Issue Date	Maturity date	Interest rate %	31 December 2008	31 December 2007
International Perpetual Subordinated bonds of ALB Finance B.V*.,issuance in USD, semi-annual payment of interest	19/04/2006	-	9.42	17,978	17,846
Subordinated bonds of 10 issuance in KZT, semi-annual payment of interest	08/11/2007	08/11/2014	9.75	6,719	-
Subordinated bonds of 7 issuance in KZT, semi-annual payment of interest	24/07/2006	24/07/2013	8.5	5,017	4,980
Subordinated bonds of 3 issuance in KZT, semi-annual payment of interest	29/10/2004	28/10/2011	10.8	2,968	2,932
Subordinated debt to DEG-Deutsche Investitions und Entwicklungesellschaft MBH* in USD, semi-annual payment of interest	14/06/2007	01/06/2014	9.59	2,723	2,708
Subordinated bonds of 1 issuance in KZT indexed to USD , semi-annual payment of interest	23/12/2002	23/12/2009	9.0	2,319	2,296
Preference shares, Emission in KZT (see Note 32)		-	-	4,036	4,036
Total subordinated debt				41,760	34,798

(*) Covenants breached as at 31 December 2008 (see Note 40)

The payment and maturity terms above do not consider the effects of the covenants breached.

As at 31 December 2008 and 2007, accrued interest expense included in subordinated debt amounted to KZT 757 million and KZT 666 million, respectively.

As at 31 December 2008 and 2007, accrued dividends attributed to preference shares amounted to KZT 400 million.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

These liabilities are measured at amortized cost.

32. SHARE CAPITAL

As at 31 December 2008 and 2007, authorized share capital consisted of 11,537,500 ordinary shares with voting rights and with a par value of KZT 10,000 each and 400,000 preference shares with a par value of KZT 10,000 each. As at 31 December 2008 and 2007, ordinary shares issued and outstanding consisted of 9,637,563 and 9,637,500, respectively. As at 31 December 2008 and 2007, preference shares issued and outstanding consisted of 400,000; 50,000 preference shares were issued at a price of KZT 10,000 per share and 350,000 preference shares were issued at a price of KZT 12,450 per share. The preference shares do not carry voting rights unless dividends are not paid over a period of 3 months. The preference shares are not mandatorily redeemable but they carry a mandatory annual dividend payment of KZT 1,000 per share when the Bank has profit, calculated in accordance with Kazakhi legislation. According to Kazakhstan legislation on Joint Stock Companies, additional dividend payments on the preference shares cannot be less than the dividends paid on common shares.

The preference shares are considered financial liabilities and presented as Subordinated debt in the balance sheet (see Note 31). The dividends on preference shares are presented as interest expense and recorded in interest expenses in the income statement.

As at 31 December 2008, the Group's share capital comprised of the following number of shares:

	Share capital authorized	Share capital authorized and not issued	Share capital issued
Ordinary shares	11,537,500	1,899,937	9,637,563
Preference shares	400,000	-	400,000

As at 31 December 2007, the Group's share capital comprised of the following number of shares:

	Share capital authorized	Share capital authorized and not issued	Share capital issued
Ordinary shares	11,537,500	1,900,000	9,637,500
Preference shares	400,000	-	400,000

The below table provides a reconciliation of the number of shares outstanding as at 31 December 2008 and 2007:

	Ordinary shares Shares'000	Shares capital in million KZT
31 December 2006	6,001	60,013
Issue of ordinary shares	3,637	36,367
31 December 2007	9,638	96,380
Issue of ordinary shares	-	-
31 December 2008	9,638	96,380

On transition to IAS 32 "Financial Instruments: Presentation" all preference shares were reclassified and disclosed within Subordinated Debt on the balance sheet (see Note 31).

In 2008, the Bank recognized interest expenses related to preference shares in the amount of KZT 400 million which were calculated based on the results from January to December of the financial statements prepared in accordance with Kazakhstani legislation. The referred amount was paid on 19 January 2009.

33. COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance sheet operations. The usual procedure for issue of credit guarantee or letter of credit includes the following steps:

- the credit officer from the front-office collects all necessary documentation including application of the potential client, registration forms and financial documentation, documents on available collateral;
- the package of documentation forwarded to the Credit Committee which decides to issue the guarantee (letter of credit);
- all package of documentation including the Credit Committee's decision transferred to the middle-office which drafts the guarantee (letter of credit) agreement and pass it for management's approval;
- finally, all signed documentation, which above a certain limit are approved by the Board of Directors, goes to the accounting department to record guarantees in the books.

As previously disclosed in Note 30, the Bank is performing an assessment in order to identify potential off-balance sheet guarantees and pledges not recorded in prior years financial statements. As of the date of the issuance of these financial statements, the investigation has not been concluded and therefore it is possible that relevant non-disclosed transactions exist.

Provision for losses on contingent liabilities excluding special provision on guarantees amounted to KZT 4,731 million and KZT 89 million as at 31 December 2008 and 2007, respectively.

As at 31 December 2008 and 2007, the nominal or contract amounts of contingent liabilities were:

	31 December 2008 Nominal Amount	31 December 2007 Nominal Amount
Contingent liabilities:		
Pledge of the treasury bills (Note 30)	136,972	128,328
Commitments on loans and unused credit lines	103,456	135,630
Letters of credit and other transaction related contingent obligations	20,622	41,915
Guarantees issued and similar commitments	12,927	13,749
Total contingent liabilities	**273,977**	**319,622**

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. As at 31 December 2008 and 2007, such unused credit lines come to KZT 126,491 million and KZT 135,630 million, respectively.

As at 31 December 2008 and 2007, certain guarantees and similar commitments issued been secured by cash deposited in customer accounts in amount of KZT 1,392 million and KZT 574 million, respectively.

As at 31 December 2008 and 2007, standby letters of credit been secured by cash deposited in customer accounts in amount of KZT 2,283 million and KZT 11,375 million, respectively.

The maturity of the guarantees ranges from one month to five years.

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases are as follows:

	31 December 2008	31 December 2007
Not later than 1 year	939	515
Later than 1 year and not later than 5 years	1,559	1,657
Later than 5 years	277	1,417
Total operating lease commitments	**2,775**	**3,589**

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material losses will be incurred, with the exception of those disclosed in Note 1 and Note 30, and accordingly no provision has been made in these consolidated financial statements for any other claims.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client due to gross negligence or wilful misconduct by the Group only. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position.

The Group provides its clients with nominal holding, custody and broker/dealer services. The Group enters into custody agreements with clients for accounting and custody of assets of the clients and assets of investment funds according to certain criteria established by the client and legislation. The Group may be responsible for losses or defalcation until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any time equals the amount of funds of the clients plus/minus any unrealized profit/loss on the client's position.

As at 31 December 2008, the Group had securities of clients in off-balance sheet nominal holder accounts in the following amounts:

- in custody – 3,515,528 shares, amounted to KZT 175 million;
- of these shares related to investment funds – 72,855 shares, amounted to KZT 8 million;
- other assets related to investment funds amounted to KZT 4,881 million.

