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

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS (EACH, A "QIB") IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities, you must be (i) a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) or (ii) a QIB. By accepting the e-mail and accessing the Base Prospectus, you shall be deemed to have represented to us that you are not a U.S. person or that you are a QIB and that you consent to delivery of such Base Prospectus by electronic transmission.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in anyplace where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the permanent dealers or any affiliate of the permanent dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the permanent dealers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there by any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the Base Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus. The Base Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of J.P. Morgan Securities Ltd. and UBS Limited nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from J.P. Morgan Securities Ltd. or UBS Limited.

JSC KAZKOMMERTSBANK

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

U.S.$2,000,000,000

Debt Issuance Programme

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

Application has been made to admit Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof to listing on the official list of the UK Listing Authority (the "Official List") and to trading on the regulated market (the "Regulated Market") of the London Stock Exchange plc (the "London Stock Exchange"). The Regulated Market is regulated for the purposes of the Directive 2004/39/EC (MiFID). The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges, regulated markets and/or quotation systems as may be agreed with the Issuer. In addition, with respect to each issuance of Notes under the Programme, the Issuer will make an application to the Kazakhstan Stock Exchange ("KASE") for such Notes to be admitted to the official list of the KASE. In order for payments to be made on the Notes exempt of Kazakhstan withholding tax, it will be necessary for the Notes to be admitted to the official list of the KASE. In addition, no Notes may be issued or placed without the prior approval of the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA").

An investment in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 10.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). The Notes may be offered and sold (i) within the United States to qualified institutional buyers (each, a "QIB"), as defined in Rule 144A under the Securities Act ("Rule 144A"), in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the "Rule 144A Notes") and (ii) to non U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the "Regulation S Notes"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Arrangers

JPMorgan **UBS Investment Bank**

Permanent Dealers

JPMorgan **UBS Investment Bank**

JSC Kazkommerts Securities

Base Prospectus dated 22 October 2010

IMPORTANT NOTICE

This Base Prospectus contains information provided by the Issuer in connection with the Programme under which the Issuer may issue and have outstanding at any time the Notes on the terms set out herein (the "Terms and Conditions of the Notes", and as supplemented by the final terms applicable to each issue, the "applicable Final Terms") up to a maximum aggregate amount of U.S.$2,000,000,000 or its equivalent in alternative currencies. The Notes will be constituted by and have the benefit of a trust deed dated 22 October 2010 as from time to time supplemented, amended or restated (the "Trust Deed") between the Issuer and BNY Corporate Trustee Services Limited (the "Trustee" which term shall include any successor trustee or trustees under the Trust Deed). The Issuer has pursuant to a dealer agreement (the "Dealer Agreement") dated 22 October 2010 as from time to time supplemented, amended or restated appointed the Dealers (as defined herein) as dealers for the Notes under the Programme and have authorised and requested the Dealers to circulate this Base Prospectus in connection with the Programme subject as provided in the Dealer Agreement.

Notes under the Programme must have a minimum denomination of €100,000 (or its equivalent in another currency). Subject thereto and in compliance with all applicable legal regulatory and/or central bank requirements, Notes will be issued in such denominations as may be specified in the relevant Final Terms.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied relating to the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

An investment in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 10.

None of the Dealers or the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto. No person has been authorised by the Issuer, the Dealers or the Trustee to give any information or to make any representation not contained in this Base Prospectus or any supplement hereto, and, if given or made, such information or representation must not be relied upon as having been authorised.

The distribution of this Base Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Notes come are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. In particular, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Base Prospectus and other information in relation to the Notes set out under "*Subscription and Sale*" and "*Transfer Restrictions*" below.

Furthermore, none of the Issuer, the Dealers or the Trustee makes any comment about the treatment for taxation purposes of payments or receipts in respect of any Notes. Each investor contemplating acquiring Notes under the Programme must seek such tax or other professional advice as it considers necessary for the purpose.

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

The Issuer does not intend to provide any post issuance or transaction reporting regarding the Notes. No person is authorised to give any information or make any representation not contained in or not consistent with this Base Prospectus in connection with the issue and offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Bank, the Trustee or any Dealer.

Application has been made to list Notes issued under the Programme on the Regulated Market of the London Stock Exchange. The Programme provides that Notes may in the future be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each issue, *provided that* the relevant requirements have been met. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and traded on the Regulated Market of the London Exchange (or any other stock exchange). The Issuer may also issue unlisted Notes pursuant to the Programme.

With respect to each issuance of Notes under the Programme, the Issuer will make an application to the KASE for such Notes to be admitted to the "rated debt securities" section of the official list of the KASE. No Notes may be issued or placed without the prior approval of the FMSA.

Regulation S Notes of each Series which are sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by interests in a global unrestricted note in registered form (each, a "Regulation S Global Note"), without interest coupons, which will be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on its Issue Date (as defined below). Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Rule 144A Notes of each Series sold to QIBs, as referred to in, and subject to, the transfer restrictions described in "*Subscription and Sale*" and "*Transfer Restrictions*", will initially be represented by interests in a global restricted Note in registered form (each, a "Rule 144A Global Note" and, together with any Regulation S Global Notes, the "Global Notes"), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Summary of the Provisions Relating to the Notes in Global Form*". Individual definitive Notes in registered form will only be available in certain limited circumstances as described herein.

NEITHER THE NOTES NOR ANY BENEFICIAL INTERESTS THEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes *provided that*, in the case of any Tranche of Notes to be listed on the London Stock Exchange or other recognised stock exchange or regulated market, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action shall be conducted in accordance with applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A

TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEABILITY OF JUDGMENTS

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

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

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON EACH TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

SUPPLEMENTAL BASE PROSPECTUS

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

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

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books of account in Tenge in accordance with the relevant laws in Kazakhstan and with the regulations of the NBK.

Unless otherwise indicated, financial information set forth herein relating to the Bank and its subsidiaries (the "Group") has been derived from its audited financial statements which comprise the consolidated statements of financial position as at 31 December 2009, 2008 and 2007, the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory notes (the "Annual Financial Statements") and the unaudited condensed interim consolidated financial information which comprise the condensed interim consolidated statement of financial position as at 30 June 2010 and the condensed interim consolidated income statement and statement of comprehensive income for the three and six month periods then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and selected explanatory notes (the "Interim Financial Statements", together with the Annual Financial Statements, the "Financial Statements"). The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standard Board (the "IASB") and the Interim Financial Statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The Annual Financial Statements were also prepared in compliance with IFRS as adopted in the European Union.

Investors should be aware that the Group has not published any financial statements as at any date, or for any period after, 30 June 2010. The effect of local and global market conditions on the Group as well as the effect of those conditions on the Group's customers and counterparties may mean that actual results of operations and financial condition of the Group as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter may be materially and adversely different from the results presented as at and for the six months ended 30 June 2010. Accordingly, investors should not assume that the results presented as at and for the six months ended 30 June 2010 are an accurate indication of the actual results as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition – Recent Developments*", and *"Risk Factors – Risks Relating to the Bank – The Bank's results as at and for the year ended 31 December 2010 may have a material and adverse impact on the market price of the Notes"*.

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

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

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

In this Base Prospectus:

- "2005 Shareholders" refers to CAIC, Mr. Subkhanberdin and Ms. Zhussupova;
- "ADRs" refers to American Depositary Receipts;
- "ALMC" refers to the Assets and Liabilities Management Committee;
- "Alnair" refers to Alnair Capital Holding JSC;
- "Basel Accord" refers to the 1988 Capital Accord adopted by the Basel Committee on Banking Supervision, then known as the Basel Committee on Banking Regulations and Supervisory Practice;
- "Basel II Framework" refers to the report titled "*International Convergence of Capital Measurement and Capital Standards: A Revised Framework*" of the Basel Committee on Banking Supervision;
- "BTA Bank" refers to JSC BTA Bank;
- "CAIC" refers to JSC Central Asian Investment Company;
- "CIS" refers to the Commonwealth of Independent States;
- "Clearstream" refers to Clearstream Banking, société anonyme;
- "DAMU" refers to the Entrepeneur Development Fund "DAMU";
- "DBK" refers to the Development Bank of Kazakhstan;
- "Dealers" refers to the Permanent Dealers and all persons appointed as a dealer in respect of one or more of the Tranches;
- "EBRD" refers to the European Bank for Reconstruction and Development;
- "euro", "EUR" and "€" refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "Euroclear" refers to Euroclear Bank S.A./N.V.;
- "Fitch" refers to Fitch Ratings Ltd.;
- "FMSA" refers to the Agency of the Republic of Kazakhstan for the Regulation and Supervision of Financial Markets and Financial Organisations;
- "FMSA Regulations" refers to the regulations published by the FMSA;
- "GDP" refers to the gross domestic product of Kazakhstan;
- "GDRs" refers to Global Depositary Receipts;
- "Government" refers to the government of Kazakhstan;
- "Group" refers to the Bank and its subsidiaries;

- "IASB" refers to the International Accounting Standards Board;
- "Implementation Agreement" refers to the Implementation Agreement entered into by Samruk-Kazyna, CAIC, Mr. Subkhanberdin, Alnair and the Bank dated 15 January 2009;
- "Initial Rights Offering" refers to the second stage of the IPO where the Bank offered 103.5 million Shares to its pre-IPO shareholders;
- "IPO" refers to the November 2006 initial purchase offering where GDRs were sold on the London Stock Exchange;
- "JSC Law" refers to the Joint Stock Companies Law of Kazakhstan;
- "JPY" refers to Japanese Yen, the lawful currency of Japan;
- "KASE" refers to the Kazakhstan Stock Exchange;
- "Kazakhstan" refers to the Republic of Kazakhstan;
- "MiFID" refers to The Markets in Financial Instruments Directive;
- "Moody's" refers to Moody's Investors Service, Inc.;
- "Memorandum of Understanding" refers to the Memorandum of Understanding dated 9 December 2008 between, *inter alios*, Samruk-Kazyna, CAIC, Mr. Subkhanberdin, the Government of the Republic of Kazakhstan, the NBK, FMSA and the Bank;
- "NBK" refers to the National Bank of Kazakhstan;
- "NBK Regulations" refers to the regulations published by the NBK;
- "NSA" refers to the National Statistical Agency of Kazakhstan;
- "Option Agreement" refers to the Option Agreement dated 15 January 2009 between Samruk-Kazyna and the Significant Shareholders granting a put option with respect to the Shares;
- "Permanent Dealers" refers to J.P. Morgan Securities Ltd, UBS Limited and JSC Kazkommerts Securities;
- "Pound", "£" and "GBP" refer to pound sterling, the lawful currency of the United Kingdom;
- "Principal Shareholders" refers to EBRD, CAIC, Alnair and Mr. Subkhanberdin;
- "Put Option Agreement" refers to the Put Option Agreement entered into by the EBRD dated 6 June 2003;
- "Rights Offering" refers to the Bank's offer to shareholders and GDR holders the right to purchase new Shares and new GDRs in April 2009;
- "RUR" refers to Russian roubles, the lawful currency of the Russian Federation;
- "Samruk-Kazyna" refers to the JSC National Welfare Fund "Samruk-Kazyna";
- "Share Trust Management Agreement" refers to the Share Trust Management Agreement entered into by CAIC, Mr. Subkhanberdin and Samruk-Kazyna;
- "Shareholders' Agreement" refers to the Shareholders' Agreement entered into by the Bank and the EBRD dated 6 June 2003;
- "Shares" refers to the common shares of the Bank;

- "Significant Shareholders" refers to CAIC, Alnair and Mr. Subkhanberdin and "Significant Shareholder" refers to any one of them;
- "SME" refers to small- and medium-sized enterprises;
- "Subscription Agreement" refers to the Subscription Agreement executed by the Bank and the EBRD on 24 June 2005 as amended on 7 December 2005;
- "S$" and "SGD" refers to the lawful currency of the Republic of Singapore;
- "S&P" refers to S&P Rating Services, a division of the McGraw Hill Companies;
- "Tenge" and "KZT" refer to Kazakhstan Tenge, the lawful currency of Kazakhstan;
- "United States" and "U.S." refers to the United States of America; and
- "U.S.$" and "U.S. dollars" refers to the lawful currency of the United States.

The selected consolidated financial data presented in this Base Prospectus as at and for the six-month period ended 30 June 2010 has been derived from, and should be read in conjunction with the Interim Financial Statements, including the notes thereto, contained elsewhere in this Base Prospectus. The selected consolidated financial data presented in this Base Prospectus as at and for the three years ended 31 December 2009, 2008 and 2007 has been derived from and should be read in conjunction with the Annual Financial Statements, including the notes thereto, contained elsewhere in this Base Prospectus.

The Interim Financial Statements have been prepared using the same accounting principles and on the same basis as the Annual Financial Statements and, in the opinion of the Bank's management, include all adjustments, consisting of normal recurring adjustments necessary for a fair representation of interim results. These interim results are not necessarily indicative of results to be expected for the full year.

Solely for the convenience of the reader, the Bank has translated the selected income statement information for the year ended 31 December 2009 into U.S. dollars at the rate of U.S.$1.00 = KZT147.50, statement of financial position information as at 31 December 2009 into U.S. dollars at the rate of U.S.$1.00 = KZT148.46, the selected income statement information for the six months ended 30 June 2010 into U.S. dollars at the rate of U.S.$1.00 = KZT146.81 and statement of financial position information as at 30 June 2010 into U.S. dollars at a rate of U.S.$1.00 = KZT147.55. The Bank has translated the capitalisation information as at 30 June 2010 into U.S. dollars at the rate of U.S.$.1.00 = KZT147.55. This is not consistent with the methodology that would be required for a convenience translation for a document that would be filed with the US Securities and Exchange Commission, which would require the rate at the reporting date to be applied to all convenience translations. See "*Exchange Rates and Exchange Controls*."

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

Prospective investors should read the following summary selected consolidated financial data and other information in conjunction with the information contained in "*Risk Factors*", "*Capitalisation of the Bank*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Information*", the Interim Financial Statements and Annual Financial Statements, including the Financial Statements and the related notes thereto, and the other financial data appearing elsewhere in this Base Prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties. Certain such forward looking statements can be identified by the use of forward looking terminology such as "estimates", "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, 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.

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

- the stability of the banking sector in Kazakhstan generally;
- changes in the Bank's corporate, retail, SME, insurance and investment banking businesses, changes in its cross-selling activities among client segments and products and in its deposit base;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for changing and diversifying the composition, as well as the quality, of the Group's loan portfolio.

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

- effects of the global financial crisis;
- overall economic and business conditions, including commodities prices;
- the demand for the Bank's services;
- competitive factors in the industries in which the Bank and its customers compete;
- changes in Government regulation and in the Government's and/or Samruk-Kazyna's policies regarding support for the banking sector in Kazakhstan;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including Governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

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

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

ADDITIONAL INFORMATION

The Issuer is not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). For so long as the Issuer is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer will, upon request, furnish to each holder or beneficial owner of Notes that are “restricted securities” (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Rule 144A Notes under the Securities Act, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

RESPONSIBILITY STATEMENT

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Base Prospectus contains all information with respect to the Issuer, the Group and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Base Prospectus relating to the Issuer and the Group are in every material particular true and accurate and not misleading; (iii) the opinions, expectations and intentions expressed in this Base Prospectus with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Base Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

The information in this Base Prospectus contained under the headings "*Management's Discussion and Analysis of Results of Operations and Financial Condition – Kazakhstan's Economy*" and "*The Banking Sector in Kazakhstan*" has been extracted from documents and other publications released by, and is presented on the authority of, various official and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of view among such sources as to such information provided herein. The Issuer accepts responsibility for accurately reproducing such extracts, and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

OVERVIEW OF THE BANK

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

THE BANK

Established in 1990, the Bank is the largest bank in Kazakhstan on the basis of total assets and loans and the second largest on the basis of total deposits (calculated by the Bank on the basis of FMSA data as at 30 June 2010). The Bank provides a full range of corporate, SME and retail banking services through a network of 23 full service branches and 135 limited service branches in 45 cities throughout Kazakhstan as at 30 June 2010. In addition, the Bank has well developed alternative distribution channels including 1,114 ATMs (including 86 new ones installed since 31 December 2009 and 191 which are cash-in ATMs), 11,686 point-of-sale terminals and telephone banking and internet banking. The Bank's subsidiaries also provide insurance, brokerage, asset management and pension fund management services in Kazakhstan and corporate, SME and retail banking services in Russia, Tajikistan and Kyrgyzstan. The Bank has been given a senior unsecured debt rating of "B-" by Fitch, a foreign currency senior unsecured debt rating of "B2" by Moody's and a senior unsecured debt rating of "B" by S&P. For the details of all of the Bank's credit ratings, see "*– Credit Ratings*" and "*The Bank – Credit Ratings*".

KEY STRENGTHS

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

- An adaptable and flexible business structure.
- Continued improvements in corporate governance.
- An experienced management team with a proven track record.
- Continued technology and product development.
- Broad funding sources.
- Strong corporate relationships.
- An extensive branch network.
- Strong market share in corporate and retail.
- An established customer service network.

STRATEGY

The Bank's strategy is to remain a universal bank with an active presence in all sectors of Kazakhstan's financial market, focusing in particular on asset quality, liquidity management, lending to growth sectors (including SME and retail), whilst maintaining its client base and operating efficiency. The Bank's strategy includes the following components:

Corporate banking

- Focusing on asset quality including maximising its recovery of non-performing loans.
- Lending to corporate sectors that have potential for growth.

- Maintaining its relationship with corporate clients, particularly in deposits and diversifying its corporate deposit base.
- Participation in Government stabilisation programmes.
- Focusing on cross sales and sales of non-credit banking products to corporate borrowers.

SME banking
- Maintaining and gradually increasing its SME loan portfolio with specific focus on asset quality when making SME loans, active participation in Government programmes supporting SMEs as well as cross-selling of non-credit banking products to SME clients.
- Optimising its internal procedures to improve its relationship with SME clients and improve its credit processes.

Retail banking
- Maintaining and seeking opportunities to increase its existing retail deposit base.
- Gradually increasing retail loans.
- Focusing on increasing fee based income.
- Optimising and maintaining its distribution network with a more efficient branch network for sustainable and profitable growth.
- Developing alternative distribution channels.
- Optimising business processes related to retail banking.

RISK FACTORS

Risks Relating to the Bank
- The crisis in the global financial markets and deterioration of general economic conditions have materially and adversely affected the Bank's results of operations and financial condition and could continue to cause them to decline.
- The Bank's results as at and for the year ended 31 December 2010 may have a material and adverse impact on the market price of the Notes.
- Financial instability in emerging markets has caused and could cause the price of the Bank's securities to suffer.
- Any unavailability of capital, both in terms of compliance with applicable capital adequacy ratios and in respect of the conduct of its business, would materially and adversely affect the Bank.
- The Bank's asset quality is weak due to a large amount of non-performing loans.
- Volatility in the real estate market in Kazakhstan may materially and adversely affect the Bank's asset quality and collateral value.
- Changes to the NBK minimum reserve requirements and potential restrictions imposed by the FMSA may materially and adversely affect the Bank's statement of financial position and results of operations.
- Potential declines in customer deposits, which are an important source of funding for the Bank and which have a high concentration of deposits from state-owned entities, may negatively affect the Bank's funding base.

- There is a risk that the Bank could breach financial covenants in certain financing arrangements.
- The Bank may have significant liabilities under cross-currency swaps.
- The Bank may face difficulties servicing, repaying and refinancing upcoming international debt obligations.
- Any slowdown in loan growth will likely lead to a gradual seasoning of the Bank's loan portfolio which may increase the proportion of loan defaults.
- The Bank may face difficulties maintaining profitability due to shrinking interest margins.
- Lower than expected growth of Kazakhstan's gross domestic product in 2010 could limit lending opportunities for the Bank and put increasing pressure on the ability of its existing borrowers to repay their loans.
- Changes in the funding support for the Kazakhstan banking sector may lead to decreased liquidity.
- Changes in the regulation of the banking industry in Kazakhstan may materially and adversely affect the Bank's business and existing regulations are not as developed as in many Western countries.
- The Bank's share ownership is currently highly concentrated.
- Samruk-Kazyna is a large shareholder of the Bank and its interests may differ from the interests of the Bank's other shareholders and investors.
- The Bank faces significant competition, which may increase in the future.
- Concentration of the Bank's loan portfolio subjects it to risks from default by its largest borrowers and from exposure to particular sectors of the Kazakhstan economy.
- The Bank relies on information provided by clients and other counterparties. The lack of accurate statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately.
- The Bank's success is reliant on its key personnel.
- Any failure or interruption in or breach of the Bank's information systems and any failure to update such systems may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.
- The Bank's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks.
- The Shareholders' Agreement and the Subscription Agreement between the Bank and the EBRD may limit and restrict the operations and business of the Bank.
- The Bank faces operational risk.
- The Bank is subject to money-laundering risks.

Risk Factors Relating to Kazakhstan

- Risks associated with emerging markets generally.
- Risks resulting from failures in the Kazakhstan's banking industry could adversely affect the Bank.
- It is not possible to predict the full impact on the Bank of the financial stability laws in Kazakhstan which were introduced in 2008.

- 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.
- 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.
- Exchange rate policies in Kazakhstan impose risks.
- The Kazakhstan economy is highly dependent on oil exports and, as a result, is affected by oil price volatility.
- A sharp drop in world prices for oil and other commodities would have a negative impact on the growth prospects of the Kazakhstan economy.
- There are risks associated with rising operating costs as Kazakhstan's commodity sector recovers.
- Without solvent borrowers and a diversified economy, the Kazakhstan banking sector may not be able to complete its recovery from the global financial crisis.
- Uncertainty over the outcome of the implementation of further market based economic reforms may impose risks.
- The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and are therefore unpredictable.
- There are risks associated with the underdevelopment of Kazakhstan's securities markets.
- Kazakhstan's president, Nursultan Nazarbaev, has been in office since 1991 and should he not remain in office, Kazakhstan could become unstable.

Risks Relating to an Investment in the Notes

- The Notes may not be a suitable investment for all investors.
- A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors.
- Noteholders may be bound by the decision of other holders notwithstanding that they were not present at the meeting.
- The Notes could be subject to taxation.
- The Bank may offer further issues of Notes with original issue discount.
- Trading in the clearing systems is subject to minimum denomination requirements.
- Although application may be made to list the Notes, there is no prior market for the Notes.
- The trading price of the Notes may be volatile.
- The Notes are subject to exchange rate risks and exchange control risks.
- The Notes are subject to interest rate risks.
- Credit ratings of the Notes may not reflect all risks.
- Legal investment considerations may restrict certain investments.
- The Notes do not limit incurrence of additional indebtedness.
- There are risks in relation to modifications, waivers and substitutions.

- There are risks in relation to Notes where denominations involve integral multiples.

See "*Risk Factors*" for a further description of some of the risk factors facing the Bank.

Summary Financial and Other Information

The following table sets forth summary financial information related to the Bank as at the dates indicated. The data has been extracted from the Financial Statements.

	As at 30 June 2010 (unaudited)	As at 31 December 2009	2008 (KZT millions)	2007
Total assets	2,605,378	2,587,873	2,614,805	2,997,232
Loans to customers	2,177,198	2,160,767	2,144,782	2,366,335
Customer accounts	1,401,407	1,276,464	979,453	895,083
Total equity	398,439	389,588	313,862	319,219

Credit Ratings

The Bank is rated by Fitch, Moody's and S&P and its credit ratings are as follows:

Fitch

Long-term issuer default rating – B- (B minus)
Short-term issuer default rating – B
Senior unsecured debt rating – B- (B minus)
Subordinated debt rating – CC
Outlook – Stable

Moody's

Long-term foreign and local currency deposit rating – Ba3
Foreign currency senior unsecured debt rating – B2
Foreign currency subordinated debt rating – B3
Bank financial strength rating – E+, Outlook – Stable
Outlook – Negative

S&P

Long-term issuer credit rating – B
Senior unsecured debt rating – B
Subordinated debt rating – CCC+
Short-term debt rating – C
Outlook – Negative

On 21 October 2010 Moody's downgraded the Bank's foreign currency senior unsecured debt rating from "Ba3" to "B2" and downgraded the Bank's foreign currency subordinated debt rating from "B1" to "B3". The Bank's long-term foreign and local currency deposit rating remained unaffected at "Ba3". See "*The Bank – Credit Ratings*".

OVERVIEW OF THE PROGRAMME

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

Issuer:	JSC Kazkommertsbank
Description:	Debt Issuance Programme
Size:	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers:	J.P. Morgan Securities Ltd. and UBS Limited
Dealers:	J.P. Morgan Securities Ltd., UBS Limited and JSC Kazkommerts Securities. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches (as defined below) or in respect of the whole Programme. References in this Base Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Kazakhstan Dealer:	JSC Kazkommerts Securities. The Kazakhstan Dealer will assist the Bank with any offering and sale of Notes in Kazakhstan in accordance with the terms of the Dealer Agreement.
Trustee:	BNY Corporate Trustee Services Limited
Principal Paying Agent, Calculation Agent and Transfer Agent:	The Bank of New York Mellon
Registrar:	The Bank of New York Mellon (Luxembourg) S.A.
Paying Agent and Transfer Agent:	The Bank of New York Mellon
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms.
FMSA Approval:	No Notes may be issued or placed without the prior approval of the FMSA.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	Each Series of Notes will be issued in registered form only. The Regulation S Notes and the Rule 144A Notes will be represented by the Regulation S Global Note and the Rule 144A Global Note, respectively. The Global Notes will be exchangeable for Definitive Notes (as defined herein) in the limited circumstances specified in the Global Notes.

Clearing Systems: DTC (in the case of Rule 144A Notes) and Clearstream, Luxembourg and Euroclear (in relation to any Regulation S Notes), and such other clearing system as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes: On or before the issue date for each Tranche, the Rule 144A Global Note will be deposited with a custodian for DTC and the Regulation Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Global Notes will be registered in the name of a nominee of DTC, and the Regulation S Global Notes will be registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Regulated Market may also be deposited with any other clearing system or may be delivered outside any clearing system *provided that* the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities: Subject to compliance with all relevant laws, regulations and directives, Notes may have any maturity between one month and 30 years.

Denomination: Notes will be in such denominations as may be specified in the relevant Final Terms (the "Specified Denomination"), *provided that* (i) the Specified Denomination(s) shall not be less than €100,000 or its equivalent in other currencies, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in the relevant Final Terms and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies.

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., or

(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes may be issued at their nominal amount or at a discount and will not bear interest.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by

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

subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Early Redemption: Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".

Withholding Tax: All payments by the Issuer under the Notes will be made without the imposition of any Kazakhstan withholding taxes provided that the Notes are admitted to the official list of the KASE. See "*Taxation – Kazakhstan Taxation*".

In the event that any taxes, duties, assessments or governmental charges are imposed, levied, collected, withheld or assessed by the Kazakhstan or any political subdivision or any authority thereof or therein having the power to tax on payments of principal and interest in respect of the Notes, the Issuer will, subject to certain exceptions and limitations, pay such additional amounts to the holder of any Note as will result in receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction on account of any such taxes had been required. See "*Terms and Conditions of the Notes – Condition 8*".

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

Listing: Application has been made to list Notes issued under the Programme on the Official List and traded on the Regulated Market or as otherwise specified in the relevant Final Terms. In addition, with respect to each issuance of Notes under the Programme, the Issuer will make an application to the KASE for such Notes to be admitted to the "rated debt securities" section of the official list of the KASE. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

Selling Restrictions: The offering and sale of Notes is subject to all applicable selling restrictions, including, without limitation, those of the United States, United Kingdom and Japan. See "*Subscription and Sale*".

Further Issues: The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as a Series of Notes that was previously issued in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series (including such Notes) or upon such terms as the Issuer may determine at the time of their issue.

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

RISK FACTORS

Investment in the Notes involves a high degree of risk. Potential investors should carefully review this entire Base Prospectus and in particular should consider all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest. These risk factors, individually or collectively, could have a material adverse effect on the Issuer's or the Group's respective business, financial condition, results of operations and prospects and/or the rights under the Notes of the holders of the Notes. Additional risks and uncertainties that the Bank is not aware of or that the Bank currently believes are immaterial may also materially and adversely affect the Bank's financial condition or results of operations. If any of the possible events described below occurs, the Bank's financial condition or results of operations could be materially and adversely affected.

RISKS RELATING TO THE BANK

The crisis in the global financial markets and deterioration of general economic conditions have materially and 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 experienced 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 that 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 Kazakhstan's have sought to inject liquidity into banking systems and to recapitalise the banking sector to reduce the risk of systemic failure and increase confidence in the financial markets.

This market disruption was also accompanied by a slowdown in many economies, including Kazakhstan's. These developments adversely affected the Bank's earnings and profits. Continued general deterioration in the world economy including, but not limited to, 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, lead to lower realisations as well as write downs and impairments of investments and negative fair value adjustments of assets, and could materially and adversely affect the Bank's business, financial condition, results of operations 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, both of which Kazakhstan banks have previously heavily relied on 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 become significantly more expensive. If the availability of international wholesale debt financing continues to be limited or available at significantly higher cost or if the Bank suffers from increased volatility of its deposit base, this could materially and 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 totally or partially outside the control of the Bank and may be exacerbated by the severity of the financial crisis.

The Bank's results as at and for the year ended 31 December 2010 may have a material and adverse impact on the market price of the Notes.

Investors should be aware that the Bank has not published any financial statements as at any date, or for any period after, 30 June 2010. The effect of local and global market conditions on the Bank as well as the effect of those conditions on the Bank's customers and counterparties may mean that the actual results of operations and financial condition of the Bank as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter may be materially and adversely different from the results presented as at and for the six months ended 30 June 2010. There also could be further declines in credit quality, declines in asset prices as well as increases in defaults, impairments, write-offs and non-performing debt and/or a worsening of conditions in the Bank's key markets (including the real estate sector), all of which would materially and adversely affect the Bank's business, financial condition, results of operations and prospects. Accordingly, investors should not assume that the results presented as at and for the six months ended 30 June 2010 are an accurate indication of the actual results as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter.

Financial instability in emerging markets has caused and could cause the price of the Bank's securities to suffer.

Financial instability in any emerging market country tends to adversely affect prices in stock markets as investors move their money to more developed markets that they perceive to be more stable. As has happened in the recent past, financial problems or an increase in the perceived risks associated with investing in emerging economies has caused and could cause foreign investment in Kazakhstan to dampen and adversely affect the Kazakhstan economy. In addition, during such times, emerging market companies may continue to face severe liquidity constraints if foreign funding sources continue to be withdrawn.

If market conditions and circumstances deteriorate, this could cause a decline in credit quality, declines in asset prices, increases in defaults and non-performing debt and/or worsening of general economic conditions in the Bank's key markets, all of which would materially and adversely affect the Bank's business, financial condition, results of operations and prospects. Financial instability in any other emerging market country also could materially and adversely affect the Bank's business and/or the price of its securities.

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

As at 30 June 2010, the Bank's Tier I and total capital adequacy ratios calculated in accordance with FMSA Regulations were 12.6 per cent. and 15.0 per cent., respectively, compared to the minimum levels of 5 per cent. for Tier I and 10 per cent. for total capital required under the FMSA Regulations for commercial banks whose shareholder has the status of the bank holding company under the FMSA Regulations, as is the case for the Bank. With effect from 1 July 2011, the FMSA will be introducing changes to the FMSA Regulations on capital adequacy resulting in an increase in the minimum capital adequacy requirements for K1-1 ratio (Tier I capital as a percentage of total assets) from 5 per cent. to 8 per cent. With effect from 1 July 2012, the K1-2 ratio (Tier I capital to total risk weighted assets) will be 7 per cent., and after 1 July 2013, it will be 8 per cent.

Any deterioration in the Bank's loan portfolio quality and the consequent need to make impairment provisions may require the Bank to raise additional capital to meet required capital adequacy levels. In addition, the regulated levels may be increased in the future.

Any failure to raise capital as and when needed could substantially limit the Bank's ability to meet or to grow its business in compliance with applicable capital adequacy requirements. Any such events would have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's asset quality is weak due to a large amount of non-performing loans.

Non-performing loans amounted to KZT 732.3 billion, or 23.6 per cent. of gross loans as at 30 June 2010. In addition, of KZT 74.2 billion of net interest income before provision for impairment losses on interest bearing assets, approximately KZT 30.1 billion was accrued interest on certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group prior to 2013, and these amounts are fully provisioned. These figures demonstrate the weakness of certain assets held by the Bank which could result in higher allowances for impairment losses and write-offs. If the Bank is not able to recover the amounts owed to it in respect of these loans or if there is a further deterioration in asset quality giving rise to increased impairment losses and write-offs, this could materially and adversely affect the Bank's business, financial condition, results of operations and prospects. See "*Selected Statistical and Other Information – Non-performing Loans*".

Volatility in the real estate market in Kazakhstan may materially and adversely affect the Bank's asset quality and collateral value.

The Bank has a relatively high exposure to the local construction and real estate sectors. Real estate prices in Kazakhstan, having increased significantly since 2002, have dropped sharply since June 2007. Such volatility in the real estate market has had and could continue to have an adverse affect on the Bank's business, financial condition, results of operations and prospects.

Some of the borrowers making up the Bank's ten largest exposures are involved in sectors that have been affected by the decline in the real estate market, particularly the sectors relating to real estate and construction. The Bank's exposure to the real estate and construction sectors has been cited in reports of each of the major credit rating agencies as a risk for the Bank and certain other Kazakhstan banks.

In addition, a substantial amount of the Bank's loans to customers are secured by real estate. As at 30 June 2010, 52.8 per cent. of total loans to customers were collateralised by real estate. The declines in prices of real estate in Almaty and Astana have made it difficult to value certain collateral held by the Bank. The collateral value ultimately realised by the Bank will depend on the fair value as determined at that time and may be materially different from the current or estimated fair value. In the event that a portion of the Bank's loans to customers which are 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, financial condition, results of operations and prospects.

Changes to the NBK minimum reserve requirements and potential restrictions imposed by the FMSA may materially and adversely affect the Bank's statement of financial position and results of operations.

The FMSA approved new regulations on portfolio supervision and provisioning on 1 April 2007. These portfolio supervision regulations generally provide for more stringent classification requirements. These new regulations did not result in an increase in the Bank's provisions. In August 2007, the NBK postponed the implementation of additional reserve requirements to alleviate the liquidity crisis in Kazakhstan's banking industry. However there is no guarantee that additional reserve requirements will not be required in the future which may result in the Bank having to increase its capital.

In December 2007 and again in September 2008, the FMSA adopted resolutions increasing the charter capital and own capital requirements for second-tier banks. The minimum own capital (net worth) requirement for commercial banks was increased from KZT 1 billion to KZT 5 billion on 1 July 2009 and it will be increased to KZT 10 billion on 1 January 2011. In addition, the FMSA introduced a new requirement that starting from 3 March 2009, minimum reserve requirements for liabilities should constitute at least 1.5 per cent. of internal liabilities and 2.5 per cent. for other liabilities.

In the event that the Bank is unable to meet these or future requirements imposed by the NBK or FMSA, its business, financial condition, results of operations and prospects may be materially and adversely affected.

Potential declines in customer deposits, which are an important source of funding for the Bank and which have a high concentration of deposits from state-owned entities, may negatively affect the Bank's funding base.

Corporate deposits are volatile in nature (and have been particularly volatile in the banking crisis), and if such deposits decline the Bank will have to rely more heavily on other sources of funding, including wholesale debt funding on the international markets, which is not as readily available as it was in early 2007 and is now significantly more expensive than deposit funding, which could materially and adversely affect the Bank's business, financial condition, results of business and prospects.

The Bank's deposits are highly concentrated, with the ten largest customers comprising 54.12 per cent. of total deposits as at 30 June 2010. In making this determination, the Group considers Samruk-Kazyna as one customer for concentration risk purposes. The Bank's deposit base consists in substantial part of entities which are majority-owned or controlled by the Government. Deposits by Government majority-owned or controlled entities represented more than half of deposits made by the Bank's ten largest customers as at 30 June 2010. The Bank has had long term banking relationships with many of these entities and, except in relation to Government-funded programmes, their deposits are made on arms' length terms as part of those relationships. However, while the Bank does not anticipate that these deposits would be withdrawn in substantial part or on short notice, should the Bank's relationship with the Government change or the Government change its policies with respect to supporting the Kazakhstan banking sector or Government majority-owned or controlled entities withdraw their deposits from the Bank in substantial part or on short notice, this would likely result in a decrease in the Bank's liquidity and in an increase in the Bank's funding costs which would materially and adversely affect the Bank's business, financial condition, results of business and prospects. See "*Selected Statistical and Other Information – Funding – Customer Accounts*".

There is a risk that the Bank could breach financial covenants in certain financing arrangements.

Though the Bank is currently in compliance with the terms of its financing arrangements there is the risk that there could be a breach. In particular, under the U.S.$300 million loan agreement between the Bank and the EBRD (under which U.S.$178.2 million in principal amount was owing as at 30 June 2010) there is only limited headroom with respect to the covenant monitoring operating expense as a percentage of operating income. This loan requires that this ratio be not more than 70 per cent. and the Bank is presently at 69.1 per cent. Furthermore, most of the Bank's financing arrangements, including its Eurobonds and the Notes, contain either cross default or cross acceleration provisions. The cross default provisions provide that the Bank will be in default under the relevant financing arrangement if it defaults under another agreement evidencing indebtedness, irrespective of whether or not the lender under that instrument has declared such amounts due and payable as a result of that default. These provisions do not require the other party to have exercised its right of acceleration in respect of that default in order to trigger a cross default under the relevant financing arrangement. Should the financial performance of the Bank deteriorate, it could breach this covenant triggering cross default and cross acceleration provisions in most of its other financing arrangements (including the Notes) and would have a material adverse affect on the Bank's business, financial condition, results of operations and prospects. The Bank is currently in negotiations with the EBRD to amend the terms of this loan, but there can be no assurance that these negotiations will be successful.

The Bank may have significant liabilities under cross-currency swaps.

The Bank hedges cash flow on its foreign currency liabilities using cross-currency swaps and has three cross-currency swap agreements outstanding in the original amounts of EUR 300 million, EUR 650 million and £350 million. These cross currency swaps have also had a significant impact on the losses and gains that the Bank has experienced in derivative financial instruments as exchange rates have fluctuated. The Bank cannot predict the magnitude of fluctuations in exchange rates and these positions could lead to losses and a significant loss could materially and adversely affect the Bank's business, financial condition, results of operations and prospects. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition - Derivative Financial Instruments.*"

The Bank may face difficulties servicing, repaying and refinancing upcoming international debt obligations.