As at 31 December 2007, the Group had securities of clients in off-balance sheet nominal holder accounts in the following amounts:

- in custody - 3,704,034 shares, amounted to KZT 604 million;
- of these shares related to investment funds - 203,470 shares, amounted to KZT 143 million;
- other assets related to investment funds amounted to KZT 1,986 million and banks' deposits amounted to KZT 2 million.

Taxation

Commercial legislation of the Republic of Kazakhstan where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

As at 31 December 2008, the Group faces significant tax risks related to the uncertainties in tax treatment of significant losses incurred in 2008 as well as a possible change of ownership and an ongoing restructuring process (See Notes 1, 40). In order to clarify and proceed to resolution regarding those risks, the Group has initiated discussion with the Tax Committee of the Republic of Kazakhstan. The following questions are raised:

- Treatment of income from restructuring of liabilities
- Treatment of losses related to the special provision for guarantees
- Treatment of losses related to provisions for losses on loans to related parties
- Treatment of other off-balance sheet unusual guarantees and pledges

The outcome of theses uncertainties could result in the Tax Authorities assessing additional taxes.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2008 and 2007, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The Group's principal activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to frequent changes and the Group's assets and operations could be at a risk due to adverse developments in the political and business environment.

Specific volatility in global and Kazakhstan's financial markets

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in the Republic of Kazakhstan, notwithstanding any potential economic stabilization measures that may be put into place by the Government of the Republic of Kazakhstan, there exists economic uncertainties surrounding the continual availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets, financial and other, may not be recovered at their carrying amount in the regular course of business, and a corresponding impact on the Group's profitability.

As at 31 December 2008, the Group has financial assets amounting to KZT 705,494 million (as at 31 December 2007: KZT 1,108,745 million). The recoverability of these financial assets depends to a large extent on the efficiency of the fiscal measures and other measures and other actions, beyond the Group's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Group's financial assets is determined based on conditions prevailing and information available as at balance sheet date.

34. TRANSACTIONS WITH RELATED PARTIES

The Bank has identified significant transactions with its related parties which represents approximately 5.5% of interest income for the year ended 31 December 2008.

The majority of the assets are represented by other assets and loans issued to entities owned by or in which the Group's shareholders have an interest in. As at 31 December 2008, the Bank has recorded an allowance for impairment losses for related party assets of KZT 154,094 million which represent 76% of the assets receivable from related parties.

The Bank and its legal advisors are pursuing the collection of the amounts in an effort to reduce the Bank's exposure and losses. However, the results of those actions are unknown due to a lack of documentation on certain loans and the uncertainty of the financial capacity of the borrowers, due to their current financial situation or because they are inactive. However, Management believes the allowance for impairment losses were sufficient for the probable losses identified and estimated as at 31 December 2008 and 2007.

Furthermore, while Management believes that they made all best practicable efforts in identifying the completeness of related parties for the years ended 31 December 2008 and 2007, Management has not been able to conclude the analysis and therefore there is a possibility that the current disclosure does not present all transactions with related parties. The preliminary result of the analysis has identified additional related parties in 2008 which were not disclosed in 2007. Management is unable to compile the information necessary to present the related party transactions for the year 2007 on a corresponding basis to 2008. As a consequence, the information related to 2007 has been omitted. This is a breach of disclosure as required under IAS 24 "Related Party Transactions." Additionally, due to the fact that the analysis for 2008 regarding related party transactions has not been concluded, the associated tax effects, if any, have neither been recorded nor presented in the tax footnote disclosure.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transaction between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2008	
	Related party balances	**Total category as per financial statements caption**
Investments available-for-sale	37	2,741
- *other related parties*	37	
Due from banks	873	45,956
- *other related parties*	873	
Loans to customers before allowances for impairment losses	181,075	703,265
- *the parent*	1	
- *other shareholders*	131,266	
- *key management personnel of the entity or its parent*	49,245	
- *other related parties*	563	
Allowance for impairment losses	131,776	269,790
- *the parent*	1	
- *other shareholders*	106,610	
- *key management personnel of the entity or its parent*	24,831	
- *other related parties*	334	
Other assets	22,545	28,582
- *key management personnel of the entity or its parent*	21,258	
- *other related parties*	1,287	
Allowance for impairment of other assets	22,338	22,642
- *key management personnel of the entity or its parent*	21,064	
- *other related parties*	1,274	
Due to banks	54	137,377
- *other related parties*	54	
Customer accounts	16,576	193,504
- *the parent*	3,909	
- *other related parties*	11,367	
- *key management personnel of the entity or its parent*	1,300	
Other liabilities	4,216	6,962
- *other related parties*	-	
- *key management personnel of the entity or its parent*	4,216	
Contingent liabilities	35,786	273,977
- *the parent*	1	
- *key management personnel of the entity or its parent*	13,313	
- *other shareholders*	15,890	
- *other related parties*	6,582	

Secured and unsecured loans are made to key Management personnel of the entity and shareholders in the ordinary course of business. These loans are made on substantially the same terms, including interest rates, as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

Amounts deposited by parent and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

Included in the income statement for the year ended 31 December 2008 are the following amounts, which arose due to transactions with related parties:

	31 December 2008	
	Related party balances	**Total category as per financial statements caption**
Interest income	9,087	163,488
- the parent	-	
- other shareholders	6,646	
- other related parties	282	
- key management personnel of the entity or its parent	2,159	
Interest expense	1,565	100,677
- the parent	1,439	
- other shareholders	122	
- other related parties	4	
Provision for impairment on interest bearing assets	131,776	242,273
- the parent	1	
- key management personnel of the entity or its parent	24,831	
- other shareholders	106,610	
- other related parties	334	
Operating expenses	962	21,889
- the parent	92	
- other related parties	462	
- key management personnel of the entity or its parent	408	
Fee and commission income	8,808	12,817
- the parent	15	
- other shareholders	6,482	
- key management personnel of the entity or its parent	2,018	
- other related parties	293	
Fee and commission expense	23,883	24,584
- key management personnel of the entity or its parent	2,151	
- other shareholders	10	
- other related parties	21,722	
Net gain on foreign exchange operations	1,504	15,564
- the parent	648	
- other shareholders	856	
Other income	80	4,316
- other related parties	80	
Provision/(recovery of provision) for impairment losses on other transactions	22,319	27,175
- other related parties	22,319	
Key management personnel compensation	409	9,414
Short-term employee benefits, including pension fund payments	409	

35. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 31 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviewed the capital structure on a regular basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

As is apparent from the disclosure in Note 1 the Group has not effectively managed this risk with rapid growth funded by substantial amounts of foreign debt being one of the causes for the Group's current financial difficulties.

36. SEGMENT REPORTING

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business segments

The Group is organized on the basis of three main business segments:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

Investment banking – representing financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2008
External operating expense	11,575	(151,525)	(59,872)	(698)	-	(200,520)
Income from other segments	-	-	48,591	-	(48,591)	-
Expenses from other segments	(27,601)	(20,990)	-	-	48,591	-
Total operating loss	(16,026)	(172,515)	(11,281)	(698)	-	(200,520)
Operating expenses	(13,713)	(6,805)	(1,371)	-	-	(21,889)
Special provision for guarantees	-	-	(136,972)	-	-	(136,972)
Provision for impairment losses on other transactions	(599)	(26,576)	-	-	-	(27,175)
Loss before tax	(30,338)	(205,896)	(149,624)	(698)	-	(386,556)
Income tax benefit	-	-	-	346	-	346
Net loss	(30,338)	(205,896)	(149,624)	(352)	-	(386,210)
Other segment items						
Depreciation expense	(2,024)	(875)	(134)	-	-	(3,033)
External interest income	77,139	62,571	23,778	-	-	163,488
Internal interest income	-	-	48,591	-	(48,591)	-
External interest expense	(10,508)	(21,407)	(68,762)	-	-	(100,677)
Internal interest expense	(27,601)	(20,990)	-	-	48,591	-
Provision for impairment losses on interest bearing assets	(43,188)	(199,085)	-	-	-	(242,273)
Fee and commission income	7,101	5,698	18	-	-	12,817
Fee and commission expense	(24,097)	(12)	(28)	(447)	-	(24,584)
Capital expenditure	2,144	1,946	2,532	318	-	6,940

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2008
Segment assets	230,316	209,099	272,019	316,372	(282,175)	745,631
Segment liabilities	91,080	246,358	638,050	369,162	(369,162)	975,488
Loans to customers	229,792	203,683	-	-	-	433,475
Property, equipment and intangible assets	10,563	9,590	12,476	1,568	-	30,197
Customer accounts	91,006	102,498	-	-	-	193.504

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2008
External operating revenue	79,978	50,959	(52,104)	78	-	78,911
Income from other segments	-	-	61,743	-	(61,743)	-
Expenses from other segments	(30,421)	(31,322)	-	-	61,743	-
Total operating income	49,557	19,637	9,639	78	-	78,911
Operating expenses	(14,930)	(6,468)	(1,003)	-	-	(22,401)
Recovery of provision for impairment losses on other transactions	-	79	-	-	-	79
Operating profit before tax	34,627	13,248	8,636	78	-	56,589
Income tax expense	-	-	-	(13,906)	-	(13,906)
Net profit	34,627	13,248	8,636	(13,828)	-	42,683
Other segment items						
Depreciation expense	(1,450)	(697)	(91)	-	-	(2,238)
External interest income	109,064	57,722	14,982	-	-	181,768
Internal interest income	-	-	61,743	-	(61,743)	-
External interest expense	(10,037)	(7,012)	(75,840)	-	-	(92,889)
Internal interest expense	(30,421)	(31,322)	-	-	61,743	-
Provision for impairment losses on interest bearing assets	(16,101)	(9,470)	-	-	-	(25,571)
Fee and commission income	5,745	6,850	34	-	-	12,629
Fee and commission expense	(10,009)	(308)	(191)	-	-	(10,508)
Capital expenditure	7,215	7,698	5,159	552	-	20,624

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2008
Segment assets	406,154	433,350	290,378	534,708	(503,659)	1,160,931
Segment liabilities	97,934	147,189	753,419	433,208	(433,208)	998,542
Loans to customers	405,064	414,130	-	--	-	819,194
Property, equipment and intangible assets	14,124	16,841	84	-	-	31,049
Customer accounts	97,661	144,156	-	--	-	241,817

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 31 December 2008 and 2007 for respective years then ended.

	Kazakhstan	Other non-OECD countries	OECD countries	As at and for the year ended 31 December 2008 Total
External operating revenue	(139,819)	(1,093)	(59,608)	(200,520)
External net loss	(269,298)	(2,105)	(114,807)	(386,210)
Capital expenditure	6,940	-	-	6,940
Assets	519,916	4,065	221,650	745,631
Liabilities	301,910	187,994	485,584	975,488

	Kazakhstan	Other non-OECD countries	OECD countries	As at and for the year ended 31 December 2008 Total
External operating revenue	63,538	2,526	12,847	78,911
External net profit	34,368	1,366	6,949	42,683
Capital expenditure	20,624	-	-	20,624
Assets	934,770	37,160	189,001	1,160,931
Liabilities	325,104	60,831	612,607	998,542

External operating income, assets, capital expenditure have generally been allocated based on domicile of the counterparty. Tangible assets (cash on hand, precious metals, premises and equipment) have been allocated based on the country in which they are physically held.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. 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 fair value of financial instruments not carried at fair value.

Loans to Customers, Due to banks, Customer Accounts, Due to other financial institutions and Other financing – For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For assets and liabilities with maturity greater than one month, fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Reverse repurchase agreements, repurchase agreements, debt securities issued and subordinated debt – The securities are traded on active markets and quoted market prices have been used to determine the fair value.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated balance sheet of the Group is presented below:

	31 December 2008		31 December 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to customers	433,475	383,443	819,194	879,199
Due to banks	137,377	120,988	292,565	289,723
Due to other financial institutions	35,741	30,923	48,533	45,419
Customer accounts	193,504	202,251	241,817	236,086
Debt securities issued	286,584	147,324	328,265	258,830
Subordinated debt	41,760	26,387	34,798	31,459
Other financing	29,449	26,258	31,051	30,223

Financial assets and liabilities at fair value through profit or loss and available-for-sale investment securities are carried at fair value in the consolidated balance sheet. The carrying amount of cash and balances with the National Bank of the Republic of Kazakhstan, Repurchase and Reverse repurchase agreements, Due from banks and the Special provision for guarantees approximate the fair value due to the short-term nature of such financial assets and liabilities.

In case of disposal of such instruments the Group intends to apply selling prices to be determined between contractual parties.

38. REGULATORY MATTERS

	2008	2007
Movement in tier 1 capital:		
At 1 January	174,945	91,418
Issue of ordinary shares	-	36,367
(Loss)/profit	(386,210)	42,683
Depreciation of property revaluation reserve	137	146
Perpetual financial instruments	73	4,331
At 31 December	(211,055)	174,945

	2008	2007
Composition of regulatory capital		
Tier 1 capital:		
Share capital	97,602	97,602
Disclosed reserves	(324,782)	61,373
Less: Revaluation reserve	(1,994)	(2,076)
Perpetual financial instruments	18,119	18,046
Total qualifying tier 1 capital (deficiency)	(211,055)	174,945
Revaluation reserve	1,994	2,076
Hybrid capital instruments	3,636	3,636
Subordinated debt	15,663	11,752
Total regulatory capital (deficiency)	(189,762)	192,409
Capital Ratios:		
Tier 1 capital	(A)	17%
Total Capital	(A)	19%

(A) By the end of year 2008 the Group had negative equity and did not comply with set capital requirements.

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee.

As at 31 December 2008 and 2007, the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital.

As discussed in Note 1, both the Financial Supervision Agency of the Republic of Kazakhstan and Samruk-Kazyna are aware of the Bank's current situation with regard to the Bank's equity position.

39. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group operations are those related to credit exposures, liquidity risk and market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose aims to protect the Group from risks and to achieve its performance objectives.