As at 30 June 2010 the Bank had KZT 380.6 billion of indebtedness under debt securities outstanding, and KZT 166.7 billion on loans and advances received from banks and other financial institutions outstanding. The Bank's ability to service, repay and refinance its indebtedness will depend on its ability to generate cash in the future. This is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Bank's control. If the Bank is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, it may default under the terms of its indebtedness, and the holders of the indebtedness would be able to accelerate the maturity of such indebtedness, which could cause cross defaults under, and potential acceleration of, the Bank's other indebtedness including under the Notes. As a consequence of this, the Bank may be unable to make repayments to investors investing in the Notes relating to this Base Prospectus. The Bank's inability to generate sufficient cash flow to satisfy its debt obligations as they come due could materially and adversely affect its business, financial condition, results of operations and prospects. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition – Financial Condition as at 30 June 2010 and 31 December 2009, 2008 and 2007 – Total liabilities*" and "S*elected Statistical and Other Information – Liquidity and Interest Rate Risk*". For the maturities for the Bank's financing arrangements, please also see the notes to the Financial Statements.

Any slowdown in loan growth 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 increased during the first six months of 2010 by 0.8 per cent. to KZT 2.18 trillion as at 30 June 2010 from KZT 2.16 trillion as at 31 December 2009. Deterioration in the general macroeconomic situation may result in reduced lending activities of the Bank, which is likely to lead to a gradual seasoning of the Bank's loan portfolio as the concentration of older loans in the portfolio could be expected to rise. There is evidence that the likelihood of borrower default increases with loan age. Therefore, as a result of the expected gradual seasoning of its loan portfolio, the Bank is expected to experience a gradual increase in non-performing loans which could materially and adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank may face difficulties maintaining profitability due to shrinking interest margins.

Investors should be aware that shrinking interest margins could affect the profitability of the Bank. The average yield on loans to customers for the six months ended 30 June 2010 decreased to 15.1 per cent. The average yield on loans to customers could decrease further, meaning that returns on loans made to borrowers could remain low. The Bank's budget forecast shows that there is an expectation that interest margins may return to 7 or 8 per cent., however no assurance can be given that this will happen. If interest rates remain low, the Bank may face difficulty in achieving high rates of return on its loan portfolio. In addition to this, the Bank could face competition from other banks who may be able to offer loans to borrowers at lower interest rates. As a consequence of this, the Bank could lose business and this in turn could be detrimental to the Bank's profitability

Lower than expected growth of Kazakhstan's gross domestic product could limit lending opportunities for the Bank and put increasing pressure on the ability of its existing borrowers to repay their loans.

The Government expects a 5 per cent. real growth in Kazakhstan's gross domestic product in 2010. Lower than expected gross domestic product growth could limit the Bank's growth in interest income which could affect the Bank's business, financial condition, results of operations and prospects.

Changes in the funding support for the Kazakhstan banking sector may lead to decreased liquidity.

The NBK and the Government have taken steps, including the provision of short term funding support, to protect the Kazakhstan banking sector from the turmoil in the financial markets as a result of the financial crisis.

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 funding 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 materially and adversely affect the Bank's business, financial condition, results of operations and prospects.

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

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

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

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 the new regulations as of the date hereof, the Bank's access to the foreign loan and capital markets may be curtailed in the future. See "*The Banking Sector in Kazakhstan*".

The future implementation by the FMSA of the recommendations of the Basel III framework may impose constraints on the Bank's business which may materially and adversely affect the Bank's business, financial condition, results of operations and prospects. See "*The Banking Sector in Kazakhstan*".

The Bank's share ownership is currently highly concentrated.

As of 30 June 2010, the Bank's three largest shareholders, referred to herein as the Significant Shareholders, held 61.7 per cent. of the Bank's outstanding Shares. Pursuant to the Share Trust Management Agreement, the Significant Shareholders have the ability to vote with some of the Shares held by Samruk-Kazyna in order to retain the voting rights to at least 50 per cent. plus 1 Share of the outstanding Shares. As such, the Significant Shareholders are able to control or affect the composition of the Board of Directors, the outcome of any corporate transaction or other matter submitted to the Bank's shareholders for approval, including acquisitions, divestitures, financing or other transactions of the Bank, and also could prevent or cause a change in control. Further, the interests of the Significant Shareholders may conflict with the interests of the Bank's other shareholders and third parties may be discouraged from making a tender offer or bid to acquire the Bank because of this concentration of ownership. For a description of the ownership of the Bank, see "*Principal Shareholders*".

Samruk-Kazyna is a large shareholder of the Bank and its interests may differ from the interests of the Bank's other shareholders and investors.

Samruk-Kazyna has a 21.2 per cent. shareholding in the Bank, but pursuant to the relevant agreements between the Significant Shareholders of the Bank, the Bank's Principal Shareholders (CAIC, Mr. Subkhanberdin, Alnair and the EBRD) maintain control of the Bank. Pursuant to the terms of an option agreement, the Significant Shareholders have the option to acquire Samruk-Kazyna's holding and Samruk-Kazyna may, pursuant to a put option, compel the purchase of its holding by them. Samruk-Kazyna does not participate in the day-to-day management of the Bank. However, as a large shareholder, Samruk-Kazyna has the ability to influence the strategy, business plan and operations of the Bank and it has supported the Bank through various initiatives. As the Government's national management holding company, with the goal of supporting and diversifying Kazakhstan's economy, the interests of Samruk-Kazyna may differ significantly from or compete with the Bank's interests or the interests of other shareholders, and there can be no assurance that Samruk-Kazyna will continue to support the Bank or will exercise influence over the Bank in a manner that is in the best interests of the Bank, the Bank's other shareholders or the holders of the Notes.

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 30 June 2010, there were 38 commercial banks in Kazakhstan (excluding the NBK and the DBK), of which 16 were banks with foreign participation, including subsidiaries of foreign banks. In addition, regulatory changes may make it easier for foreign banks to increase their penetration in Kazakhstan.

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

Although foreign owned banks do not currently provide significant domestic competition, some of these institutions have significantly greater resources and cheaper funding sources than the Bank. Foreign banks also have greater international experience, allowing them to target the best domestic corporate customers, as well as foreign companies operating in Kazakhstan. In addition, regulatory changes may make it easier for foreign banks to increase their market penetration in Kazakhstan, and this may be more likely in connection with any World Trade Organisation accession by Kazakhstan. Accordingly, these entities are likely to become competitive with the Bank in the corporate and retail banking sectors in the long-term.

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

The Bank intends to seek to continue to diversify its portfolio and reduce concentrations in its lending, both in terms of customers and sectors. As of 30 June 2010, the Bank's top 20 borrowers comprised 35.5 per cent. of its total gross loans to customers.

A substantial portion of the Bank's loan portfolio consists of businesses that are engaged in the construction and trade industries. The Bank monitors this credit exposure by focusing on credit quality and utilising financial and management controls. However, if these efforts fail, any resulting default or sustained adverse market developments in the industries to which the Bank is exposed may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank relies on information provided by clients and other counterparties. 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 by the Bank's customers in Kazakhstan, which is common, also makes it more difficult for the Bank to accurately make credit assessments. Thus, the statistical, corporate and financial information, including Annual Financial Statements and recognised debt rating reports, available to the Bank as well as other Kazakhstan banks relating to its 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 the inability to accurately assess the post-enforcement value of collateral may reduce the accuracy of the Bank's assessments of credit risk.

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

The Bank's success is reliant on its key personnel.

The Bank relies on its senior management for the implementation of its strategy and operation of its day-to-day activities. The loss of any of these individuals could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. The banking industry is relatively new in Kazakhstan and there are a limited number of experienced banking managers in the country. The Bank believes that there is also a high level of competition for the services of these individuals. While the Bank believes it has been successful in attracting skilled and motivated employees and officers, it may be at risk of losing qualified personnel in an increasingly competitive environment.

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

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

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

Although the Bank invests substantial time and effort in the development, implementation and monitoring of 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. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values using mathematical models which may be inadequate or imperfect and the values they generate may be incorrect. The deterioration of assets like these could lead to unexpected losses.

The Shareholders' Agreement and the Subscription Agreement between the Bank and the EBRD may limit and restrict the operations and business of the Bank.

The Shareholders' Agreement dated 24 June 2005 as amended on 7 December 2005 between the Bank and three of the Bank's then significant shareholders, the 2005 Shareholders, and the Subscription Agreement dated 24 June 2005 as amended on 7 December 2005 between the Bank and the EBRD may impose limitations and restrictions on the operations and business of the Bank.

The Shareholders' Agreement requires that the 2005 Shareholders shall not vote and shall procure that any of their representatives on the Bank's Board of Directors shall not vote, in favour of resolutions to, amongst other things, amend the Bank's Charter, change the policy statement of the Bank, vary, increase or decrease its authorised or issued share capital or the rights attaching to Shares, grant options, warrants or similar rights convertible into Shares of the Bank, make any distribution, payment or make a return of a capital nature to members, take steps to wind up or dissolve the Bank, make or permit any material change in the Bank's business or sell, lease, transfer, dispose of or acquire a material part of the Bank's assets, in each case without the prior approval of the EBRD. It also provides that, in case of the listing of the Bank's capital on any major stock exchange, the 2005 Shareholders shall ensure that the EBRD shall have the same rights as the 2005 Shareholders have to dispose of its Shares via such stock exchange. Following any listing of the Shares on any major stock exchange, the EBRD shall be entitled to dispose of its Shares in the Bank held at the time of such listing becoming effective and the 2005 Shareholders shall be entitled to dispose of a proportion of their Shares held at the time of such listing becoming effective equal to the proportion of the number of Shares disposed of by the EBRD.

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

According to the Shareholders' Agreement, any change or increase in the authorised or issued share capital of the Bank shall be subject to EBRD's prior written consent.

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

The Bank faces operational risk.

The Bank is exposed to operational risk. Operational risk is the risk of losses that may arise as a result of system inefficiencies, break-downs in internal processes, human error or the effect of any external negative factor. The Bank has extensive risk management controls in place which are overseen by the Risk Management Department and the Operational Risks Committee. However, there can be no assurance from the Bank that the Risk Management Department and the Operational Risks Committee will be able to prevent operational risks materialising, or mitigate the damage caused should such operational risks materialise. For example, the Bank has recently experienced fraud in its retail division. Prior to the global financial crisis there was a large expansion in the number of branch networks of the Bank, which arguably led to over reliance on these branches. The substantial increase in retail loans formed part of the Bank's rapid expansion of its overall loan book prior to the global financial crisis. Isolated cases of fraud, committed during the loan origination process, were subsequently unearthed, some of which included the knowing involvement of employees of the Bank. In certain cases, Bank employees collaborated with fraudulent customers in making false loan applications. Not only were such employees dismissed but they were also subject in most cases to prison sentences. In response to this experience of fraudulent activity, the Bank strengthened its verification procedures; however, no assurances can be given that the procedures implemented by the Bank will be successful in eliminating losses arising from fraudulent behaviour.

Any failure to deal with operational risk may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Notwithstanding the foregoing, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Bank is 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.

In 2009 the Parliament of Kazakhstan adopted an anti-money-laundering law which identifies various types of transactions subject to financial monitoring and establishes thresholds for each of them, such as exchanges or withdrawals of large sums of cash, large insurance payments and major securities or real estate transactions. 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, results of operations and prospects may be materially and adversely affected.

RISK FACTORS RELATING TO KAZAKHSTAN

Risks associated with emerging markets generally.

The disruptions recently experienced in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries in the emerging markets such as Kazakhstan may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

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. In particular, the construction and real estate markets in Kazakhstan have experienced significant volatility primarily as a result of the reduction of available financing, which has in turn increased the exposure of Kazakhstan banks to the construction and real estate markets and has made them more susceptible to macroeconomic factors. See "*—Volatility in the real estate market in Kazakhstan may materially and adversely affect the Bank's asset quality and collateral value*".

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

Risks resulting from failures in the 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. Although BTA, Alliance and Temir Bank completed the process of being restructured, 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 if needed, as the Government's resources may become strained and the Government may be required to allocate support and funds selectively.

It is not possible to predict the full impact on the Bank of the financial stability laws in Kazakhstan which were introduced in 2008.

In October 2008, the Kazakhstan Parliament adopted a financial stability law which introduced numerous amendments to the Banking Law, the JSC Law and the Securities Market Law with a view to improving the stability of the financial sector.

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 a national management holding company, 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 a national management holding company) 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 the national management holding company 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 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. 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.

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 one. 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. GDP increased by only 1.2 per cent. in 2009 and the GDP is expected to increase by 5 per cent. in 2010.

Kazakhstan has experienced 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.

Exchange rate policies in Kazakhstan impose risks.

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 devalued the Tenge by 18 per cent. to KZT 143.98 per U.S.$1.00. 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. Devaluation of the Tenge is also intended to enhance export competitiveness of Kazakhstan goods.

A further devaluation or depreciation of the Tenge against the U.S. dollar or other foreign currencies 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 in turn have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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 Bank's business, financial condition, results of operations and prospects.

A sharp drop in world prices for oil and other commodities would have 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.

There are risks associated with rising operating costs as Kazakhstan's commodity sector recovers.
As the commodity sector in Kazakhstan recovers, it is possible that operating costs will increase in line with this recovery. Operating costs, such as labour costs, leases, machinery and plant costs may all rise resulting in increased expenses for businesses operating in this sector. Rising costs will impact the profit margins of such companies and may adversely affect their ability to service loans made to them by the Bank, which in turn may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. As a cause of this, the Bank may experience a decline it its profitability which could affect its ability to meet loan repayments. This should be borne in mind by potential investors who wish to ensure a return on their investments.

Without solvent borrowers and a diversified economy, the Kazakhstan banking sector may not be able to complete its recovery from the global financial crisis.
Having been greatly affected by the global financial crisis, the Kazakhstan economy is in the process of recovery. In order for this to be fully achieved, there needs to exist solvent borrowers, as well as a diversified economy, which will stimulate economic growth. The Kazakhstan economy was one of the worst hit and only after many lengthy debt-restructurings to a number of Kazakhstan's largest banks, does it look to emerge from the crisis. Without solvent borrowers, the Bank's returns on its loans will be limited which will continue to hamper its profitability.

Uncertainty over the outcome of the implementation of further market based economic reforms may impose risks.
The need for substantial investment in many enterprises has driven the Government's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain large oil and gas producers, mining companies and the national telecommunications company.

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

The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and are therefore unpredictable.
Although a large volume of legislation has come into force since early 1995 (including a new tax code in January 2009, laws relating to foreign arbitration in 2004, 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 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 more developed tax systems.

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 newly adopted tax legislation, which came 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.

There are risks associated with the underdevelopment of Kazakhstan's securities markets.

Kazakhstan has a less developed securities market than the United States, the United Kingdom and other Western European countries, which may hinder the development of the Kazakhstan economy. An organised securities market was established in Kazakhstan only in the mid to late 1990s and procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years including an initiative to develop Almaty as a regional financial centre, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed in Kazakhstan, or as strictly enforced, as compared to the United States, the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan entities, such as the Bank, may be publicly available to investors in securities issued or guaranteed by such entities than is available to investors in entities organised in the United States, the United Kingdom or in Western Europe.

Kazakhstan's president, Nursultan Nazarbaev, has been in office since 1991 and should he not remain in office, Kazakhstan could become unstable.

Kazakhstan's president, Nursultan Nazarbaev, is 70 years old and 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 term, there is no guarantee that he will remain in office. Should he fail to complete his current term of office for whatever reason 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, financial condition, results of operations and prospects. 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 commitment to democratic reforms. A lack of confidence in the democratic nature of the Government could threaten the country's economic stability, which in turn could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

RISKS RELATING TO AN INVESTMENT IN THE NOTES

The Notes may not be a suitable investment for all investors.

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

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

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

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

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

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

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

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors.
Set out below is a description of the most common such features:

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

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

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

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

(ii) they may receive no interest;

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

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

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

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

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

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

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

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

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

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

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

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

Noteholders may be bound by the decision of other holders notwithstanding that they were not present at the meeting.
The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined percentages of Noteholders to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a contrary manner.

The Notes could be subject to taxation.
Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or

similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

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

In addition, with respect to each issuance of Notes under the Programme, the Bank will make an application to the KASE for such Notes to be admitted to the official list of the KASE. Furthermore, in order for payments to be made on the Notes exempt of Kazakhstan withholding tax, it will be necessary for the Notes to be admitted to the official list of the KASE and moreover, no Notes may be issued or placed without the prior approval of the FMSA. Whilst the Bank does not presently anticipate any difficulties in obtaining these approvals, there can be no assurances given that such approvals will be obtained.

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

Trading in the clearing systems is subject to minimum denomination requirements.
The terms and conditions of the Notes provide that Notes will be issued with a minimum denomination of €100,000 (or its equivalent in other currencies) and integral multiples of an amount in excess thereof in the relevant Specified Currency. Where Notes are traded in a clearing system, it is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denominations specified in the relevant Final Terms related to an issue of Notes. If definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

Although application may be made to list the Notes, there is no prior market for the Notes.
An active trading market in the Notes may not develop or be maintained after any listing. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile.
In recent years stock markets have experienced significant price fluctuations. These fluctuations often were unrelated to the operating performance of the companies whose securities are traded on such stock markets.

Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

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

The Notes are subject to exchange rate risks and exchange control risks.
The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes are subject to interest rate risks.
Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

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

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

The Notes do not limit incurrence of additional indebtedness.
The Terms and Conditions of the Notes do not restrict the ability of the Bank to incur additional indebtedness or require the Bank to maintain financial ratios or specified levels of net worth or liquidity. If the Bank incurs additional indebtedness in the future, these higher levels of indebtedness may adversely affect the Bank's creditworthiness generally and its ability to pay principal of and interest on the Notes.

There are risks in relation to modifications, waivers and substitutions.
The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions stipulate defined majorities required to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders, or (iii) the substitution of another company as principal debtor under any Notes in place of the Bank, in the circumstances described in "*Terms and Conditions of the Notes – Condition 11 (Meetings of Noteholders, Modification, Waiver and Submission)*".

There are risks in relation to Notes where denominations involve integral multiples.
In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amount of Notes, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

U.S. Holders of the Notes may be required to pay U.S. federal income tax on certain amounts of interest received without the corresponding receipt of cash.

Some Series of the Notes may be issued with original issue discount for U.S. federal income tax purposes, and, therefore, a U.S. Holder would be required to include the original issue discount in gross income on a constant yield to maturity basis without the corresponding receipt of cash to which such original issue discount is attributable. See "*Taxation – United States Federal Income Taxation*".

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 (+/-5 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 forth the period-end, average and low and high rates for Tenge, each expressed in Tenge and based on the KZT/U.S. dollar exchange rates on the KASE, as reported by the NBK:

Period ended	Period end	Average[(1)]	High	Low
31 December 2000	144.50	142.13	144.50	138.20
31 December 2001	150.20	146.74	150.20	145.00
31 December 2002	155.60	153.28	155.60	150.60
31 December 2003	144.22	149.58	155.89	143.66
31 December 2004	130.00	136.04	143.33	130.00
31 December 2005	133.77	132.88	136.12	129.83
31 December 2006	127.00	126.09	133.85	117.25
31 December 2007	120.30	122.55	127.00	118.79
31 December 2008	120.77	120.30	120.87	119.48
31 December 2009	148.36	147.50	151.40	120.79
31 January 2010	148.21	148.09	148.46	147.88
28 February 2010	147.32	147.87	148.21	147.32
31 March 2010	147.11	147.14	148.46	146.89
30 April 2010	146.78	146.72	147.07	146.41
31 May 2010	146.50	146.67	147.04	146.43
30 June 2010	147.46	147.05	147.55	146.65
31 July 2010	147.69	147.51	147.73	147.25
31 August 2010	147.14	147.35	147.78	147.12
30 September 2010	147.47	147.37	147.57	147.16

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

The daily average KZT/U.S. dollar exchange rate on the KASE, as reported by the NBK, on 12 October 2010 was KZT 147.56 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 Base 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 require notification to, or registration 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.

USE OF PROCEEDS

The Issuer will use the net proceeds it receives from each issue of Notes to redeem indebtedness of the Group and/or for general banking purposes.

CAPITALISATION

The following table sets forth the consolidated capitalisation of the Bank as at 30 June 2010. This information is unaudited and should be read in conjunction with "Use of Proceeds", "Selected Consolidated Financial Data", "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Bank's Interim Financial Statements, and the related notes thereto, included elsewhere in this Base Prospectus.

	As at 30 June 2010	
	(U.S.$ thousands)(1)	(KZT millions)
	(unaudited)	
Long term debt:		
Senior long term debt(2)	5,795,683	855,153
Subordinated long term debt(3)	927,984	136,924
Total long term debt	6,723,667	992,077
Shareholders' equity:		
Share capital	61,206	9,031
Share premium	1,321,776	195,028
Property revaluation reserve	34,422	5,079
Reserves	1,283,816	189,427
Total equity attributable to equity holders of the parent	2,701,220	398,565
Total capitalisation	9,424,886	1,390,642

(1) See "*Selected Consolidated Financial Data*" for information as to the U.S. dollar/KZT exchange rate used to calculate the U.S. dollar amounts.

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

(3) Subordinated long term debt is the portion of subordinated debt which falls due after more than one year. This amount includes KZT 32.9 billion of 10-year notes issued in 2005 to 2009 (the Bank's fourth to eighth issuances) placed in the domestic market; and also 10-year notes for the total amount of U.S.$450 million placed domestically; perpetual subordinated notes in the principal amount of U.S.$100 million, a subordinated 10-year loan from Citigroup maturing in 2014 in the amount of U.S.$100 million and U.S.$45.4 million of liabilities in relation to preference shares.

On 2 July 2010, Samruk-Kazyna provided KZT 24 billion to the Bank to refinance certain real estate construction projects in Astana and on 3 August 2010, the Bank issued subordinated bonds in the principal amount of KZT 2,329 million under its domestic bond programme.

Except as disclosed above, there has been no material change in the Bank's capitalisation since 30 June 2010.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below as at and for the six-month period ended 30 June 2010 has been derived from, and should be read in conjunction with the Bank's Interim Financial Statements, including the notes thereto, contained elsewhere in this Base Prospectus. The selected consolidated financial data presented below as at and for the three years ended 31 December 2009, 2008 and 2007 has been derived from and should be read in conjunction with the Bank's Annual Financial Statements, including the notes thereto, contained elsewhere in this Base Prospectus.

The Interim Financial Statements have been prepared using the same accounting principles and on the same basis as the Annual Financial Statements and, in the opinion of the Bank's management, include all adjustments, consisting of normal recurring adjustments necessary for a fair representation of interim results. These interim results are not necessarily indicative of results to be expected for the full year.

Solely for the convenience of the reader, the Bank has translated the selected income statement information for the year ended 31 December 2009 into U.S. dollars at the rate of U.S.$1.00 = KZT 147.50, statement of financial position information as at 31 December 2009 into U.S. dollars at the rate of U.S.$1.00 = KZT 148.46, the selected income statement information for the six months ended 30 June 2010 into U.S. dollars at the rate of U.S.$1.00 = KZT 146.81 and statement of financial position information as at 30 June 2010 into U.S. dollars at a rate of U.S.$1.00 = KZT 147.55. This is not consistent with the methodology that would be required for a convenience translation for a document that would be filed with the US Securities and Exchange Commission, which would require the rate at the reporting date to be applied to all convenience translations.

Prospective investors should read the following summary selected consolidated financial data and other information in conjunction with the information contained in "Risk Factors", "Capitalisation of the Bank,", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "Selected Statistical and Other Information", the Bank's Interim Financial Statements and Annual Financial Statements, including and the Financial Statements and the related notes thereto, and the other financial data appearing elsewhere in this Base Prospectus.

	Six months ended 30 June			Year ended 31 December			
	2010	2010	2009	2009	2009	2008	2007
	(thousands of U.S.$, except earnings per share data) (unaudited)	(KZT millions except per share data) (unaudited)		(thousands of U.S.$, except per share data) (unaudited)	(KZT millions except per share data)		
Income Statement:							
Interest income	1,025,891	150,611	199,510	2,528,400	372,939	380,777	316,458
Interest expense	(520,775)	(76,455)	(93,289)	(1,218,556)	(179,737)	(181,265)	(171,762)
Net interest income before provision for impairment losses on interest bearing assets	505,115	74,156	106,221	1,309,844	193,202	199,512	144,696
Provisions for impairment losses on interest bearing assets	(345,760)	(50,761)	(121,664)	(1,309,241)	(193,113)	(150,697)	(69,956)
Net interest income/(expense)	159,356	23,395	(15,443)	603	89	48,815	74,740
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(297,943)	(43,741)	12,084	154,529	22,793	(28,373)	20,642
Net gain/(loss) on foreign exchange and precious metals operations	223,043	32,745	(6,568)	(101,844)	(15,022)	5,617	(15,464)
Fee and commission income	67,863	9,963	9,959	142,081	20,957	21,745	23,558
Fee and commission expense	(11,580)	(1,700)	(1,580)	(24,027)	(3,544)	(4,324)	(2,713)
Net realised gain/(loss) on investments available for sale	2,990	439	(641)	(6,956)	(1,026)	(2,038)	119
Dividends received	150	22	23	1,261	186	176	145
Other income	17,397	2,554	24,760	234,075	34,526	9,352	6,919
Net non interest income	1,921	282	38,037	399,119	58,870	2,155	33,206
Operating income	161,276	23,677	22,594	399,722	58,959	50,970	107,946
Operating expenses	(114,699)	(16,839)	(14,304)	(207,953)	(30,673)	(34,049)	(31,200)
Profit before other operating provisions and results of associates	46,577	6,838	8,290	191,769	28,286	16,921	76,746
Provision for impairment losses on other transactions	(11,225)	(1,648)	(458)	(9,980)	(1,472)	(2,718)	(1,238)
Recovery of provision/(provision) for guarantees and other contingencies	15,884	2,332	1,196	4,068	600	856	(3,186)
Gain from sale of associates and share of results of associates	–	–	4,372	29,641	4,372	(3,585)	1,333
Operating profit before income tax	51,236	7,522	13,400	215,498	31,786	11,474	73,655
Income tax benefit/(expense)	17,969	2,638	(3,533)	(86,529)	(12,763)	8,690	(15,904)
Net profit	69,205	10,160	9,867	128,969	19,023	20,164	57,751
Attributable to:							
Ordinary shareholders of the Parent	65,275	9,583	8,641	116,285	17,152	18,406	46,468
Preference shareholders of the Parent	5,449	800	959	15,397	2,271	3,399	9,495
Non-controlling interest	(1,519)	(223)	267	(2,712)	(400)	(1,641)	1,788
Earnings per share							
Basic and diluted	0.08	12.31	13.71	0.16	24.27	32.01	80.85

	As at 30 June			As at 31 December		
	2010	2009	2009	2009	2008	2007
	(U.S.$ thousands) (unaudited)	(KZT millions) (unaudited)	(U.S.$ thousands) (unaudited)		(KZT millions)	
Statement of Financial Position:						
Assets:						
Cash and balances with the national (central) banks	484,832	71,537	609,814	90,533	90,478	168,148
Precious metals	7,855	1,159	8,144	1,209	317	–
Financial assets at fair value through profit or loss	970,498	143,197	769,251	114,203	58,130	188,776
Loans and advances to banks and other financial institutions	960,712	141,753	999,427	148,375	241,813	212,823
Loans to customers	14,755,662	2,177,198	14,554,540	2,160,767	2,144,782	2,366,335
Investments available for sale	106,852	15,766	112,461	16,696	15,056	3,036
Investments held to maturity	7,848	1,158	6,352	943	776	375
Investments in associates	–	–	–	–	1,775	3,222
Goodwill	16,300	2,405	16,200	2,405	2,405	2,405
Property, equipment and intangible assets	205,666	30,346	228,823	33,971	35,465	34,259
Other assets	141,369	20,859	126,438	18,771	23,808	17,853
Total assets	**17,657,594**	**2,605,378**	**17,431,450**	**2,587,873**	**2,614,805**	**2,997,232**
Liabilities:						
Loans and advances from banks and other financial institutions	1,129,576	166,669	1,408,608	209,122	296,391	723,431
Customer accounts	9,497,845	1,401,407	8,598,033	1,276,464	979,453	895,083
Financial liabilities at fair value through profit or loss	352,091	51,951	242,429	35,991	54,339	7,730
Debt securities issued	2,579,580	380,617	3,123,104	463,656	678,285	739,688
Other borrowed funds	195,134	28,792	209,969	31,172	137,324	148,934
Provisions	68,783	10,149	80,459	11,945	10,276	10,638
Deferred income tax liabilities	129,210	19,065	165,156	24,519	10,205	30,496
Dividends payable	5,049	745	101	15	5	2
Other liabilities	71,976	10,620	60,555	8,990	16,941	13,845
Subtotal	**14,029,244**	**2,070,015**	**13,888,414**	**2,061,874**	**2,183,219**	**2,569,847**
Subordinated debt	927,984	136,924	918,840	136,411	117,724	108,166
Total liabilities	**14,957,228**	**2,206,939**	**14,807,254**	**2,198,285**	**2,300,943**	**2,678,013**
Equity:						
Equity attributable to equity holders of the Parent	2,701,220	398,565	2,625,697	389,811	313,584	306,667
Non-controlling interest	(854)	(126)	(1,502)	(223)	278	12,552
Total liabilities and equity	**17,657,594**	**2,605,378**	**17,431,450**	**2,587,873**	**2,614,805**	**2,997,232**

	As at or for the six months ended 30 June		As at or for the year ended 31 December		
	2010	2009	2009	2008	2007
	(%)	(%)	(%)	(%)	(%)
	(unaudited)			(unaudited)	
Combined Key Ratios:					
Return on average shareholders' equity[1][7]	5.2	5.9	5.3	6.0	20.1
Return on average assets[1][7]	0.8	0.7	0.7	0.7	2.1
Operating expenses/operating income before provisions for impairment losses	22.6	9.9	12.2	16.9	17.5
Operating expenses/operating income after provisions for impairment losses	71.1	63.3	52.0	66.8	28.9
Profitability Ratios:					
Net interest margin[2][7]	4.0[3]	8.4	7.8	8.0	6.1
Net interest income after provisions for impairment losses/average interest bearing assets[1][7]	2.1	(1.2)	0.0	1.9	3.1
Operating expenses/net interest income before provisions for impairment losses	22.7	13.5	15.9	17.1	21.6
Operating expenses/average total assets[1][7]	1.3	1.0	1.1	1.2	1.2
Statement of financial position Ratios:					
Total net loans to customers/total assets	83.6	86.6	83.5	82.0	79.0
Deposits/total assets	53.8	41.6	49.3	37.5	29.9
Total equity/total assets	15.3	13.5	15.1	12.0	10.7
Liquid assets/customer accounts[4]	22.0	20.4	23.2	33.8	57.6
Liquid assets/liabilities of up to one month[4]	54.7	37.8	72.2	69.2	106.4
Capital Adequacy Ratios:[5]					
Total capital	20.6	18.1	20.1	17.7	15.1
Tier I Capital	16.1	13.9	15.9	13.5	11.7
Credit Quality Ratios:[6]					
Non performing loans/total gross loans[8]	24.8	16.1	26.4	9.4	3.3
Non performing loans/total gross loans[8] and guarantees	23.8	15.4	25.2	8.8	3.1
Allowances for impairment losses/non performing loans	81.9	95.1	71.8	128.4	170.5
Allowances for impairment losses/total gross loans	20.3	15.3	19.0	11.9	5.6
Macroeconomic Data:					
Consumer Price Inflation (for the 12 months then ended)	106.8	103.9	106.2	109.5	118.8
Real GDP (change during the 12 months then ended)	108.0	96.3	101.2	103.2	108.9

(1) Averages are based upon average daily balances for the Bank and its banking subsidiaries and upon average quarterly balances for other subsidiaries.

(2) Net interest margin means net interest income before provision for impairment losses/average interest bearing assets.

(3) Net interest margin (adjusted) means net interest income before provision adjusted for interest accrued on certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group prior to 2013, divided by average interest bearing assets. The accrued interest on these loans for the six months ended 30 June 2010 amounted to KZT 30,113 million and it was fully provisioned.

(4) Liquid assets include cash and balances with the national (central) banks, loans and advances to banks (with maturities of less than one month), financial assets at fair value through profit or loss, investments held to maturity.

(5) Year end and interim numbers are calculated in accordance with the Basel Accord.

(6) For the definition of non performing loans used by the Bank, see "Selected Statistical and Other Information—Non performing Loans."

(7) Annualised.

(8) Total gross loans less loans under reverse repurchase agreements.

THE BANK

The Bank is the largest bank in Kazakhstan on the basis of total assets and loans and second largest on the basis of total deposits (calculated by the Bank on the basis of FMSA data as at 30 June 2010). The Bank provides a full range of corporate, SME and retail banking services through a network of 23 full-service branches (offering both corporate and retail services) and 135 limited-service branches in 45 cities throughout Kazakhstan as at 30 June 2010. In addition, the Bank has well-developed alternative distribution channels including 1,114 ATMs (including 86 new ones installed since 31 December 2009 and 191 which are cash-in ATMs), 11,686 point-of-sale terminals and telephone banking and internet banking. Through its subsidiaries the Bank also provides insurance, brokerage, asset management and pension fund management services in Kazakhstan and corporate, SME and retail banking services in Russia, Tajikistan and Kyrgyzstan. The Bank has been given a senior unsecured debt rating of "B-" by Fitch, a foreign currency senior unsecured debt rating of "B2" by Moody's and a senior unsecured debt rating of "B" by S&P. For the details of all of the Bank's credit ratings, see "– *Credit Ratings*".

As at 30 June 2010, the Bank was a market leader in lending to corporate clients in Kazakhstan with a 28.5 per cent. market share (calculated by the Bank on the basis of FMSA data as at 30 June 2010). The Bank provides various services to its corporate and SME clients, including trade and structured finance products, project finance services, transactional services, internet banking and asset management services, as well as short term credit facilities and other general banking services.

The Bank offers its retail customers a comprehensive range of products including deposit and current accounts, residential mortgages, consumer loans, internet banking and debit and credit cards. The Bank is a market leader in terms of point-of-sale terminals with a 55.4 per cent. share, and one of the market leaders in terms of the number of ATMs with a 15.3 per cent. share (according to NBK data).

The Bank has a well-established treasury department. The main objective of the Bank's treasury operations is to efficiently manage liquidity, interest rate and market risks by managing its foreign currency exposure and funding costs in the foreign exchange markets. The Bank's treasury operations largely comprise spot transactions in Tenge and other currencies, transactions in government securities and the utilisation of currency derivatives for hedging purposes.

Brokerage and investment banking services are undertaken by the Bank through its subsidiary JSC Kazkommerts Securities. The Bank is authorised to engage in other activities, including the sale, purchase and safekeeping of precious metals (including gold and silver). Since 2001 the Bank has offered asset management services as well as insurance and pension products to its corporate and retail clients.

HISTORY

The Bank was established in 1990 as JSC Medeu Bank by a group of local businessmen and community organisations in the period of economic liberalisation which preceded the end of the Soviet Union. The current Chairman of the Bank's Board of Directors, Nurzhan Subkhanberdin, was hired as a manager in 1990. By 1991 Mr. Subkhanberdin had organised a new management team and JSC Medeu Bank's name was changed to JSC Kazkommertsbank. During the next few years the Bank's shareholders acquired a number of small banks and transferred their customers to the Bank. Subsequently management decided that organic growth was preferable to growth by acquisitions.

In 1997, the Bank was the first bank in Kazakhstan to conduct an initial public offering including the offering of global depositary receipts. This offering doubled the Bank's capital base. Following the offering the Bank received its first rating from an international credit rating agency and became the second largest bank in terms of assets and capitalisation in Kazakhstan (calculated by the Bank on the basis of FMSA data). The Bank received its first international syndicated loan in 1997 and its first Eurobond issue was in 1998. In 1999, the Bank was the first CIS bank to receive two international syndicated loans after the Russian financial crisis. In 2002, the Bank started a substantial upgrade of its information technology systems and took management control of LLP Moskommertsbank. In the same year, the Bank's Kyrgyzstan subsidiary received a banking licence. In 2003, the EBRD purchased 15 per cent. of the outstanding Shares of the Bank. In October 2005, the Bank acquired 100 per cent. of JSC OCOPAIM Grantum Asset Management and 80 per cent. of JSC Grantum Pension Fund. In November 2005, it became the first bank in the CIS to issue Tier I hybrid capital.

In the second half of 2006 the Bank was the first financial institution in Kazakhstan to conduct an initial public offering of its Shares to institutional investors in the United States and elsewhere through the listing of its GDRs on the London Stock Exchange. A domestic placement of 103.5 million Shares was completed on 9 January 2007. The domestic placement was the second stage of the public offer. As part of the first stage, several shareholders of the Bank sold 91,495,412 Shares in the form of GDRs and used the proceeds of such sale to subscribe for new Shares in the domestic placement. The proceeds received by CAIC, Mr. Nurzhan Subkhanberdin and the EBRD exceeded U.S.$845 million.

Alnair is the owner of 144,625,896 Shares in the form of GDRs (held through the Bank of New York Mellon as depositary). Alnair acquired an initial 25.2 per cent. shareholding in the Bank in 2008. This shareholding presently constitutes 28.8 per cent. of the outstanding Shares of the Bank as at 30 June 2010. Alnair is a Kazakhstan joint stock company owned by a private investment fund established by Abu Dhabi's Sheikh Takhnun bin Zaid Al Nahayan.

Samruk-Kazyna acquired a 21.2 per cent. holding of the Bank's Shares on completion of the Rights Offering in April 2009. This investment was made as part of the ongoing implementation of an initiative by the Government to strengthen the capital of the Bank as part of a broader plan to stabilise the Kazakhstan financial system. In order to facilitate this acquisition the Bank undertook the Rights Offering.

The Bank has banking licence no. 48 and is registered with the Ministry of Justice under no. 4905-1900-AO. The registered office of the Bank is 135 zh, Gagarin Ave., Almaty 050060, Kazakhstan and its telephone number is +7 727 258 51 25.

KEY STRENGTHS

The financial crisis has profoundly affected the financial services industry in Kazakhstan, reshaping the competitive landscape and bringing about new challenges for all firms. The Bank believes that it is uniquely positioned to capitalise on new opportunities given its ability to optimise costs and generate and maintain revenues. The Bank believes it has the following strengths that will enable it to maintain its position as one of the leading financial institutions in Kazakhstan:

- *An adaptable and flexible business structure.* The Bank has adopted an organisational structure that promotes both adaptability and flexibility to changing market conditions.

- *Continued improvements in corporate governance.* The corporate governance of the Bank has been improved over the past few years as the Bank has sought to implement international corporate governance standards. To that end, three out of the seven members of the Board of Directors are independent directors and three committees (the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee) have been introduced and all are headed by independent directors.

- *An experienced management team with a proven track record.* The Bank's management has substantial experience in the Kazakhstan banking industry. Management is focused on introducing and maintaining a Western-style culture with an emphasis on setting and meeting strategic objectives. The Bank's management believes it has consistently demonstrated its ability to deliver on its strategic objectives. The Bank has benefited, and continues to benefit, from its ability to retain its key employees during the global financial crisis. The Bank was not only able to retain its key employees, but was also able to attract a number of highly qualified professionals in the industry.