In response to recent events Management of the Group have attempted to strengthen the risk-management procedures, particularly in relation to all steps of loan issuance: deal structuring, its approval, registration and further monitoring.

Through the risk management framework, the Group aims to manage the following risks:

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current of compliance with such limits.

Risk management and monitoring is performed within set limits of authority. These procedures are performed by the Credit Committees and the Group's Management Board. Before any application is made to the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, to industry and geographical segments. Limits on the level of credit risk by borrower, product, industry sector and region are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. However a significant portion of loans relate to personal lending which are unsecured. Unsecured loans, collateral valuation, and financial performance of creditors/guarantors are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend

credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and ongoing monitoring. The Group manages the setting of the term to maturity of credit commitments as longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

As discussed in Note 30 to these financial statements, Management of the Bank has identified previously unrecorded guarantees issued to third parties. The non-recording of these guarantees has prompted Management to review the current internal risk management systems and policies.

As at 31 December 2008, the key aspects of the current credit risk system and policies are described in detail below.

Specialist credit committees review all loan applications from prospective borrowers;:

- Corporate business - Credit Committee of the Head Office
- SME - SME Credit Committee up to USD 5 million
- Bad Loans - Bad Loans Committee (authority for restructuring and legal claims)
- Retail banking - Retail banking Credit Committee
- Loans distributed by Branches - Credit Committee of the Branch up to KZT 15 million

All credit committees include personnel from the Risk Management department and each loan application should be approved by the following sub-divisions: Credit Department - Collateral department - Legal Department - Economic Security Department - Risk department - Credit Committee in order for a loan to be issued. With regard to retail banking all decisions are made on an individual basis.

As a result of the review of the risk management policies described above. Management have developed a comprehensive improvement plan for the risk management system. The plan considers the operations of the Bank by market segment.

Maximum Exposure

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance sheet operations.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets, based on the current information known at the date of the issuance of these financial statements. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called or in the case of commitments, if the loan amount was called. The maximum exposure to letters of credit, guarantees granted and other commitments is disclosed in Note 33. The maximum exposure

and collaterals pledged in reverse repurchase agreements are disclosed in Note 17. The collateral pledged was determined based on its fair value and limited to the outstanding balance of each loan.

As at 31 December 2008:

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	201,973	-	201,973	-	201,973
Due from banks	45,956	-	45,956	-	45,956
Loans to customers	703,265	-	703,265	335,025	368,240
Reverse repurchase agreements	132	-	132	119	13
Investments available-for-sale	2,741	-	2,741	-	2,741

As at 31 December 2007:

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	179,620	-	179,620	-	179,620
Due from banks	37,079	-	37,079	-	37,079
Loans to customers	862,721	-	862,721	614,696	248,025
Investments available-for-sale	3,057	-	3,057	-	3,057

Included in financial assets at fair value through profit and losses are the treasury bills given as guarantees and for which the Bank has recorded a special provision for guarantees (see Note 30).

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poors, except for loans to customers that are graded internally using the Bank's internal model. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets that have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group:

As at 31 December 2008:

	AAA	AA	A	BBB	<BBB	Not Rated	Total at 31 December 2008
Financial assets at fair value through profit or loss	136,972	10,705	25,829	-	25,158	3,309	201,973
Due from banks	-	31,631	7,924	14	5,488	899	45,956
Reverse repurchase agreements	-	-	-	-	-	132	132
Investments available-for-sale	-	-	-	-	2,075	666	2,741

As at 31 December 2007:

	AAA	AA	A	BBB	<BBB	Not rated	Total at 31 December 2007
Financial assets at fair value through profit or loss	128,328	17,711	-	-	29,147	4,434	179,620
Due from banks	-	3,474	230	25	30,058	3,292	37,079
Investments available-for-sale	-	-	-	-	2,035	1,022	3,057

Under FMSE rules loans are classified by reference to: (i) the customer's financial performance; (ii) the timeliness of repayment of principal and/or interest; (iii) the quality of collateral; (iv) whether there has been any extension of the loan; (v) the timeliness of repayments on other loans; (vi) whether there has been any unauthorised use of the loan; (vii) whether other credits to that customer have been written off; and (viii) any rating assigned to the customer.

Each of the criteria of financing is assessed and then assigned a risk weight grade from 1 to 5 (grade increases as the risk is higher). Based on this assessment and client's repayment schedule, the risk weight grades for all criteria are then combined, resulting in classification of the Group's portfolio as follows:

Total Grades	Timeliness of Repayment	Internal Bank
Classification		
Less than 1	Current	Standard
1-2	Current	Substandard 1st category
	Overdue	Substandard 2nd category
2-3	Current	Substandard 3rd category
	Overdue	Substandard 4th category
3-4	Both current and overdue	Substandard 5th category
4 and more	Both current and overdue	Loss

The following tables detail the credit ratings of loans to customers held by the Group as at 31 December 2008 and 2007:

	Standard	Sub-standard of 1 level	Sub-standard of 2 level	Sub-standard of 3 level	Sub-standard of 4 level	Sub-standard of 5 level	Loss	Total at 31 December 2008
Loans to customers	206,202	23,311	16,192	137,906	24,071	36,750	228,406	672,838

	Standard	Sub-standard of 1 level	Sub-standard of 2 level	Sub-standard of 3 level	Sub-standard of 4 level	Sub-standard of 5 level	Loss	Total at 31 December 2008
Loans to customers	419,877	111,853	289,097	1,021	9,580	9,238	11,806	852,472

The tables above do not include interest or discount on loans to customers in the amount of KZT 30,427 million and KZT 10,249 million as at 31 December 2008 and 2007, respectively.

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. The loans to customers are concentrated to borrowers domiciled in the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The scoring methodologies adopted by the Group are based on the principal amount of the loans. It is not meaningful to include the allocation of the not rated portion between the scoring categories, as this would not reconcile to the disclosed balances in the financial statements.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

As at 31 December 2008:

	Financial assets past due but not impaired						
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2008**
Financial assets at fair value through profit or loss	201,973	-	-	-	-	-	201,973
Due from banks	45,956	-	-	-	-	-	45,956
Loans to customers	197,581	17,236	-	-	-	218,658	433,475
Reverse repurchase agreements	132	-	-	-	-	-	132
Investments available-for-sale	2,741	-	-	-	-	-	2,741

As at 31 December 2007:

	Financial assets past due but not impaired						
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2008**
Financial assets at fair value through profit or loss	179,620	-	-	-	-	-	179,620
Due from banks	37,079	-	-	-	-	-	37,079
Loans to customers	376,047	10,907	-	-	-	432,240	819,194
Investments available-for-sale	3,057	-	-	-	-	-	3,057