- *Continued technology and product development.* Throughout the global financial crisis, the Bank has continued to invest in its IT systems and did not cease to make improvements in its risk management systems. Continuous investment in new businesses and products has allowed the Bank to produce new and innovative products in such areas as cash management for corporate customers and online banking. Furthermore, the Bank has been an innovator of unique services, such as bespoke services for high net worth customers.

- *Broad funding sources.* The Bank has shown its ability to tap new sources of funding to meet its repayment obligations. The Bank has participated in various Government programmes, which has allowed the Bank to diversify its funding sources.

- *Strong corporate relationships*. In the past, strong corporate relationships were integral to the Bank's financial success. The global financial crisis tested and ultimately strengthened these relationships due to the support given by the Bank to its clients.

- *An extensive branch network*. The Bank benefits from an extensive retail and branch network. Apart from certain optimisations in the branch network, the Bank chose not to aggressively scale back its geographical presence in Kazakhstan. The Bank also maintains a presence in Russia, Kyrgyzstan and Tajikistan.

- *Strong market share in corporate and retail*. The reputation of the Bank to deliver integrated solutions for corporate customers is key to maintaining its leading role in the corporate banking sector. The Bank has developed and maintained a strong retail brand that has allowed the firm to maintain its market share.

- *An established customer service network*. The Bank has an extensive customer service network. It has a wide presence of branches and the Bank boasts one of the largest ATM networks in the country. It also has a strong internal Bank platform.

STRATEGY

The Bank's current strategy is to remain a universal bank with an active presence in all sectors of Kazakhstan's financial market, focusing in particular, on asset quality, liquidity management, and lending to the growth sectors, SME and retail, while maintaining its client base and operating efficiency.

Corporate banking

As at 30 June 2010, the Bank was the market leader in Kazakhstan in lending to corporate clients with a market share of 28.5 per cent. (calculated by the Bank on the basis of FMSA data). The Bank intends to maintain its position in this market by implementing the following strategies:

- *Focusing on asset quality including maximising its recovery of non-performing loans*. The Bank continues to concentrate its efforts to reduce the negative impact of macroeconomic conditions on the quality of its loan portfolio. The Bank is working closely with its corporate clients to prioritise their financing needs and to assist in mergers, acquisitions, asset disposals and asset recoveries.

- *Lending to corporate sectors that have potential for growth*. The Bank plans to take advantage of lending opportunities in corporate sectors that have potential for growth, including oil and gas, certain wholesale and retail sectors, infrastructure and construction.

- *Maintaining its relationships with corporate clients, particularly in deposits and diversifying its corporate deposit base*. The Bank has been able to develop strong relationships with large corporate clients due to its extensive experience and well-developed corporate client relationship management system. The Bank benefits from deposits placed and kept with it by both large corporate clients including state-owned companies. The Bank's goal is to maintain strong relationships with corporate clients and maintain its corporate deposit base while seeking to further diversify this deposit base.

- *Participating in Government stabilisation programmes*. The Bank has and plans to continue to actively participate in different Government programmes instituted to support the Kazakhstan economy, including residential construction and SME. As at 30 June 2010, the Bank had received KZT 184.3 billion under these programmes (KZT 24.0 billion for the refinancing of mortgages, KZT 84.0 billion for the refinancing of corporate clients, KZT 34.0 billion to complete construction projects, KZT 3.6 billion for the refinancing of large-scale businesses in the manufacturing sector, KZT 18.7 billion for the financing and refinancing of SME clients and KZT 20.0 billion to finance the completion of residential construction projects for the Kuat Corporation) and expects to receive further funds throughout the remainder of 2010 and into 2011.

- *Focusing on cross sales and sales of non-credit banking products to corporate borrowers*. The Bank will seek to provide its corporate borrowers with a wide range of non-credit products, as well as non-banking products including insurance. The Bank has established a special division to offer these products.

SME banking

The Bank's strategy in SME banking includes:

- *Maintaining and gradually increasing its SME loan portfolio with specific focus on asset quality when granting SME loans, actively participating in Government programmes supporting SMEs as well as cross-selling non-credit banking products to SME clients*. The total funds received from Samruk-Kazyna to refinance SME clients was KZT 18.7 billion as at 30 June 2010. In addition, the Bank will actively participate in the new "Road Map-2020" programme established by the Government which will make loans to SME clients at reduced rates. The Bank will also endeavour to take advantage of all opportunities to cross-sell non-credit banking products to its SME clients.

- *Optimising its internal procedures to improve its relationship with SME clients and improve its credit processes*. Since 2008 loans to medium-sized enterprises have been made by the Bank's headquarters in Almaty. The Bank will now be focusing on strengthening its relationship with SME clients at branch level throughout many of the larger cities and urban centres in Kazakhstan.

Retail banking

The Bank's strategy in retail banking includes:

- *Maintaining and seeking opportunities to increase its existing retail deposit base*. The Bank will continue its efforts to maintain and increase its retail deposit base.

- *Gradually increasing retail loans*. The Bank's efforts will be aimed at stopping further contraction of its retail loan book. The Bank is planning to gradually increase its retail loan portfolio by offering new retail products. This includes the extension of retail loans to employees of large corporates, which have payroll agreements with the Bank. This will be done subject to meeting the Bank's new post-crisis requirements on making quality loans only to quality borrowers.

- *Focusing on increasing fee based income*. The Bank will concentrate its efforts on offering a wide range of fee based products to its retail customers, including cash settlement operations, credit and debit cards internet banking and telephone banking. The Bank will also seek to develop other fee based products.

- *Optimising and maintaining its distribution network with a more efficient branch network for sustainable and profitable growth*. The Bank will continue to optimise its branch network by locating outlets in areas which have a high proportion of business activity and/or population, density and will close less profitable branches.

- *Developing alternative distribution channels*. The Bank intends to continue to exploit its leadership in information technology systems to maintain and increase its retail client base. It will seek to further develop its automated distribution channels, including its ATM network, internet banking and telephone banking. The Bank will seek to provide a wide range of products, such as payment services and foreign currency exchange through these alternative distribution channels.

- *Optimising business processes*. The Bank will focus on optimising business processes through the automation of processes (by using WorkFlow software), the introduction of queue control systems and by training and improving the quality of its personnel. The Bank believes that these initiatives will enable the Bank to improve the speed and quality of the services it offers to its retail clients.

SUBSIDIARIES

The following table sets forth certain information as at and for the six months ended 30 June 2010, regarding the Bank's principal subsidiaries, affiliates and entities over which it exercises management control.

Name	Shareholders' equity	Net income
	(KZT millions, unaudited)	
Domestic		
JSC OCOPAIM Grantum Asset Management	1,092	449
JSC Grantum APF	5,240	313
JSC SK Kazkommerts Policy	7,900	599
JSC Kazkommerts Life Insurance Company	972	177
JSC Kazkommerts Securities	1,385	22
LLP Processing Company	(1)	(1.5)
Foreign		
LLP Commerical bank Moskommertsbank	16,748	356
LLP Investment Group East Kommerts	(2,263)	(554)
OJSC Kazkommertsbank Tajikistan	1,532	38.2
OJSC Kazkommerts Kyrgyzstan	2,101	(8.2)
Finance Subsidiaries[(1)]		
Kazkommerts International B.V.	3,086	(31)
Kazkommerts Capital II B.V.	197	(2.3)
Kazkommerts Finance II B.V.	651	35

(1) Special purpose vehicles.

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

Domestic

The Bank's principal domestic subsidiaries and affiliates are:

- *JSC OCOPAIM Grantum Asset Management*. JSC OCOPAIM Grantum Asset Management is a wholly owned subsidiary of the Bank. As at 30 June 2010, it held approximately 6 per cent. of all pension fund assets in Kazakhstan (calculated by the Bank on the basis of FMSA data). JSC OCOPAIM Grantum Asset Management is licensed to carry out pension fund investment management, portfolio investment management and broker dealer activities.

- *JSC Grantum APF*. The Bank purchased an 80.01 per cent. stake in JSC Grantum APF from ABN AMRO in 2005 for U.S.$13.3 million. In May 2010, it increased its stake to 82.5 per cent. JSC Grantum APF's primary business is the management of pension fund assets. As at 30 June 2010, it held approximately 6 per cent. of all pension fund assets in Kazakhstan (calculated by the Bank on the basis of FMSA data).

- *JSC SK Kazkommerts-Policy*. JSC SK Kazkommerts-Policy was a wholly owned subsidiary of the Bank from 1999 until 2003 when the EBRD purchased a 35 per cent. interest. In May 2008, the Bank exercised its option to repurchase the EBRD 35 per cent. interest and once again became the sole shareholder. As of 30 June 2010, JSC SK Kazkommerts-Policy was one of the leading non-life insurance companies in Kazakhstan with a market share, on the basis of gross written premiums, of approximately 16 per cent. of the Kazakhstan non-life insurance market (according to the FMSA). JSC SK Kazkommerts-Policy primarily underwrites property and casualty insurance policies for retail and commercial clients and provides valuable cross-selling opportunities for the Bank.

- *JSC Kazkommerts Life Insurance Company*. In September 2006, the Bank acquired 100 per cent. of the outstanding shares of its life insurance subsidiary, JSC Kazkommerts Life Insurance Company for KZT 800 million. On 15 December 2009, the Bank made a further capital contribution of KZT 69 million in order to maintain the financial stability of this subsidiary. As at 30 June 2010 JSC Kazkommerts Life Insurance Company had a market share, on the basis of gross written premiums, of 16 per cent. of the Kazakhstan life insurance market (according to FMSA).

- *JSC Kazkommerts Securities*. JSC Kazkommerts Securities is a wholly owned subsidiary of the Bank. It was established to provide investment services to both foreign and domestic clients and to participate in privatisation projects. JSC Kazkommerts Securities is engaged in investment banking and brokerage operations and is one of the major underwriters of corporate domestic bonds in Kazakhstan. As at 30 June 2010 JSC Kazkommerts Securities had KZT 204 million in assets. It is also the Kazakhstan Dealer in respect of the Notes.

- *LLP Processing Company*. In 2004, the Bank acquired 100 per cent. of LLP Processing Company, which clears and settles payment card transactions.

Foreign

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

- *LLP Commercial Bank "Moskommertsbank"*. LLP Commercial Bank "Moscommertsbank" has been a strategic partner of the Bank since 2001 and in May 2008 became a wholly owned subsidiary of the Bank. LLP Commercial Bank "Moskommertsbank" is a universal bank focusing on SME, retail and private banking. It has eight full service branches and three limited service branches in major Russian cities. As at 30 June 2010, LLP Commercial Bank "Moskommertsbank" was ranked the 93rd largest bank in Russia by asset size (according to rbc.ru), with total assets as at 30 June 2010 of KZT 142 billion (U.S.$961 million), and a net loan portfolio of KZT 110 billion (U.S.$747 million).

- *OJSC Kazkommertsbank Kyrgyzstan*. OJSC Kazkommertsbank Kyrgyzstan is a commercial bank headquartered in Bishkek with two further branches in Dzhalal-Abad and Osh. The Bank purchased a 72.4 per cent. stake in OJSC Kazkommertsbank Kyrgyzstan in 2002 for KZT 244 million and subsequently increased its shareholding to 95.75 per cent. OJSC Kazkommertsbank Kyrgyzstan offers both retail and corporate banking services. OJSC Kazkommertsbank Kyrgyzstan initially focused on servicing the Bank's existing clients conducting business in Kyrgyzstan and in 2006 refocused its efforts on servicing the domestic retail and SME markets.

- *CJSC Kazkommertsbank Tajikistan*. CJSC Kazkommertsbank Tajikistan was established in December 2007. It is a commercial bank headquartered in Dushanbe and is a wholly owned subsidiary of the Bank with chartered capital of U.S.$10 million. In January 2008 CJSC Kazkommertsbank Tajikistan was issued licenses for banking in national and foreign currencies by the National Bank of Tajikistan. CJSC Kazkommertsbank Tajikistan allows the Bank to service its clients needs in Tajikistan.

- *LLP Investment Group East Kommerts*. The Bank acquired a 50 per cent. stake in LLP Investment Group East Kommerts in 2007. LLP Investment Group East Kommerts. LLP East Kommerts offers full range of brokerage, asset management and advisory services.

Finance subsidiaries

The Bank's finance subsidiaries are:

- *Kazkommerts International B.V.* Kazkommerts International B.V. is a wholly owned finance subsidiary of the Bank which has raised approximately U.S.$5 billion in the domestic and international capital markets since 2003. It had no outstanding debt as at 30 June 2010 given that the Bank was substituted as the Issuer in February 2010.

- *Kazkommerts Finance II B.V.* Kazkommerts Finance II B.V. is a wholly owned finance subsidiary of the Bank which is used to raise capital in the international capital markets. Its total outstanding debt as at 30 June 2010 was U.S.$100 million.

- *Kazkommerts Capital II B.V.* Kazkommerts Capital II B.V. is a wholly owned finance subsidiary of the Bank, which is used to raise capital in the international capitals markets. It had no outstanding debt as at 30 June 2010.

BANKING SERVICES

Corporate banking

The Bank has been servicing corporate clients for over 17 years and believes that its continuous focus on quality of service has made it the bank of choice for large corporate clients in Kazakhstan.

The principal products and services the Bank offers to corporate clients include short and medium-term credit facilities and project finance denominated both in Tenge and other currencies (predominantly U.S. dollars and euro) as well as transactional services including trade finance, structured finance and cash management.

Trade finance products include letters of credit, guarantees and advance payment facilities. The Bank also enters into trade finance transactions which are not self-liquidating and which are effectively structured as back-to-back bilateral loan agreements. Under this kind of arrangement, the Bank obtains a bilateral loan from a foreign financial institution and on-lends the proceeds as lender under its own loan agreement to a Kazakhstan borrower in order to facilitate a trade finance transaction. Under the second loan, the Bank assumes the credit risk and therefore, if the Kazakhstan borrower defaults the Bank remains liable under its loan with the foreign financial institution.

As at 30 June 2010, corporate loans accounted for 88.3 per cent. of the Group's loan portfolio. Due to the economic downturn in Kazakhstan as a result of the global financial crisis the Bank has reduced its lending activities where such lending does not involve funds provided by the Government's stabilisation programmes.

Loans to trade, residential, commercial construction and real estate sectors constitute the majority of the Bank's loan book. The sectoral composition of the loan portfolio has not changed significantly largely due to the fact the Bank has been one of the major participants in the Government's stabilisation programmes which target these sectors. Using the support provided by these programmes the Bank continues to lend to the sectors of the economy that have been most affected by the economic downturn, such as the real estate and construction sectors. The Bank has participated in a number of Government programmes focused on lending to the real estate and construction sectors. Many loans have been made rates using Government funds where the interest rates have been capped and many loans were refinanced at reduced rates. Part of the initiative undertaken by the Government was to restore stability and confidence in the real estate sector and including finishing uncompleted housing projects.

Despite the global economic downturn the Bank is striving to support the import and export financing needs of its corporate clients using trade finance (such as documentary letters of credit and guarantees), ECA covered financing and financing provided under credit lines provided by development institutions such as the EBRD, the Islamic Development Bank and Deutsche Investitions-und Entwicklungsgesellschaft mbH.

SME banking

The range of products offered to SME clients is similar to that offered to the Bank's large corporate customers. Loans constitute the largest part of the Bank's exposure to SMEs.

The Bank's lending relationship with an SME customer generally commences with a working capital loan and develops into the financing of capital expenditures as the customer's business grows.

The Bank was one of the first banks in Kazakhstan to cooperate with the EBRD in its programme for the development of the SME sector and thereby benefited from the funding and training which the EBRD provided. The EBRD's programme started in 1998 and established a framework for lending to the SME sector in Kazakhstan. Most of Kazakhstan's largest banks have participated in the EBRD programme. Although the programme has now ended, participants continue to report on the status of their SME loans made under this programme. These loans were generally between U.S.$50,000 and U.S.$200,000. The Bank is involved in a similar programme in Kyrgyzstan through its subsidiary OJSC Kazkommertsbank Kyrgyzstan.

Since 2008, the Bank has attempted to optimise its business structure in relation to SMEs to address the global financial crisis and its consequences. Medium-sized borrowers are now being served by the Bank's headquarters in Almaty while the branch network continues to offer banking products to small businesses as well as cash and non-cash settlement services to both small and medium sized businesses. The introduction of a scoring system and the transfer of the credit approval process to the decision making centre, as described in "*Risk Management Policies,*" is expected to facilitate faster decision making.

The Bank plans to continue to refinance its SME clients under the Government stabilisation programme. The total funds received from Samruk-Kazyna to refinance SME clients was KZT 18.7 billion as at 30 June 2010. In addition, the Bank plans to actively participate in the new "Road Map-2020 programme", which envisages the making of loans to SME clients at reduced rates.

Retail banking

The Bank provides a comprehensive range of banking products with the aim of growing its client base. The Bank offers its retail customers a comprehensive range of retail products including deposit and current accounts, debit and credit cards, residential mortgages and consumer loans. The Bank is seeking to increase its retail deposit base with a view to growing non-interest fee based revenues.

The Bank has one of the leading retail banking franchises in Kazakhstan with a 18.5 per cent. share of the Kazakhstan retail deposit market and a 11.8 per cent. share of the Kazakhstan retail loans market as at 30 June 2010 (according to FMSA data).

The Bank uses credit scoring technology for potential loans to retail clients.

As at 30 June 2010, retail customer deposits totalled KZT 372.8 billion, which was the second largest retail deposit base in the country (calculated by the Bank on the basis of FMSA data). The Bank will concentrate its efforts on maintaining and increasing its existing retail deposit base. During the first six months of 2010, the Group experienced retail deposit inflows of 13.8 per cent. The Bank is also focusing increasingly on attracting payroll accounts from its corporate clients.

The Bank has strong positions in the debit and credit card business. It issues debit cards, credit cards and virtual cards (virtual cards are a special category of debit card which have particular security features and can only be used for internet transactions). The Bank issues both VISA and Europay/MasterCard cards which provide access to the Cirrus/Maestro system. The Bank is an exclusive partner for the distribution of American Express cards in Kazakhstan. In 2002, the Bank was the first bank in Kazakhstan to issue EMV-standard chip cards for use at certified point-of-sale terminals. In 2003, the Bank was the first bank in Kazakhstan to obtain certification for card servicing under the 3D-Secure protocol developed by VISA International (with the support of MasterCard International) to protect against internet fraud. By 30 June 2010, the Bank had issued 1,100,892 cards, most of which were debit and credit cards.

The Bank was the first bank in Kazakhstan to offer a credit card with bonus features branded as the "GO!Card". Bonus points can be earned and redeemed at approximately 800 trade partners in the GO!Card network. As at 30 June 2010, the Bank had issued more than 42,000 GO!Cards.

Although credit cards are not as extensively used in Kazakhstan as in some other countries, the Bank believes that this market will continue to experience strong growth and that at present it is one of the market leaders in terms of volume of credit card transactions. The Bank currently uses scorecard applications for the approval of credit cards.

The Bank's settlement and payment system, both at branches and via the internet, enables individuals to pay a wide range of bills, including utility bills and taxes. The Bank has a UNICOM system which facilitates rapid client payments due to the automation of its back office processes.

The Bank's consumer loan portfolio consists of car loans and express loans. These loans are approved through an approval process focused on income verification of a potential borrower. The Bank has entered into agreements with a number of car dealers pursuant to which customers can finance their vehicle purchases.

In 2002, the Bank was the first bank in Kazakhstan to offer residential mortgages. Residential mortgages comprised 65.8 per cent. of the Group's net retail loan portfolio as at 30 June 2010. Due to recent weaknesses in the real estate market in Kazakhstan and pressure on disposable incomes, the Bank has significantly decreased its new mortgage lending, while focusing on the quality of its existing mortgage portfolio.

In 2009, Samruk-Kazyna allocated KZT 120 billion to participating banks in Kazakhstan in order to facilitate the refinancing of existing mortgages. The Bank received KZT 24 billion under this programme and the interest rates on the mortgages of 5,921 borrowers (including 1,491 public sector employees) were reduced to 9 per cent.

Other banking and financial services

The main objective of the Bank's treasury operations is to efficiently manage liquidity and interest rate and market risks by managing its foreign currency exposure and funding costs by entering into transactions in the foreign exchange and money markets. The Bank's treasury operations consist largely of spot transactions in Tenge and other currencies, trading in government securities and using currency derivatives used for hedging purposes.

Brokerage and investment banking services are undertaken by the Bank through its subsidiary JSC Kazkommerts Securities. The Bank is authorised to engage in the sale, purchase and safekeeping of precious metals (including gold and silver). Since 2001 the Bank has offered asset management services and insurance and pension products to its corporate and retail clients.

The Bank engages in securities transactions on behalf of its clients but it does not engage in a significant amount of proprietary trading.

DISTRIBUTION NETWORK

Branches

As at 30 June 2010, the Bank's branch network was comprised of 23 full-service branches and 135 limited-service branches. The Bank will continue to optimise its branch network by locating outlets in areas which have a high proportion of business activity and/or population density and will close less profitable branches.

For business optimisation and efficiency purposes, the Bank has centralised its operations at its headquarters. The branch network provides cash and non-cash settlement services, small business lending, credit and debit cards and retail services. The co-ordination and planning of the operations of the branches and internal controls of each branch are regulated and overseen by the Bank's head office which monitors the operations and financial results of the branches and is responsible for the development of the Bank's regional policies and strategies. All branches undergo an annual internal audit. See "*Risk Management Policies*".

Alternative distribution channels

As at 30 June 2010, the Bank operated 1,114 ATMs throughout Kazakhstan. The Bank believes that its ATM network is one of the largest in Kazakhstan (based on NBK data) and seeks to attract customers to its network by locating machines in densely populated areas and high traffic locations, such as shopping malls and large office buildings. The Bank has a policy of only placing ATMs in locations that are accessible for 24-hour maintenance. The Bank believes that, relative to its competitors, it maintains a high ratio of machines to issued debit and credit cards thus ensuring easy access to funds for its customers. The Bank charges a fee for each ATM withdrawal, including withdrawals by its own account holders.

As at 30 June 2010 the Bank operated 11,686 point-of-sale terminals, making it the market leader in Kazakhstan (based on NBK data).

The Bank was the first bank in Kazakhstan to offer telephone and internet banking services. Currently internet banking services include online access to account statements, payment of mobile and fixed line telephone bills, payment of utility and cable TV bills, and the payment of taxes. Telephone banking customers are able to obtain account and card balance information, pay mobile and fixed line phone bills and cable TV bills. As at 30 June 2010, over 239,099 customers had registered for internet banking services. In addition, as at 30 June 2010 the Bank had 210 Info kiosks which provide a full range of services available to internet banking customers.

In addition to providing services to the Bank's customers, the Bank's call centre has recently become involved in early stage debt collection, telephoning borrowers to remind them that their payments are overdue.

TECHNOLOGY

In 2002, the Bank introduced and implemented Equation DBA, a centralised, integrated banking information system which connects the head office to the branch network. The Bank believes that the Equation DBA system has significantly improved the scope and efficiency of its information systems with respect to risk management and financial reporting under IFRS. In 2003 the Bank introduced an Oracle-based WorkFlow electronic documents circulation system with a view to reducing human error and accelerating client service. In order to improve efficiency, the Bank has also introduced banking technologies such as a customer relationship management system based on the integration of Siebel CRM and CallCenter software products. The Bank has also introduced a new business process management system (which is based on Oracle's WorkFlow software) and new internet banking systems for both retail and corporate clients.

The Bank utilises credit scoring technologies for potential loans to retail and SME clients. In particular, the Bank is currently using an application scorecard for the approval of credit cards. This scoring model has been developed with the assistance of Experian (an international provider of information, analytical and marketing services). Experian is also currently developing several other applications on the Bank's behalf including behavioural scorecards for both the credit card business and the SME business of the Bank. The Bank has also developed several scoring models for express and car loan products in-house. The Bank is planning to extend the use of scoring models to other consumer products.

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

In 2005 the Bank initiated an e-procurement system which now has more than 2,600 registered suppliers. The system has held more than 1,600 on-line auctions, generating substantial savings to the Bank.

The Bank's computer systems are located in two stand-alone data centres in Almaty, which are earthquake and fire resistant and equipped with back-up power supply systems. The data centres have advanced access control and security systems including 24-hour continuous video monitoring. The data centres are also equipped with an intrusion detection system and a network monitoring and analysis system. The Bank opened another back-up data centre in Astana which has substantially the same capabilities as the Almaty data centres and further reduces the possibility of operational failure. In the last three years, the Bank has suffered disruptions to its computer systems that arose as a result of short-term power failures. These failures were rectified by the installation of additional power generators. The Bank is also susceptible to computer attacks by hackers from time to time, though there have not, as of yet, been any major security breaches.

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

SECURITY AND ANTI-MONEY LAUNDERING

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

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

PROPERTIES

The Bank owns the majority and leases the remainder of its branch premises, foreign exchange bureau properties, ATMs, garages, warehouses and other facilities in Kazakhstan. For leased properties, the Bank typically enters into operational leases with terms of between six months and ten years. As at 30 June 2010, the gross book value of the Group's property, equipment and intangible assets was KZT 30.3 billion, including the Bank's new head office building which had a gross book value of KZT 11.7 billion.

INSURANCE

The Bank has a banker's blanket bond insurance policy provided by JSC SK Kazkommerts-Policy (and reinsured with a leading international reinsurer). This policy covers losses in relation to banks and financial institutions, computer fraud, safe deposit theft and ATM and internet services fraud. The maximum coverage depends on the type of insurance but will not exceed KZT 366 million, either for individual events or in aggregate. Coverage is subject to a number of conditions and qualifications and money-laundering liabilities and losses due to terrorism are specifically excluded.

In addition, the Bank has a number of other insurance policies provided by JSC SK Kazkommerts-Policy, including obligatory insurance of employer's civil liability to employees, third-party liability insurance (maximum coverage KZT 150 million) and voluntary property insurance (maximum coverage KZT 4,925 billion). The policies are typically renewed annually.

COMPETITION

Kazakhstan's banking industry was principally established following the independence of Kazakhstan in 1991. As at 30 September 2010, there were 38 commercial banks in Kazakhstan (according to FMSA data). Banks in Kazakhstan can be divided into three groups: large local banks (including the Bank, Halyk Bank and BTA Bank); banks under foreign ownership (such as The Royal Bank of Scotland in Kazakhstan, Citibank Kazakhstan, HSBC Kazakhstan, Bank CenterCredit, Sberbank and ATF Bank); and smaller local banks. The Bank believes that its main competitors are Halyk Bank, Bank CenterCredit and ATF.

The Bank believes that competition in its target markets is primarily driven by brand recognition, the range of services offered and the quality of customer service and geographical coverage. The Bank believes that it is well positioned to compete on the basis of its size, large capital base, regional network, participation in the Government stabilisation programmes, strong franchise in the corporate and retail segments, cost efficiency, risk management, advanced and integrated information technology system, presence in non-banking financial services and its experienced management team.

On the basis of unconsolidated data published by the FMSA, at 30 June 2010 the Bank's assets constituted 19.8 per cent. of the total assets of the Kazakhstan banking system, the Bank's capital constituted approximately 24 per cent. of the total capital of the Kazakhstan banking system (excluding BTA Bank), the Bank's deposits constituted approximately 20 per cent. of the total deposits of the Kazakhstan banking system and the Bank's retail deposits constituted approximately 19 per cent. of the total retail deposits of the Kazakhstan banking system.

The following table sets out the top 10 banks (by assets) in Kazakhstan (on the basis of unconsolidated data provided by the FMSA) as at 30 June 2010:

	As at 30 June 2010	
	KZT millions	(%)
Kazkommertsbank	2,363,650	19.8
Halyk Bank	2,144,515	17.7
BTA Bank	1,869,605	15.6
Bank CenterCredit	1,290,360	10.8
ATF Bank	1,131,678	9.5
Alliance Bank	461,272	3.9
Eurasian Bank	365,012	3.1
Kaspi Bank	318,498	2.7
Nurbank	325,766	2.7
Temir Bank	186,072	1.6
Top 10 Banks	10,426,428	87.2
Others	1,535,839	12.8
Total	11,962,267	100

EMPLOYEES

As at 30 June 2010, the Bank had 5,336 full-time employees, of which 3,553 were employed in the branch network and 1,783 were employed at the Bank's head office in Almaty. The average age of the Bank's employees is 32 and a large portion of them are university graduates. The Bank has not experienced strikes or other work stoppages resulting from labour disputes and it does not have any unionised employees.

The following table shows the number of employees of the Bank as at 30 June and as at 31 December 2009, 2008 and 2007:

	As at 30 June	As at 31 December		
	2010	2009	2008	2007
	(unaudited)		(unaudited)	
Head office	1,783	1,695	1,662	1,417
Branches	3,553	3,533	3,875	5,022
Total	5,336	5,228	5,537	6,439

The increase in personnel over the first half of 2010 was mainly attributable to increased staffing of both the headquarters and branches, including retail sales personnel and support staff.

To promote operational efficiency, the Bank offers educational and training initiatives to its employees. As part of an organisational restructuring the Bank has introduced staffing guidelines and a new human resources management policy to improve the quality of the Bank's employees. The Bank also holds internal and external training and staff rotation programmes designed to improve the skills and cross-selling abilities of its employees.

LITIGATION

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

CREDIT RATINGS

The Bank is rated by Fitch, Moody's and S&P and its credit ratings are as follows:

Fitch

Long-term issuer default rating – B- (B minus)
Short-term issuer default rating – B
Senior unsecured debt rating – B- (B minus)
Subordinated debt rating – CC
Outlook – Stable

Moody's

Long-term foreign and local currency deposit rating – Ba3
Foreign currency senior unsecured debt rating – B2
Foreign currency subordinated debt rating – B3
Bank financial strength rating – E+, Outlook – Stable
Outlook – Negative

S&P

Long-term issuer credit rating – B
Senior unsecured debt rating – B
Subordinated debt rating – CCC+
Short-term debt rating – C
Outlook – Negative

On 21 October 2010 Moody's downgraded the Bank's foreign currency senior unsecured debt rating from "Ba3" to "B2" and downgraded the Bank's foreign currency subordinated debt rating from "B1" to "B3". The Bank's long-term foreign and local currency deposit rating remained unaffected at "Ba3".

These downgrades were made in conjunction with the downgrading by Moody's of three other Kazakhstan banks, namely Halyk Bank, Bank CenterCredit and Alliance Bank.

Moody’s announcement of the downgrade stated that it reflected their reassessment of the Government's willingness to provide support to senior and subordinated debt holders of systemically important banks, following the restructuring of the financial indebtedness of three Kazakhstan banks in 2010. See “*The Banking Sector in Kazakhstan*”. Moody’s stated that in all three restructurings depositors did not sustain any loss of principal, whereas holders of senior unsecured and subordinated debt incurred substantial losses.

Moody’s advised that they saw little reason to expect Government support of banks' financial creditors and therefore removed in full the systemic support assumptions from all Kazakhstan banks' debt ratings. These assumptions were that some banks benefited from low or moderate probability of systemic support.

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

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

Investors should be aware that the Bank has not published any financial statements as at any date, or for any period after, 30 June 2010. The effect of local and global market conditions on the Bank as well as the effect of those conditions on the Bank's customers and counterparties may mean that actual results of operations and financial condition of the Bank as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter may be materially and adversely different from the results presented as at and for the six months ended 30 June 2010. Accordingly, investors should not assume that the results presented as at and for the six months ended 30 June 2010 are an accurate indication of the actual results as at and for the financial year ended 31 December 2010 or as at any date or for any period thereafter. See *"Risk Factors – Risks Related to the Bank – The Bank's results as at and for the year ended 31 December 2010 may have a material and adverse impact on the market price of the Notes."*

Critical Accounting Policies

The Group's Financial Statements, selected statistical and other information appearing elsewhere in this Base Prospectus are, to a large degree, dependent upon the Bank's accounting policies. The Bank's significant accounting policies are fully described in Note 3 to the Annual Financial Statements. Note 3 to the Interim Financial Statements confirms the application of these policies to the Interim Financial Statements.

The Bank has identified certain accounting policies that it believes are the most critical to an understanding of the results of operations and financial condition of the Group and are subject to significant judgment and estimation. The critical accounting policies and a discussion of the estimates and judgements is included in Note 3 to the Annual Financial Statements and the Bank wishes to draw your attention, in particular, to the discussion under the heading "*Areas of significant management judgement and sources of estimation uncertainty*" and specifically the subheadings "*Allowance for impairment losses of loans and receivables*", "*Valuation of financial instruments*" and "*Goodwill valuation*". The impact and any associated risks related to the Bank's critical accounting policies on its business operations are discussed throughout this section where these policies affect the Group's financial results as presented in this Base Prospectus.

Analysis of Financial Results of Operations for the Six Months Ended 30 June 2010 Compared to the Six Months Ended 30 June 2009

Net profit

The following table presents the main components of the Group's net profit for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June 2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Interest income	150,611	199,510	(24.5)
Interest expense	(76,455)	(93,289)	(18.0)
Net interest income before provision for impairment losses on interest bearing assets	74,156	106,221	(30.2)
Provisions for impairment losses on interest bearing assets	(50,761)	(121,664)	(58.3)
Net interest income/expense	23,395	(15,443)	–
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(43,741)	12,084	–
Net gain/(loss) on foreign exchange and precious metals operations	32,745	(6,568)	–
Fee and commission income	9,963	9,959	–
Fee and commission expense	(1,700)	(1,580)	7.6
Net realised gain/(loss) on investments available-for-sale	439	(641)	–
Dividends received	22	23	(4.3)
Other income	2,554	24,760	(89.6)
Net non interest income	282	38,037	(99.3)
Operating income	23,677	22,594	4.8
Operating expenses	(16,839)	(14,304)	17.7
Provision for impairment losses on other transactions	(1,648)	(458)	259.8
Recovery of provision for guarantees and other contingencies	2,332	1,196	95.0
Gain from sale of associate and share of results of associates	–	4,372	(100.0)
Operating profit before income tax	7,522	13,400	(43.9)
Income tax benefit/(expense)	2,638	(3,533)	–
Net profit	10,160	9,867	3.0
Attributable to:			
Ordinary shareholders of the Parent	9,583	8,641	10.9
Preference shareholders of the Parent	800	959	(16.6)
Non-controlling interest	(223)	267	–
Combined key ratios(1)			
Return on average shareholders' equity	5.2%	5.9%	–
Return on average assets	0.8%	0.7%	–
Net interest margin	4.0%	8.4%	–

(1) See "*Selected Consolidated Financial Data*" for definitions.

Operating profit before income tax and non-controlling interest for the six months ended 30 June 2010 decreased 43.9 per cent. and amounted to KZT 7.5 billion compared to KZT 13.4 billion for the six months ended 30 June 2009. This was primarily due to a decline in interest income. For the six months ended 30 June 2010, the Group had an income tax benefit of KZT 2.6 billion, compared to an income tax expense of KZT 3.5 billion for the six months ended 30 June 2009. The Group's net profit and non-controlling interest for the six months ended 30 June 2010 increased by 3.0 per cent. to KZT 10.2 billion compared to KZT 9.9 billion for the six months ended 30 June 2009.

The slight increase in operating income in the first six months of 2010 compared to the first six months of 2009 primarily resulted from lower allowances for provisions on loans to customers (KZT 50,761 million for the six months ended 30 June 2010 compared to KZT 121,664 million for the six months ended 30 June 2009).

Interest income

The following table sets out the Group's interest income for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June 2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Interest income on financial assets recorded at amortised cost comprises:			
Interest income on loans to customers	144,351	193,120	(25.3)
Interest income on loans and advances to banks and other financial institutions	3,632	3,764	(3.5)
Interest income on investments held to maturity	26	90	(71.1)
Amortisation of discount on loans	221	252	(12.3)
Total interest income on financial assets recorded at amortised cost	148,230	197,226	(24.8)
Interest income on assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	1,991	1,684	18.2
Total interest income on assets at fair value through profit or loss	1,991	1,684	18.2
Interest income on investments available-for-sale	390	600	(35.0)
Total interest income	150,611	199,510	(24.5)

Interest income for the six months ended 30 June 2010 decreased by 24.5 per cent., or KZT 48.9 billion, to KZT 150.6 billion from KZT 199.5 billion in the six months ended 30 June 2009. This decrease was primarily due to a decline in the average yield on interest bearing assets to 13.6 per cent. for the six months ended 30 June 2010 from 15.7 per cent. for the six months ended 30 June 2009. The decline in yield was due to the Bank's participation in Government programmes where interest rates were capped on funding provided by the Government, thus tightening margins. Many loans were made and/or refinanced at reduced rates with Government funds.

Interest income on loans to customers is the primary component of interest income and represented 95.8 per cent. of interest income in the six months ended 30 June 2010 compared to 96.8 per cent. of interest income in the six months ended 30 June 2009. Interest income on loans to customers decreased 25.3 per cent. in the six months ended 30 June 2010 compared to the six months ended 30 June 2009. This decrease was due to a decrease in the amount of interest bearing assets and a decrease in the average yield on loans to customers to 15.1 per cent. for the six months ended 30 June 2010 from 17.1 per cent. for the six months ended 30 June 2009.

Interest income from loans and advances to banks and other financial institutions decreased by 3.5 per cent. to KZT 3.6 billion for the six months ended 30 June 2010 from KZT 3.8 billion in the six months ended 30 June 2009. This decrease was due to a 8.9 per cent. reduction in the average balances of such loans. The share of interest income from loans and advances to banks and other financial institutions as a percentage of total interest income was 2.4 per cent. for the six months ended 30 June 2010 compared to 1.9 per cent. for the six months ended 30 June 2009. The average yield on loans and advances to banks and other financial institutions increased to 6.3 per cent. during the six months ended 30 June 2010, from 5.9 per cent. during six months ended 30 June 2009. To mitigate the Group's exposure to the financial sector in Kazakhstan, the Group closed its lines with many domestic banks.

The following table sets out the average annual yield on loans to customers and on loans and advances to banks and other financial institutions for the six months ended 30 June 2010 and 30 June 2009:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	(unaudited) (%)	
KZT loans to customers	9.0	14.8
to corporates	8.6	14.8
to individuals	11.5	14.9
Foreign currency loans to customers	13.5	14.7
to corporates	14.0	15.2
to individuals	10.1	11.7
Total gross loans to customers	11.8	14.8
Total loans to customers after allowance for impairment losses	15.1	17.1

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	(unaudited) (%)	
KZT loans and advances to banks and other financial institutions	0.5	5.2
Foreign currency loans and advances to banks and other financial institutions	8.6	6.0
Total loans and advances to banks and other financial institutions	6.3	5.9
Total loans and advances to banks and other financial institutions after allowance for impairment losses	6.3	5.9

The interest income from the securities portfolio increased by 1.4 per cent. in the six months ended 30 June 2010. This was due to a 133.2 per cent. increase in their average value. However there was a decrease in average yields on the securities portfolio to 3.5 per cent. during the six months ended 30 June 2010 from 7.4 per cent. during the six months ended 30 June 2009.

The following table sets out the average annual yield on the securities portfolio for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
	(unaudited) (%)	
Trade portfolio securities in local currency	2.9	9.6
Trade portfolio securities in foreign currency	7.8	5.2
Total securities portfolio	3.5	7.4

Interest expense

The following table sets out the details of the Group's interest expense for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June 2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Interest expense on debt securities issued and subordinated debt	22,537	40,018	(43.7)
Interest expense on customer accounts	48,209	40,629	18.7
Interest expense on loans and advances from banks and other financial institutions	4,109	8,303	(50.5)
Preference share dividends	731	746	(2.0)
Interest expense on securitisation program	–	2,792	(100.0)
Other interest expense	869	801	8.5
Total interest expense	76,455	93,289	(18.0)

Interest expense decreased by KZT 16.8 billion, or 18.0 per cent., to KZT 76.5 billion for the six months ended 30 June 2010 from KZT 93.3 billion for the six months ended 30 June 2009. This decrease was due to a decline of 15.9 per cent. in average interest bearing liabilities and a decline in the cost of such liabilities to 7.3 per cent. from 7.5 per cent. This was primarily due to a reduction in Eurobond indebtedness. Average interest bearing liabilities amounted to KZT 2,095 billion as at 30 June 2010 compared to KZT 2,491 billion as at 30 June 2009.

Interest expense on customer accounts was the primary component of interest expense. Its share increased to 63.1 per cent. of total interest expense for the six months ended 30 June 2010, from 43.6 per cent. of total interest expense for the six months ended 30 June 2009. There was a decrease in the proportion of interest expense on debt securities issued and subordinated debt (29.5 per cent. of total interest expense for the six months ended 30 June 2010 from 42.9 per cent. of total interest expense for the six months ended 30 June 2009). The proportion of interest expense on loans and advances from banks and other financial institutions decreased to 5.4 per cent. of total interest expense for the six months ended 30 June 2010 from 8.9 per cent. of total interest expense for the six months ended 30 June 2009.

Interest expense on customer accounts increased during the six months ended 30 June 2010 by KZT 7.6 billion, or 18.7 per cent., and amounted to KZT 48.2 billion compared to KZT 40.6 billion for the six months ended 30 June 2009. This increase was due to an increase of 12.6 per cent. in the average balance of such liabilities and an increase in their average cost to 7.3 per cent. during the six months ended 30 June 2010 from 6.9 per cent. during the six months ended 30 June 2009.

Interest expense on debt securities issued and subordinated debt decreased by KZT 17.5 billion, or 43.7 per cent., to KZT 22.5 billion for the six months ended 30 June 2010 from KZT 40.0 billion for the six months ended 30 June 2009. This decrease was due to a 38.0 per cent. decrease in the average balance of debt securities issued to KZT 550 billion for the six months ended 30 June 2010 from KZT 888 billion for the six months ended 30 June 2009. Interest expense on subordinated loans increased by 2.1 per cent. or KZT 142 million due to issuances under the Bank's domestic subordinated debt programme.

The following table sets out the details of the Group's average yield on customer accounts for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June 2010	2009
	(unaudited) (%)	
Customer deposits	7.3	6.9
KZT deposits	6.8	7.2
Time deposits (corporate)	7.4	8.6
Time deposits (retail)	12.3	11.6
Demand deposits (corporate)	2.9	1.6
Demand deposits (retail)	0.6	0.4
Foreign currency deposits	7.8	6.8
Time deposits (corporate)	7.5	6.6
Time deposits (retail)	9.8	10.2
Demand deposits (corporate)	1.4	0.6
Demand deposits (retail)	0.4	0.3

For the six months ended 30 June 2010 interest expense on loans and advances from banks and other financial institutions decreased by 50.5 per cent. and amounted to KZT 4.1 billion, compared to KZT 8.3 billion for the six months ended 30 June 2009. This decrease was due to a reduction in the average volume of loans and advances from banks and other financial institutions by 31.3 per cent. as compared to the same period in the previous year and a decrease in the average cost of such liabilities to 4.3 per cent. from 5.8 per cent.

The following table sets out the average cost of loans and advances from banks and other financial institutions for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June 2010	2009
	(unaudited) (%)	
Correspondent accounts	0.05	0.01
KZT	0.19	0.03
Foreign currency	–	–
Short term interbank loans	7.4	6.9
KZT	3.4	5.9
Foreign currency	7.5	7.0
Long term loans from banks	2.0	5.8
KZT	3.9	9.9
Foreign currency	2.0	5.8
Total loans and advances from banks	4.3	5.8

Net interest income

The following table sets out the details of the Group's net interest income for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June		
	2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Interest income	150,611	199,510	(24.5)
Interest expense	(76,455)	(93,289)	(18.0)
Net interest income before provision for impairment losses on interest bearing assets	74,156	106,221	(30.2)
Provision for impairment losses on interest bearing assets	(50,761)	(121,664)	(58.3)
Net interest income/(expense)	23,395	(15,443)	–

Net interest income before provision for impairment losses on interest bearing assets decreased by 30.2 per cent. to KZT 74.2 billion for the six months ended 30 June 2010 compared to KZT 106.2 billion for the six months ended 30 June 2009. This decrease was due to a reduction in the average yield on interest bearing assets to 13.6 per cent. for the six months ended 30 June 2010 from 15.1 per cent. during the six months ended 30 June 2009. Of KZT 74.2 billion of net interest income before provision for impairment losses on interest bearing assets, approximately KZT 30.1 billion was accrued interest. The average cost on interest bearing liabilities decreased to 7.3 per cent. for the six months ended 30 June 2010, from 7.5 per cent. during the six months ended 30 June 2009.

Net interest income before provisions for impairment losses as a percentage of average interest bearing assets for the six months ended June 2010 was 3.36 per cent. compared to 4.18 per cent. for the six months ended 30 June 2009.

The following table sets out selected financial indicators in relation to net income for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June		
	2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Average interest bearing assets	2,208,467	2,539,979	(13.1)
Interest income	150,611	199,510	(39.6)
Net interest income before provision for impairment losses on interest bearing assets	74,156	106,221	(30.2)
Yield[(1)(4)]	10.9%	15.7%	
Net interest margin[(2)(4)]	4.0%	8.4%	
Spread[(3)]	3.6%	8.2%	

(1) Interest income divided by average interest bearing assets. The yield for the six months ended 30 June 2010 was calculated as interest income adjusted for interest accrued on certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group prior to 2013, divided by average interest bearing assets. The accrued interest on these loans for the six months ended 30 June 2010 amounted to KZT 30,113 million and it was fully provisioned.

(2) See "*Selected Consolidated Financial Data*" for the definition of net interest margin and adjusted net interest margin.

(3) Average interest rate earned on interest-bearing assets minus the average rate paid on interest-bearing liabilities.

(4) Annualised.

Provision for impairment losses on interest bearing assets

For the six months ended 30 June 2010 the Group recorded an additional provision for impairment losses on interest bearing assets in the amount of KZT 50.8 billion compared to KZT 121.7 billion for the six months ended 30 June 2009. This represented a decrease of KZT 70.9 billion, or 58.3 per cent. over the previous period.

As at 30 June 2010, the Group had identified certain corporate customer loans, where under their contractual terms there are no cash flows expected prior to 2013. These loans are treated as impaired. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to their collection. The accrued interest income on these loans for the six months ended 30 June 2010 amounted to KZT 30.1 billion, however management established an allowance for loan losses of KZT 30.1 billion in respect of this income. Had this interest not been accrued, the net interest income before provision for impairment losses on interest bearing assets for the six-month period ended 30 June 2010 would have been KZT 44.0 billion and the provision for impairment losses on interest bearing assets would have been KZT 20.6 billion.

The following table sets out the provision for impairment losses on interest bearing assets in the six months ended 30 June 2010 and the six months ended 30 June 2009:

	For the six months ended 30 June		
	2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Provision for impairment loss on loans to customers	50,763	121,958	(58.4)
Recovery of provision for impairment losses on loans and advances to banks	(2)	(294)	(99.3)
Total provision for impairment losses on interest bearing assets	50,761	121,664	(58.3)

The decrease in provisioning charges on the impairment of interest bearing assets resulted from a gradual increase in the quality of the loan portfolio.

Net non-interest income

Net non-interest income was equal to KZT 0.3 billion during the six months ended 30 June 2010 as compared with KZT 38.0 billion during the six months ended 30 June 2009. This amounted to a 99.3 per cent. decrease over the previous period and was caused by a high level of other income recognised in 2009, mainly due to the buy-back and cancellation of the Group's own debt securities.

The Group recognised a loss of KZT 45.5 billion as a result of an unrealised reduction in the fair value of derivative transactions during the six months ended 30 June 2010, as compared with a profit of KZT 15.0 billion in respect of such transactions during the six month period ended 30 June 2009. The net loss on financial assets and liabilities at fair value through profit or loss was equal to KZT 43.7 billion during the six months ended 30 June 2010 as compared with a gain of KZT 12.1 billion during the six months ended 30 June 2009 and arose due to losses incurred on the revaluation of cross-currency swaps used to hedge liabilities in Euro and the Pound as a result of the depreciation of these currencies against the Tenge. There was a corresponding net gain on foreign exchange and precious metals operations equal to KZT 32.7 billion during the six months ended 30 June 2010, as compared with a loss of KZT 6.6 billion during the six months ended 30 June 2009 which arose as a result of the same depreciation of the Euro and the Pound against the Tenge. See *"Derivative Financial Instruments"*.

Net fee and commission income decreased by 1.4 per cent. during the six months ended 30 June 2010 and was equal to KZT 8.3 billion as compared with KZT 8.4 billion during the six months ended 30 June 2009. However, there were some changes in the composition of the fee and commission income. The share of income for operations with banking cards increased to 24.0 per cent. during the six months ended 30 June 2010 as compared with 18.8 per cent. during the six months ended 30 June 2009. The share of income for payment operations increased to 15.3 per cent. during the six months ended 30 June 2010 as compared with 13.6 per cent. during the six months ended 30 June 2009. This increase was due to the growth of the fee and commission income for these operations by 28.2 per cent. which was attributed to a general improvement in the Kazakhstan economy during this period. The structure of the fee and commission expenses also changed. The share of expenses on banking card services increased from 45.6 per cent. to 49.9 per cent. and the share of expenses on insurance activity increased from 28.0 per cent. to 29.9 per cent. These increases were due to increased demand for these kinds of services.

Operating expenses

The following table sets out the Group's operating expenses for the six months ended 30 June 2010 and the six months ended 30 June 2009:

	Six months ended 30 June 2010	2009	Variation
	(KZT millions) (unaudited)		(%)
Staff costs	8,428	7,058	19.4
Depreciation and amortisation	1,758	1,814	(3.1)
Payments to the Deposit Insurance Fund	1,386	741	87.0
Operating lease expenses	1,212	1,342	(9.7)
Property and equipment maintenance	764	622	22.8
Taxes, other than income tax	652	593	9.9
Advertising costs	417	405	3.0
Communications	347	354	(2.0)
Bank card services	340	314	8.3
Consulting and audit services	241	168	43.5
Charity and sponsorship expenses	219	57	284.2
Collection services	157	35	348.6
Vehicle maintenance	156	130	20.0
Business trip expenses	143	103	38.8
Security services	142	155	(8.4)
Training and information services	106	72	47.2
Stationery	58	57	1.8
Mail and courier expenses	52	49	6.1
Other expenses	261	235	11.1
Total operating expenses	16,839	14,304	17.7
Operating expenses/Net interest income before provision for impairment losses	22.7%	13.5%	
Operating expenses/Average assets	1.3%	1.0%	

Total operating expenses amounted to KZT 16.8 billion during the six months ended 30 June 2010, having increased by 17.7 per cent. from KZT 14.3 billion during the six months ended 30 June 2009.

The increase in operating expenses for the six months ended 30 June 2010 was mainly caused by increases in staff costs of KZT 1.37 billion, payments to the Individuals' Deposit Insurance Fund of KZT 645 million, and property and equipment maintenance of KZT 142 million.

The main component of operating expenses was staff costs which equalled 50.0 per cent. of operating expenses in the six months ended 30 June 2009, as compared with 49.3 per cent. for the six months ended 30 June 2009. Staff costs increased by 19.4 per cent. and was caused by an increase in salaries for branch network employees. The salary increase was indexed to inflation after a salary freeze that had been in effect since 2007. The total number of employees of the Group increased by 158 to 6,920 as at 30 June 2010 from 6,762 as at 30 June 2009.

In the six months ended 30 June 2010 the depreciation of fixed assets and amortisation of intangible assets decreased by 3.1 per cent., or KZT 56 million, compared with the same period of 2009. This decrease was caused by lower than budgeted investments. Payments to the Individuals' Deposit Insurance Fund was equal to KZT 1,386 million for the six months ended 30 June 2010, compared with KZT 741 million for the same period of 2009. This increase was due to an increase in the Bank's deposit base.

Operating lease expenses were equal to KZT 1,212 million for the six months ended 30 June 2010, compared with KZT 1,342 million for the six months ended 30 June 2009, having decreased by 9.7 per cent. This decrease was due to the reduction in the overall size of the branch network with the Bank closing 32 outlets and opening 3.

Property and equipment maintenance expense increased by KZT 142 million, or 22.8 per cent. This increase was mainly caused by the rise in the cost of building maintenance work and the cost of obtaining property revaluations.

Tax expenses (excluding corporate income tax) increased by KZT 59 million to KZT 652 million during the six months ended 30 June 2010 as compared with KZT 593 million during the six months ended 30 June 2009. This increase was primarily due to the property tax payable on the Bank's new head office building.

Banking card services increased by 8.3 per cent. to KZT 340 million during the six months ended 30 June 2010 as compared to KZT 314 million during the six months ended 30 June 2009. This was due to an increase in the number of payment cards issued, as well as ATM and POS-terminal network expansion.

Expenses for consulting and audit services increased by 43.5 per cent. to KZT 241 million during the six months ended 30 June 2010, from KZT 168 million during the six months ended 30 June 2009. This increase was primarily due to the consulting services provided to Moskommertsbank for new software.

Vehicle maintenance expenses increased by 20.0 per cent. to KZT 156 million during the six months ended 30 June 2010 compared to KZT 130 million during the six months ended 30 June 2009. This increase was due to increased repair and fuel costs.

Business trip expenses increased by 38.8 per cent. This was due to the increased amount of business trips members of the Bank's head office made to other regions. These trips were necessary to monitor the efficiency of the branch network.

Taxation

The corporate income tax rate in Kazakhstan is 20 per cent. For the six months ended 30 June 2010 the Group's income tax benefit was KZT 2,638 million compared to income tax expense of KZT 3,533 million for the six months ended 30 June 2009. The Group's effective tax rate, determined by dividing income tax expense by operating profit before income tax, was equal to 26.4 per cent. for the six months ended 30 June 2009 and 35.1 per cent. for the six months ended 30 June 2010. The income tax benefit for the six months ended 30 June 2010 resulted from a revaluation of derivative instruments and realised losses on these instruments due to the decrease in their market value primarily as a result of the depreciation of the Euro against the Tenge.

Analysis of Financial Results of Operations for the Year Ended 31 December 2009 Compared to the Year Ended 31 December 2008

Net profit

The following table presents the main components of the Group's net profit for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December		
	2009	2008	Variation
	(KZT millions)		(%)
Interest income	372, 939	380,777	(2.1)
Interest expense	(179,737)	(181,265)	0.8
Net interest income before provision for impairment losses on interest bearing assets	193,202	199,512	(3.2)
Provision for impairment losses on interest bearing assets	(193,113)	(150,697)	28.1
Net interest income	89	48,815	(99.8)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	22,793	(28,373)	–
Net (loss)/gain on foreign exchange and precious metals operations	(15,022)	5,617	–
Fee and commission income	20,957	21,745	(3.6)
Fee and commission expense	(3,544)	(4,324)	(18.0)
Net realized loss on investments available-for-sale	(1,026)	(2,038)	(49.7)
Dividends received	186	176	5.7
Other income	34,526	9,352	269.2
Net non interest income	58,870	2,155	2631.8
Operating income	58,959	50,970	15.7
Operating expenses	(30,673)	(34,049)	(9.9)
Provision for impairment losses on other transactions	(1,472)	(2,718)	(45.8)
Recovery of provision/(provision) for guarantees and other contingencies	600	856	(29.9)
Gain from sale of associates and share of results of associates	4,372	(3,585)	–
Operating profit before income tax	31,786	11,474	177.0
Income tax (expense)/benefit	(12,763)	8,690	–
Net profit	19,023	20,164	(5.7)
Attributable to:			
Ordinary shareholders of the Parent	17,152	18,406	(6.8)
Preference shareholders of the Parent	2,271	3,399	(33.2)
Non-controlling interest	(400)	(1,641)	(75.6)
Combined key ratios(1)			
Return on average shareholders' equity	5.3%	6.0%	–
Return on average assets	0.7%	0.7%	–
Net interest margin	7.8%	8.0%	–

(1) See "*Selected Consolidated Financial Data*" for definitions.

Operating profit before income tax and non-controlling interest for the year ended 31 December 2009 increased by 177 per cent. and amounted to KZT 31.8 billion as compared to KZT 11.5 billion for the year ended 31 December 2008. This increase was primarily due an increase in non-interest income that arose in the last quarter of 2009 when the Group repaid certain indebtedness and the cancellation of indebtedness under Eurobonds that had been acquired in conjunction with foreclosure proceedings initiated against certain borrowers. In 2009, income tax expense was KZT 12.8 billion, compared to income tax benefit of KZT 8.7 billion in 2008. Net profit after taxation and non-controlling interest for 2009 decreased by 5.7 per cent. to KZT 19.0 billion compared to KZT 20.2 billion for 2008. This decrease was mainly due to the increase of 28.1 per cent. in provision for impairment losses on interest bearing assets and the lingering effects of the global financial crisis.

Interest income

The following table sets out the Group's interest income for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December		
	2009	2008	Variation
	(KZT millions)		(%)
Interest income on financial assets recorded at amortised cost comprises:			
Interest on loans to customers	360,339	363,182	(0.8)
Interest on loans and advances to banks and other financial institutions	7,236	10,554	(31.4)
Interest on investments held to maturity	69	121	(43.0)
Amortisation of discount on loans	815	1,032	(21.0)
Total interest income on financial assets recorded at amortised cost	368,459	374,889	(1.7)
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	3,211	5,345	(39.9)
Total interest income on financial assets at fair value through profit or loss	3,211	5,345	(40.0)
Interest income on investments available-for-sale	1,269	543	133.7
Total interest income	372,939	380,777	(2.1)

Interest income for the year ended 31 December 2009 decreased by 2.1 per cent. or KZT 7.8 billion and amounted to KZT 372.9 billion as compared to KZT 380.8 billion for the year ended 31 December 2008. This decrease was the result of a decrease of 1.3 per cent. in the average yield on interest bearing assets and a slight decline in average interest bearing assets. These decreases came about as a result of the Group's participation in certain Government programmes pursuant to which loans were made at capped rates to corporate, SME and retail borrowers, with a particular focus on loans to the residential construction sector.

A decrease of 0.8 per cent. in interest income on loans to customers was mainly due to the decline in average yields to 16.2 per cent. in 2009 from 16.6 per cent. in 2008 despite a 1.5 per cent. growth in the average balance of loans to customers. This growth was due to the refinancing of some existing construction loans using proceeds received from the Government programmes.

Interest income from loans and advances to banks and other financial institutions decreased to KZT 7.2 billion in 2009, or 31.4 per cent., from KZT 10.6 billion in 2008. The share of interest income from loans and advances to banks and other financial institutions as a percentage of total interest income was 1.9 per cent. in 2009 compared to 2.8 per cent. in 2008.

The decrease in interest income was driven by a decline of 31.4 per cent. in interest income on loans and advances to banks and other financial institutions as the Group sought to reduce its loan exposure to financial institutions in the CIS. In 2009 loans and advances to banks and other financial institutions decreased by 38.6 per cent. and the value of the securities portfolio increased by 78.3 per cent.

To mitigate risk and volatility in the securities markets, funds were reallocated from financial assets at fair value through profit and loss (excluding derivative financial instruments) to interbank deposits in highly rated banks outside of the CIS.

The following table sets out the average annual yield on loans to customers and on loans and advances to banks and other financial institutions for the year ended 31 December 2009 and the year ended 31 December 2008:

	2009 (%) (unaudited)	2008 (%) (unaudited)
KZT loans to customers	13.8	15.4
to corporates	13.8	15.1
to individuals	13.9	16.6
Foreign currency loans to customers	13.6	15.4
to corporates	14.0	15.9
to individuals	11.3	12.9
Total gross loans to customers	13.7	15.4
Total loans to customers after allowance for impairment losses	16.2	16.6
KZT loans and advances to banks and other financial institutions	8.0	6.6
Foreign currency loans and advances to banks and other financial institutions	5.9	4.6
Total loans and advances to banks and other financial institutions	6.2	4.7
Total loans and advances to banks and other financial institutions after allowance for impairment losses	6.2	4.7

Interest income on debt securities decreased by 24.3 per cent. in the year ended 31 December 2009 to KZT 4.5 billion from KZT 6.0 billion in the year ended 31 December 2008. This decrease was attributable to a KZT 7.1 billion, or 10.6 per cent., decrease in the average balance of the securities portfolio from KZT 66.8 billion for the year ended 31 December 2008 to KZT 59.7 billion for the year ended 31 December 2009. The average yield on such securities decreased to 7.6 per cent. for the year ended 31 December 2009 from 9.0 per cent. for the period ended 31 December 2008.

The following table sets out the average annual yield on debt securities for the year ended 31 December 2009 and the year ended 31 December 2008:

	2009 (%) (unaudited)	2008 (%) (unaudited)
KZT debt securities	8.2	9.1
Foreign currency debt securities	6.9	8.9
Total debt securities	7.6	9.0

Interest expense

The following table sets out the details of the Group's interest expense for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December		
	2009	2008	Variation
	(KZT millions)		(%)
Interest on debt securities issued and subordinated debt	76,928	72,251	6.5
Interest expense on customer accounts	82,435	72,288	14.0
Interest expense on loans and advances from banks and other financial institutions	15,123	27,989	(46.0)
Preference share dividends	747	598	24.9
Interest expense on securitisation program	2,792	6,250	(55.3)
Other interest expense	1,712	1,889	(9.4)
Total interest expense	179,737	181,265	(0.8)

Interest expense decreased by 0.8 per cent. to KZT 179.7 billion in 2009 compared to KZT 181.3 billion in 2008. This was a result of a minor decrease in the average balance of interest bearing liabilities by 0.3 per cent. and a decrease in the interest rates in 2009 to 7.5 per cent. from 7.6 per cent. in 2008. The average balance of interest bearing liabilities was KZT 2,376 billion in 2009 compared to KZT 2,384 billion in 2008. These decreases came about as a result of certain redemptions in 2009, including the prepayment of a U.S. $50 million bilateral loan.

Interest expense on customer accounts and interest expense on debt securities issued represented the largest components of interest expense. Their share for 2009 increased to 45.9 per cent. and 35.1 per cent. respectively, compared to 39.9 per cent. and 33.9 per cent. respectively, for 2008. The increase in their proportion was due to the decrease of the proportion of expense on total loans and advances from banks and other financial institutions.

In 2009 interest expense on debt securities issued and subordinated debt increased by KZT 4.7 billion, or by 6.5 per cent. compared to 2008, due to an increase in the average amount of debt securities outstanding and subordinated debt as a result of the devaluation of the Tenge to KZT 840.2 billion in 2009 compared to KZT 812.6 billion in 2008, representing an increase of 3.4 per cent., or KZT 27.7 billion. In U.S. dollar terms this was a decrease of approximately 15.9 per cent.

In 2009 interest expense on customer accounts was KZT 82.4 billion, an increase of 14.0 per cent. compared to KZT 72.3 billion in 2008. This increase was due to 20.2 per cent. growth in the average balance of customer accounts mainly as a result of term deposits placed by Samruk-Kazyna as part of the Government's initiative to stabilise the Kazakhstan banking sector.

The following table sets out the average cost of customer accounts for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December	
	2009	2008
	(unaudited) (%)	
Customer deposits	7.1	7.4
KZT deposits	7.1	7.5
Time deposits (corporate)	8.5	9.1
Time deposits (retail)	12.1	11.0
Demand deposits (corporate)	2.2	1.5
Demand deposits (retail)	0.5	–
Foreign currency deposits	7.0	7.4
Time deposits (corporate)	6.9	7.6
Time deposits (retail)	10.2	9.8
Demand deposits (corporate)	2.0	0.4
Demand deposits (retail)	0.4	–

Interest expense on loans and advances from banks and other financial institutions decreased by 46.0 per cent. to KZT 15.1 billion in 2009 from KZT 28 billion in 2008. This decrease was due to the reduction in the average amount of such liabilities by KZT 176.7 billion, or 38.8 per cent., as compared with 2008 as the Bank repaid a certain number of syndicated and bilateral loans, including, in December 2009, a U.S.$300 million syndicated loan.

The following table sets out the average cost of loans and advances from banks and other financial institutions for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December 2009	2008
	(unaudited) (%)	
Correspondent accounts	0.01	0.03
KZT	0.05	0.18
Foreign currency	–	–
Short term interbank loans from banks and other financial institutions	5.5	8.0
KZT	5.3	7.1
Foreign currency	5.5	8.1
Long term loans from banks and other financial institutions	6.1	5.9
KZT	7.0	8.2
Foreign currency	6.1	5.9
Total loans and advances from banks and other financial institutions	5.4	6.0

Net interest income

The following table sets out the details of the Group's net interest income for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December 2009	2008	Variation
	(KZT millions)		(%)
Interest income	372,939	380,777	(2.1)
Interest expense	(179,737)	(181,265)	(0.8)
Net interest income before provision for impairment losses on interest bearing assets	193,202	199,512	(3.2)
Provision for impairment losses on interest bearing assets	(193,113)	(150,697)	28.1
Net interest income	89	48,815	(99.8)

In 2009 net interest income before provision for impairment losses on interest bearing assets decreased by 3.2 per cent. to KZT 193.2 billion from KZT 199.5 billion in 2008. This decrease was due to a 1.3 per cent. reduction in the average amount of interest bearing assets and a decrease in their average yield to 15.1 per cent. in 2009 from 15.2 per cent. in 2008. The average amount of interest bearing liabilities decreased by 0.3 per cent. and their yield decreased to 7.53 per cent. from 7.58 per cent. in 2008.

In 2009 the net interest margin before provision for impairment losses on interest bearing assets was 7.8 per cent. as compared to 8.0 per cent. in 2008.

As a result of the provision for impairment losses on interest bearing assets, net interest income decreased by 99.8 per cent. to KZT 89 million in 2009 from KZT 48.8 billion in 2008.

The following table sets out selected financial indicators in relation to net income for the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December 2009	2008	Variation
	(KZT millions) (unaudited)		(%)
Average interest bearing assets	2,471,877	2,504,548	(1.3)
Interest income	372,939	380,777	(2.1)
Net interest income before provision for impairment losses on interest bearing assets	193,202	199,512	(3.2)
Yield[(1)]	15.1%	15.2%	
Net interest margin[(2)]	7.8%	8.0%	
Spread[(3)]	7.6%	7.6%	

(1) Interest income divided by average interest bearing assets.

(2) Please see "*Selected Consolidated Financial Data*" for the definition of net interest margin.

(3) Interest rate earned on average interest bearing assets minus interest rate incurred on average interest bearing liabilities.

Provision for impairment losses on interest bearing assets

For the year ended 31 December 2009 the Group recorded an additional provision for impairment losses on interest bearing assets in the amount of KZT 193.1 billion as compared to KZT 150.7 billion for the year ended 31 December 2008. This represented an increase of KZT 42.4 billion or 28.1 per cent. See "*Risk Factors – Risks Relating to the Bank – The Bank's asset quality is weak due to a large amount of non-performing loans*".

The following table sets out the provision for impairment losses in the year ended 31 December 2009 and the year ended 31 December 2008:

	For the year ended 31 December 2009	2008	Variation
	(KZT millions)		(%)
Provision for impairment losses on loans to customers	193,463	151,674	27.6
Recovery of provision for impairment losses on loans and advances to banks and other financial institutions	(350)	(977)	64.2
Total provision for impairment losses on interest bearing assets	193,113	150,697	28.1

The increase of provision for impairment losses on interest bearing assets was due to an increase in provisioning charges due to the deterioration of asset quality. The effective provisioning rate (the allowance for impairment losses on loans to customers to gross loans (principal and accrued interest)) increased to 19.0 per cent. as at 31 December 2009 from 11.9 per cent. as at 31 December 2008.

Net non-interest income

Net non-interest income was KZT 58.9 billion for the year ended 31 December 2009 as compared to KZT 2.2 billion for the year ended 31 December 2008. This increase was mainly due to income of KZT 30.7 billion generated from the buy-back of debt securities and the early redemption of other obligations. Income from derivatives in 2009 (including the revaluation of currency swaps as a result of the devaluation of the Euro and Pound against the Tenge) was KZT 26.2 billion compared to a loss of KZT 23.7 billon in 2008. This was largely offset by a corresponding net loss on foreign exchange and precious metals of KZT 15.0 billion in 2009 as compared to a gain of KZT 5.6 billion in 2008 which arose as a result of the devaluation of the Euro and Pound against the Tenge. See *"Derivative Financial Instruments"*.

Fee and commission income decreased by 3.6 per cent. to KZT 21.0 billion for the year ended 31 December 2009 compared to KZT 21.7 billion for the year ended 31 December 2008. This was because of a general decrease in lending activities and a 22.3 per cent. decrease in commissions for letters of credit and guarantees. However, fee income from banking cards increased by 15.9 per cent. during this period due to an increase in the number of cards issued and resulting transactions.

Operating expenses

The following table sets out the Group's operating expenses in the year ended 31 December 2009 and for the year ended 31 December 2008:

	For the years ended 31 December 2009	2008	Variation
	(KZT millions)		(%)
Staff costs	14,400	16,475	(12.6)
Depreciation and amortisation	3,672	3,379	8.7
Operating leases	2,663	3,604	(26.1)
Payments to the Individuals' Deposit Insurance Fund	2,160	1,627	32.8
Property and equipment maintenance	1,917	2,215	(13.5)
Taxes, other than income tax	1,233	1,157	6.6
Advertising costs	887	1,694	(47.6)
Communications	692	749	(7.6)
Bank card services	648	521	24.4
Consulting and audit services	399	394	1.3
Security services	333	440	(24.3)
Vehicle maintenance	266	338	(21.3)
Business trip expenses	223	401	(44.4)
Collection services	153	39	292.3
Training and information services	143	215	(33.5)
Stationery	130	166	(21.7)
Legal services	98	19	415.8
Mail and courier expenses	92	106	(13.2)
Charity and sponsorship expenses	88	123	(28.4)
Other expenses	476	387	23.0
Total operating expenses	30,673	34,049	(9.9)
Operating expenses/Net interest income before provision for impairment losses	15.9%	17.1%	
Operating expenses/Average assets	1.1%	1.2%	

Operating expenses decreased by 9.9 per cent. to KZT 30.7 billion in 2009 compared to KZT 34.0 billion in 2008. This decrease was due to the Group taking measures to tighten and reduce all types of expenses. Staff costs decreased by KZT 2.0 billion, lease expenses decreased by KZT 941 million, property and equipment maintenance expenses decreased by KZT 298 million, advertising costs decreased by KZT 807 million and communication expenses decreased by KZT 57 million.

Staff costs constituted 46.9 per cent. and 48.4 per cent. of operating expenses in 2009 and 2008, respectively. Staff costs decreased by 12.6 per cent. to KZT 14.4 billion in 2009 from KZT 16.5 billion in 2008 due to a 10 per cent. decrease in staff in the branch network.

Expenses related to operating leases, property and equipment maintenance and security services decreased in 2009 as compared to 2008. This was due to a reduction in office space as well as a tightening of maintenance expenses.

In 2009 as compared to 2008, advertising costs decreased by 47.6 per cent. and communication expenses decreased by 7.6 per cent.

The Bank reduced the number of business trips taken by its personnel. Vehicle maintenance expenses also decreased as a result of better maintenance and repair.

There was an increase in certain expenses in 2009 compared with 2008. Payments to the Individuals' Deposit Insurance Fund increased due to an increase in deposits. An increase in bank card services expense was caused by growth in the bank card business (including an increase in the quantity of banking cards issued, as well as the expansion of the Bank's network of ATMs and POS-terminals). Collection services expense increased significantly in 2009 due to the continued deterioration in the loan portfolio giving rise to a consequential increase in collection activity.

Taxation

The corporate income tax rate in Kazakhstan is 20 per cent. Tax expenses were KZT 12.8 billion in 2009, compared to a tax benefit of KZT 8.7 billion in 2008. The effective tax rate was 40.2 per cent. in 2009 and 75.7 per cent. in 2008. In 2008, the effective rate was primarily due to recalculation of deferred tax liabilities, the majority of which were on allowance for losses on loans and advances to banks and customers, related to an announcement of the change in the tax rate, resulting in a decrease of deferred tax liabilities, as well as losses carried on revaluation of certain derivative instruments. The effect of the recalculation of deferred liabilities due to tax rate changes amounted to KZT 14.3 billion. In 2009, the effective rate was primarily due to a recalculation of allowances related to subsequent announcement to keep corporate income tax rate at 20 per cent. until 2012. The effect of recalculation amounted to KZT 4.9 billion.

Analysis of Financial Results of Operations for the Year Ended 31 December 2008 Compared to the Year Ended 31 December 2007

Net profit

The following table presents the main components of the Group's net profit for the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December		
	2008	2007	Variation
	(KZT millions)		(%)
Interest income	380,777	316,458	20.3
Interest expense	(181,265)	(171,762)	5.5
Net interest income before provision for impairment losses on interest bearing assets	199,512	144,696	37.9
Provision for impairment losses on interest bearing assets	(150,697)	(69,956)	115.4
Net interest income	48,815	74,740	(34.7)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(28,373)	20,642	(237.5)
Net gain/(loss) on foreign exchange and precious metals operations	5,617	(15,464)	136.3
Fee and commission income	21,745	23,558	(7.6)
Fee and commission expense	(4,324)	(2,713)	(159.4)
Net realised (loss)/gain on investments available-for-sale	(2,038)	119	(1,812.6)
Dividends received	176	145	120.7
Other income	9,352	6,919	135.2
Net non-interest income	2,155	33,206	(93.5)
Operating income	50,970	107,946	(52.8)
Operating expenses	(34,049)	(31,200)	9.1
Provision for impairment losses on other transactions	(2,718)	(1,238)	119.5
Recovery of provision/(provision) for guarantees and other contingencies	856	(3,186)	–
Gain from sale of associates and share of results of associates	(3,585)	1,333	–
Operating profit before income tax	11,474	73,655	(84.4)
Income tax benefit/(expense)	8,690	(15,904)	–
Net profit	20,164	57,751	(65.1)
Attributable to:			
Ordinary Shareholders of the Parent	18,406	46,468	(60.4)
Preference Shareholders of the Parent	3,399	9,495	(64.2)
Non-controlling interest	(1,641)	1,788	(191.8)
Combined key ratios[(1)]			
Return on average shareholders' equity	6.0%	20.1%	–
Return on average assets	0.7%	2.1%	–
Net interest margin	8.0%	6.1%	–

(1) See "*Selected Consolidated Financial Data*" for definitions.

Operating profit before income tax and non-controlling interest for the year ended 31 December 2008 decreased by 84.4 per cent. and amounted to KZT 11.5 billion as compared to KZT 73.7 billion for the year ended 31 December 2007. The decrease came about as a 115.4 per cent. increase in provision for impairment losses on interest bearing assets due to the deterioration of asset quality as a result of the consequences of the global financial crisis. Unrealised losses on derivative transactions also contributed to this decrease.

In 2008, the Group had income tax benefit of KZT 8.7 billion, compared to income tax expense of KZT 15.9 billion in 2007. The income tax benefit in 2008 was primarily due to a reduction in net deferred tax liabilities due to an expected change in the tax rates in Kazakhstan which was subsequently postponed in 2009. Net profit and non-controlling interest for 2008 decreased by 65.1 per cent. to KZT 20.2 billion compared to KZT 57.8 billion for 2007.

Interest income
The following table sets out details of the Group's interest income for the year ended 31 December 2008 and for the year ended 31 December 2007:

	For the year ended 31 December		
	2008	2007	Variation
	(KZT millions)		(%)
Interest income on financial assets recorded at amortised cost comprises:			
Interest income on loans to customers	363,182	297,608	22.0
Interest income on loans and advances to banks and other financial institutions	10,554	9,312	13.3
Interest income on investments held to maturity	121	31	290.3
Amortisation of discount on loans	1,032	942	9.6
Total interest income on financial assets recorded at amortised cost	374,889	307,893	21.8
Interest income on assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	5,345	8,380	(36.2)
Total interest income on assets at fair value through profit or loss	5,345	8,380	(36.2)
Interest income on investments available-for-sale	543	185	193.5
Total interest income	380,777	316,458	20.3

Interest income in 2008 increased by 20.3 per cent., or KZT 64.3 billion, to KZT 380.8 billion compared to KZT 316.5 billion in 2007. The increase was predominantly a result of an increase in the average yield on interest bearing assets to 15.2 per cent. in 2008 from 13.3 per cent. in 2007 as well as a 4.9 per cent. increase in average interest bearing assets in 2008 compared to 2007. This increase in the average yield on interest bearing assets came about as a result of the Group's participation in Government programmes, including programmes dedicated to making loans at reduced rates to the residential construction sector to complete unfinished projects.

Interest income on loans to customers is the primary component of interest income. In 2008 it constituted 95.7 per cent. of interest income compared to 94.3 per cent. in 2007. Interest income on loans to customers increased by 22 per cent. in 2008 compared to 2007 as a result of a significant increase in average interest rates on gross loans to customers to 15.4 per cent. in 2008 from 13.4 per cent. in 2007.

The Group exercised its right to increase interest rates on its loans to customers in 2008. The increase arose due to a general increase in customer borrowing costs due to conditions in the credit markets in 2008. However, because the Group did not obtain significant funding in the capital markets at the current rates, the Group's own cost of funding did not increase in a similar fashion.