Geographical concentration

The Assets and Liabilities Management Committee ("**ALMC**") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2008 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	21,217	-	-	21,217
Financial assets at fair value through profit or loss	25,478	176,059	436	201,973
Due from banks	5,196	39,638	1,122	45,956
Loans to customers	426,137	4,951	2,387	433,475
Reverse repurchase agreements	132	-	-	132
Investments available-for-sale	2,741	-	-	2,741
TOTAL FINANCIAL ASSETS	480,901	220,648	3,945	705,494
FINANCIAL LIABILITIES				
Due to National Bank of the Republic of Kazakhstan	15,026	-	-	15,026
Financial liabilities at fair value through profit or loss	548	48,456	1,164	50,168
Due to banks	6,874	126,417	4,086	137,377
Due to other financial institutions	-	35,741	-	35,741
Other financing	-	-	29,449	29,449
Customer accounts	187,834	212	5,458	193,504
Repurchase agreements	41,945	-	-	41,945
Debt securities issued	21,760	253,971	10,853	286,584
Subordinated debt	21,059	20,701	-	41,760
Special provision for guarantees	-	-	136,972	136,972
TOTAL FINANCIAL LIABILITIES	295,046	485,498	187,982	968,526
NET POSITION	185,855	(264,850)	(184,037)	
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	69,795	-	-	69,795
Financial assets at fair value through profit or loss	21,115	157,169	1,336	179,620
Due from banks	29,810	3,712	3,557	37,079
Loans to customers	758,810	28,117	32,267	819,194
Investments available-for-sale	3,057	-	-	3,057
TOTAL FINANCIAL ASSETS	882,587	188,998	37,160	1,108,745
FINANCIAL LIABILITIES				
Due to National Bank of the Republic of Kazakhstan	5,569			5,569
Financial liabilities at fair value through profit or loss	463	3,510	2,307	6,280
Due to banks	22,584	261,225	8,756	292,565
Due to other financial institutions	-	48,533	-	48,533
Other financing	-	-	31,051	31,051
Customer accounts	237,230	532	4,055	241,817
Repurchase agreements	3,759	2,598	-	6,357
Debt securities issued	36,332	277,271	14,662	328,265
Subordinated debt	16,437	18,361	-	34,798
TOTAL FINANCIAL LIABILITIES	322,374	612,030	60,831	995,235
NET BALANCE SHEET POSITION	560,213	(423,032)	(23,671)	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. The Risk Management Department performs determination of the optimal structure of balance, limits on liquidity ratios and gap-positions approved by the

Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	65,001	136,972	-	-	-	-	201,973
Due from banks	10,449	1,611	604	32,474	-	-	45,138
Loans to customers	64,763	32,789	145,760	79,229	110,934		433,475
Reverse repurchase agreements	132	-	-	-	-	-	132
Investments available-for-sale	72	-	-	1,782	838	-	2,692
Total interest bearing financial assets	140,417	171,372	146,364	113,485	111,772	-	683,410
Cash and balances with the National Bank of the Republic of Kazakhstan	21,217	-	-	-	-	-	21,217
Investments available -for-sale	-	-	-	-	-	49	49
Due from banks	818	-	-	-	-	-	818
TOTAL FINANCIAL ASSETS	162,452	171,372	146,364	113,485	111,772	49	705,494
FINANCIAL LIABILITIES							
Due to National Bank of the Republic of Kazakhstan	15,026	-	-	-	-	-	15,026
Financial liabilities at fair value through profit or loss	50,168	-	-	-	-	-	50,168
Due to banks	137,316	-	-	-	-	-	137,316
Due to other financial institutions	35,741	-	-	-	-	-	35,741
Other financing	29,449	-	-	-	-	-	29,449
Customer accounts	12,565	25,305	10,733	114,021	5,284	-	167,908
Repurchase agreements	39,180	817	1,948	-	-	-	41,945
Debt securities issued	286,584	-	-	-	-	-	286,584
Subordinated debt	21,449	-	2,315	7,740	6,620	3,636	41,760
Total interest bearing financial liabilities	627,478	26,122	14,996	121,761	11,904	3,636	805,897
Due to banks	61	-	-	-	-	-	61
Customer accounts	25,596	-	-	-	-	-	25,596
Special provision for guarantees	-	136,972	-	-	-	-	136,972
TOTAL FINANCIAL LIABILITIES	653,135	163,094	14,996	121,761	11,904	3,636	968,526
Liquidity gap	(490,683)	8,278	131,368	(8,276)	99,868		
Cumulative liquidity gap	(490,683)	(482,405)	(351,037)	(359,313)	(259,445)		
Interest sensitivity gap	(487,061)	145,250	131,368	(8,276)	99,868		
Cumulative interest sensitivity gap	(487,061)	(341,811)	(210,443)	(218,719)	(118,851)		
Cumulative interest sensitivity gap as a percentage of total assets	(69.0%)	(48.4%)	(29.8%)	(31.0%)	(16.8%)		
Commitments on loans and unused credit lines	4,019	6,087	12,930	96,426	7,030	-	126,491

As at 31 December 2008, the above table discloses a liquidity deficit. This deficit has primarily arisen due to the following reasons;

- The special provision for guarantees collateralized by US Treasury Strips in the amount of KZT 136,972 million as discussed in Note 30;
- Loans in the amount of KZT 490,489 million which are presented as up to 1 month due to the covenants breached;
- The outflow of customers' deposits during 2008;
- The significant increase in margin-call deposit payments in relation to various SWAP agreements.

Currently, liquidity management is conducted by the Treasury Department of the Group under daily direct control of the Chief Financial Officer. Lending operations are currently limited to Government sponsored programs. In order to support short term liquidity the Bank enters into repo operations with Samruk-Kazyna senior bonds.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	179,620	-	-	-	-	-	179,620
Due from banks	30,272	963	1,752	1,262	-	-	34,249
Loans to customers	40,552	34,571	153,131	396,572	194,368	-	819,194
Investments available-for-sale	1,368	-	-	1,174	439	-	2,981
Total interest bearing financial assets	251,812	35,534	154,883	399,008	194,807	-	1,036,044
Cash and balances with the National Bank of the Republic of Kazakhstan	69,795	-	-	-	-	-	69,795
Due from banks	2,830	-	-	-	-	-	2,830
Investments available-for-sale	-	-	-	-	-	76	76
TOTAL FINANCIAL ASSETS	**324,437**	**35,534**	**154,883**	**399,008**	**194,807**	**76**	**1,108,745**
FINANCIAL LIABILITIES							
Due to National Bank of the Republic of Kazakhstan	-	-	5,569	-	-	-	5,569
Financial liabilities at fair value through profit or loss	6,280	-	-	-	-	-	6,280
Due to banks	31,726	26,797	127,652	100,568	5,624	-	292,367
Due to other financial institutions	2,291	2,410	16,123	7,520	20,189	-	48,533
Other financing	316	430	913	21,258	8,134	-	31,051
Customer accounts	36,554	19,754	39,005	105,571	8,856	-	209,740
Repurchase agreements	5,038	1,319	-	-	-	-	6,357
Debt securities issued	-	16,667	5,952	248,593	57,053	-	328,265
Subordinated debt	1,066	-	-	5,166	6,885	21,681	34,798
Total interest bearing financial liabilities	83,271	67,377	195,214	488,676	106,741	21,681	962,960
Due to banks	198	-	-	-	-	-	198
Customer accounts	32,077	-	-	-	-	-	32,077
TOTAL FINANCIAL LIABILITIES	**115,546**	**67,377**	**195,214**	**488,676**	**106,741**	**21,681**	**995,235**
Liquidity gap	208,891	(31,843)	(40,331)	(89,668)	88,066		
Cumulative liquidity gap	208,891	177,048	136,717	47,049	135,115		
Interest sensitivity gap	168,541	(31,843)	(40,331)	(89,668)	88,066		
Cumulative interest sensitivity gap	168,541	136,698	96,367	6,699	94,765		
Cumulative interest sensitivity gap as a percentage of total assets	15.2%	12.3%	8.7%	0.6%	8.5%		
Commitments on loans and unused credit lines	5,784	3,202	19,871	73,611	33,162	-	135,630

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the balance sheet as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the balance sheet under the effective interest rate method.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5
FINANCIAL LIABILITIES						
Due to the National Bank of the Republic of Kazakhstan	10.5	15,026	-	-	-	
Due to banks	7.6	137,377	-	-	-	
Due to other financial institutions	6.6	35,741	-	-	-	
Other financing	6.6	29,449	-	-	-	
Customer accounts	10.3	32,229	33,043	16,868	155,737	
Repurchase agreements	10.4	39,222	851	2,030	-	
Debt securities issued	10.0	286,584	-	-	-	
Subordinated debt	11.1	21,111	-	2,534	10,957	
Total interest bearing financial liabilities		596,739	33,894	21,432	166,694	
Financial liabilities at fair value through profit or loss		473,439	-	-	-	
Special provision for guarantees		-	136,972	-	-	
Total financial liabilities		**1,070,178**	**170,866**	**21,432**	**166,694**	
FINANCIAL LIABILITIES						
Due to the National Bank of the Republic of Kazakhstan	-	-	-	5,569	-	
Due to banks	8.6	33,356	29,661	140,542	109,916	
Due to other financial institutions	8.0	2,388	2,604	16,995	12,169	
Other financing	8.0	490	778	2,480	26,370	
Customer accounts	7.2	70,210	22,422	49,772	127,572	
Repurchase agreements	4.6	5,038	1,319	-	-	
Debt securities issued	10.4	-	25,817	45,832	364,161	
Subordinated debt	10.6	1,169	206	925	9,158	
Total interest bearing financial liabilities		112,651	82,807	262,115	649,346	
Financial liabilities at fair value through profit or loss		434,597	-	-	-	
Total financial liabilities		**547,248**	**82,807**	**262,115**	**649,346**	

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. However, historically the majority of the Groups lending operations have been at fixed rates. The mismatch between borrowing and lending at floating and fixed rates has led to an increased exposure to interest rate risk. In the current year the effect of this mismatch was significant as a result of the global financial crisis, which led to both an increase in floating rates and an increase in defaults of loans to customers. The impact was that the Bank encountered significant liquidity issues.

In response to the current situation, Management are currently developing a more comprehensive interest rate risk management policy.

Interest rate sensitivity

The Group manage fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax based on asset values as at 31 December 2008 and 2007:

	As at 31 December 2008		As at 31 December 2007	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Net impact on operating profit before tax	(2,411)	2,633	525	(525)

Impact on shareholders equity:

	As at 31 December 2008		As at 31 December 2007	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Net impact on profit before tax	(2,411)	2,633	525	(525)
Investments available for sale	(74)	74	31	(31)
Change in income tax accrual	723	(790)	(167)	167
Net impact on equity, after tax	(1,762)	1,917	389	(389)

Currency risk

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

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of national (central) banks.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1 = KZT 120.79	EURO EURO 1 = KZT 170.24	Other currencies	31 December 2008 Total
FINANCIAL ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	16,695	3,164	944	414	21,217
Financial assets at fair value through profit or loss	26,025	144,997	17,077	13,874	201,973
Due from banks	542	21,729	18,539	5,146	45,956
Loans to customers	220,579	201,432	10,696	768	433,475
Reverse repurchase agreements	132	-	-	-	132
Investments available for sale	2,741	-	-	-	2,741
TOTAL FINANCIAL ASSETS	**266,714**	**371,322**	**47,256**	**20,202**	**705,494**
FINANCIAL LIABILITIES					
Due to National Bank of the Republic of Kazakhstan	15,026	-	-	-	15,026
Financial liabilities at fair value through profit or loss	3,665	46,503	-	-	50,168
Due to banks	23,843	85,300	2,635	25,599	137,377
Due to other financial institutions	-	9,484	825	25,432	35,741
Other financing	-	29,449	-	-	29,449
Customer accounts	140,353	47,961	4,844	346	193,504
Repurchase agreements	41,945	-	-	-	41,945
Debt securities issued	21,760	85,582	129,084	50,158	286,584
Other provisions for guarantees	-	136,972	-	-	136,972
Subordinated debt	18,740	23,020	-	-	41,760
TOTAL FINANCIAL LIABILITIES	**265,332**	**464,271**	**137,388**	**101,535**	**968,526**
NET POSITION	**1,382**	**(92,949)**	**(90,132)**	**(81,333)**	

	KZT	USD USD 1 = KZT 120.30	EURO EURO 1 = KZT 177.17	Other currencies	31 December 2008 Total
FINANCIAL ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	26,432	4,804	1,248	37,311	69,795
Financial assets at fair value through profit or loss	19,652	139,038	13,282	7,648	179,620
Due from banks	29,573	5,040	192	2,274	37,079
Loans to customers	401,692	375,691	40,991	820	819,194
Investments available for sale	2,705	352	-	-	3,057
TOTAL FINANCIAL ASSETS	**480,054**	**524,925**	**55,713**	**48,053**	**1,108,745**
FINANCIAL LIABILITIES					
Due to National Bank of the Republic of Kazakhstan	-	-	-	5,569	5,569
Financial liabilities at fair value through profit or loss	569	5,140	140	431	6,280
Due to banks	62,389	190,542	19,340	20,294	292,565
Due to other financial institutions	-	28,333	-	20,200	48,533
Due to other finance	-	31,051	-	-	31,051
Repurchase agreements	3,759	2,598	-	-	6,357
Customer accounts	197,397	37,942	5,918	560	241,817
Debt securities issued	18,494	105,859	135,519	68,393	328,265
Subordinated debt	11,948	22,850	-	-	34,798
TOTAL FINANCIAL LIABILITIES	**294,556**	**424,315**	**160,917**	**115,447**	**995,235**
NET POSITION	**185,498**	**100,610**	**(105,204)**	**(67,394)**	

Currently, the Group faces significant forex exposures caused by inadequate currency risk management. As a result of the rapid growth of the Banks operations in the preceding years the Bank was exposed to excessive currency risks which were not sufficiently hedged.

The continued growth and aggressive lending policy demanded significant international funding in the form of bilateral and syndicated loans as well as bonds issued on internal markets in different currencies (Euros, JPYs, GBPs, etc.). Due to the mismatch between the currency of borrowing and lending the Group had negotiated long-term currency swaps to hedge this risk. However, as a result of recent market volatility this led to an ineffective hedging plan and to an unpredicted higher volume of margin-call deposit payments.

Derivative financial instruments and spot contracts

The Group enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. These instruments include forwards on foreign currency and securities. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting.