Interest income from loans and advances to banks and other financial institutions increased by 13.3 per cent. to KZT 10.6 billion in 2008 from KZT 9.3 billion in 2007. The share of interest income from loans and advances to banks and other financial institutions as a percentage of total interest income did not change significantly and was 2.8 per cent. in 2008 compared to 2.9 per cent. in 2007. Notwithstanding the fact that average interest rates on loans and advances to banks and other financial institutions fell to 4.71 per cent. in 2008 from 9.58 per cent. in 2007, interest income grew by KZT 1.2 billion. due to a 83.1 per cent. increase in the average balance of such loans.

To mitigate the risks and consequences of the global financial crisis and significant volatility in the securities markets, in 2008 the Group reallocated funds from financial assets at fair value through profit or loss (excluding derivative financial instruments) to interbank deposits in highly rated banks outside of the CIS, which led to an increase in the balance of loans and advances to banks.

The following table sets out the average annual yield on loans to customers and on loans and advances to banks and other financial institutions for the year ended 31 December 2008 and the year ended 31 December 2007:

	2008 (%) (unaudited)	2007 (%) (unaudited)
KZT loans to customers	15.4	13.9
to corporates	15.1	13.6
to individuals	16.6	15.5
Foreign currency loans to customers	15.4	13.2
to corporates	15.9	13.2
to individuals	12.9	13.3
Total gross loans to customers	15.4	13.4
Total loans to customers after provision on impairment losses	16.6	14.1
KZT loans and advances to banks and other financial institutions	6.6	5.1
Foreign currency loans and advances to banks and other financial institutions	4.6	11.0
Total loans and advances to banks and other financial institutions	4.7	9.6
Total loans and advances to banks and other financial institutions after allowance for impairment losses	4.7	9.6

Interest income on securities decreased by 30.1 per cent. in 2008 to KZT 6.0 billion from KZT 8.6 billion in 2007. This decrease was attributable to a KZT 72.7 billion, or 52.1 per cent., decrease in the average balance of the securities portfolio to KZT 66.8 billion in 2008 from KZT 139.4 billion in 2007. This decrease was slightly offset by an increase in the average yield on such securities to 9.0 per cent. in 2008 from 6.2 per cent. in 2007. Due to the deterioration of the capital markets, yields on debt securities increased.

The following table sets out the average annual yield on debt securities for the year ended 31 December 2008 and the year ended 31 December 2007:

	2008	2007
	(unaudited) (%)	
KZT debt securities	9.1	7.2
Foreign currency debt securities	8.9	5.7
Total debt securities	9.0	6.2

Interest expense

The following table sets out details of interest expense for the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December 2008	2007	Variation
	(KZT millions)		%
Interest expense on debt securities issued and subordinated debt	72,251	64,050	12.8
Interest expense on customer accounts	72,288	51,542	40.3
Interest expense on loans and advances from banks and other financial institutions	27,989	46,023	(39.2)
Preference share dividends	598	604	(1.0)
Interest expense on securitisation program	6,250	8,008	22.0
Other interest expense	1,889	1,535	23.1
Total interest expense	181,265	171,762	5.5

Interest expense increased by 5.5 per cent. to KZT 181.3 billion in 2008 compared to KZT 171.8 billion in 2007. This increase was primarily a result of a 3.8 per cent. growth in average interest bearing liabilities and a growth in the cost of such liabilities from 7.4 per cent. in 2007 to 7.6 per cent. in 2008. Average interest bearing liabilities in 2008 amounted to KZT 2.4 trillion compared to KZT 2.3 trillion in 2007. These increases were primarily attributable to an increase in customer deposits, and in particular, increases in U.S. dollar and Euro deposits as customers sought to reduce their exposure to the Tenge in anticipation of its depreciation.

Interest expense on customer accounts and debt securities issued are the primary components of total interest expense. Interest expense on customer accounts and debt securities issued increased as a percentage of total interest expense and comprised 39.9 per cent. and 33.9 per cent. of total interest expense, respectively, in 2008 as compared to 30.0 per cent. and 37.3 per cent. of total interest expense, respectively, in 2007. The increases came about as a result of a decrease in interest expense on loans and advances from banks and other financial institutions as the Group sought to reduce its borrowings in order to mitigate the risks of the financial crisis. The share of interest expense on loans and advances from banks and other financial institutions as a percentage of total interest expense was 15.4 per cent. in 2008 compared to 26.8 per cent. in 2007.

In 2008 interest expense on debt securities issued and subordinated debt increased by KZT 5.4 billion, or 9.6 per cent., as compared to 2007. The increase was mainly attributable to the issuance of Eurobonds in December 2007 in the amount of U.S.$125 million and the issuance of Eurobonds in May 2008 in the amount of U.S.$230 million. The increase was also attributable to the depreciation of the Tenge, which increased the cost of these liabilities in Tenge.

In 2008 the average balance of debt securities issued increased by 12.6 per cent., or KZT 91.2 billion, and amounted to KZT 812.6 billion compared to KZT 721.4 billion in 2007.

In 2008 interest expense on customer accounts increased by 40.3 per cent., or KZT 20.7 billion, and amounted to KZT 72.3 billion compared to KZT 51.5 billion in 2007. This growth was attributable to an increase in the average amount of customer accounts and an increase in the average cost of such liabilities to 7.4 per cent. in 2008 from 6.7 per cent. in 2007.

The following table sets out the average cost of customer accounts for the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December	
	2008	**2007**
	(unaudited) (%)	
Customer deposits	7.4	6.7
KZT deposits	7.5	7.0
Time deposits (corporate)	9.1	8.1
Time deposits (retail)	11.0	10.9
Demand deposits (corporate)	1.5	0.5
Demand deposits (retail)	–	–
Foreign currency deposits	7.4	6.1
Time deposits (corporate)	7.6	8.5
Time deposits (retail)	9.8	7.7
Demand deposits (corporate)	0.4	0.2
Demand deposits (retail)	–	–

In 2008 interest expense on loans and advances from banks and other financial institutions decreased by 39.2 per cent. and amounted to KZT 28.0 billion, compared to KZT 46.0 billion in 2007. This decrease resulted from a decrease in 2008 of the average balance of loans and advances from banks and other financial institutions by KZT 236.2 billion (U.S.$2.0 billion), or 34.1 per cent., from 2007. In 2008, the Group repaid three syndicated loans: U.S.$276 million, U.S.$450 million and U.S.$600 million and other loans in the amount of U.S.$110 million.

The following table sets out the average cost of loans and advances from banks and other financial institutions for the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December 2008	2007
	(unaudited) (%)	
Correspondent accounts	0.03	0.09
KZT	0.18	0.3
Foreign currency	–	–
Short-term interbank loans	8.0	6.5
KZT	7.1	7.1
Foreign currency	8.1	6.5
Long-term loans from banks	5.9	6.8
KZT	8.2	5.5
Foreign currency	5.9	6.8
Total loans and advances from banks and other financial institutions	6.0	6.3

Net interest income

The following table sets out net interest income for the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December 2008	2007	Variation
	(KZT millions)		(%)
Interest income	380,777	316,458	20.3
Interest expense	(181,265)	(171,762)	5.5
Net interest income before provision for impairment losses on interest bearing assets	199,512	144,696	37.9
Provision for impairment losses on interest bearing assets	(150,697)	(69,956)	115.4
Net interest income	48,815	74,740	(34.7)

Net interest income before provision for impairment losses increased by 37.9 per cent. to KZT 199.5 billion in 2008 compared to KZT 144.7 billion in 2007. This increase resulted from growth in the average yield on interest bearing assets from 13.3 per cent. in 2007 to 15.2 per cent., in 2008, compared to an increase in average cost of interest bearing liabilities to 7.58 per cent. in 2008, from 7.36 per cent. in 2007.

In 2008 net interest income before provision for impairment losses as a percentage of average interest bearing assets was 8.0 per cent. compared to 6.1 per cent., in 2007.

The following table sets out selected financial indicators in relation to net income for the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December 2008	2007	Variation
	(KZT millions) (unaudited)		(%)
Average interest bearing assets	2,504,548	2,386,933	4.9
Interest income	380,777	316,458	20.3
Net interest income before provision for impairment losses on interest bearing assets	199,512	144,696	37.9
Yield(1)	15.2%	13.3%	
Net interest margin(2)	8.0%	6.1%	
Spread(3)	7.6%	5.9%	

(1) Interest income divided by average interest bearing assets.

(2) Please see "*Selected Consolidated Financial Data*" for the definition of net interest margin.

(3) Interest rate earned on average interest bearing assets minus interest rate incurred on average interest bearing liabilities.

Provision for impairment losses on interest bearing assets

In 2008 the Group recorded an additional provisions for impairment losses on interest bearing assets in the amount of KZT 150.7 billion compared to KZT 70.0 billion in 2007. This represented an increase of KZT 80.7 billion or 115.4 per cent. and was due to the deterioration in the loan portfolio as a result of the global financial crisis. As a consequence the effective provisioning rate increased to 11.9 per cent. as at 31 December 2008 from 5.6 per cent. as at 31 December 2007.

The following table set out the provision for impairment losses in the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December		
	2008	**2007**	**Variation**
	(KZT millions)		(%)
Provision for impairment loss on loans to customers	151,674	69,451	118.4
Provision for/(recoveries of) provision for impairment losses on loans and advances to banks and other financial institutions	(977)	459	–
Additional provision due to acquisition of LLP IC East Kommerts	–	46	(100.0)
Total provisions for impairment losses on interest bearing assets	150,697	69,956	115.4

Net non-interest income

In 2008 net non-interest income decreased by 93.5 per cent. to KZT 2.2 billion from KZT 33.2 billion in 2007. This decrease was primarily driven by a loss incurred with respect to certain derivative instruments as a result of the unrealised reduction in the fair value of swap transactions entered into hedge currency and interest rate risks. In 2008, the net loss on financial assets and liabilities at fair value through profit or loss was KZT 28.4 billion, including a KZT 23.7 billion loss on transactions related to derivative financial instruments. See *"Derivative Financial Instruments"*.

To hedge cash flows on financial liabilities with floating interest rates, the Group used interest rate swap contracts. The fair value of these instruments was calculated, in part, based on trends in interest rates. Because interest rates are generally expected to decrease in future periods, the Group reduced the value of such instruments on its statement of financial position which resulted in a corresponding charge to the income statement. To hedge foreign exchange risk on liabilities denominated in non-functional currencies (Euro, Pound and the Singaporean dollar) the Group used cross-currency swap contracts. A decrease in interest rates and the strengthening of the U.S. dollar with respect to other non-functional currencies in 2008 resulted in a negative valuation of the swap contracts.

There was a gain of KZT 5.6 billion on foreign exchange and precious metals operations in 2008, compared to a loss of KZT 15.5 billion during 2007. This was due to the depreciation of the Tenge relative to the Euro and Pound. Translation differences were KZT 1.9 billion and KZT 22.9 billion in 2008 and 2007, respectively.

Net fee and commission income (net of fee and commission expense) amounted KZT 17.4 billion in 2008 which was a decrease of 16.4 per cent. compared to 2007. There was a decrease in income on cash operations and settlement transactions by 17.3 per cent., foreign exchange and securities operations by 39.7 per cent. and on documentary operations by 6.8 per cent.

Operating expenses

The following table sets out data on the Group's operating expenses in the year ended 31 December 2008 and the year ended 31 December 2007:

	For the year ended 31 December		
	2008	2007	Variation
	(KZT millions)		(%)
Staff costs	16,475	15,980	3.1
Operating leases	3,604	2,400	50.2
Depreciation and amortisation	3,379	2,519	34.1
Property and equipment maintenance	2,215	1,392	59.1
Advertising costs	1,694	1,519	11.5
Payments to the Individuals' Deposit Insurance Fund	1,627	1,742	(6.6)
Taxes, other than income tax	1,157	1,632	(29.1)
Communications	749	707	5.9
Bank card services	521	383	36.0
Security services	440	326	35.0
Business trip expenses	401	524	(23.5)
Consulting and audit services	394	382	3.1
Vehicle maintenance	338	325	4.0
Training and information services	215	240	(10.4)
Stationery	166	184	(9.8)
Charity and sponsorship expenses	123	102	20.6
Mail and courier expenses	106	90	17.8
Collection services	39	–	–
Legal services	19	30	(36.7)
Other expenses	387	723	(46.5)
Total operating expenses	34,049	31,200	9.1
Operating expenses/Net interest income before provisions on impairment losses	16.9%	17.5%	
Operating expenses/Average total assets	1.2%	1.2%	

Operating expenses increased by 9.1 per cent. to KZT 34.0 billion in 2008 compared to KZT 31.2 billion in 2007.

Staff costs constituted 48.4 per cent. and 51.2 per cent. of operating expenses in 2008 and 2007, respectively. Staff costs increased by 3.1 per cent. to KZT 16.5 billion in 2008 from KZT 15.9 billion in 2007. Staff costs increased despite a decrease in the number of employees of the Group (which decreased by 8.5 per cent. over the period to 7,297 as at 31 December 2008 from 7,972 as at 31 December 2007) due to the lag between the reduction in personnel and the decrease in associated staff costs. There was a significant build-up of personnel in conjunction with the branch network expansion undertaken by the Group in 2007 and while the Group sought to optimise its branch network in 2008, the reduction in employees did not have an immediate effect on staff costs in 2008.

Expenses related to operating leases, property and equipment maintenance and security services increased in 2008 as compared to 2007. Lease expenses increased by 50.2 per cent. to KZT 3.6 billion in 2008 from KZT 2.4 billion in 2007 due to the expansion of the branch network and the establishment of new offices. As a percentage of total operating expenses, lease expenses increased by 10.6 per cent. in 2008 from 7.7 per cent. in 2007.

Depreciation and amortisation costs increased by 34.1 per cent. to KZT 3.4 billion in 2008 from KZT 2.5 billion in 2007. The increase was due to the Group's investment in its branch network in 2008. Depreciation and amortisation cost in 2008 was 10 per cent. of operating expenses compared to 8 per cent., in 2007.

Taxation

The tax benefit for the year ended 31 December 2008 was KZT 8.7 billion, compared to tax expense of KZT 15.9 billion for 2007. The tax benefit resulted from the anticipated impact of changes in tax legislation providing for a decrease in the corporate tax rate from 30 per cent. to 20 per cent. over the Group's net deferred tax liabilities. In addition to this, there were also significant losses on derivative financial instruments. The tax benefit in 2008 that resulted from the change in the corporate income tax rate was KZT 14.3 billion.

Financial Condition as at 30 June 2010 and 31 December 2009, 2008 and 2007

Total assets

The following table sets out the Group's assets as at 30 June 2010 and 31 December 2009, 2008 and 2007:

	As at 30 June		As at 31 December					
	2010	% of total	2009	% of total	2008	% of total	2007	% of total
	(unaudited)		(KZT millions, except percentages)					
Assets:								
Cash and balances with national (central) banks	71,537	2.7%	90,533	3.5%	90,478	3.5%	168,148	5.6%
Precious metals	1,159	–	1,209	–	317	–	0	–
Financial assets at fair value through profit or loss (less derivative financial instruments)	136,903	5.3%	76,763	3.0%	33,813	1.3%	145,918	4.9%
Loans and advances to banks and other financial institutions	141,753	5.4%	148,375	5.7%	241,813	9.2%	212,823	7.1%
Investments available for sale	15,766	0.6%	16,696	0.6%	15,056	0.6%	3,036	0.1%
Investments held to maturity	1,158	–	943	–	776	–	375	–
Investments in associates	–	–	–	–	1,775	0.1	3,222	0.1%
Derivative financial instruments	6,294	0.2%	37,440	1.4%	24,317	0.9%	42,858	1.4%
Loans to customers, less allowance for impairment losses	2,177,198	83.6%	2,160,767	83.5%	2,144,782	82.0%	2,366,335	79.0%
Goodwill	2,405	0.1%	2,405	0.1%	2,405	0.1%	2,405	0.1%
Property, equipment and intangible assets	30,346	1.2%	33,971	1.3%	35,465	1.4%	34,259	1.1%
Other assets less allowance for impairment losses	20,859	0.9%	18,771	0.9%	23,808	0.9%	17,853	0.6%
Total assets	2,605,378	100%	2,587,873	100%	2,614,805	100%	2,997,232	100%

As at 30 June 2010, the Group had total assets of KZT 2,605 billion, an increase of KZT 17.5 billion, or 0.7 per cent. from 31 December 2009. This increase was mainly due to a 0.8 per cent. increase in loans to customers. As at 31 December 2009, there were total assets of KZT 2,588 billion compared to KZT 2,615 billion as at 31 December 2008, a decrease of KZT 26.9 billion, or 1.0 per cent., which in turn was a decrease of KZT 382 billion, or 12.8 per cent. from KZT 2,997 billion as at 31 December 2007. The decrease in total assets during these periods was mainly attributable to the decrease in the loan portfolio.

In 2010, the Group sought to invest certain funds received from new deposits and loan repayments into liquid assets. There was an increase in investments in notes issued by the NBK. As at 30 June 2010, KZT 112.0 billion of such notes were held, and increase of KZT 60.2 billion, or 116.2 per cent. from KZT 51.8 billion as at 31 December 2009, as compared with holdings of KZT 5.6 billion as at 31 December 2008 and KZT 1.8 billion as at 31 December 2007.

As at 30 June 2010 liquid assets (cash and balances with national (central) banks, precious metals, financial assets at fair value through profit or loss, investments held to maturity, loans and advances to banks and other financial institutions with maturities up to one month) remained at almost the same level as at 31 December 2009 and were KZT 307.7 billion as compared to KZT 296.3 billion as at 31 December 2009. As at 31 December 2008 liquid assets totalled KZT 330.7 billion as compared to KZT 515.7 billion as at 31 December 2007.

Cash and balances with national (central) banks declined between 31 December 2009 and 30 June 2010 due to increases in holdings in liquid securities. Between 31 December 2007 and 31 December 2009, cash and balances with national (central) banks declined as the Group sought to repay its foreign liabilities.

In accordance with Kazakhstan legislation, second-tier banks are required to maintain a minimum reserve requirement ("MRR") in the form of cash on hand and funds deposited with the NBK in Tenge and in certain other freely-convertible foreign currencies. The MRR is a percentage of total liabilities, calculated as an average amount over fourteen calendar days. As at 30 June 2010, a cash balance of at least KZT 35.6 billion needed to be maintained with the NBK in order to satisfy the MMR and such funds were restricted in use.

The balances deposited with the NBK and cash on hand as at 30 June 2010 amounted to KZT 65.1 billion as compared to KZT 84.4 billion as at 31 December 2009 and KZT 85.1 billion as at 31 December 2008. Provided that the MRR is met, any additional funds deposited in excess thereof are not subject to restrictions on their use.

Loans to banks along with cash and balances with national (central) banks as a percentage of total assets declined to 8.2 per cent. as at 30 June 2010 as compared to 9.2 per cent. as at 31 December 2009, 12.7 per cent. as at 31 December 2008 and 12.7 per cent. as at 31 December 2007.

In the first half of 2010, loans and advances to banks and other financial institutions went down due to a decrease of KZT 2.1 billion, or 4.5 per cent. in deposits held in correspondent banks and due to a decrease of KZT 10.9 billion in reverse repo transactions which resulted from the redistribution of available funds into highly liquid securities.

The Group's securities portfolio includes financial assets at fair value through profit or loss excluding derivative financial instruments, securities available for sale and held to maturity. As a percentage of total assets securities portfolio grew to 6.1 per cent., including derivatives, as at 30 June 2010 as compared to 5.1 per cent. as at 31 December 2009, 2.8 per cent. as at 31 December 2008 and 6.4 per cent. as at 31 December 2007. The decline in 2008 was attributable to the liquidation of certain securities in order to increase the liquidity and repay certain foreign liabilities.

The increase in the securities portfolio was mainly attributable to increased investments in short-term notes issued by the NBK which the Bank believes to be stable and reliable instruments. Holdings of NBK notes grew by KZT 60.2 billion in the first six months of 2010 while the value of derivative instruments decreased by KZT 31.1 billion, or 83.2 per cent. This decrease was primarily a result of an unrealised loss of KZT 45.1 billion in the fair value of swap transactions entered into to hedge currency risks.

Financial assets at fair value through profit or loss (excluding derivative financial instruments) as at 30 June 2010 grew by 78.3 per cent. to KZT 136.9 billion from KZT 76.8 billion as at 31 December 2009 which in turn represented an increase of 126.9 per cent. from KZT 33.8 billion as at 31 December 2008 and a decrease of 76.8 per cent. from KZT 145.9 billion as at 31 December 2007.

Lending remains the major business product and loans to customers have a significant share of total assets. As at 30 June 2010 loans to customers less provisions for impairment losses amounted to 83.6 per cent. of total assets as compared with 83.5 per cent. as at 31 December 2009, 82.0 per cent. as at 31 December 2008 and 79.0 per cent. as at 31 December 2007. Taking into account the changed economic environment, the Group made certain adjustments to its approach in lending and made it a priority to retain its existing client base by continuing to have access to short term working capital facilities as well as funds extended under Government stabilisation programs during the course of 2009 and 2010. In order to counteract the effects of the global financial crisis the Group also concentrated its efforts on improving its risk management systems, finding solutions for problem loans and continuing to advise and consult its customers on business strategies to ensure their viability.

As a result of the measures and steps undertaken, the corporate loan book, gross (less accrued interest and less loans under reverse repurchase agreements) as at 30 June 2010 grew by 1.9 per cent. or KZT 38.9 billion and amounted to KZT 2,140 billion as at 30 June 2010. The retail loan book shrunk by 5 per cent. and amounted to KZT 322.5 billion as at 30 June 2010 compared to KZT 339.4 billion as at 31 December 2009. This amounted to a decrease of 12.5 per cent. as compared to 31 December 2008 when the retail book amounted to KZT 387.7 billion. The retail loan book shrunk by 16.9 per cent. as at 31 December 2008 as compared to 31 December 2007 where the retail loan book amounted to KZT 466.5 billion.

Interest accrued on loans to customers less allowance for loan losses as at 30 June 2010 amounted to KZT 267.6 billion having increased by 19.2 per cent. or KZT 43.1 billion from KZT 224.5 billion at the end of 2009. This in turn represented an increase of 128.7 per cent. from 31 December 2008 where interest accrued on loans to customers less allowance for loan losses amounted to KZT 98.2 billion. This represented an increase of 46.9 per cent. from 31 December 2007 where interest accrued on loans to customers less allowance for loan losses amounted to KZT 66.8 billion.

As at 30 June 2010, the Group had identified certain corporate customer loans, where under their contractual terms there are no cash flows expected prior to 2013. These loans are treated as impaired. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to their collection. The accrued interest income on these loans for the six months ended 30 June 2010 amounted to KZT 30.1 billion; however management established an allowance for loan losses of KZT 30.1 billion against this interest. Had this interest not been accrued, the net interest income before provision for impairment losses on interest bearing assets for the six-month period ended 30 June 2010 would have been KZT 44.0 billion and the provision for impairment losses on interest bearing assets would have been KZT 20.6 billion.

The Bank increased allowances for impairment losses by 9.4 per cent. or KZT 47.8 billion as at 30 June 2010 to KZT 553.3 billion from KZT 505.5 billion as at 31 December 2009. As at 30 June 2010 the provisioning rate was 20.3 per cent. as compared with 19.0 per cent. as at 31 December 2009. The provisioning rate as at 31 December 2008 was 11.9 per cent. as compared to 5.6 per cent. as at 31 December 2007.

Property, equipment and intangible assets as at 30 June 2010 amounted to KZT 30.3 billion as compared with KZT 34.0 billion as at 31 December 2009, representing a decrease of 10.7 per cent. This decrease was mainly attributable to the partial sale of the new building. The share of property, equipment and intangible assets as a percentage of total assets as at 30 June 2010 amounted to 1.2 per cent. as compared to 1.3 per cent. as at 31 December 2009, 1.4 per cent. as at 31 December 2008 and 1.1 per cent. as at 31 December 2007.

Total liabilities

The following table sets out the Group's liabilities as at 30 June 2010 and 31 December 2009, 2008 and 2007:

	As at 30 June		As at 31 December					
	2010	% of total	2009	% of total	2008	% of total	2007	% of total
	(unaudited)		(KZT millions, except percentages)					
Liabilities:								
Loans and advances from banks and other financial institutions	166,669	7.6	209,122	9.5	296,391	12.9	723,431	27.0
Customer accounts	1,401,407	63.5	1,276,464	58.1	979,453	42.6	895,083	33.4
Financial liabilities at fair value through profit or loss	51,951	2.3	35,991	1.6	54,339	2.4	7,730	0.3
Debt securities issued	380,617	17.2	463,656	21.1	678,285	29.5	739,688	27.6
Other borrowed funds	28,792	1.3	31,172	1.4	137,324	6.0	148,934	5.6
Provisions	10,149	0.5	11,945	0.5	10,276	0.4	10,638	0.4
Deferred income tax liabilities	19,065	0.9	24,519	1.1	10,205	0.4	30,496	1.1
Dividends payable	745	–	15	–	5	–	2	–
Other liabilities	10,620	0.5	8,990	0.5	16,941	0.7	13,845	0.6
Subtotal	2,070,015	93.8	2,061,874	93.8	2,183,219	94.9	2,569,847	96.0
Subordinated debt	136,924	6.2	136,411	6.2	117,724	5.1	108,166	4.0
Total liabilities	2,206,939	100	2,198,285	100	2,300,943	100	2,678,013	100

As at 30 June 2010, total liabilities increased by 0.4 per cent. to KZT 2,207 billion from KZT 2,198 billion as at 31 December 2009, KZT 2,301 billion as at 31 December 2008 and KZT 2,678 billion as at 31 December 2007.

Customer accounts increased by 9.8 per cent. to KZT 1,401.4 billion as at 30 June 2010 from KZT 1,276.5 billion as at 31 December 2009, KZT 979.5 billion as at 31 December 2008 and KZT 895.1 billion as at 31 December 2007. Corporate deposits constituted 74.3 per cent. of total customer deposits as at 30 June 2010 compared to 73.4 per cent. as at 31 December 2009, 73.1 per cent. as at 31 December 2008 and 65.4 per cent. as at 31 December 2007. The Group's deposits are also concentrated with the share of the ten largest depositors being 54.12 per cent. of total deposits as at 30 June 2010. See "*Risk Factors – Risks Relating to the Bank – Potential declines in customer deposits, which are an important source of funding for the Bank and which have a high concentration of deposits from state-owned entities, may negatively affect the Bank's funding base*".

Debt securities issued decreased by 17.9 per cent. to KZT 380.6 billion as at 30 June 2010 from KZT 463.7 billion as at 31 December 2009. Debt securities issued decreased by 31.6 per cent. or KZT 214.6 billion to KZT 463.7 billion as at 31 December 2009 from KZT 678.3 billion as at 31 December 2008 and KZT 739.7 billion as at 31 December 2007. As at 30 June 2010, debt securities issued included promissory notes, bonds of Moskommertsbank and bonds of Moscow Stars B.V. in the total amount of KZT 12.3 billion (without accrued interest) and Eurobonds of the Bank in the amount of KZT 364.2 billion, less discount premium and accrued interest and debt securities issued (the Bank was substituted for Kazkommerts International B.V. as the issuer of these Eurobonds).

Loans and advances received from banks and other financial institutions decreased by 20.3 per cent. to KZT 166.7 billion as at 30 June 2010 from KZT 209.1 billion as at 31 December 2009, KZT 296.4 billion as at 31 December 2008 and KZT 723.4 billion as at 31 December 2007. See "*Risk Factors – Risks Relating to the Bank – The Bank may face difficulties servicing, repaying and refinancing upcoming international debt obligations*".

Other borrowed funds decreased to KZT 28.8 billion as at 30 June 2010 compared to KZT 31.2 billion as at 31 December 2009, KZT 137.3 billion as at 31 December 2008 and KZT 148.9 billion as at 31 December 2007. The decrease as at 30 June 2010 from 31 December 2009 resulted from the repayment of funds under the SME support programme to DAMU. The decrease in other borrowed funds also resulted from the termination of the Bank's Future Flow Securitisation Programme, which had the largest share of the other borrowed funds.

Outstanding subordinated debt amounted to KZT 136.9 billion as at 30 June 2010, an increase of 0.4 per cent. from KZT 136.4 billion as at 31 December 2009. The subordinated debt of the Group increased by 15.9 per cent. in 2009 from KZT117.7 billion as at 31 December 2008 and KZT 108.2 billion at 31 December 2007. The increase in 2008 was primarily due to the issuance in November 2008 of KZT 10 billion 9 per cent. subordinated debt securities due 2018.

Equity and capital ratios

Shareholders' equity increased by 2.3 per cent. to KZT 398.4 billion as at 30 June 2010 compared to KZT 389.6 billion as at 31 December 2009, KZT 313.9 billion as at 31 December 2008, and KZT 319.2 billion as at 31 December 2007. The growth in the first half of 2010 was mainly attributable to profit capitalisation.

The growth in shareholders' equity in 2009 was attributable to the placement of 204,338,177 Shares, as a result of which the share capital of the Bank increased by KZT 44.47 billion. See "*–Equity Offerings*" below.

The decrease in equity in 2008 primarily resulted from realised losses of the subsidiaries.

As at 30 June 2010, the Group's equity capital calculated in accordance with the Basel Accord was KZT 505.8 billion (including Tier I capital of KZT 395.3 billion), representing a 1.2 per cent. increase from KZT 499.8 billion (including Tier I capital of KZT 395.6 billion) as at 31 December 2009, which in turn represented a 15.4 per cent. increase from KZT 433.0 billion (including Tier I capital of KZT 330.8 billion) as at 31 December 2008, and a 4.3 per cent. increase from KZT 415.3 billion as at 31 December 2007.

As at 30 June 2010, the Group's Tier I capital adequacy ratio and total capital adequacy ratio, each calculated in accordance with the Basel Accord, were 16.1 per cent. and 20.6 per cent., respectively, compared with 15.9 per cent. and 20.1 per cent. as at 31 December 2009, 13.5 per cent. and 17.7 per cent. as at 31 December 2008 and 11.7 per cent. and 15.1 per cent. as at 31 December 2007.

The following table sets out information on the Group's capital and its consolidated capital adequacy ratios as at 30 June 2010 and 31 December 2009, 2008 and 2007, all calculated in accordance with the Basel Accord, as currently in effect:

	As at 30 June 2010 (unaudited)	2009	31 December 2008 (KZT millions)	2007
Common share capital	7,786	7,787	5,746	5,749
Share premium	195,028	195,006	152,684	152,855
Retained earnings	170,826	142,948	120,598	27,092
Current income	10,160	19,023	20,164	57,751
Non-controlling interest	(126)	(223)	278	12,552
Goodwill	(2,405)	(2,405)	(2,405)	(2,405)
Innovative investment	14,008	14,085	11,965	11,900
Total qualifying Tier I capital (Basel)	395,277	395,644	330,835	321,457
Total qualifying Tier II capital (Basel)	110,525	104,155	102,154	93,847
Total capital (Basel)	505,802	499,799	432,989	415,304
Risk weighted assets	2,453,125	2,482,057	2,445,677	2,741,648
Ratios				
Tier I	16.11%	15.94%	13.53%	11.72%
Total Capital	20.62%	20.14%	17.70%	15.15%

The following table sets out information on the Bank's capital and its capital adequacy ratios as at 30 June 2010 and 31 December 2009, all computed based upon the Bank's statutory financial statements in accordance with the applicable regulations of the FMSA. New ratios were introduced by the FMSA on 1 July 2009, which are reflected in the information included below. The information has not, therefore, been prepared in accordance with IFRS.

New ratios were introduced by the FMSA on 1 July 2009, which are reflected in the information included below.

	FMSA's minimum requirements	As at 30 June 2010	As at 31 December 2009
		(%, unless otherwise noted) (unaudited)	
Share capital	Not less than KZT5 billion[1]	KZT204.1 billion	KZT204.1 billion
K1-1 – Tier I capital as a percentage of total assets	Not less than 5% (up to 1 July 2009 - K1)	12.6	12.8
K1-2 – Tier I capital to total risk weighted assets (including on-balance and off-balance sheet assets and liabilities)	Not less than 5% (imposed since 1 July 2009)	11.1	11.0
K2 – own capital to total risk weighted assets (including on-balance and off-balance sheet assets and liabilities)	Not less than 10%	15.0	14.9
K4 – current liquidity ratio	More than 30%	66.3	58.8
K4-1 – term liquidity ratio[2]	More than 100%	787.1	358.0
K4-2 – term liquidity ratio[3]	More than 90%	316.4	117.2
K4-3 – term liquidity ratio[4]	More than 80%	137.9	118.2
K4-4 – term currency liquidity ratio	More than 100%[6]	364.5	307.6
K4-5 – term currency liquidity ratio	More than 90%[7]	250.6	112.0
K4-6[8]– term currency liquidity ratio	More than 80%	87.9	112.7
K6 – investments to fixed assets and non-financial assets as a percentage of own capital	Not greater than 50%	7.6	8.2
Maximum net currency position as a percentage of own capital	Not greater than 25%[9]	2.9 long	8.1 long
Maximum open currency position on foreign currencies of countries with "A" or higher sovereign rating assigned by S&P and in Euro as well as refined precious metals, as a percentage of own capital	Not greater than 12.5%	12.2 (GDP) long	11.3 (GDP) long
Maximum open currency position on foreign currencies of countries with sovereign rating below "A" assigned by (Standard&Poor's) as a percentage of own capital	Not greater than 5%	0.3 (KGS) short	0.1 (KGS) short
Maximum exposure as a percentage of own capital to any single borrower:			
– related parties	Not greater than 10%	9.1	9.0
– other borrowers	Not greater than 25%	21.6	21.2
– on unsecured loans	Not greater than 10%	7.8	7.3
Maximum aggregate credit exposure to related parties (including on-balance and off-balance sheet exposure) as a percentage of own capital	Not greater than 100%	18.5	16.8
K7 – maximum limit for short-term liabilities towards non-residents	Not greater than 1	0.022	0.030
K8 – total liabilities towards non-residents to own capital	Not greater than 2 Not greater than 2.5 up to 1 July 2009	0.633	0.661
K9 – percentage of total liabilities to non-residents and debt securities to own capital	Not more than 3	1.548	1.796
Minimum reserve requirements as a percentage of average customer accounts balances plus qualified international borrowings (for the period including the reporting date)	Not less than 1.5% for internal liabilities Not less than 2.5% for other liabilities	3.8	5.0
Fund placement into internal assets ratio	Not less than 100%	123	154

(1) Applied to newly established banks.

(2) The K4-1 ratio became applicable from 1 July 2008 and is calculated as the average monthly high liquid assets divided by the average monthly accrued liabilities with a remaining maturity date of up to seven days.

(3) The K4-2 ratio became applicable from 1 July 2008 and is calculated as the average monthly liquid assets with a remaining maturity date of up to one month including high liquid assets to average monthly accrued liabilities with a remaining maturity date of up to one month.

(4) Before 1 July 2008 K-5, a current liquidity ratio with a required normative of not less than 50 per cent., is equivalent to the K4-3 ratio. Effective as at 1 July 2008, K4-3 is calculated as the average monthly liquid assets with a remaining maturity date of up to three months, including highly liquid assets, to the average monthly value of accrued liability with a remaining maturity of up to three months.

(5) The K4-4 ratio became applicable from 1 July 2008 and is calculated as the average monthly highly liquid assets in foreign currency to the average monthly accrued liabilities with a remaining maturity date of up to seven days in the same foreign currency.

(6) The K4-5 ratio became applicable from 1 July 2008 and shall be calculated as the average monthly liquid assets in foreign currency with a remaining maturity date of up to one month including highly liquid assets to the average monthly accrued liabilities with a remaining maturity date of up to one month in the same foreign currency.

(7) The K4-6 ratio became applicable from 1 July 2008 and shall be calculated as the average monthly liquid assets in foreign currency with a remaining maturity date of up to three months, including highly liquid assets, to the average monthly accrued liabilities with a maturity date of up to three months in the same foreign currency.

The following table sets out information on the Bank's capital and its capital adequacy ratios as at 31 December 2008 and 2007, all computed based upon the Bank's statutory financial statements in accordance with the applicable regulations of the FMSA. The information has not, therefore, been prepared in accordance with IFRS.

		FMSA's minimum requirements	As at 31 December 2008	2007
Share capital[1]		Not less than KZT 1.5 billion[2]	KZT 159.7 billion	KZT 159.9 billion
K1 Tier I capital to total assets		Not less than 5%	11.0	8.3
K2 own capital to total risk weighted assets		Not less than 10%	13.3	12.3
K4 current liquidity ratio		Not less than 30%	The ratio was cancelled on 1 July 2008	135.0
K4-1 quick liquidity ratio		Not less than 100%[3]	316.2	–
K4-2 quick liquidity ratio		Not less than 90%[4]	126.3	–
K4-3 quick liquidity ratio		Not less than 80%; 50% before 1 July 2008[5]	130.0	76.4
Current FX liquidity	Not less than 90%	The currencies of countries rated not lower than 'A' by S&P, including Euro	The ratio was cancelled on 1 July 2008	346.8
		USD	–	207.0
		EUR	–	1,236.5
		GBP	–	226.4
		JPY	–	2,467.6
K4-4 quick currency liquidity ratio	Not less than 100%[6]	The currencies of countries rated not lower than 'A' by S&P, including Euro	479.5	–
K4-5 quick currency liquidity ratio	Not less than 90%[7]	The currencies of countries rated not lower than 'A' by S&P, including Euro	144.4	–
K4-6 quick liquidity ratio	Not less than 80%[8]	The currencies of countries rated not lower than 'A' by S&P, including Euro	153.2	102.7
		USD	–	81.6
		EUR	–	681.9
		GBP	–	911.8
		JPY	–	137.7

		FMSA's minimum requirements	As at 31 December 2008	2007
Medium term FX liquidity	Not less than 60%	The currencies of countries rated not lower than 'A' by S&P, including Euro	The ratio was cancelled on 1 July 2008	81.5
		USD		72.4
		EUR		331.8
		GBP		910.3
		JPY		82.2
K6 investments to fixed assets and non financial assets to equity as a percentage of own capital		Not more than 50%	9.9	9.6
Maximum open net currency position as a percentage of own capital		25%(9)	0.3 (long)	5.0 (long)
Maximum currency position in currencies of countries whose sovereign rating is "A" or higher (Standard&Poors) or its equivalent, and in Euro as well as refined precious metals, as a percentage of own capital		12.5%	1.4 (short)	4.0 (long)
Maximum currency position in currencies of countries whose sovereign rating is lower than "A" (Standard&Poors) or its equivalent, as a percentage of own capital		5%	0.7 (long)	0.2 (long)
Maximum exposure as a percentage of own capital to any single borrower:				
– related parties		Not greater than 10%	8.1	8.1
– other borrowers		Not greater than 25%	19.1	20.5
– on unsecured loans		Not greater than 10%	6.9	7.9
K7-maximum limit of short-term liabilities for non-residents		1 (1.7 before 1 January 2007)	0.104	0.421
K8-total liabilities for non residents to own capital		Not more than 4	1.293	2.318
K9-total liabilities for non-residents and debt securities to own capital		Not more than 6	3.017	4.117
Funds placement into internal assets ratio		Not less than 100%	172.0	192.0
Minimum reserve requirements		Before 18 November 2008 not less than 6% for internal liabilities Since 18 November 2008 – 2% of internal liabilities and 3% of external liabilities	4.1	7.9

(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 only be formed with cash contributions. The sources of contributions to share capital are subject to certain limitations and specific disclosure requirements.

(2) For newly established banks.

(3) The K4-1 ratio became applicable from 1 July 2008 and is calculated as the average monthly high liquid assets to the average monthly accrued liabilities with a remaining maturity date of up to seven days.

(4) The K4-2 ratio became applicable from 1 July 2008 and is calculated as the average monthly liquid assets with a remaining maturity date of up to one month including high liquid assets to the average monthly accrued liabilities with a remaining maturity date of up to one month.

(5) Before 1 July 2008 K-5, a current liquidity ratio with a required normative of not less than 50 per cent.

(6) The K4-4 ratio became applicable from 1 July 2008 and is calculated as the average monthly highly liquid assets in foreign currency to the average monthly accrued liabilities with a remaining maturity date of up to seven days in the same foreign currency.

(7) The K4-5 ratio became applicable from 1 July 2008 and shall be calculated as the average monthly liquid assets in foreign currency with a remaining maturity date of up to one month including highly liquid assets to the average monthly accrued liabilities with a remaining maturity date of up to one month in the same foreign currency.

(8) Before 1 July 2008 – limit on short-term currency liquidity.

(9) 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, since 1 January 2006, Tier III capital (not exceeding 250 per cent. of the portion of Tier I capital aimed to cover market risk) less investments of a bank in equity and in certain subordinated debt. Tier I capital is the sum of share capital plus share premium plus retained earnings plus perpetual financial instruments (not exceeding 15 per cent. of Tier I capital) less intangible assets. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that they do not exceed 1.25 per cent. of risk weighted assets) plus paid perpetual financial instruments which are not included into Tier I capital plus Tier II subordinated debt which is included into own capital (net worth) (but no more than 50 per cent. of Tier I capital).

Funding and Liquidity

As at 30 June 2010, the Group's funding base consisted of demand and time deposits (66.3 per cent.), debt securities issued (18 per cent.), loans and advances from banks and other financial institutions (7.9 per cent.), subordinated debt (6.5 per cent.) and other liabilities (1.3 per cent.).

As at 30 June 2010, 45.9 per cent. of the Group's liabilities had a maturity of less than one year, while 42.3 per cent. of its assets had a maturity of less than one year. Since the commencement of the global financial crisis in 2007 the Group has placed a high priority on liquidity. In practice this involved concentrating efforts to work actively with depositors with the key objectives of retaining existing customers (both corporate and retail) and attracting new clients.

As a result of these efforts, there was 9.8 per cent. growth in customer accounts in the first half of 2010. Customer accounts amounted to KZT 1,401 billion as at 30 June 2010 compared to KZT 1,276 billion as at 31 December 2009, KZT 979.4 billion as at 31 December 2008 and KZT 895.1 billion as at 31 December 2007.

Corporate customer accounts amounted to KZT 1,029 billion as at 30 June 2010 compared to KZT 948.8 billion as at 31 December 2009, KZT 715.6 billion as at 31 December 2008 and KZT 585.4 billion as at 31 December 2007.

Retail deposits have grown by 13.8 per cent. and stood at KZT 372.8 billion as at 30 June 2010. Retail deposits as a percentage of total customer accounts were 26.6 per cent. as at 30 June 2010 as compared to 25.7 per cent. as at 31 December 2009, 26.9 per cent. as at 31 December 2008 and 34.6 per cent. as at 31 December 2007.

Loans and advances from banks and other financial institutions as at 30 June 2010 amounted to KZT 166.7 billion, having been reduced by 20.3 per cent. or KZT 42.5 billion predominantly due to scheduled repayments throughout the period. Loans and advances from banks and other financial institutions as at 31 December 2009 amounted to KZT 209.1 billion as compared to KZT 296.4 billion as at 31 December 2008 and KZT 723.4 billion as at 31 December 2007.

The Bank also acts as a clearing centre for most of the banks operating in Kazakhstan, which in turn keep their accounts with the Group, correspondent accounts of other banks and organisations grew from KZT 2.9 billion as at 31 December 2009 to KZT 3.3 billion as at 30 June 2010 as compared with KZT 14.6 billion as at 31 December 2008 and KZT 72.0 billion as at 31 December 2007. As compared with 2007, the Bank has significantly reduced its exposure to domestic banks.

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

	As at 30 June 2010 (unaudited)	2009	As at 31 December 2008 (%) (unaudited)	2007
Liquid assets/total assets	11.8	11.45	12.6	17.2
Liquid assets/total deposits	22.0	23.2	33.8	57.6
Liquid assets/liabilities up to one month	54.7	72.2	69.2	106.4
Loans to customers, net/total assets	83.6	83.5	82.0	79.0
Loans to customers, net/customer accounts	155.4	169.3	219.0	264.4
Loans to customers, net/total equity	546.4	554.6	683.4	741.3

The size of the Group's trading portfolio (financial assets at fair value through profit or loss less derivative financial instruments) increased by 78.3 per cent. to KZT 136.9 billion as at 30 June 2010 from KZT 76.8 billion as at 31 December 2009, KZT 33.8 billion as at 31 December 2008, and KZT 145.9 billion as at 31 December 2007.

Equity Offerings

In July 1997 the Bank raised U.S.$50 million through an international offering of its Shares in the form of GDRs, which are traded on the London, Istanbul, Frankfurt and Berlin stock exchanges. In December 2001 the Bank raised U.S.$21.2 million through a public offering of 55.6 million Preference Shares in Kazakhstan. In 2004 and 2005 the Bank placed Preference Shares raising U.S.$18.2 million and U.S.$52.3 million respectively. In 2005 the Bank raised U.S.$33 million through another placement of its Shares. In the second half of 2006 the Bank was the first financial institution in Kazakhstan to conduct an initial public offering of its Shares to institutional investors in the United States and elsewhere through the listing of its GDRs on the London Stock Exchange. A domestic placement of 103.5 million Shares at a price of U.S.$9.25 per Share was completed on 9 January 2007. The domestic placement was the second stage of the public offer. As part of the first stage, several shareholders of the Bank sold 91,495,412 Shares in the form of GDRs and used the sale proceeds to subscribe for new Shares in the domestic placement. The proceeds received by CAIC, Mr. Nurzhan Subkhanberdin and the EBRD exceeded U.S.$845 million.

In early 2009, an additional 325,000,000 Shares were registered and authorised for issuance and on 14 May 2009 the Bank completed a placement of 204,338,177 Shares. As a result the share capital of the Bank grew by KZT 44.47 billion (approximately U.S.$296 million). The Shares were placed at U.S.$1.45 per Share or U.S.$2.90 per GDR (with each GDR representing two Shares). The results of the capital increase were as follows:

- 165,517,241 Shares were purchased by Samruk-Kazyna, which was previously not a shareholder, for KZT 36 billion (approximately U.S.$240 million);
- Several major shareholders of the Bank (including CAIC, Alnair and Mr Subkhanberdin) did not take up their rights or participate in the increase;
- The EBRD, a shareholder in the Bank since 2003, took up all its pre-emptive rights and purchased 27,497,588 Shares (approximately U.S.$40 million);
- 9,704,658 Shares were purchased through The Bank of New York Mellon by holders of GDRs; and
- 1,618,690 Shares were purchased by minority shareholders exercising pre-emptive rights.

Domestic Bond Offerings

On 23 August 2007 the Bank established its KZT 30 billion domestic bond programme. There have been three issues under this programme, one in each of 2007, 2008 and 2009.

On 9 April 2010 the Bank established a KZT 350 billion domestic bond programme. There has been one issue under this programme and total proceeds of KZT 2.3 billion.

International Bond Offerings

The Bank has been active in the international capital markets for a number of years and as at 30 June 2010 had KZT 364.2 billion of Eurobond indebtedness outstanding. Accrued interest expense on these Eurobonds amounted to KZT 2,747 billion as at 30 June 2010 as compared with KZT 3,162 billion as at 31 December 2009.

In April 2003 the Bank issued a U.S.$500 million ten year Eurobond with a 8.5 per cent. coupon and in April 2004, another U.S.$500 million 10 year Eurobond with a 7.875 per cent. coupon.

In November 2005 the Bank again issued U.S.$500 million bonds with a ten year maturity and a coupon of 8 per cent. In February 2006, the Bank issued U.S.$100 million three-year bonds with a coupon of 4.25 per cent. which were repaid on 24 February 2009. In March and November of 2006 the Bank placed a five-year Eurobond of EUR300 million with a 5.125 per cent. coupon and a ten year Eurobond of U.S.$500 million with a 7.5 per cent. coupon. In February 2007 the Bank issued a ten-year EUR750 million Eurobond with a 6.785 per cent. coupon of which EUR23.9 million was subsequently repurchased by the Bank in August 2010. As at 30 June 2010, EUR70.7 was still outstanding under this Eurobond. In February 2007, the Bank also issued a five-year £350 million Eurobond with a 7.625 per cent. coupon.

In December 2005 the Bank placed three series of bonds under its Future Flow Securitisation Programme, the first in the amount of U.S.$300 million for seven years with a three year grace period and a floating rate. In June 2006 the Bank placed two additional series of bonds each in the amount of U.S.$100 million with a three-year grace period and a floating rate. In April 2007 the Bank placed three additional series of 10-year Eurobonds in the aggregate amount of U.S.$500 million. In May 2008 the Bank repaid a one-year European commercial paper issuance in the amount of U.S.$250 million.

In July 2006, the Bank issued U.S.$200,000,000 8.625 per cent. subordinated loan participation notes due 2016 through its special purpose entity Kazkommerts Finance II B.V. In June 2007, another U.S.$250,000,000 8.5 per cent. subordinated loan participation notes, due 2017 were issued by this entity.

In July 2007 the Bank issued a JPY25 billion two year Eurobond with a floating coupon. This Eurobond was repaid on 6 July 2009.

In May 2008 the Bank issued a U.S.$230 million three year Eurobond with a 12 per cent. coupon.

On 3 November 2009, the Bank repaid an issue of Eurobonds issued in November 2004 in the amount of KZT 75,425 million by Kazkommerts International B.V.

In order to benefit from certain changes introduced to Kazakhstan tax legislation, on 11 February 2010, the Bank was substituted for Kazkommerts International B.V. as the issuer of the relevant Eurobonds.

During the six months ended 30 June 2010, the Bank acquired Eurobonds issued by Kazkommerts International B.V. as well as bonds issued by the Bank. The acquisition cost was KZT 45,651 million as compared to KZT 236,316 million for acquisitions made in the year ended 31 December 2009. The Bank acquired bonds by purchasing them from the market; and by receiving them from borrowers in lieu of repayment of their loans (as well as through foreclosure proceedings under certain loans). These transactions resulted in a gain on extinguishment of KZT 914 million during the six months ended 30 June 2010 as compared to a gain on extinguishment of KZT 23,378 million for the year ended 31 December 2009. The gain was included in other income in the Financial Statements.

Foreign Currency Position

Currency risk is a risk of fluctuations of a financial instrument due to a fluctuation of currency exchange rate. The financial position and money flows of the Bank are subject to the fluctuations of the exchange rates of foreign currencies. The ALMC monitors currency risk by defining the open foreign currency position based on KZT devaluation and other macroeconomic indicators, and it allows the Group to mitigate losses from significant fluctuations of national and foreign currencies. The Treasury Department controls the open foreign currency position daily for the purpose of compliance with regulatory requirements.

The following table sets out the net open foreign currency position of the Group as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June	As at 31 December		
	2010 (unaudited)	2009	2008 (unaudited)	2007
Net long/(short) position (KZT million)	924.0	870.0	831.5	523.8
As a percentage of shareholders' equity (%)	34.2%	33.2%	32.0%	19.7%
As a percentage of total liabilities (%)	6.2%	5.9%	4.4%	2.4%

The FMSA imposes strict restrictions in respect of the net open foreign currency positions of second tier banks. The Treasury Department monitors net open foreign currency positions on a daily basis and reports to the ALMC at least on a weekly basis.

Derivative Financial Instruments

The Group hedges cash flow on its foreign currency liabilities using cross-currency swaps and currently has three cross-currency swap agreements outstanding. The original amounts of these agreements were EUR 300 million, EUR 650 million and £350 million. Due to buy-backs of Eurobonds, the amounts outstanding as at 30 June 2010 had been reduced to EUR 203.2 million, EUR 392.8 million and £173.9 million respectively. See "*Risk Factors - Risks Relating to the Bank - The Bank may have significant liabilities under cross-currency swaps.*"

For the six months ended 30 June 2010, there was a net loss on operations with derivative financial instruments of KZT 45.5 billion as compared to a net gain of KZT 26.2 billion for the year ended 31 December 2009, a net loss of KZT 23.7 billion for the year ended 31 December 2008 and a net gain of KZT 19.7 billion for the year ended 31 December 2007.

As at 30 June 2010, the Group's financial liabilities at fair value through profit or loss was KZT 52.0 billion as compared to KZT 36.0 billion as at 31 December 2009, KZT 54.3 billion as at 31 December 2008.

Contractual Commitments and Contingencies

In the normal course of its activity, the Group enters into certain financial instruments with an off-balance sheet risk in order to meet the needs of its customers. These instruments include guarantees and letters of credit. They involve varying degrees of credit risk and are not reflected in the statement of financial position of the Group.

As at 30 June 2010, the Group had issued outstanding guarantees totalling KZT 104.0 billion as compared to KZT 122.1 billion as at 31 December 2009, KZT 109.6 billion as at 31 December 2008 and KZT 94.6 billion as at 31 December 2007. As at 30 June 2010, the Group had outstanding open letters of credit totalling KZT 2.5 billion compared to KZT 8.4 billion as at 31 December 2009, KZT 37.6 billion as at 31 December 2008 and KZT 90.5 billion as at 31 December 2007.

Provisions for losses on contingent liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The Group's maximum exposure to credit loses for guarantees and letters of credit is reflected in the contractual amount of these transactions.

As at 30 June 2010 provisions for losses on contingent liabilities were KZT 4,823 million, as compared to KZT 7,217 million as at 31 December 2009, KZT 6,271 million as at 31 December 2008 and KZT 7,216 million as at 31 December 2007.

The following table sets forth the commitments and contingent liabilities of the Group by contractual maturity, as at 30 June 2010:

	Up to three months	Three to six months	Six months to one year	One year and over	Total
			(KZT millions) (unaudited)		
Guarantees	13,257	14,869	29,052	46,838	104,016
Letters of credit	630	1,152	684	–	2,466
Total	13,887	16,021	29,736	46,838	106,485

The following table sets forth the commitments and contingent liabilities of the Group by contractual maturity, as at 31 December 2009:

	Up to three months	Three to six months	Six months to one year	One year and over	Total
			(KZT millions) (unaudited)		
Guarantees	31,889	6,237	21,209	62,761	122,096
Letters of credit	1,650	4,390	2,351	–	8,391
Total	33,539	10,627	23,560	62,761	130,487

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for its on-balance sheet operations.

Recent Developments

On 2 July 2010, Samruk-Kazyna provided KZT 23 billion to the Bank to refinance certain real estate construction projects in Astana.

On 3 August 2010, the Bank issued bonds in the principal amount of KZT 2,329 million under its domestic bond programme.

On 24 August 2010, the Bank substituted itself for its subsidiary, Kazkommerts Finance II B.V. as issuer of U.S.$200 million 8.625 per cent. subordinated loan participation notes due 2016 and U.S.$250 million 8.5 per cent. subordinated loan participation notes due 2017.

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

The following table sets out the Bank's average statement of financial position based upon the average of the daily balances of the Bank and its banking subsidiaries and upon the average quarterly balances of the Bank's other subsidiaries as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	Six months ended 30 June 2010		Year ended 31 December 2009		2008		2007	
	Average balance (KZT millions) (unaudited)	Average interest rate (%)	Average balance (KZT millions)	Average interest rate (%)	Average balance (KZT millions) (unaudited)	Average interest rate (%)	Average balance (KZT millions)	Average interest rate (%)
Assets:								
Loans and advances to banks and other financial institutions, net	115,287	6.29	116,352	6.21	219,760	4.73	119,634	9.65
Loans and advances to banks and other financial institutions	115,306	6.29	117,070	6.17	220,657	4.71	120,511	9.58
Tenge	32,306	0.47	13,146	8.01	15,212	6.55	28,419	5.13
Foreign currency	83,000	8.56	103,924	5.93	205,445	4.58	92,092	10.95
Provisions for impairment losses on loans and advances to banks and other financial institutions	(19)	–	(718)	–	(897)	–	(877)	–
Tenge	–	–	–	–	–	–	–	–
Foreign currency	(19)	–	(718)	–	(897)	–	(877)	–
Correspondent account with the NBK	49,646	–	102,801	–	119,884	–	143,320	–
Tenge	43,163	–	28,052	–	27,654	–	79,967	–
Foreign currency	6,483	–	74,749	–	92,230	–	63,353	–
Financial assets at fair value through profit or loss, investments available-for-sale, investments held to maturity and investments in associates	139,256	3.46	59,722	7.62	66,766	9.00	139,419	6.17
Tenge	124,124	2.92	33,109	8.22	38,506	9.08	46,260	7.17
Foreign currency	15,133	7.82	26,613	6.87	28,260	8.89	93,159	5.67
Loans to customers	1,913,292	15.11	2,223,951	16.24	2,191,267	16.62	2,105,263	14.07
Performing loans	2,063,790	14.01	2,354,238	15.34	2,272,840	16.02	2,164,492	13.68
Tenge	746,930	11.16	690,030	15.92	862,279	16.17	686,370	14.20
Foreign currency	1,316,860	15.63	1,664,208	15.10	1,410,561	15.93	1,478,122	13.44
Non-performing loans	382,775	–	281,798	–	97,820	–	39,942	–
Tenge	179,100	–	104,993	–	46,153	–	15,269	–
Foreign currency	203,675	–	176,805	–	51,667	–	24,673	–
Loan Loss Reserves	(533,273)	–	(412,085)	–	(179,393)	–	(99,171)	–
Tenge	(230,376)	–	(164,239)	–	(95,781)	–	(36,039)	–
Foreign currency	(302,896)	–	(247,846)	–	(83,612)	–	(63,132)	–
Cash	36,890	–	41,649	–	36,068	–	35,862	–
Tenge	20,777	–	20,364	–	20,361	–	19,665	–
Foreign currency	16,113	–	21,285	–	15,707	–	16,197	–
Correspondent accounts with other banks	40,632	0.02	71,852	0.02	26,754	0.58	22,616	0.87
Tenge	2,041	–	1,750	0.00	2,701	0.00	3,181	0.00
Foreign currency	38,590	0.03	70,102	0.02	24,053	0.65	19,435	1.02
Property, equipment and intangible assets	34,962	–	36,855	–	37,355	–	26,763	–
Tenge	33,207	–	34,649	–	35,196	–	24,972	–
Foreign currency	1,755	–	2,206	–	2,159	–	1,791	–
Goodwill	2,405	–	2,405	–	2,405	–	2,405	–
Tenge	2,405	–	2,405	–	2,405	–	2,405	–
Foreign currency	–	–	–	–	–	–	–	–
Investments in associates	–	–	420	–	2,689	–	2,313	–
Tenge	–	–	420	–	2,689	–	2,313	–
Foreign currency	–	–	–	–	–	–	–	–
Other assets	292,144	–	226,604	–	144,586	–	96,314	–
Tenge	124,399	–	80,033	–	69,446	–	38,418	–
Foreign currency	167,745	–	146,571	–	75,140	–	57,896	–
Total assets	2,624,515	11.48	2,882,611	12.94	2,847,534	13.37	2,693,909	11.75
Tenge	1,078,077	8.08	844,712	13.45	1,026,821	14.02	911,200	11.22
Foreign currency	1,546,438	13.84	2,037,899	12.72	1,820,713	13.01	1,782,709	12.02

	Six months ended 30 June 2010 Average balance (KZT millions)	Average interest rate (%)	2009 Average balance (KZT millions)	Average interest rate (%)	2008 Average balance (KZT millions)	Average interest rate (%)	2007 Average balance (KZT millions)	Average interest rate (%)
	(unaudited)				(unaudited)			
Liabilities and equity:								
Demand deposits	259,865	2.34	250,632	1.86	189,094	0.99	189,112	0.39
Tenge	215,721	2.58	144,157	1.91	136,390	1.23	142,385	0.47
Foreign currency	44,144	1.15	106,475	1.80	52,704	0.37	46,727	0.14
Term deposits	1,059,592	8.49	917,595	8.47	782,545	9.00	574,395	8.83
Tenge	489,013	8.65	325,319	9.44	365,316	9.82	430,140	9.11
Foreign currency	570,579	8.35	592,276	7.95	417,229	8.28	144,255	8.01
Correspondent accounts of other banks	18,259	0.05	23,071	0.01	31,797	0.03	40,685	0.09
Tenge	4,034	0.19	3,857	0.05	5,502	0.18	11,144	0.30
Foreign currency	14,224	0	19,214	0.00	26,295	0.00	29,541	0.00
Short-term interbank borrowings	88,168	7.42	99,421	5.50	119,872	8.01	171,523	6.53
Tenge	2,330	3.42	2,797	5.25	13,357	7.09	15,956	7.15
Foreign currency	85,838	7.53	96,624	5.51	106,515	8.12	155,567	6.47
Long-term loans from banks and financial institutions	89,372	2.01	156,286	6.09	303,794	5.90	479,446	6.78
Tenge	1,439	3.90	1,132	7.00	4,326	8.24	1,371	5.54
Foreign currency	87,933	1.98	155,154	6.09	299,468	5.87	478,075	6.78
Other borrowed funds	29,302	5.48	89,253	5.19	144,820	5.93	119,885	8.01
Tenge	17,713	7.65	17,010	7.66	14,278	9.55	6,106	8.16
Foreign currency	11,590	2.15	72,243	4.61	130,542	5.53	113,779	8.00
Debt securities issued	550,385	8.53	840,217	9.16	812,576	8.89	721,389	8.89
Tenge	35,758	9.32	32,760	9.50	23,524	8.37	12,977	7.78
Foreign currency	514,627	8.48	807,447	9.14	789,052	8.91	708,412	8.91
Other liabilities	135,649	–	146,752	–	120,272	–	95,087	–
Tenge	81,144	–	86,240	–	91,281	–	47,528	–
Foreign currency	54,505	–	60,512	–	28,991	–	47,559	–
Total liabilities	2,230,592	6.86	2,523,226	7.09	2,504,770	7.21	2,391,522	7.06
Tenge	847,153	6.22	613,281	6.21	653,974	6.45	667,607	6.38
Foreign currency	1,383,440	7.24	1,909,945	7.38	1,850,796	7.48	1,723,915	7.33
Non-controlling interest	(85)	–	478	–	7,318	–	15,136	–
Tenge	792	–	477	–	1,858	–	2,786	–
Foreign currency	(877)	–	1	–	5,460	–	12,350	–
Shareholders' equity and reserves	394,008	–	358,906	–	335,446	–	287,251	–
Tenge	394,008	–	358,906	–	335,446	–	287,251	–
Foreign currency	–	–	–	–	–	–	–	
Total liabilities	2,624,515	5.83	2,882,611	6.21	2,847,534	6.34	2,693,909	6.27
Tenge	1,241,953	4.24	972,665	3.92	991,278	4.26	957,644	4.45
Foreign currency	1,382,562	7.25	1,909,946	7.38	1,856,256	7.46	1,736,265	7.28
Average Exchange Rate KZT/U.S.$	147.24	–	147.59	–	120.29	–	122.57	–

The following table indicates average interest-bearing assets, average assets, interest income, net interest income before provision for impairment losses, net interest income, yield, margin, spread and return on average assets for the six months ended 30 June 2010 and for the years ended 31 December 2009, 2008 and 2007:

	Six months ended 30 June	Year ended 31 December		
	2010	2009	2008	2007
	(KZT millions, except for percentages) (unaudited)			
Average interest-bearing assets	2,208,467	2,471,877	2,504,548	2,386,933
Average assets	2,624,515	2,882,611	2,847,534	2,693,909
Interest income	150,611	372,939	380,777	316,458
Net interest income before provision for impairment losses on interest-bearing assets	74,156	193,202	199,512	144,696
Net interest income	23,395	89	48,815	74,740
Yield (%)(1)(2)	10.9	15.1	15.2	13.3
Net interest margin (%)(1)(3)	4.0	7.8	8.0	6.1
Spread (%)(4)	3.6	7.6	7.6	5.9
Return on average total assets (%)(1)(3)	0.8	0.7	0.7	2.1

(1) Annualised.

(2) Interest income divided by average interest bearing assets. The yield for the six months ended 30 June 2010 was calculated as interest income, adjusted for interest accrued on certain corporate customer loans where under the contractual terms of the loan agreement there are no cash flows to the Group prior to 2013, divided by average interest bearing assets. The accrued interest on these loans for the six months ended 30 June 2010 amounted to KZT 30,113 million and it was fully provisioned.

(3) See "*Selected Consolidated Financial Data*" for the definition of net interest margin, adjusted net interest margin and return on average total assets.

(4) Average rate earned on interest-bearing assets minus the average rate paid on interest-bearing liabilities.

Assets

The consolidated assets of the Group as at 30 June 2010 amounted to KZT 2.605 billion and to KZT 2,588 billion as at 31 December 2009, compared to KZT 2,615 billion and KZT 2,997 billion as at 31 December 2008 and 2007, respectively.

The following table sets out the major asset groups of the Group, broken down by currency, as at 30 June 2010, and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010		As at 31 December 2009		2008		2007	
	(KZT millions) (unaudited)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Cash and balances with national (central) banks	71,537	2.7	90,533	3.5	90,478	3.4	168,148	5.6
Tenge	53,993	2.1	61,450	2.4	40,444	1.5	57,840	1.9
Foreign currency	17,544	0.7	29,083	1.1	50,034	1.9	110,308	3.7
Precious Metals	1,159	–	1,209	0.1	317	–	–	–
Tenge		–	–	–	–	–	–	–
Foreign currency	1,159	–	1,209	0.1	317	–	–	–
Financial assets at fair value through profit or loss, investment available-for-sale, investments held to maturity, investments in associates	160,121	6.1	131,842	5.1	75,737	2.9	195,409	6.5
Tenge	140,753	5.4	104,613	4.0	49,883	1.9	65,946	2.2
Foreign currency	19,368	0.7	27,229	1.1	25,854	1.0	129,463	4.3
Loans and advances to banks and other financial institutions (net)	141,753	5.4	148,375	5.7	241,813	9.3	212,823	7.1
Loans and advances to banks and other financial institutions (gross)	141,772	5.4	148,397	5.7	242,112	9.3	214,099	7.1
Tenge	4,176	0.1	13,253	0.5	4,499	0.2	12,968	0.4
Foreign currency	137,596	5.3	135,144	5.2	237,613	9.1	201,131	6.7
Reserves for Losses on loans to banks	(19)	–	(22)	–	(299)	–	(1,276)	–
Tenge	–	–	–	–	–	–	–	–
Foreign currency	(19)	–	(22)	–	(299)	–	(1,276)	–
Loans and advances to customers, net	2,177,198	83.6	2,160,767	83.5	2,144.782	82.1	2,366,335	78.9
Loans and advances to customers, gross	2,730,511	104.8	2,666,315	103	2,434,100	93.1	2,506,698	83.6
Tenge	1,082,309	41.5	958,195	37	859,575	32.9	948,380	31.6
Foreign currency	1,648,202	63.3	1,708,120	66	1,574,535	60.2	1,558,318	52.0
Allowance for impairment losses	(553,313)	21.2	(505,548)	19.5	(289,328)	11.0	(140,363)	4.7
Tenge	(244,380)	9.3	(185,040)	7.1	(134,390)	5.1	(57,339)	1.9
Foreign currency	(308,933)	11.9	(320,508)	12.4	(154,938)	5.9	(83,024)	2.8
Goodwill	2,405	0.1	2,405	0.1	2,405	0.1	2,405	0.1
Tenge	2,405	0.1	2,405	0.1	2,405	0.1	2,405	0.1
Foreign currency	–	–	–	–	–	–	–	–
Other assets and property, equipment and intangible assets	51,205	2.0	52,742	2.0	59,273	2.2	52,112	1.7
Tenge	39,135	1.5	40,921	1.6	45,606	1.7	41,542	1.3
Foreign currency	12,070	0.5	11,821	0.4	13,667	0.5	10,570	0.4
Total Assets	2,605,378	100.0	2,587,873	100.0	2,614,805	10.0	2,997,232	100.0
Tenge	1,078,444	41.4	995,797	38.5	868,822	33.2	1,071,742	35.8
Foreign currency	1,526,934	58.6	1,592,076	61.5	1,746,783	66.8	1,925,490	64.2

Liabilities

The following table sets out the major liability groups of the Group, broken down by currency, as at 30 June 2010, and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010		As at 31 December 2009		2008		2007	
	(KZT millions) (unaudited)	(%)	(KZT millions)	(%)	(KZT millions)	(%)	(KZT millions)	(%)
Loans and advances from banks and other financial institutions								
Tenge	4,592	0.2	4,958	0.2	16,512	0.7	31,993	1.2
Foreign currency	162,077	7.3	204,163	9.3	279,879	12.2	691,438	25.8
Total	166,669	7.5	209,122	9.5	296,391	12.9	723,431	27.0
Customer accounts								
Tenge	750,641	34.0	632,542	28.8	443,862	19.3	542,353	20.2
Foreign currency	650,766	29.5	643,922	29.3	535,591	23.3	352,730	13.2
Total	1,401,407	63.5	1,276,464	58.1	979,453	42.6	895,083	33.4
Debt securities issued								
Tenge	–	–	–	–	–	–	–	–
Foreign currency	380,617	17.2	463,656	21.1	678,285	29.5	739,688	27.6
Total	380,617	17.2	463,656	21.1	678,285	29.5	739,688	27.6
Other borrowed funds								
Tenge	17,843	0.8	19,097	0.9	9,362	0.4	18,929	0.7
Foreign	10,949	0.5	12,075	0.5	127,962	5.6	130,005	4.9
Total	28,792	1.3	31,172	1.4	137,324	6.0	148,934	5.6
Subordinated debt								
Tenge	32,864	1.5	31,736	1.4	38,139	1.7	28,929	1.1
Foreign currency	104,060	4.7	104,675	4.8	79,585	3.5	79,237	2.9
Total	136,924	6.2	136,411	6.2	117,724	5.1	108,166	4.0
Other liabilities(1)	92,530	4.2	81,460	3.7	91,766	4.0	62,711	2.3
Tenge	83,110	3.8	68,059	3.1	81,513	3.5	49,486	1.8
Foreign currency	9,420	0.4	13,401	0.6	10,254	0.4	13,225	0.5
Total liabilities								
Tenge	889,050	40.3	756,393	34.4	589,388	25.6	671,690	25.1
Foreign currency	1,317,889	59.7	1,441,892	65.6	1,711,555	74.4	2,006,323	74.9
Total	2,206,939	100.0	2,198,285	100.0	2,300,943	100.0	2,678,013	100.0

(1) Other liabilities include financial liabilities at fair value through profit or loss, provisions, dividends payable and deferred income tax liabilities.

Currency Exchange Rate Risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

Although currency risk is measured and controlled by the Group in the framework of market risk control, the Group also considers and measures this risk separately, to decrease it and comply with regulatory requirements. The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which enable the Group to minimise losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages the open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The FMSA sets strict limits on open currency positions. This measure also limits currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

The following table shows the Group's exposure to foreign currency exchange rate risk by principal currencies as at 30 June 2010:

	KZT	USD	EUR	RUR	Other currency	Total 30 June 2010
			(KZT millions) (unaudited)			
Financial Assets:						
Cash and balances with national (central) banks	53,993	7,936	4,547	3,908	1,153	71,537
Precious metals	–	–	–	–	1,159	1,159
Financial assets at fair value through profit or loss	127,600	2,228	1,767	7,651	3,951	143,197
Loans and advances to banks and other financial institutions	4,176	127,044	6,089	1,666	2,778	141,753
Loans to customers	848,798	1,291,649	7,233	29,158	360	2,177,198
Investments available-for-sale	12,424	3,342	–	–	–	15,766
Investments held to maturity	729	354	–	–	75	1,158
Other financial assets	3,484	791	174	6,305	37	10,791
Total financial assets	1,051,204	1,433,344	19,810	48,688	9,513	2,562,559
Financial Liabilities:						
Loans and advances from banks and other financial institutions	4,592	153,809	5,643	2,567	58	166,669
Customer accounts	750,641	574,608	55,005	18,372	2,781	1,401,407
Financial liabilities at fair value through profit or loss	47,507	4,442	–	–	2	51,951
Debt securities issued	–	238,838	111,143	104	30,532	380,617
Other borrowed funds	17,843	10,949	–	–	–	28,792
Dividends payable	–	735	–	–	10	745
Other financial liabilities	6,648	78	444	681	270	8,121
Subordinated debt	32,864	104,060	–	–	–	136,924
Total financial liabilities	860,095	1,087,519	172,235	21,724	33,653	2,175,226
Open position	191,109	345,825	(152,425)	26,964	(24,140)	–

Liquidity and Interest Rate Risk

Liquidity risk refers to the risk of the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The ALMC controls liquidity risk by conducting a weekly liquidity gap analysis and taking appropriate steps to reduce liquidity risk. Current liquidity is managed by the Treasury Department by undertaking in the financial markets including by placing funds in liquid securities in accordance with the instructions of the ALMC.

The Group monitors and ensures compliance with numerous regulatory requirements including term liquidity ratios and currency position liquidity limits.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to one month	One to three months	Three months to one year	One to five years (KZT millions) (unaudited)	Over five years	Maturity undefined	30 June 2010 Total
Financial Assets:							
Debt securities and derivatives included financial assets at fair value through profit or loss	63,962	56,110	7,194	2,673	9,102	–	139,041
Loans and advances to banks and other financial institutions	90,632	–	21,588	29,104	15	–	141,339
Loans to customers	81,679	46,658	559,301	695,891	526,025	–	1,909,554
Debt securities included in investments available-for-sale	124	281	4,546	4,951	1,611	–	11,513
Investments held to maturity	–	–	22	1,111	–	–	1,133
Total interest-bearing assets	236,397	103,049	592,651	733,730	536,753	–	2,202,580
Cash and balances with national (central) banks	71,537	–	–	–	–	–	71,537
Precious metals	1,159	–	–	–	–	–	1,159
Equity securities included financial assets at fair value through profit or loss	–	–	–	–	–	3,571	3,571
Equity securities in the investments available-for-sale	–	–	–	–	–	4,003	4,003
Accrued interest income on interest-bearing assets	55,034	42,640	81,460	89,712	72	–	268,918
Other financial assets	3,075	1,285	4,525	1,906	–	–	10,791
Total financial assets	367,202	146,974	678,636	825,348	536,825	7,574	2,562,559
Financial Liabilities:							
Loans and advances from banks and other financial institutions	28,641	6,519	29,775	100,783	251	–	165,969
Customer accounts	503,193	243,885	265,125	302,408	51,114	–	1,365,725
Debt securities issued	311	531	51,898	150,994	170,108	–	373,842
Other borrowed funds	4	281	414	3,783	23,940	–	28,422
Subordinated debt	–	–	–	21,737	106,188	6,706	134,631
Total interest-bearing liabilities	532,149	251,216	347,212	579,705	351,601	6,706	2,068,589
Financial liabilities at fair value through profit or loss	261	124	1,319	26,922	23,325	–	51,951
Dividends payable	–	–	10	735	–	–	745
Accrued interest expense on interest-bearing liabilities	12,373	21,872	10,785	790	–	–	45,820
Other financial liabilities	7,161	194	766	–	–	–	8,121
Total financial liabilities	551,944	273,406	360,092	608,152	374,926	6,706	2,175,226
Liquidity gap	(184,742)	(126,432)	318,544	217,196	161,899		
Interest sensitivity gap	(295,752)	(148,167)	245,439	154,025	185,152		
Cumulative interest sensitivity gap	(295,752)	(443,919)	(198,480)	(44,455)	140,697		
Cumulative interest sensitivity gap as a percentage of total assets	(11.5%)	(17.3%)	(7.7%)	(1.7%)	5.5%		
Contingent liabilities and credit commitments	5,451	7,982	27,198	61,162	4,675	14	

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

The Group is seeking to extend the maturity of its liabilities so that they are in line with the maturities of its assets to reduce the risk of changes in interest rates. Long term liabilities as a percentage of total liabilities as at 31 December 2009 equalled 57.3 per cent. compared to 56.1 per cent. as at 31 December 2008 and 54.2 per cent. as at 31 December 2007.

The Group seeks to match loans and funding sources through its participation in specialised programmes financed by Samruk-Kazyna, DAMU, JSC Distressed Assets Fund, the EBRD and other international financial institutions, and continues to work on increasing the volume and tenor of its term deposits. In addition, the Group believes that loans with a shorter or matching maturity as its funding sources provide for stability and flexibility in its liquidity levels.

As at 30 June 2010, financial assets and financial liabilities with a maturity of up to one year amounted to 46.5 per cent. and 54.5 per cent., of total financial assets and total financial liabilities, respectively, and as at 31 December 2009, they amounted to 42.3 per cent. and 45.9 per cent., respectively.

As at 30 June 2010, there was a negative gap between financial assets and financial liabilities with a maturity of up to one month. This was the result of the large number of demand deposits of clients falling due within this period. However, based on its previous experience, the Bank believes that the likelihood is extremely low that it would be necessary to make payments at maturity for all personal accounts and deposits. Historically, it has been the Bank's experience that the tenure of demand deposits have been continuously extended.

As at 30 June 2010, the maturity gap for financial assets and financial liabilities with a maturity of up to one year was positive at KZT 7.3 billion.

Securities Portfolio

The Group's securities portfolio consists of financial assets at fair value through profit or loss as well as securities available for sale and held to maturity. The size of the securities portfolio increased by 21.4 per cent. as at 30 June 2010 to KZT 160.1 billion compared to KZT 131.8 billion as at the end of 2009. The increase was mainly due to an increase in financial assets at fair value through profit or loss (89.4 per cent. of the securities portfolio as at 30 June 2010), which increased by 25.4 per cent., or KZT 29.0 billion. This increase was primarily attributable to increased holdings of short-term notes issued by the NBK.

The amount of financial assets at fair value through profit or loss as at 31 December 2009 increased significantly by 96.5 per cent. to KZT 114.2 billion compared to KZT 58.1 billion as at 31 December 2008 due to the increase in investments in notes issued by the NBK.