Transactions are undertaken in derivative financial instruments ("**derivatives**"), which include interest rate, cross currency, forwards, as well as credit default and total return swaps, equity index contracts and exchange traded interest rate futures and equity index options. Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date.

As discussed in Notes 14 and 15, the Bank entered into a cross currency credit default swap linked to the performance of Gazprom on its debts whereby the Bank is selling protection to the counterparty for the full notional of EUR 100 million in case of default by Gazprom. The Bank will receive Gazprom notes and the counterparty will retain the initially exchanged notional amount of KZT 17,024 million in case of default in the notes by Gazprom

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2008 and 2007. The accounts payable and receivable in the tables below disclose the nominal value of the derivative financial instruments and spot contracts with the gain or loss on the derivative financial instruments and spot contracts being included in the table above.

	KZT	USD USD 1 = KZT 120.79	EURO EURO 1 = KZT 170.24	Other Currencies	31 December 2008 Total
Accounts payable on spot and derivative contracts	64,021	350,466	2,554	6,549	423,590
Accounts receivable on spot and derivative contracts	20,398	204,594	105,364	93,234	423,590
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(43,623)**	**(145,872)**	**102,810**	**86,685**	
TOTAL NET POSITION	**(42,241)**	**(238,821)**	**12,678**	**5,352**	

	KZT	USD USD 1 = KZT 120.30	EURO EURO 1 = KZT 177.17	Other Currencies	31 December 2008 Total
Accounts payable on spot and derivative contracts	77,496	299,283	7,372	53,446	434,597
Accounts receivable on spot and derivative contracts	12,436	205,593	101,581	114,987	434,597
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(65,060)**	**(93,690)**	**94,209**	**61,541**	
TOTAL NET POSITION	**120,438**	**6,920**	**(10,995)**	**(5,853)**	

Currency risk sensitivity

During 2008 and 2007, the National Bank of the Republic of Kazakhstan supported the exchange rate of the Kazakhstan tenge to the US Dollar within a range of 117 KZT to 1 US Dollar to 123 KZT to1 US Dollar. On 4 February 2009, the National Bank of the

Republic of Kazakhstan reduced the support level of the exchange rate to 150 KZT to 1 US Dollar +/- 3%. As of 31 July 2009, the exchange rate was KZT 150.71 to 1 US Dollar.

As disclosed in Note 40, in 2009, the Group was required to terminate the majority of its cross-currency swaps resulting in a foreign currency exchange loss. The termination of the contracts exposes the Group to future foreign currency exchanges fluctuations. However, the termination also eliminates the exposure to certain terms included in the referred contracts which generated the losses. Currently the Group continues to have significant exposure to foreign currency exchange rate fluctuations.

The following table details the Group's Sensitivity to a 25% and 10% increase and decrease in the USD against the KZT as at the end of 2008 and 2007, respectively. The analysis represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 25 %/(10%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

Impact on net profit and equity based on asset values as at 31 December 2008 and 2007:

	As at 31 December 2008		As at 31 December 2007	
	KZT/USD +25%	KZT/USD -25%	KZT/USD +10%	KZT/USD -10%
Impact on profit or loss	(59,705)	59,705	(1,410)	1,410
Impact on equity	(41,794)	41,794	(987)	987

Management of the Group considers the most significant currency exposure to be in relation to fluctuations in the US Dollar. As discussed in the tables above, although, the Group does have exposure to fluctuations in the Euro and other currencies; this exposure is limited to specific assets and liabilities including debt securities and derivative financial instruments.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products, which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for investments in securities at the reporting date. As at 31 December 2008, management adjusted their assumptions used in the price sensitivity analysis from 1% to 10%, as a result of recent observations of market movements and the current economic environment.

The results of the analysis of the sensitivity of the Groups profit before tax and equity for the year to changes in prices of securities on a simplified scenario of a 10% and a 1% symmetrical increase or decrease in all securities prices as at 31 December 2008 and 2007, respectively, are given in the table below:

	31 December 2008 KZT, million		31 December 2007 KZT, million	
	10% increase in securities price*	10% decrease in securities price*	1% increase in securities price*	1% decrease in securities price*
Impact on profit before tax	2,787	(2,787)	261	(261)
Revaluation of investments available for sale	262	(262)	29	(29)
Impact on income tax	(836)	836	(78)	78
Impact on equity	2,213	(2,213)	212	(212)

* - The calculation of price risk excludes the effect of US Treasury bills.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

40. SUBSEQUENT EVENTS

On 15 January 2009, an extraordinary meeting of the Bank shareholders decided to increase the number of authorized common shares of the Bank by 3,462,500 shares. As a result, the Bank total number of common shares will be equal to 15,000,000 shares.

On 19 January 2009, the Bank paid dividends on preference shares in the amount of KZT 400 million relating to the period of January to December 2008, calculated based on the financial statements prepared in accordance with Kazakhstani Law.

On 1 February 2009, SAFC and Samruk-Kazyna concluded an agreement to pledge 7,324,548 of the Bank's existing ordinary shares to Samruk-Kazyna. The pledged shares amount to 76% of the Bank's issued ordinary share capital.

On 2 February 2009, SAFC has decided to sell 76% of the Bank's ordinary voting shares to Samruk-Kazyna. In accordance with this decision Samruk-Kazyna and the Bank signed a Bank Deposit Agreement for the placement of a KZT 24 billion deposit with the Bank to support its financial stability and further capitalization.

In March 2009, the Bank issued debt securities in the amount of KZT 105 billion, with maturity from 2015-2024 and interest of 9% p.a., in exchange for bonds issued by Samruk-Kazyna, with maturity from 2015-2024 and 5% p.a. The Bank used Samruk-Kazyna's debt securities as collateral for repo transactions with NBRK. As explained in Note 1, as at 14 July 2009, an intention agreement was signed which may result in the conversion of these debt securities into preference shares.

On 4 February 2009, the tenge was effectively devalued. During 2008 and 2007, the National Bank of the Republic of Kazakhstan supported the exchange rate of the Kazakhstan tenge to the US Dollar within a range of 117 KZT to 1 US Dollar to 123 KZT to1 US Dollar. On 4 February 2009, the National Bank of the Republic of Kazakhstan reduced the support level of the exchange rate to 150 KZT to 1 US Dollar +/- 3%. As at 31 July 2009, the exchange rate was KZT 150.71 to 1 US Dollar.

On 5 February 2009 the Bank's Board of Directors made a decision to appoint Kabashev M.R. to the position of the Chairman of the Management Board. The majority of the senior management of the Bank was subsequently changed.

Since February 2009 the following funds have been allocated by the Government to the Bank:

- KZT 18 billion for the support of small and medium business for 7 years at an interest rate 8% p.a.,
- KZT 14 billion for the refinancing of mortgage loans for 20 years with interest from 5.7% to 8% p.a., and
- KZT 1 billion for the crediting of students for 15 years with interest from 4% to 8% p.a. with possible extension up to 15 billion.

In the first half of 2009, the Bank continued to notice an increase in overdue loans which may result in additional losses and decrease of customer deposits.