Debt securities decreased by KZT 97.7 billion in 2008 as these securities were sold in order to fund redemptions of the Group's liabilities. Similarly in 2008, investments in securities of international financial organisations decreased by KZT 84.4 billion. As at 31 December 2008, the Group's financial assets at fair value through profit or loss amounted to KZT 58.1 billion compared to KZT 188.8 billion as at 31 December 2007, representing a decrease of 69.2 per cent. equal to KZT 130.6 billion.

The Group invests funds received from new deposits and repayments in its loan portfolio in highly-liquid assets, mostly in short-term notes denominated in Tenge and issued by the NBK. Holdings in notes issued by the NBK have increased by KZT 60.2 billion to KZT 112.0 billion as at June 30, 2010 from KZT 51.8 billion as at 31 December 2009 from KZT 5.6 billion as at 31 December 2008.

Since 31 December 2009, derivative financial instruments decreased by KZT 31.1 billion, or 83.2 per cent., to KZT 6.3 billion as at 30 June 2010, primarily due to the decrease in the value of currency swaps entered into to hedge currency risks, which decreased by 83.6 per cent. from KZT 37.2 billion as at 31 December 2009 to KZT 6.1 billion as at 30 June 2010.

The following table shows the composition of securities held by the Group as at 30 June 2010 and 31 December 2009:

	As at 30 June 2010	As at 31 December 2009
	(KZT millions) (unaudited)	
Debt securities	133,332	74,125
Equity investments	3,571	2,638
Derivative financial instruments	6,294	37,440
Financial assets at fair value through profit or loss	143,197	114,203

Financial assets at fair value through profit or loss consist of financial assets held for trading.

On 10 March 2009, the Bank sold its investments in JSC Ular Umit APF and Pension Assets Management Organization Zhetysu. The sale proceeds amounted KZT 4,027 million. As a result of sale of these assets, as at 30 June 2010 and as at 31 December 2009 there were no investments in associates.

The following table shows the composition of securities held by the Group and its investments in associates as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June	As at 31 December		
	2010	2009	2008	2007
	(KZT millions) (unaudited)		(KZT millions)	
Financial assets for fair value through profit or loss	143,197	114,203	58,130	188,776
Investments available-for-sale	15,766	16,696	15,056	3,036
Investments held to maturity	1,158	943	776	375
Total	160,121	131,842	73,962	192,187
Investments in associates	–	–	1,775	3,222
Total securities and investments in associates and other entities	160,121	131,842	75,737	195,409

The following table shows the average balance of the marketable securities portfolio and the average interest rates for the six months ended 30 June 2010 and the years ended 31 December 2009 and 2008:

	Six months ended 30 June 2010		Year ended 31 December 2009		2008	
	(KZT millions)	(Average interest rate, %)	(KZT millions)	(Average interest rate, %)	(KZT millions)	(Average interest rate, %)
	(unaudited)					
NBK notes	97,131	1.9	3,551	4.3	7,495	6.0
Bonds of Kazakhstani companies	40,919	7.1	54,670	7.9	57,610	9.5
Medium-term and long-term notes of the Ministry of Finance of the Republic of Kazakhstan	1,192	6.2	1,462	5.5	1,546	4.9
Eurobonds of foreign governments	–	–	–	–	2	4.4
Eurobonds of Kazkommerts International B.V.	–	–	–	–	79	8.6
Short-term notes of the Ministry of Finance of the Republic of Kazakhstan and Kyrgyz Republic	14	2.4	39	15.0	35	6.7
Total	139,256	3.5	59,722	7.6	66,767	9.0

The average balance of the securities portfolio increased by 133.2 per cent. to KZT 139.3 billion during the six months ended 30 June 2010 from KZT 59.7 billion during the year ended 31 December 2009, primarily due to a significant increase in the amount of NBK notes held from KZT 3,551 million as at 31 December 2009 to KZT 97,131 million as at 30 June 2010. The average interest rate during the six months ended 30 June 2010 equalled 3.5 per cent. compared to 7.6 per cent. during the year ended 31 December 2009. This resulted from a decrease in average interest rates, especially the average interest rate of the Group's holdings in short-term notes issued by the governments of Kazakhstan and Kyrgyzstan. The average interest rate on the securities decreased from 15.0 per cent. during the year ended 31 December 2009 to 2.4 per cent. during the six months ended 30 June 2010.

In addition, the reclassification of the Group's securities portfolio resulted in changes in the average balance. In October 2008, the IASB issued amendments to IFRS 39 "Financial instruments: recognition and evaluation" ("IFRS 39") which allow reclassification of financial assets available-for-sale in line within certain limitations. According to these amendments, during 2008 the Group reclassified certain debt and equity securities having a total fair value of KZT 10,886 million as at 31 December 2008 as financial assets at fair value through profit and loss as well as investments held to maturity to investments available-for-sale.

As at the reclassification date, the total fair value of reclassified debt and equity securities was KZT 14,896 million. The securities portfolio also decreased due to the re-allocation of funds from securities to interbank deposits in certain highly rated European banks in light of the global crisis and the higher volatility in the global securities market.

There was a 44.9 per cent. decrease in investments in associates from KZT 3.2 billion as at 31 December 2007 to KZT 1.8 billion as at 31 December 2008 which resulted from a decline in profit generated by associates.

Maturity Profile of Securities Portfolio

The maturity profile of the securities portfolio as at 30 June 2010 indicates that over 83.0 per cent. of the portfolio had maturities of up to one year.

The following table sets forth certain information relating to the maturity of the securities portfolio (excluding accrued interest income on these securities) as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
	(unaudited)							
Up to 1 month	64,086	40.2	6,079	4.6	1,407	1.9	10,459	5.5
From 1 month to 3 months	56,391	35.4	17,912	13.7	6,653	9.2	129,374	67.9
From 3 months to 1 year	11,762	7.4	37,572	28.7	27,313	37.7	32,030	16.8
From 1 year to 5 years	8,735	5.5	24,689	18.9	17,989	24.8	1,639	0.9
Over 5 years	10,713	6.7	36,751	28.1	14,508	20.1	1,355	0.7
Maturity is not defined[(1)]	7,574	4.8	7,890	6	4,577	6.3	15,649	8.2
Total	159,261	100	130,893	100	72,447	100	190,506	100

(1) Maturity is not defined consists of equity investments.

The Group's Loan Portfolio

Loans, letters of credit and letters of guarantee

The Group offers a variety of corporate banking products including loans, trade financing, letters of credit and letters of guarantee. The following table sets out the composition of the Group's loans to customers and contingent liabilities exposure as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	31 December 2007 (KZT millions)	31 December 2008 (KZT millions)	Change for 2008 (KZT millions)	(%)	31 December 2009 (KZT millions)	Change for 2009 (KZT millions)	(%)	30 June 2010 (KZT millions)	Variation for 6 months of 2010 (KZT millions)	(%)
Loans										
Loans to customers less loans under reverse repurchase agreements	2,486,149	2,399,693	(86,456)	(3.5)	2,665,426	(90,279)	(3.3)	2,729,288	63,862	2.40
Loans under reverse repurchase agreements	20,549	34,417	13,868	67.5	889	(35,911)	(97.6)	1,223	334	37.57
Total Loans to customers, gross	2,506,698	2,434,110	(72,588)	2.9	2,666,315	(126,190)	(4.5)	2,730,511	64,196	2.41
Provisions for losses	140,363	289,328	148,965	106.1	505,548	180,913	55.7	553,313	47,765	9.45
Loans and advances to customers, net	2,366,335	2,144,782	(221,553)	(9.4)	2,160,767	(307,103)	(12.4)	2,177,198	16,431	0.76
Contingent liabilities										
Letters of guarantee	94,582	109,550	14,968	15.8	122,096	546	0.4	104,016	(18,080)	(14.81)
Letters of credit	90,510	37,570	(52,940)	(58.5)	8,391	(37,907)	(81.9)	2,466	(5,925)	(70.61)
Total guarantees and letters of credit, gross	185,092	147,120	(39,972)	(20.5)	130,487	(37,361)	(22.3)	106,482	(24,005)	(18.40)
Less allowance for impairment losses	7,216	6,271	(945)	(13.1)	7,217	(178)	(2.4)	4,823	(2,394)	(33.17)
Total contingent liabilities, net	177,876	140,849	(37,027)	(20.8)	123,270	(37,183)	(23.2)	101,659	(21,611)	(17.53)
Total credit portfolio, gross	2,691,790	2,581,230	(110,560)	(4.1)	2,796,802	(163,551)	(5.5)	2,836,993	40,191	1.44
Less allowances for losses on loans and contingent liabilities	147,579	295,599	148,020	100.3	512,765	180,735	54.4	558,136	45,370	8.85
Total loans and contingent liabilities, net	2,544,211	2,285,631	(258,580)	(10.2)	2,284,037	(344,286)	(13.1)	2,278,857	(5,180)	(0.23)

During the first six months of 2010, the net loan portfolio increased by 0.8 per cent. to KZT 2,177 billion. In 2009, the net loan portfolio increased by 0.7 per cent., to KZT 2,161 billion as at 31 December 2009. In 2008 the net loan portfolio decreased by 9.4 per cent. to KZT 2,145 billion as at 31 December 2008 from KZT 2,366 billion at the end of 2007. As at 30 June 2010, total loans and contingent liabilities had decreased by 0.4 per cent. to KZT 2,292 billion from KZT 2,301 billion as at 31 December 2009 and KZT 2,301 billion as at 31 December 2008.

Loan portfolio by type

The following table shows a breakdown of the loan portfolio before allowance for impairment losses by type of loan as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010 (KZT millions) (unaudited)	(share %)	As at 31 December 2009 (KZT millions)	(share %)	2008 (KZT millions)	(share %)	2007 (KZT millions)	(share %)
Construction, maintenance	1,082,497	39.6	1,027,164	38.5	848,411	35.4	650,527	26.2
Real estate purchase	380,879	14.0	352,223	13.2	261,327	10.9	379,440	15.2
Working capital finance	212,890	7.8	203,608	7.6	293,773	12.2	387,819	15.6
Fixed assets purchase	240,173	8.8	274,280	10.3	258,629	10.8	278,537	11.2
Equity investment in other companies	130,357	4.8	123,326	4.6	127,087	5.3	138,966	5.6
Trade finance	47,113	1.7	44,827	1.7	30,918	1.3	34,002	1.4
Other	636,603	23.3	639,998	24.1	579,548	24.1	616,858	24.8
Total(1)	2,730,512	100.0	2,665,426	100.0	2,399,693	100.0	2,486,149	100.0

(1) Total loans to customers before allowances for impairment losses and loans under reverse repurchase agreements.

Lending to the housing construction sector (14.7 per cent), the commercial real estate construction sector (8.6 per cent), the real estate sector (16.5 per cent) and to individuals (11.7 per cent) and the wholesale and retail trade sectors (11.6 per cent) formed the largest share of the Group's net loan portfolio and amounted to 63.1 per cent. of the total loan portfolio as at 30 June 2010.

The following table sets forth certain information as to the structure of the Group's loan portfolio by sector as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions)	(share %)	(KZT millions)	(share %) (unaudited)	(KZT millions)	(share %)	(KZT millions)	(share %)
Real estate	358,894	16.5	306,961	14.2	140,901	6.6	165,825	7.0
Housing construction	319,094	14.7	311,969	14.4	301,665	14.1	246,546	10.4
Individuals	254,285	11.7	274,141	12.7	351,088	16.4	452,330	19.1
Wholesale and retail trade	252,654	11.6	282,509	13.1	333,171	15.5	442,181	18.7
Commercial real estate construction	186,476	8.6	187,171	8.7	192,869	9.0	228,165	9.6
Hotel business	181,438	8.3	171,795	8.0	135,015	6.3	133,635	5.7
Production of other non-metal materials	112,041	5.2	111,920	5.2	93,492	4.4	54,840	2.3
Transport and communications	90,191	4.1	106,099	4.9	97,576	4.5	106,576	4.5
Investments and finance	72,379	3.3	67,441	3.1	131,866	6.1	122,744	5.2
Food industry	60,659	2.8	60,102	2.8	56,730	2.6	62,661	2.6
Energy	57,462	2.6	49,992	2.3	73,792	3.4	66,179	2.8
Industrial and other construction	42,037	1.9	27,889	1.3	30,447	1.4	40,115	1.7
Agriculture	37,620	1.7	24,328	1.1	45,440	2.1	52,906	2.2
Production of construction materials	18,828	0.9	18,499	0.9	16,073	0.7	31,468	1.3
Mining and metallurgy	13,685	0.6	15,756	0.7	13,118	0.6	11,577	0.5
Machinery construction	11,300	0.5	28,826	1.3	39,972	1.9	43,935	1.9
Medicine	7,685	0.4	6,526	0.3	5,877	0.3	4,239	0.2
Culture and art	747	0.0	402	0.0	2,437	0.1	4,945	0.2
Other	99,723	4.6	108,441	5.0	83,253	3.9	95,468	4.0
Total	2,177,198	100.0	2,160,767	100	2,144,782	100	2,366,335	100

Loan portfolio by currency

In line with the Group's policy on limiting currency fluctuation risks, foreign-currency loans comprise the major part of the Group's loan portfolio. As at 30 June 2010, U.S. dollar-denominated or indexed loans comprised 59.3 per cent. of the Group's loan portfolio, compared to 61.9 per cent. as at 31 December 2009, 62.5 per cent. as at 31 December 2008 and 57.9 per cent. as at 31 December 2007. The share of Tenge-denominated loans increased to 39.0 per cent. of the Group's portfolio as at 30 June 2010 from 35.8 per cent. as at 31 December 2009, 33.8 per cent. as at 31 December 2008 and 37.7 per cent. as at 31 December 2007. Tenge-denominated loans generally have a shorter-term maturity.

Usually the terms of the Group's loans allow for increases in interest rates or require early repayment in case of a significant devaluation of the Tenge.

The following table sets forth the currency profile of the Group's loan portfolio as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010		As at 31 December 2009		2008		2007	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Tenge	848,798	39.0	773,155	35.8	725,185	33.8	891,041	37.7
U.S.$	1,291,649	59.3	1,338,637	61.9	1,340,347	62.5	1,369,863	57.9
Euro	7,233	0.3	10,172	0.5	12,024	0.6	24,955	1.0
Other	29,518	1.4	38,803	1.8	67,226	3.1	80,476	3.4
Total	2,177,198	100.0	2,160,767	100.0	2,144,782	100.0	2,366,335	100.0

Maturity profile of loan portfolio

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

The following table sets forth the maturity of the Group's loan portfolio (less accrued interest) as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010		As at 31 December 2009		2008		2007	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Up to one month	81,679	4.3	19,363	1.0	69,388	3.4	121,342	5.3
From one to three months	46,658	2.4	53,437	2.8	94,480	4.6	160,508	7.0
From three months to one year	559,301	29.3	534,511	27.6	484,754	23.7	449,367	19.5
From one to five years	695,891	36.4	886,195	45.8	861,803	42.1	858,742	37.3
Over five years	526,025	27.6	442,751	22.8	536,174	26.2	709,549	30.9
Total	1,909,554	100.0	1,936,257	100.0	2,046,599	100.0	2,299,508	100.0

Collateralisation of loan portfolio

Loans are secured by various types of collateral, including real estate, guarantees, inventory, equipment, government securities, shares and deposits. The collateral is valued conservatively with the involvement of independent experts if needed. If the collateral declines in value additional collateral may be requested. As at 30 June 2010 the share of unsecured loans (gross) decreased to 2.4 per cent. compared to 2.9 per cent. as at 31 December 2009. Short-term loans to reliable clients comprise the majority of unsecured loans.

The following table sets forth the amount of collateralised and non-collateralised loans and each as a percentage of total loans as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010		As at 31 December 2009		2008		2007	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Secured Loans	2,124,683	97.6	2,098,323	97.1	2,053,652	95.7	2,233,971	94.4
Loans collateralised by real estate	1,149,900	52.8	1,167,069	54.0	914,265	42.6	1,039,685	43.9
Loans collateralised by equipment	383,297	17.6	309,245	14.3	266,345	12.4	209,168	8.8
Loans collateralised by shares of the banks and other companies	215,032	9.9	208,693	9.7	249,811	11.7	209,729	8.9
Loans collateralised by inventories	198,621	9.1	181,694	8.4	67,717	3.2	41,014	1.7
Loans collateralised by guarantees of enterprises	57,624	2.6	81,507	3.8	175,352	8.2	176,004	7.4
Loans collateralised by accounts receivable	53,394	2.5	61,264	2.8	83,884	3.9	86,872	3.7
Loans collateralised by mixed types of collateral	37,002	1.7	14,725	0.7	122,956	5.7	209,980	8.9
Loans collateralised by cash or Kazakhstan Government guarantees	15,003	0.7	23,563	1.1	58,231	2.7	80,232	3.4
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	13,483	0.6	49,503	2.3	77,973	3.6	152,707	6.5
Loans collateralised by securities	1,223	0.1	889	0.0	34,417	1.6	20,549	0.9
Loans collateralised by guarantees of financial institutions	104	0.0	171	0.0	2,701	0.1	8,031	0.3
Unsecured loans	52,515	2.4	62,444	2.9	91,130	4.3	132,364	5.6
Total loans	2,177,198	100	2,160,767	100	2,144,782	100	2,366,335	100

Concentration of the loan portfolio

The Group's total loan portfolio increased by 0.8 per cent. between 31 December 2009 and 30 June 2010 and its composition underwent several changes. Loans to housing, commercial and industrial construction increased by 3.9 per cent., and constituted a 25.2 per cent. share in the loan portfolio as at 30 June 2010 compared to 24.4 per cent. as at 31 December 2009. Loans to real estate increased by 16.9 per cent. and constituted a 16.5 per cent. share in the loan portfolio as at 30 June 2010 compared to 14.2 per cent. as at 31 December 2009. Loans to trade companies decreased by 10.6 per cent., with their percentage of the total loan portfolio decreasing to 11.6 per cent. compared to 13.1 per cent. as at the end of 2009. As at 30 June 2010, loans to individuals, including consumer and mortgage lending, decreased by 7.2 per cent. from the end of 2009 while the share of these loans, as a percentage of the Group's loan portfolio, decreased from 12.7 per cent. as at 31 December 2009 to 11.7 per cent. as at 30 June 2010. Loans to hotels and hospitality increased by 5.6 per cent., representing 8.3 per cent. of the loan portfolio as at 30 June 2010 compared to 8.0 per cent. as at 31 December 2009. Loans to the transport and communications industries decreased by 15.0 per cent. in the same period and the percentage of these loans in the portfolio decreased to 4.1 per cent. as at 30 June 2010 from 4.9 per cent. at the end of 2009.

Loans to the energy sector increased from 31 December 2009 to 30 June 2010 whilst their share in the total loan portfolio increased to 2.6 per cent. compared to 2.3 per cent. in 2009. Loans to the investment and finance sector increased by 7.3 per cent. and constituted a 3.3 per cent. share in the loan portfolio as at 30 June 2010 compared to a 3.1 per cent. share as at 31 December 2009.

The total amount lent to companies in the agriculture sector increased by 54.6 per cent. and as a percentage of the Group's total loan portfolio such loans increased from 1.1 per cent. as at 31 December 2009 to 1.7 per cent. as at 30 June 2010. Agricultural loans are primarily provided to large integrated companies which are involved in all stages of grain production and processing.

Loans to the food industry remained flat at 2.8 per cent. of the total loan portfolio as at 31 December 2009 and as at 30 June 2010, while the total amount of loans to this sector increased by 0.9 per cent. Loans to companies in this sector are principally provided to large conglomerates with potential export capabilities.

As at 30 June 2010 the Group's 20 largest borrowers accounted for 35.6 per cent. of the gross loan portfolio compared to 34.7 per cent. as at 31 December 2009, 32.3 per cent., as at 31 December 2008, and 26.4 per cent., as at 31 December 2007.

Non-performing Loans

Corporate and SME loans past due more than 30 days and retail loans delinquent for more than 60 days are considered to be non-performing. The Group classifies the entire exposure to a client as past due if such a borrower has at least one delinquent loan.

According to this definition, non-performing loans amounted to 23.6 per cent. as at 30 June 2010 compared to 22.8 per cent. as at 31 December 2009, 8.1 per cent. as at 31 December 2008 and 3.1 per cent. as at 31 December 2007. *See "Risk Factors – Risks Relating to the Bank – The Bank's asset quality is weak due to a large amount of non-performing loans".*

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

Days past due	As at 30 June 2010 Overdue Loans (KZT millions) (unaudited)	% of gross loans	As at 31 December 2009 Overdue Loans (KZT millions)	% of gross loans (KZT millions)
Under 30	82,143	3.0	76,687	2.9
30 – 60	49,347	1.8	20,011	0.8
60 – 90	38,667	1.4	26,518	1.0
More than 90	560,176	20.5	567,872	21.3
Total	730,333	23.6	691,088	22.8

The table below provides a breakdown of non-performing loans by business segment:

	As at 30 June 2010 (unaudited)	As at 31 December 2009	2008	2007
Corporate lending and SME	23.1	22.6	7.3	2.9
Retail lending	27.3	24.4	13.0	3.8
Total loan portfolio	23.6	22.8	8.1	3.1

Allowances for Impairment Losses

The table below sets forth certain information relating to allowances for impairment losses (excluding repurchase agreements) under the Group's internal classification policy as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	30 June 2010			2009			2008			2007		
	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure
	(KZT millions)		%	(KZT millions)		% (unaudited)	(KZT millions)		%	(KZT millions)		%
Standard	338,431	14,992	4.4	321,629	12,663	3.9	471,055	13,084	2.8	947,350	22,690	2.4
Sub-standard	790,860	49,899	6.3	633,280	38,124	6.0	1,100,128	106,394	9.7	1,339,380	74,096	5.5
Watch	770,969	129,349	16.8	989,882	170,039	17.2	569,244	75,065	13.2	93,061	5,775	6.2
Doubtful	586,943	214,985	36.6	433,523	140,301	32.4	122,012	33,364	27.3	50,923	16,739	32.9
Loss	242,085	144,087	59.5	287,112	144,421	50.3	137,253	61,420	44.7	55,435	21,063	38.0
Total	2,729,287	553,312	20.3	2,665,426	505,547	19.0	2,399,692	289,327	12.1	2,486,149	140,363	5.6

The effective provisioning rate increased from 19 per cent. as at 31 December 2009 to 20.3 per cent. as at 30 June 2010. As at 30 June 2010 total allowances for possible impairment losses on loans to customers increased by KZT 47.8 billion to KZT 553.3 billion compared to KZT 505.5 billion as at 31 December 2009, KZT 289.3 billion as at 31 December 2008 and KZT 140.4 billion as at 31 December 2007.

"Standard" and "Sub-standard" loans (gross) increased by 18.3 per cent. and amounted to KZT 1,129.3 billion as at 30 June 2010, as compared to KZT 954.9 billion as at 31 December 2009, KZT 1,571.1 billion as at 31 December 2008 and KZT 2,287 billion as at 31 December 2007. "Watch" loans decreased by 22.1 per cent. from 31 December 2009 to 30 June 2010 and their share of the total portfolio decreased to 28.2 per cent. as at 30 June 2010, as compared to 37.1 per cent. as at 31 December 2009, 23.7 per cent. as at 31 December 2008 and KZT 3.7 per cent. as at 31 December 2007. "Doubtful" and "Loss" loans increased by KZT 108.4 billion (by 15 per cent.) and their share of the total portfolio increased to 30.4 per cent. as at 30 June 2010, compared to 27.0 per cent. as at 31 December 2009 and 10.8 per cent. as at 31 December 2008 and KZT 4.3 per cent. as at 31 December 2007.

In the first six months of 2010, the Group wrote off loans in the aggregate amount of KZT 7 million, as compared to KZT 171 million in 2009, KZT 1,172 million in 2008 and KZT 724 million in 2007. For a description of the Bank's write-off policy, see "*Risk Management Policies*."

The following table provides information regarding the Group's allowance for impairment losses as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June	As at 31 December		
	2010	2009	2008	2007
		(KZT millions) (unaudited)		
Allowance for impairment losses at the beginning of the period	505,548	289,328	140,363	73,936
Additional provisions on purchase of OOO "Investment Company East Capital"	–	–	–	46
Provisions	50,763	193,463	151,674	69,451
Write-off of assets	(7)	(171)	(1,172)	(724)
Recoveries of assets previously written-off	–	–	–	81
Exchange rate difference	(2,991)	22,928	(1537)	(2,427)
Allowance for impairment losses at the end of the period	553,313	505,548	289,328	140,363

The following table shows the allocation of the allowance for impairment losses between legal entities and individuals, both in nominal terms and as a percentage of the gross customer loan portfolio as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June		As at 31 December					
	2010		2009		2008		2007	
	KZT million	Effective provisioning rate	KZT million	Effective provisioning rate	KZT million	Effective provisioning rate	KZT million	Effective provisioning rate
				(unaudited)				
Legal entities	468,677	19.6	425,975	18.4	243,161	12.1	121,187	6.0
Individuals	84,636	25.0	79,574	22.5	46,167	11.6	19,176	4.1
Total	553,313	20.3	505,549	18.9	289,328	12.0	140,363	5.6

Contingent Liabilities and Credit Commitments

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

	As at 30 June		As at 31 December					
	2010		2009		2008		2007	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	(KZT millions) (unaudited)							
Contingent liabilities and credit commitments:								
Guarantees issued and similar commitments	104,016	104,016	122,096	122,096	109,550	109,550	94,582	94,582
Letters of credit and other transactions related to contingent liabilities	2,466	155	8,391	1,040	37,570	6,760	90,510	15,253
Commitments on loans and unused credit lines	8,530	8,530	9,865	9,865	9,312	9,312	10,382	10,382
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	54	54	58	58	72	72	114	114
Total	115,066	112,755	140,410	133,059	156,504	125,694	195,588	120,331

The decision to allow a draw-down loan is made at the request of the borrower and depends on the financial position of the borrower, his credit history and other factors. As at 30 June 2010, unused credit facilities amounted to KZT 375,701 million as compared with KZT 433,903 million as at 31 December 2009, KZT 502,123 million as at 31 December 2008 and KZT 774,926 million as at 31 December 2007. There is no obligation to make further funds available since the Group is entitled to suspend or stop providing the borrower with a credit line for many reasons.

Loans and Advances to Banks and Other Financial Institutions

As at 30 June 2010, loans and advances to banks and other financial institutions, less allowances for impairment losses, decreased by 4.5 per cent. to KZT 141,752 million, as compared to KZT 148,375 million as at 31 December 2009, KZT 241,813 million as at 31 December 2008 and KZT 212,823 million as at 31 December 2007. At the same time, loans and advances to banks and other financial institutions as a percentage of total assets decreased to 5.4 per cent. as at 30 June 2010 from 5.7 per cent. as at 31 December 2009 from 9.2 per cent. as at 31 December 2008 and 7.1 per cent. as at 31 December 2007. The majority of loans and advances to banks and other financial institutions (89.6 per cent.) were represented by U.S. dollar accounts as at 30 June 2010. Funds are usually placed for a short term with a maximum limit on the amount deposited, unless such loans are backed by government securities or cash deposits. In particular, the majority (64.1 per cent.) of loans and advances to banks had maturities of less than three months.

As at 30 June 2010, loans and advances to banks and other financial institutions included accrued interest of KZT 414 million as compared with KZT 402 million as at 31 December 2009, KZT 1,123 million as at 31 December 2008 and KZT 1,327 million as at 31 December 2007.

As at 30 June 2010 and 31 December 2009, the Group had no loans and advances to banks and other financial institutions, which individually exceeded 10 per cent. of the Group's equity.

During the first six months of 2010, allowance for impairment losses on loans and advances to banks and other financial institutions decreased to KZT 19 million, as compared to KZT 22 million in 2009. This decrease was mainly due to decrease in average size of the loans and advances to banks and other financial institutions by 0.9 per cent.

Cash and balances with the NBK, the National Bank of the Kyrgyz Republic and the Central Bank of Russia decreased from KZT 90,533 million as at 31 December 2009 to KZT 71,537 billion as at 30 June 2010. This decrease was due to investments in securities with higher yields.

The following table shows a breakdown by currency of correspondent account balances and loans as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010 (unaudited)	As at 31 December 2009	2008	2007
	(KZT millions)			
Correspondent accounts with banks and other financial institutions	44,725	46,828	19,262	39,661
Tenge	1,916	295	94	557
Foreign currency	42,809	46,533	19,168	39,104
Loans and advances to banks and other financial institutions	97,047	90,676	222,785	173,759
Tenge	2,260	5,045	4,340	11,732
Foreign currency	94,786	85,631	218,445	162,027
Allowances for impairment losses	(19)	(22)	(299)	(1,276)
Loans under reverse purchase agreements	–	10,893	65	679
Tenge	–	7,913	65	679
Foreign currency	–	2,980	–	–
Total loans and advances to banks and other financial institutions	141,753	148,375	241,813	212,823

Funding

The following table sets out the Group's sources of funds as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010		As at 31 December 2009		2008		2007	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Loans and advances from banks and other financial institutions	166,669	7.6	209,122	9.5	296,391	12.9	723,431	27.0
Customer accounts	1,401,407	63.4	1,276,464	58.1	979,453	42.5	895,083	33.4
Debt securities issued	380,617	17.3	463,656	21.1	678,285	29.5	739,688	27.6
Other borrowed funds	28,792	1.3	31,172	1.4	137,324	6.0	148,934	5.6
Other liabilities	92,530	4.2	81,460	3.7	91,766	4.0	62,711	2.4
Total	2,070,015	93.8	2,061,874	93.8	2,183,219	94.9	2,569,847	96.0
Subordinated debt	136,924	6.2	136,411	6.2	117,724	5.1	108,166	4.0
Total liabilities	2,206,939	100.0	2,198,285	100.0	2,300,943	100.0	2,678,013	100.0

The Bank participated in different Government stabilisation programmes implemented by Samruk-Kazyna. As at 30 June 2010, the Group had received KZT 24 billion for the refinancing of mortgages and KZT 84 billion for the refinancing of corporate clients, KZT 18.3 billion for the financing and refinancing of SMEs, KZT 34 billion to complete construction projects and KZT 3.6 billion to refinance businesses in the manufacturing sector.

Financing to entrepreneurs in the manufacturing sector is provided for under the General Agreement between Samruk-Kazyna, JSC Distressed Assets Fund, DAMU and a number of Kazakhstan financial institutions which was entered into in October 2009. The total funds allocated to the programme amount to KZT 5.2 billion. Under the programme the Bank provides co-financing on a 30/70 basis with KZT 1.56 billion coming from the Bank's funds, and KZT 3.64 billion coming from JSC Distressed Assets Fund.

The Group participates in special programmes sponsored by the Government and international institutions, such as the EBRD, and the Asian Development Bank, and often uses funds provided by Export Development Canada, DEG-Deutsche Investitions MBH, London Forfaiting Company Ltd, Private Export Funding Corporation, and Societe Generale Financial Corp, to finance the purchase of agricultural equipment.

Customer Accounts

The following table sets forth a breakdown of time and demand deposits by currency as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010 (KZT millions) (unaudited)	(share %)	As at 31 December 2009 (KZT millions)	(share %)	2008 (KZT millions)	(share %)	2007 (KZT millions)	(share %)
KZT								
Demand deposits	232,500	17.0	168,530	13.2	113,943	11.7	130,720	14.6
Individuals	31,922	2.3	27,017	2.1	19,326	2.0	18,551	2.1
Corporate	200,578	14.7	141,513	11.1	94,617	9.7	112,169	12.5
Term deposits	506,960	37.1	464,012	36.3	329,919	33.6	411,633	46.0
Individuals	137,726	10.1	97,337	7.6	113,978	11.6	130,090	14.5
Corporate	369,234	27.0	366,675	28.7	215,941	22.0	281,543	31.5
Total in KZT	750,641	53.6	632,542	49.5	443,862	45.3	542,353	60.6
Foreign currency								
Demand deposits	124,422	9.1	137,967	10.8	42,957	4.4	45,401	5.1
Individuals	9,839	0.7	9,908	0.8	5,269	0.5	16,499	1.9
Corporate	114,583	8.4	128,059	10.0	37,688	3.9	28,902	3.2
Term deposits	501,654	36.7	505,955	39.7	492,634	50.3	307,329	34.3
Individuals	191,498	14.0	193,360	15.2	125,198	12.8	144,538	16.1
Corporate	310,156	22.7	312,595	24.5	367,436	37.5	162,791	18.2
Total in foreign currency	650,766	46.4	643,922	50.5	535,591	54.7	352,730	39.4
Total customer accounts	1,401,407	100.0	1,276,464	100.0	979,453	100.0	895,083	100.0

As at 30 June 2010 the deposits (including interest accrued) of the 10 largest depositors accounted for 54.1 per cent. of total deposits, compared to 60.8 per cent. as at 31 December 2009, 57.7 per cent. as at 31 December 2008 and 37.5 per cent. as at 31 December 2007. The Group's deposit base consists predominately of companies that are majority owned or controlled by the Government.

Loans and advances from banks and other borrowed funds

The following table sets forth the structure of the Group's wholesale funding as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010 (KZT millions) (unaudited)	(share %)	As at 31 December 2009 (KZT millions)	(share %)	2008 (KZT millions)	(share %)	2007 (KZT millions)	(share %)
Loans and advances from banks:								
Correspondent accounts	3,302	1.7	2,934	1.2	14,653	3.4	72,033	8.3
Loans from banks	131,571	67.3	172,093	71.6	193,764	44.7	284,267	32.5
Deposits of banks	1,001	0.5	1,424	0.6	8,745	2.0	34,780	4.0
Loans sold under agreements to repurchase	2,524	1.3	–	0.0	9,526	2.2	77,761	8.9
Loans from international financial institutions	28,271	14.5	32,671	13.6	33,252	7.7	44,281	5.1
Syndicated loan	–	0.0	–	0.0	36,451	8.4	210,309	24.1
Total loans and advances from banks	166,669	85.3	209,122	87.0	296,391	68.4	723,431	82.9

	As at 30 June		As at 31 December					
	2010		2009		2008		2007	
	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Due to the Ministry of Finance of Kazakhstan and the Ministry of Finance of the Kyrgyz Republic	39	0.0	40	0.0	60	0.0	80	0.0
Due to "DAMU" Fund of Small Business Support	17,805	9.1	19,059	8.0	2,716	0.6	–	0.0
Due to other organizations	10,948	5.6	12,073	5.0	134,548	31.0	148,854	17.1
Total other borrowed funds	28,792	14.7	31,172	13.0	137,324	31.6	148,934	17.1
Total borrowed funds	195,461	100.0	240,294	100.0	433,715	100.0	872,365	100.0

The Group's debt securities decreased to 17.3 per cent. of liabilities as at 30 June 2010 from 21.1 per cent. as at 31 December 2009, 29.5 per cent. as at 31 December 2008 and 27.6 per cent. as at 31 December 2007 due to the cancellation of the Eurobonds that were subject to buy-backs in the first half of 2010 in the amount of US$178.1 million. There was also a translation difference which occurred as a result of significant decreases in the exchange rates of the Euro and Pound in the first half of 2010. Further, in November 2009 the Group repaid a U.S.$500 million Eurobond which was issued in November 2004. Long-term liabilities decreased to 45.2 per cent. of liabilities as at 30 June 2010 from 53.7 per cent. as at 31 December 2009, 51.4 per cent. as at 31 December 2008 and 51.0 per cent. as at 31 December 2007.

The Group has a policy of extending the maturities of its assets in accordance with the maturities of its funds raised in the debt capital markets so as to reduce risks related to interest rate changes. Long-term assets (i.e. assets over one year) decreased by 6.6 per cent. during the first six months of 2010 and accounted for 53.2 per cent. of assets, as compared to 57.3 per cent. of assets as at 31 December 2009, 56.1 per cent. as at 31 December 2008 and 54.2 per cent. as at 31 December 2007. As at 30 June 2010 the asset and liability interest gap was positive in respect of financial assets and liabilities with maturities of over five years, at 7.2 per cent. of financial assets. The positive gap means that an interest rate increase would have a positive effect on net interest income. Where practicable, the Group also links loans to their underlying funding sources through participation in special programmes sponsored by Samruk-Kazyna, the NBK, the Ministry of Finance of Kazakhstan and many international financial institutions. The Group also endeavours to increase and extend the maturities of its retail time deposits and is continuing its efforts to increase the volumes and tenors of its term deposits.

RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Bank's business. The Bank's risk management function consists of:

- Risk identification: The risks to which the Bank is exposed in its daily activities are identified by the risk management system.

- Measuring risks: The Bank measures its exposure to risk using various quantitative and qualitative methodologies, which include risk-based profitability analysis, calculation of possible loss amounts, and the use of specialised models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools represent the risks adequately and reasonably.

- Risk monitoring: The Bank's policies and procedures determine the processes for mitigating and minimising the risks and establish limits on various types of operations. Such limits are reviewed on a periodic basis set forth in internal documents of the Bank.

- Risk reporting: Risk reporting is performed on lines of business and on a consolidated basis. The information is periodically presented to the management.

The Bank's operations are primarily exposed to the following risks:

CREDIT RISK

The Bank is exposed to credit risk, which is the risk that a counterparty to a financial instrument will fail to fulfil its obligations to the Bank. This covers actual payment defaults as well as losses in value resulting from a decrease in the credit quality of the counterparty.

Risk management and monitoring is performed within the limits set by the Credit Committees and the Board of Directors of the Bank. Risk management coordination is performed by the risk management specialist or the Risk Management Department. Daily risk management is performed by the Head of the Credit Departments or the Credit Divisions of branches and subsidiaries.

The Bank determines the level of credit risk it undertakes by setting limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by borrower and by product, by industry sector and by region are approved by the Credit Committee and/or the Board of Directors. The exposure to any individual borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committees.

Off-balance sheet credit commitments represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk of off-balance sheet financial instruments is defined as the probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet instruments, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. The actual amount of this loss is likely to be less than the total unused commitments since the commitments are contingent upon customers maintaining certain credit standards. The Bank applies the same credit policy to contingent liabilities as it does to the on-balance sheet financial instruments.

Structure of Credit Committees

The Bank has centralised decision making in the Head Office over the past several years. In particular, authorities of branches and regional directorates on approval of small entrepreneurship and retail loans have been transferred to Decision Making Centers (DMCs) in the Head office. Furthermore, branch and regional directorate authorities on corporate loan approvals have also been transferred to the Head Office.

The Bank currently has the following credit committees:

- Head office committees

    - *Head Office Credit Committee*. This committee is authorised to approve corporate loans of up to U.S.$5 million or its equivalent in KZT. The committee also approves retail and small entrepreneurship loans which exceed the thresholds and authority set for DMCs.

    - *Credit Committee of MKB*. This committee is authorised to make decisions on loans to Moskommertsbank's clients.