In 2006 and 2007, the Bank obtained funds through loans denominated in foreign currencies which were swapped using cross currency interest rate swaps either into Kazakhstani tenge or US dollars. Certain swaps had cap and floor terms relating to underlying interest rates and one had an embedded derivative linked to credit default swaps of Gazprom, which exposed the Bank to volatility in the price of these underlying risks.

During 2009, the Bank has recognized losses in the total amount of KZT 59 billion due to early termination of certain cross currencies swaps. The Bank is in the process of renegotiation with the remaining banks for early termination of the remaining swap agreements.

Currently the Bank has significant exposure to foreign currency exchange rate fluctuations in its foreign currency denominated debt.

As at the date of issuance of these financial statements the Group is concerned about the fair value of BTA Bank ("**BTA**") bonds held in the Group's trading portfolio (See Note 14) as the most recently published financial statements of BTA present significant losses.

In June 2009, Fitch Ratings has downgraded the Bank Long-term Issuer Default Rating (IDR) to 'RD' and Standard's and Poor's has downgraded the Bank Long term credit ratings to 'D'.

Covenants related to certain obligations of the Group were breached. Consequently, the maturities of these obligations are presented as up to one month on the liquidity table in Note 39. There were no penalties in the loan agreements other than an early repayment requirement. The following table presents the summary of the loans and obligations which had covenants breached, including cross defaults as at 31 December 2008:

Balance sheet	**KZT, million**
Due to banks	118,014
Due to other institutions	35,741
Other financing	29,449
Debt securities issued	286,584
Subordinated debt	20,701
Total	**490,489**

Currently the Bank is working with a consultant company that is reviewing the Bank's strategy. This review and updated strategy will include a possible restructuring of the Bank's debt facilities. As at 31 December 2008, the amount due to banks and other financial institutions which may be the subject of restructuring is approximately KZT 117,290 million. As at 31 December 2008, the amount of issued eurobonds which may be the subject of restructuring is approximately KZT 262,757 million.

On 8 July 2009 the Bank entered into a Memorandum of Understanding with the Creditors' Steering Committee with respect to the restructuring of Alliance Bank's financial indebtedness (the "**Restructuring**"). The Creditors' Steering Committee is comprised of Asian Development Bank, Calyon, Commerzbank Aktiengesellschaft, DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH, ING Asia Private Bank Limited, HSBC Bank plc, JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation Europe Limited and Wachovia Bank N.A. The Memorandum of Understanding is non-binding on any financial creditor and the restructuring will be subject to approvals.

The summary of restructuring options:

Option 1 – Cash-Out Option

- Creditors will be offered the right to be repaid on a discounted basis. There is a limited amount of $500 million available for this. It will be organized on the basis of an open offer.
- There will be a fixed price of $0.225 per $1 of debt.
- Any cash not applied in Option 1 shall be retained within the Bank.
- The Bank considers that the minimum debt for this option should be $1,850,000,000.

Option 2 – 50% Haircut – 7 years + Recovery Notes

- The debt which is not subject to the forgiveness will be repaid over a 3 year period following a 4 year grace period. The interest rate will be 5.8% per annum.
- Creditors will receive Recovery Notes for the amount of debt forgiven under Option 2. Payments under the Recovery Notes will stop after 7 years. At such point there will be a calculation of any residual potential cash recoveries and a final payment will be made. Payments will be distributed to note holders as additional income.
- 50% of cash recoveries over current written down amounts, litigation recoveries and tax assets are distributed to Recovery Note holders and 50% of recoveries are to be retained by the Bank.

- A notional pay in kind interest rate of 4.2% per annum will be applied to the unamortized Recovery Notes. Once Recovery Notes plus accrued pay in kind interest have been repaid, the Recovery Notes will be cancelled.
- Payment will be made quarterly.
- Recoveries for the account of Recovery Note holders will be retained in a segregated account.

Option 3 – No Haircut – 10 years

- The debt will be repaid over a 3 year period following a 7 year grace period.
- There will be a fixed interest rate in cash for the first 7 years of 2% per annum plus a PIK interest rate of 2.7% per annum for the first 7 years which will be amortized over the remaining 3 years. For the 3 years of the amortization period the interest rate will be increased to 90 day floating LIBOR plus 8.5% per annum. The margin will decrease to 6.5% if and so long as the Bank has an investment grade rating from at least two internationally recognized ratings agencies.

Option 4 – Subordinated debt holders and subordinated bond holders

- The debt will remain subordinated to all senior debt and will be documented and treated as Tier 2 capital.
- The debt will be repaid over a 3 year period following a 10 year grace period.
- There will be a fixed interest rate of 2% per annum plus a PIK interest rate of 3% per annum for the 10 year period which will be amortized over the remaining 3 years. For the 3 year amortization period the interest rate will be increased to a fixed interest rate of 10% per annum.

Option 5 – Equity Conversion

Preference Shares – 33% to be allocated to participating creditors

- Perpetuals will be converted to convertible preferential shares at a 80% haircut and a 4% per annum coupon.
- Other senior debt has the option to be converted to convertible preferential shares at a 75% haircut and a 4% per annum coupon. The conversation rate to Common Shares is yet to be agreed.
- The balance of the convertible preferential shares up to 33% to be allocated to creditors who select options 2, 3 and 4. The basis of apportionment is to be determined.

Common Shares – 33% to be allocated to participating creditors

- Common Shares in the Bank will be issued to creditors who select options 2, 3, 4 and 5 in an amount of 33% of Bank shares. The basis of apportionment is to be determined.
- There will be a tag along right if Samruk-Kazyna's shares in the Bank are sold to a third party or if Samruk-Kazyna's shares in the Bank are bought back or redeemed by the Bank. The right will be to receive the same price as Samruk-Kazyna and in the case of preferential shares, to be treated as if the preferential shares had converted to Common Shares. Samruk-Kazyna will also be granted drag along rights in respect of all but not part of the shares of the Financial Creditors in circumstances where Samruk-Kazyna is selling to a third party an arm's length, fair market value terms.

- Consideration will be given to achieving the apportionment by way of warrants rather than day one apportionments.

On 14 July, as discussed in detail in Note 1, an intention agreement was signed between the Bank and Samruk-Kazyna.

On 21 July 2009, the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations approved the Group's indicative restructuring and recapitalization plan.

ISSUER

JSC Alliance Bank
50 Furmanov Street
Almaty 050004
Republic of Kazakhstan

TRUSTEE

BNY Corporate Trustee Services Limited
The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon
The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

LUXEMBOURG LISTING AGENT

The Bank of New York (Luxembourg) S.A.
Aerogolf Center-1A, Hoehenhof
L-1736 Senningerberg
Luxembourg

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Aerogolf Center-1A, Hoehenhof
L-1736 Senningerberg
Luxembourg

ISSUER'S AUDITORS

Deloitte, LLP (Kazakhstan)
Almaty Financial District
Building "B"
36, Al Farabi Ave.
Almaty, 050059
Republic of Kazakhstan

KPMG Audit LLC (Kazakhstan)
Business Centre Koktem
180, Dostyk Ave.
Almaty, 050051
Republic of Kazakhstan