    - *Commercial Directorate*. The committee is authorised to approve loans exceeding U.S.$5 million or its equivalent in KZT.

    - *Board of Directors*. The Board of Directors approves internal risk management policies and transactions with related parties.

- Regional Directorate Committees. The Bank has six regional directorates, covering the central, southern, western, eastern and northern regions of Kazakhstan as well as the Almaty region. The regional directorates have limited authority to grant loans, when the transactions do not result in an increase of the credit risks of the Bank.

- Branch Committees. Each of the Bank's branches has a credit committee. The branches have limited authority to grant loans, when the transactions do not result in an increase of the credit risks of the Bank.

Corporate loan approvals

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

- *Department of Risk Management#1*. This group within the Head Office provides advice on corporate loans based on their assessment of the borrower's business and/or the project to which the loan relates. Its assessment takes into account a number of industry- and borrower-specific factors, the future cash flows of the potential borrower and anticipated risk-adjusted returns for the Bank. For analytical purposes risk managers use the rating model described below. Furthermore, the Department of Risk Management#1 is involved in monitoring the Bank's loan portfolio and in developing procedures and guidelines with respect to the Bank's lending.

- *Collateral Assessment Department*. The Bank requires collateral for almost all of its loans. According to Kazakhstan legislation, collateral valuation must be performed by independent collateral valuation companies ("NOKs"). The Collateral Valuation Department reviews appraisal reports issued by NOKs and carries out the certification and monitoring of NOKs.

- *Legal Department*. The Bank obtains legal advice from the Legal Department regarding proposed loans and receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into loan transactions and grant collateral.

- *Security Department*. The Security Department provides information on the assets, the credit history and the reputation of potential borrowers. The Bank provides information concerning new loans to the First Credit Bureau. In addition, the Bank receives information regarding the credit history of new borrowers from the First Credit Bureau. Information received from this organisation is used on an annual basis by the Bank to monitor the credit history of its clients.

Rating model

The Bank has developed an internal rating model, based on principles and methods used by international rating agencies for assessment of credit risk of corporate borrowers. The developed internal rating model is capable of complying with the requirements of the Internal Ratings Based Approach of Basel II. The rating of a corporate borrower is based on an analysis of the financial ratios of such borrower and an analysis of the market and industry sector, in which such borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and such borrower's market share.

The application of the internal rating model results in a standardised approach in the analysis of corporate borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Bank revises the model when deficiencies are identified.

Retail and SME loan approvals

Retail loans and small and medium entrepreneurship loans are subject to a standardised approval procedure, carried out by the Decision Making Centres (DMCs) which are part of the Department of Risk Management#2. DMC#1 processes retail loan applications, while DMC#2 processes applications for loans by small and medium enterprises. In order to approve or decline an application, the DMCs analyse payment ability and creditworthiness of a potential borrower on the basis of standard terms, criteria and procedures set forth by the Bank.

The DMC for retail loans is authorised to approve applications from customers with an obligor exposure of up to U.S.$200,000. The DMC for small and medium enterprises' loans has authority to approve applications from customers with an obligor exposure of up to U.S.$500,000. Applications with larger exposures are referred to one of the relevant credit committees in the Head Office. The DMCs conduct an analysis of the applications exceeding their authority limits, and the relevant credit committee takes their conclusions into account in decision-making.

Scoring models

The standardised approach to evaluate credit risks of a borrower includes the use of scoring models for some types of retail and small entrepreneurship products. The statistical scoring models interpret socio-demographic and financial indicators, behavioural variables and the credit history of borrowers. Each of the parameters inserted into the scoring model has a numeric value, the sum of which represents the borrower's internal credit score (rating). The assigned score reflects the probability of default of the borrower.

The scoring models standardise and automate the process of decision making and decrease the operating expenses and operational risks of the Bank. The scoring model is assessed on a continual basis for its effectiveness and validity.

Allowance for credit losses

The Bank establishes an allowance for impairment losses on loans and off-balance liabilities under IFRS where there is objective evidence that a financial asset is impaired. In order to assess the quality of an asset and to classify it for provisioning purposes, a loan officer takes into account a number of criteria, including financial performance of the borrower, terms of the loan, collateral value and debt service of the borrower.

OPERATIONAL RISK

The Bank is exposed to operational risk. Operational risk is the risk of losses that may arise as a result of system inefficiencies, break-downs of internal processes, human error or the effect of any external negative factor.

Each structural unit of the Bank is responsible for managing its own operational risks on a daily basis. The Operational Risks Committee presided by the Chairperson of the Bank approves operational risk management ("ORM") policies and makes all major decisions related to ORM. The Internal Control Department monitors ORM generally in the Bank, using the following tools, which comply with the best global banking practices:

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

- New processes, products and system assessments – The Operational Risk Assessment Procedure is the procedure whereby operational, legal and reputational risks arising from a proposed new initiative or change are identified and assessed in a structured manner, leading to proposals on risk-mitigating actions and the acceptance of the remaining (residual) risks.

- Operational losses database – The Bank's Operational Loss Database is an internal database that collects and stores information on all operational risk events and losses.

- Key operational risk controls – Key Operational Risk Controls provide an overview of key risks associated with process scopes and establish key controls to mitigate operational risks. As such they are essential to develop operational risk management in the bank. Implementation of Key Operational Risk Controls throughout the Bank is currently in process.

- Key risk indicators – Key Risk Indicators represent a set of measurements used to assess the operational risk profile of a particular area or activity at any given point in time. Implementation of Key Risk Indicators throughout the Bank is currently in process.

The operational risk management tools described above allow the Bank to identify those banking activities that are most vulnerable to operational risks, to evaluate and monitor losses of the Bank arising from operational risk and to set relevant controls. They are also used to develop preventive and detective tools as well as measures for decreasing the level of risk.

Asset and Liability Management Committee
The Group's Asset and Liability Management Committee ("ALCO") seeks to control liquidity, currency, interest rate and market risks. ALCO meetings take place on a weekly basis. During the meetings the ALCO analyses the Bank's exposures using information about maturities, interest margins, cash flows, liquidity and the Bank's net foreign currency positions. The Bank's treasury operations and investment strategies are also planned at ALCO meetings.

LIQUIDITY RISK

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and the other financial commitments of the Bank associated with financial instruments as they actually fall due as a result of the decreased ability of the Bank to raise appropriate funds.

The ALCO controls this risk using maturity analysis and determines the Bank's strategy for the next financial period. As part of the contingency funding plan, the Bank also performs liquidity risk stress testing on a quarterly basis, which provides an estimate of cash outflow in case of a liquidity crisis. Based on the results of the stress testing, the ALCO sets a limit on the minimum size of the Liquid Asset Portfolio. Current liquidity is managed by the Treasury Department through investments in money markets and the placement of available funds in liquid securities in line with the ALCO's instructions.

With the purpose of managing liquidity risk, the Bank monitors the future expected cash flows on clients' and banking operations daily, as part of the asset and liability management process.

The Bank maintains compliance with liquidity requirements, such as current and short-term liquidity ratios and foreign exchange liquidity limits, set by the regulatory bodies. In the opinion of management, the restrictive nature of these limits ensures that the Bank maintains appropriate liquidity levels. In order to maintain such levels, in recent years the Bank has increased the proportion of its holdings of Notes issued by the NBK.

CURRENCY RISK

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio. See *"Risk Factors – Risks Relating to the Bank – The Bank may have significant liabilities under cross-currency swaps"* and *"Management's Discussion and Analysis of Results of Operations and Financial Condition – Derivative Financial Instruments"*.

The ALCO controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which enable the Bank to minimise losses from significant currency fluctuations. Similar to liquidity risk management Treasury Department manages open currency positions of the bank using data generated by the Prudentials Monitoring and Regulatory Reporting Division on a daily basis.

The FMSA sets restrictions on open currency positions, which limits the exposure to currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates may affect the Bank's future cash flows and value of the Bank's financial instruments.

The ALCO manages interest rate risk by monitoring and analysing repricing gap and sensitivity reports, as well as interest rate margin reports. This helps the Bank mitigate interest rate risks and maintain a positive interest margin. The Risk Management Department#1 regularly assesses the Bank's sensitivity to changes in interest rates and its effect on profitability.

The majority of the Bank's loans are fixed rate agreements. At the same time, the agreements contain clauses enabling the Bank to change interest rates, thus allowing it to significantly mitigate the risk.

In addition, the Bank entered into a number of interest rate swaps in order to hedge the interest rate risk. The Bank monitors its interest rate margin and does not consider itself exposed to significant interest rate risk.

MARKET RISK

The Bank defines market risk as currency, equity, commodity and interest rate risks related to its trading and available-for-sale portfolios.

The Risk Management Department#1 measures the risks and generates treasury position reports, which are presented to the ALCO. The Risk Management Department#1 calculates the VaR to measure the market risk on equity, fixed income and currency positions and breaks it down in individual risk factors (such as currency risk, interest rate risk and equity risk). This enables the Bank to analyse exposure to each risk factor and make further decisions to mitigate a particular exposure. For internal reporting purposes, in addition to the VaR analysis described above, the Bank also performs sensitivity analysis on its currency risk and interest rate exposures.

MANAGEMENT

GENERAL

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

BOARD OF DIRECTORS

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

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

Nurzhan S. Subkhanberdin (age 46) has served as Chairman of the Board of Directors since September 2002. Prior to that he was Chairman of the Management Board of the Bank, having been appointed to that position in 1993. From 1991 to 1993, he was a First Deputy Chairman of the Bank. Mr. Subkhanberdin graduated from Moscow State University and has a degree in economics from Kazakh State University ("KSU").

Daulet H. Sembaev (age 75) has been Deputy Chairman of the Board of Directors since 2002 and was Chairman of the Board of Directors and Advisor to the Chairman of the Management Board from 1999 to 2002. Mr. Sembaev is a former Chairman of the NBK, President of the Kazakhstan Association of Financiers and a member of Parliament. He has also held other positions with different government bodies and private companies. Mr. Sembaev graduated as an engineer from the Kazakh Mining Institute in 1958.

Nina A. Zhussupova (age 48) has been a member of the Board of Directors since September 2002. Ms. Zhussupova is the Chairman of the Management Board. Since joining the Bank in August 1995, she has served as First Deputy Chairman of the Management Board, Manager of the Accounts Office and Chief Accountant of the Bank. She holds a degree in economics from the Almaty Institute for National Economy ("AINE").

Gail Buyske (age 56) has been a member of the Board of Directors since October 2003. Ms. Buyske acts as an independent Director. Prior to joining the Board, she held the position of Senior Banker with the EBRD. She also worked as a Consultant to the World Bank and as a Vice President of Chase Manhattan Bank. Ms. Buyske holds a doctorate in political science from Columbia University, a master's degree in international relations from Princeton University and a degree in Russian studies from Middlebury College.

Mukhtar S. Yerzhanov (age 60) was elected in 2008 as an independent director. Mr. Yerzhanov has extensive experience in audit and accounting. He is a partner of an audit company, a professor at Kazakh Economics University and Turan University, as well as a Chairman of the Committee on Development of Audit Theory and Practice under the Chamber of Auditors of Kazakhstan. In addition, Mr. Yerzhanov is the President of the Guild of Internal Auditors and Accountants.

Archag Patrick Vosgimorukian (age 37) is the General Director of AMUN Capital Advisors KZ, an affiliate of Alnair. From 2007 to 2008 he worked as Managing Director at Renaissance Capital Central Asia, where he was responsible for investment banking and finance in Central Asia and the Caucasus. Previously, from 2000 to 2007 he was Head of Mergers & Acquisitions in CEE and CIS, ABN AMRO Corporate Finance London Ltd. Prior to that, from 1998 to 2000 he worked as an EMEA TNT (Technology, Media, Telecommunications) Equity Research Analyst for the Middle East and Africa at Societe Generale Securities. In 1994 he graduated with a bachelor degree in International Relations from the American University in Paris; and in 1998 he completed Customer Function-CF30 (Investment Advisor Function-CF21) with the UK Financial Services Authority.

Sergei Shibaev (age 51) has worked as an advisor to several multinational companies, including BP, Mars, Unilever, Hewlett-Packard, Johnson & Johnson and Heinz. He currently acts as Chair of the Audit Committee at RESO-Garantia; Chair of the Strategy Committee and Member of the Audit Committee at Sotsgorbank; and Chair of the Audit Committee and Member of the Risks Committee at AK BARS Bank. During the period 2004-2007 Mr. Shibaev worked as Partner/Deputy Head of the Moscow/CIS Office of Roland Berger Strategy Consultants GmbH. From 1999 to 2000 he was Vice-President and Director at Deloitte & Touche Corporate Finance Inc in Toronto, and from 1998 to 1999 he acted as a Head of Corporate Finance/First Deputy CEO at ING Barings (Moscow). In 1990-1997 Mr. Shibaev worked as Managing Partner and Partner at Coopers & Lybrand in USSR and Russia. He has an MBA from The Henley Management College, UK, a PhD in Economics from MGIMO, Russia, and is a Fellow of the Association of Chartered Certified Accountants (ACCA, UK, 1995).

The business address of the members of the Board of Directors is the registered office of the Bank. The registered office of the Bank is 135 zh Gagarin Ave., Almaty 050060, Kazakhstan and its telephone number is +7727 258 5125.

THE MANAGEMENT BOARD

The management board (the "Management Board") must consist of not less than three persons. The Management Board manages the Bank's affairs on a day-to-day basis and its responsibilities include all other matters not reserved to the exclusive competence of the Board of Directors or the General Meeting of Shareholders. Meetings of the Management Board can be convened as necessary.

The current members of the Management Board are as follows:

Nina A. Zhussupova (age 48) is the Chairperson of the Management Board.

Ermek N. Shamuratov (age 54) supervises the Bank's IT, Call Centre, Banking Card Department and PR Department and has served as a Managing Director of the Bank since 1998. He is the former Deputy Chairman of HSBK and also held a number of other positions within that organisation. He holds a degree in mathematics from KSU.

Alexander V. Barsukov (age 39) supervises the Bank's Legal Department and has served as a Managing Director of the Bank since January 2005. Mr. Barsukov is a former managing partner at the office of the law firm McGuireWoods' in Kazakhstan. He holds a degree in law from KSU.

Alexander V. Yakushev (age 52) has served as a Managing Director of the Bank since 1999. He is also a Director of the Northern Regional Directorate. He is the former Director of the Bank's Correspondent Relationships with CIS and Baltic States Banks division. Before joining the Bank in 1996, Mr. Yakushev held various positions with Kramds Bank. He graduated from the Gorky Institute of Foreign Languages and AINE.

Beibit T. Apsenbetov (age 43) supervises the Bank's Corporate Banking Department No. 4, Small Business Development Department and has served as a Managing Director of the Bank since 2002. Mr. Apsenbetov is a former partner of Deloitte & Touche Kazakhstan. He holds a degree in economics from Leningrad State University and is a chartered accountant in Kazakhstan.

Baurzhan K. Zhumagulov (age 40) supervises one of the Bank's Credit Departments and has served as a Managing Director of the Bank since January 2005. Mr. Zhumagulov is a former Deputy General Director of "Caspian Industrial Financial Group" LLP. He holds a degree in economics from Kazakh Economic University.

Magzhan M. Auezov (age 34) supervises the Bank's Credit Departments, and its Project Finance Departments and has served as a Managing Director of the Bank since 2002. Mr. Auezov is a former Country Head of Loan Products of ABN AMRO Bank Kazakhstan and prior to that was Head of the Trade and Commodity Finance Department at the same bank. He holds a graduate degree in International Banking and Finance from Columbia University and an undergraduate degree in International Economics from Georgetown University as well as a diploma in International Affairs from KSU.

Andrey I. Timchenko (age 34) supervises the Bank's Retail Business Development Department, Marketing Department and Business and Product Development Department and has served as a Managing Director of the Bank since 2003. Mr. Timchenko is a former tax adviser with Ernst & Young Almaty. He joined the Bank in 1998 and has held a number of positions in the Bank. He has a graduate degree in law from Kazakh State Law University.

Dennis Y. Fedossenko (age 34) supervises the Bank's Treasury Department and has served as a Managing Director of the Bank since 2003. Mr. Fedossenko joined the Bank in 1996 and held a number of positions in the Treasury Department of the Bank. He graduated from the Kazakh State Academy of Management.

Erik Z. Balapanov (age 42) supervises one of the Bank's Credit Departments and has served as a Managing Director of the Bank since 2003. Mr. Balapanov formerly held senior positions in Bank TuranAlem, Almaty Commercial Bank and the Development Bank of Kazakhstan. He graduated from the Kazakhstan Institute of Marketing, which is affiliated with the Kazakh State Academy of Management.

Askarbek R. Nabiyev (age 35) supervises the Bank's Financial Control Department and was appointed as a Managing Director in February 2007. He has been with the Bank for 10 years, initially within the economic analysis division. In 2002, he became the Director of the Financial Control Department. He holds a degree in economics from the Kazakh State Academy of Management.

Adil U. Batyrbekov (age 33) supervises the Bank's Risk Management Department, Department of Internal Control and the Collateral Department and was appointed as a Managing Director in February 2007. He has headed the Bank's Risk Management Department since 2004. Prior to joining the Bank, he spent over 6 years as the head of the credit division at ABN AMRO Kazakhstan. He graduated from the Kazakh State Academy of Management as an economist specialising in international affairs, and holds an MBA from the University of Nottingham.

Kulyash B. Erezhepova (age 44) was appointed as a Managing Director in January 2008, and oversees the Bank's administrative issues, such as construction and maintenance of the new branches, logistics and procurement. Ms. Erezhepova holds a degree in Accounting from AINE. She joined Kazkommertsbank in 1994 and has since held a number of positions in the Bank.

Amar T. Hanibal (age 36) was appointed as Managing Director in December 2009 and oversees the Bank's corporate and market risks. Prior to the appointment, he served as a Director of Risk Management Department. He has extensive banking experience in risk management and corporate lending. Since 1999 Mr. Hanibal has held various positions in ABN AMRO in Amsterdam, Chicago and London. He graduated from the European University in Brussels in 1998 with a degree in economics and he received an MBA from Harvard Business School in 2007.

Sergey D. Mokroussov (age 40) was appointed as Managing Director in December 2009 and oversees the Bank's international business. He joined the Bank in 2003, and since then he has held various senior positions in corporate banking including product development and project finance. From July 2008 and up until recently he was an Executive Director supervising business relationships with financial institutions all over the world. Mr. Mokroussov graduated from Pavlodar State University with a degree in economics and management. He received an MBA from Dartmouth College.

The business address of the members of the Management Board is the registered office of the Bank. The registered office of the Bank is 135 zh Gagarin Ave., Almaty 050060, Kazakhstan and its telephone number is +7727 258 5125.

The following table sets out the gross principal amounts of loans outstanding to, and outstanding guarantees issued on behalf of, members of the Board of Directors and Management Board of the Bank as at 30 June 2010:

	Principal amount outstanding (in thousands of KZT)
B.T. Apsenbetov	121,511
E.Zh. Balapanov	5,164
A.V. Barsukov	86,898
A.T. Hanibal	195
B.K. Zhumagulov	2,211
N.S. Subhanberdin	333,463
A.I. Timchenko	6,567
E.N. Shamuratov	22,804
A.V. Yakushev	1,805
S. D. Mokrousov	989
A.U. Batyrbekov	16,461
A.R. Nabiyev	985
N.A. Zhussupova	400
D.E. Fedossenko	65
Total	599,517

There are no other outstanding loans or guarantees granted by the Bank to any member of the Board of Directors or of the Management Board. All loans to members of the Board of Directors and the Management Board set out above have been approved by the Board of Directors as related party transactions and bear interest at rates from 10 to 17 per cent. per annum.

CORPORATE GOVERNANCE

Corporate governance best practice in Kazakhstan is set out in the Kazakhstan Corporate Management Code. The Kazakhstan Corporate Management Code is based on existing international best practice in the area of corporate governance and sets out recommendations for applying the principles of corporate governance by Kazakhstan joint-stock companies. The Kazakhstan Corporate Management Code was approved by the Expert Council for Securities Market Matters under the NBK in September 2002. The Bank currently complies with the provisions of the Kazakhstan Corporate Management Code in all material aspects, save as to the composition of its Board of Directors, which the Bank intends to remedy.

The Bank has adopted a Corporate Governance Code which was approved by the Bank's Board of Directors and the General Meeting of Shareholders. The Corporate Governance Code sets out rules which the Bank follows to form, operate and improve the Bank's corporate governance system. The Bank also follows the Code in its operations to ensure a high level of business ethics in relations both within the Bank and with other market players.

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

The Bank has already established an Audit Committee and a Nomination and Remuneration Committee. The JSC Law also requires that at least one third of the members of a company's board of directors should be independent. Currently, the Bank's Board of Directors has three independent directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the first six months of 2010, the total compensation paid to members of the Board of Directors and members of the Management Board was KZT 629 million. This included salaries and bonuses and other payments to the Board of Directors and the Management Board. The Bank does not have any stock option plan or similar plans. No member of the Board of Directors or the Management Board has a contract with the Bank or any of its subsidiaries providing for benefits upon termination of employment.

CONFLICTS OF INTEREST AND OTHER

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

No member of the Board of Directors or the Management Board has, in the five years preceding the date of this Base Prospectus:

(a) been convicted in relation to fraudulent offences;

(b) been associated with any bankruptcy, receivership or liquidation in the capacity of a member of any administrative, management or supervisory body; or

(c) been subject to public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

RELATED PARTY TRANSACTIONS

The following table sets forth the Group's interest income and expense with respect to transactions with related parties (comprising entities and natural persons that are shareholders, affiliates or entities under common management or control of the Bank), as well as short-term benefits paid to employees who are related parties, for the six months ended 30 June 2010 and the years ending 31 December 2009, 2008 and 2007:

	For the six months ended 30 June 2010	For the year ended 31 December 2009	2008	2007
	(unaudited)	(in millions of KZT)		
Interest income	54	204	155	67
Interest expense	(241)	(354)	(464)	(438)
Short-term employee benefits	(629)	(730)	(1,221)	(621)

As at 30 June 2010 total guarantees issued for related parties amounted to KZT 10 million, as compared to KZT 580 million as at 31 December 2009, KZT 19 million as at 31 December 2008, KZT 18 million as at 31 December 2007.

As at 30 June 2010 and as at 31 December 2009, the Group had no investments in associates as compared to KZT 1,775 million as at 31 December 2008 and KZT 3,222 million as at 31 December 2007.

The following table sets forth the total related party transactions of the Group as at 30 June 2010 and as at 31 December 2009, 2008 and 2007:

	As at 30 June 2010	As at 31 December 2009	2008	2007
	(unaudited)	(in millions of KZT)		
Loans to customers	1,181	1,140	1,525	895
Allowance for impairment losses	(103)	(114)	(106)	(33)
Investments in associates	–	–	1,775	3,222
Customer accounts	5,196	7,769	4,661	5,495
Commitments on loans and unused credit lines	376	456	304	482
Guarantees issued and similar commitments	10	580	19	18

PRINCIPAL SHAREHOLDERS

INTRODUCTION

From late 1994 until November 2006, a majority of the Shares were owned or controlled by the Bank's directors and senior management, although as a result of the Bank's IPO and Initial Rights Offering, the directors and senior management no longer control a majority of the Shares. To the Bank's knowledge, as at the date of this Base Prospectus, the Bank's directors and senior management beneficially owned 33 per cent. of the outstanding Shares. The Bank's Principal Shareholders have the same voting rights per Share as other shareholders.

PRINCIPAL SHAREHOLDERS

The following table sets forth information, to the Bank's knowledge as of the date of this Base Prospectus, with respect to the Principal Shareholders and the beneficial ownership of Shares by:

- each of the Bank's directors and senior managers; and

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

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

	Shares	(%)[1]
CAIC[2]	184,679,013	23.7
EBRD	76,095,329	9.7
Nurzhan Subkhanberdin (direct ownership)	72,570,672	9.3
Alnair[3]	233,922,790	28.7
Samruk-Kazyna	165,517,241	21.2

(1) As at of the date of this Base Prospectus there are 778,625,062 Shares outstanding of the 779,338,177 originally issued. 713,115 Shares have been repurchased in the open market by the Bank through its subsidiary, Kazkommerts Securities.

(2) CAIC is one of the entities through which the Bank's directors and senior managers beneficially own Shares. As at the date of this Base Prospectus, CAIC holds 184,679,013 Shares representing 32.1 per cent. of the Shares. 87.2 per cent. of the share capital of CAIC is beneficially owned by Mr. Subkhanberdin, 12.8 per cent. is beneficially owned by Ms. Zhussupova. The table above also includes Mr. Subkhanberdin's and Ms. Zhussupova's indirect holdings of Shares in the form of GDRs held by other means.

(3) Alnair is the beneficial owner of 223,922,790 Shares in the form of GDRs (held through the Bank of New York Mellon as depositary) and Shares. Alnair is beneficially owned by a private investment fund established by Abu Dhabi's Sheikh Takhnun bin Zaid Al Nahayan.

In addition to the Shares, the Bank had 124,775,079 Preference Shares outstanding as at the date of this Base Prospectus. Each Preference Share entitles the holder to a fixed annual dividend of U.S.$0.04. If such dividends are not paid, holders of Preference Shares are granted voting rights until all accrued and payable dividends are paid in full. At the option of the Bank, the Bank may offer to the holders of Preference Shares the option to convert all or some of such shares into Shares of the Bank.

In January 2006, the Bank registered with the FMSA a new share issue comprising 200 million Shares and in March 2009, the Bank registered with the FMSA a new share issue comprising 325 million Shares and 50 million Preference Shares.

In November 2006, the Bank's three major shareholders at the time, CAIC, Mr. Nurzhan Subkhanberdin and the EBRD sold 91,429,412 Shares in the form of GDRs on the London Stock Exchange. The GDRs were sold at a price of U.S.$18.50 per GDR, with each Initial GDR representing two of the Bank's Shares. CAIC, Mr. Nurzhan Subkhanberdin and the EBRD committed to use the proceeds from the IPO to subscribe for new Shares offered domestically to the Bank's pre-IPO shareholders in the Initial Rights Offering. Total proceeds to CAIC, Mr. Nurzhan Subkhanberdin and the EBRD exceeded U.S.$845 million. In the second stage of the IPO, the Bank offered 103.5 million Shares to its pre-IPO shareholders. The Bank completed the Initial Rights Offering in January 2007 and raised more than U.S.$957 million (before fees, commissions of investment banks and other expenses paid in connection with the IPO and Initial Rights Offering) in new capital.

SHAREHOLDERS' AGREEMENT WITH THE EBRD

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

- as long as the EBRD holds at least five per cent. of all Shares, the EBRD will have the right to nominate one member of the Board of Directors;

- the 2005 Shareholders shall not vote, and shall procure that any of their representatives of the Board of Directors shall not vote, in favour of resolutions to, amongst other things, amend the Bank's charter, change the policy statement of the Bank (which sets forth the basic framework whereby the Bank commits to maintain certain policies, procedures and minimum operational standards in order to achieve its stated strategic objectives), vary, increase or decrease its authorised or issued share capital or the rights attaching to Shares, grant options, warrants or similar rights convertible into Shares, make any distribution, payment or make a return to members of a capital nature, take steps to wind up or dissolve the Bank, make or permit any material change in the Bank's business or sell, lease, transfer, dispose of or acquire a material part of the Bank's assets, in each case without the prior approval of the EBRD;

- the Management Board will consult the EBRD and take due account of its opinion and recommendations with regard to incorporation of any new subsidiary undertaking of the Bank or the acquisition by the Bank of an interest in any shares in the capital of any corporate body;

- the 2005 Shareholders shall have the right to purchase any Shares held by the EBRD in the event the EBRD wishes to dispose of Shares to a third party;

- in the event that the 2005 Shareholders or any of them receive an offer that would result in the 2005 Shareholders holding less than 51 per cent. of all voting shares of the Bank, the 2005 Shareholders shall cause the purchaser to agree to purchase the Shares held by the EBRD;

- the 2005 Shareholders shall not sell or transfer the Shares of Mr. Subkhanberdin or CAIC to any third party without the EBRD's prior written consent;

- the EBRD and the 2005 Shareholders shall have the right to subscribe for newly issued Shares in the Bank in proportion to their existing shareholdings;

- upon a notice served by the EBRD on the Bank, the EBRD shall have the right to convert the Shares held by the EBRD into GDRs or ADRs and the Bank shall immediately take all actions, including any reorganisation of its share capital as may be required, to ensure that such conversion takes place and the EBRD becomes a lawful owner of such GDRs/ADRs, as the case may be; and

- in case of the listing of the Bank's capital on any major stock exchange, the 2005 Shareholders shall ensure (and shall take all actions, execute all necessary documents and seek relevant waivers to ensure) that the EBRD shall have the same rights as the 2005 Shareholders have to dispose of its Shares via such stock exchange. Following any listing of the Shares on any major stock exchange, the EBRD shall be entitled to dispose of its Shares held at the time of such listing becoming effective and the 2005

Shareholders shall be entitled to dispose of a proportion of their Shares held at the time of such listing becoming effective equal to the proportion of the number of Shares disposed of by the EBRD.

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

SUBSCRIPTION AGREEMENT WITH THE EBRD

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

- while the EBRD owns any Shares, the Bank shall not, unless the EBRD otherwise agrees: (i) issue any shares of any class; (ii) increase its share capital; (iii) change the nominal value of, or the rights attached to, any of its shares of any class; or (iv) take any other action by amendment of its charter or through reorganisation, consolidation, sale of share capital, merger or sale of assets, or otherwise which might result in a dilution of the interest in the Bank represented by the Shares held by the EBRD;

- unless the EBRD otherwise agrees in writing; (i) the Bank shall not make changes, or permit changes to be made, to the nature of its present business or operations and the Bank shall not carry out any business or activity other than banking or financial services business, either directly or through a subsidiary; (ii) the Bank shall not make changes, or permit changes to be made, to its share capital; and (iii) the Bank shall not make changes, or permit changes to be made, to its charter, unless such changes are specifically required to be made under the mandatory provisions of the laws of the Republic of Kazakhstan; and

- unless the EBRD otherwise agrees in writing, (i) the Bank shall not sell, transfer, lease or otherwise dispose of more than a specified percentage of its property or assets (whether in a single transaction or in a series of transactions, related or otherwise) and (ii) the Bank shall not undertake or permit any merger, consolidation or reorganisation.

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

The Subscription Agreement is governed by the laws of Kazakhstan.

PUT OPTION AGREEMENT

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

SAMRUK-KAZYNA

Samruk-Kazyna was established for the purposes of improving the competitiveness and stability of the Kazakhstan economy and alleviating the possible effects of changes in world markets on the economic growth in Kazakhstan. To that end Samruk-Kazyna acquired a 21.2 per cent. holding of the Shares. This investment was made as part of the ongoing implementation of a plan initially announced by the Government of Kazakhstan in a public statement entitled "*On Further Measures to Stabilise the Banking Sector*" dated 28 October 2008. In this statement the Government of Kazakhstan and the FMSA announced a proposal to strengthen the capital of the Bank as part of a broader plan to stabilise the Kazakhstan financial system. On 9 December 2008, the Memorandum of Understanding was entered into by, *inter alios*, Samruk-Kazyna and the Bank for the purpose of co-ordinating efforts to increase the capitalisation of the Bank. Set forth below is a description of the agreements entered into between the Bank and Samruk-Kazyna to implement the Memorandum of Understanding.

Implementation Agreement

On 15 January 2009 Samruk-Kazyna, CAIC, Mr. Subkhanberdin, Alnair and the Bank entered into the Implementation Agreement to implement Samruk-Kazyna's investment in 25 per cent. of the Shares as envisioned by the Memorandum of Understanding.

Pursuant to the terms of the Implementation Agreement, the Bank agreed to offer to its existing shareholders and existing GDR holders the right to purchase New Shares and New GDRs, respectively, on a *pro rata* basis. This Rights Offering was completed on or about 30 April 2009, and in conjunction therewith Samruk-Kazyna acquired 21.2 per cent. of the Bank's Shares. The Significant Shareholders agreed not to subscribe for any rights in the Rights Offering without the written consent of Samruk-Kazyna. Following the offer to existing shareholders and GDR holders, the Bank agreed to re-allocate the unsubscribed-for rights to Samruk-Kazyna and Samruk-Kazyna agreed to subscribe for sufficient rights in order to hold 21.2 per cent. of the Shares after the Rights Offering.

Following the completion of the Rights Offering the parties to the Implementation Agreement agreed to ascertain the capital needs of the Bank and the possibility of the Bank issuing to Samruk-Kazyna convertible securities and/or any other financial instruments.

Following completion of the Rights Offering, the Bank applied the proceeds of the Rights Offering to increase the Bank's capitalisation.

Shareholders' Agreement

In anticipation of Samruk-Kazyna becoming a shareholder of the Bank, the Significant Shareholders, Samruk-Kazyna and the Bank entered into a shareholders' agreement dated 15 January 2009. The Shareholders' Agreement regulates certain aspects of the dealings between the Bank and its shareholders following the completion of the Rights Offering.

Although Samruk-Kazyna is not involved in the day-to-day running of the Bank's business, pursuant to the terms of the Shareholders' Agreement it is represented on the board of directors of the Bank by Mr. Subkhanberdin. Additionally, Samruk-Kazyna's written approval is required for certain credit approvals, voting arrangements and for any declarations of dividends.

Until the expiry of the Option Agreement, the only permitted disposals of Shares are (i) disposals by a Significant Shareholder of all its Shares to any of its affiliates or to any *bona fide* third party, subject to certain conditions, including the written consent of Samruk-Kazyna, (ii) disposals by Samruk-Kazyna of any or all of its Shares to a governmental authority of competent jurisdiction or (iii) disposals pursuant to the terms of the Option Agreement and Share Trust Management Agreement.

Samruk-Kazyna may unilaterally terminate the Share Trust Management Agreement with respect to a defaulting Significant Shareholder if *inter alia*: (i) any Significant Shareholder materially breaches certain provisions of the Shareholders' Agreement, (ii) any Significant Shareholder improperly performs Samruk-Kazyna's voting instructions as provided for by the Share Trust Management Agreement or (iii) a reorganisation, winding-up, initiation of a bankruptcy procedure or change of control of CAIC occurs.

Option Agreement

Samruk-Kazyna is holding its equity stake in the Bank only for a limited period of time and, to this end, Samruk-Kazyna and the Significant Shareholders entered into the Option Agreement pursuant to which the Significant Shareholders have been granted a call option and Samruk-Kazyna has been granted a put option, in respect of all of the Shares acquired by Samruk-Kazyna pursuant to the Rights Offering. The call option and the put option may be exercised at any time between the first anniversary and the fifth anniversary of the completion of the Rights Offering.

Share Trust Management Agreement

In conjunction with the Rights Offering, the Share Trust Management Agreement was entered into by CAIC, Mr. Subkhanberdin and Samruk-Kazyna in order to ensure CAIC and Mr. Subkhanberdin together with the EBRD maintained control of the Bank.

Pursuant to the terms of the Share Trust Management Agreement, Samruk-Kazyna has transferred into trust the number of Shares owned by it necessary for CAIC and Mr. Subkhanberdin, together with the EBRD, to retain the voting rights attached in aggregate to at least 50 per cent. plus 1 Share of the outstanding Shares.

The Significant Shareholders, on their own behalf and solely within the authority granted by the Shareholder Trust Management Agreement, are obliged to hold, use and manage the Shares for the purpose of maintaining the stability of the Bank, strengthening the capital of the Bank, retaining their control of the Bank and in the interests of Samruk-Kazyna Fund and other shareholders of the Bank.

The authority of the Significant Shareholders to use and manage the Shares is exclusively limited by the voting rights attached to the Shares under Kazakhstan Laws and the Charter and exercised by the Significant Shareholders at their discretion, save that the Significant Shareholders may exercise the voting rights attached to the Shares solely in accordance with Samruk-Kazyna Fund's instructions on matters regarding the appointment of directors and matters to be decided by a qualified majority of votes. The Significant Shareholders may not take action to dispose of the Shares, including any encumbrance on the 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 (with the exception of the DBK, which has a special status and belongs to neither 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 considerable asset quality deterioration in 2009, with non-performing loans in the banking sector increasing to 36.5 per cent. as at 1 January 2010 from 8.1 per cent. as at 1 January 2009. In 2009, the banking sector overall showed a net loss of KZT 2,834 billion (by way of comparison, the aggregate financial result for the banking sector as at the end of 2008 was a profit of KZT 10.7 billion) and assets of the banking sector also declined in that period. As of 30 June 2010 the share of bad loans in the Kazakhstan banking sector was 25.25 per cent., and the aggregate financial result for the banking sector for the first six months of 2010 was a loss of KZT 267.7 billion.

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 are estimated at 6.4 per cent. of Kazakhstan's GDP in 2009, compared, for example, to the United Kingdom and the United States where, according to the IMF, capital injections represented 3.9 per cent. and 2.2 per cent., respectively. The total amount of capital injected into the Kazakhstan banking sector was U.S.$6,777 million as at 1 September 2010. BTA Bank has been the principal beneficiary of the capital injections, with funds injected to acquire equity amounting to KZT 212.1 billion (or U.S.$1.4 billion).

The Government's capital injection into the Bank took place in May 2009 and amounted to KZT 36.0 billion (or U.S.$240.0 million).

The table below shows the amount of funds of the National Fund of the Republic of Kazakhstan allocated to putting into effect the Plan of Joint Actions of the Government, the NBK and the FMSA for the Stabilisation of the Economy and the Financial System for 2009-2010, as of 1 June 2010:

Destination of state support	Allocated	Appropriated* (KZT billions)	% appropriated
(1) Capitalisation of banks	332.1	332.1	100%
(2) Resolving problems on the real estate market, including:	360.0	195.1	54.2%
Mortgage State Finance Programme	120.0	120.0	100.0%
Construction State Finance Programme	240.0	75.1	31.3%
(3) SME State Finance Programme, including:	120.0	120.0	100.0%
through second tier banks	117.0	117.0	100.0%
through the Damu Fund	3.0	3.0	100.0%
(4) Crediting of projects in the real sector of the economy	144.0	144.0	100.0%
(5) Industrial Innovation Programme	120.0	7.7	6.5%
(6) Agricultural State Finance Programme	120.0	120.0	100.0%
(7) Total funds of the National Fund of the Republic of Kazakhstan allocated to putting into effect the Plan of Joint Actions of the Government, the NBK and the FMSA for the Stabilisation of the Economy and the Financial System for 2009-2010 (1+2+3+4+5+6):	1,196.1	1,038.9	86.9%

Destination of state support	Allocated	Appropriated* (KZT billions)	% appropriated
(8) Financial support (exchange of bonds between Samruk-Kazyna and banks that were restructured) from Samruk-Kazyna which upon completion of the restructurings were converted into the shares of BTA Bank and of Alliance Bank, including:	750.0	0.0	0.0%
BTA Bank	645.0	0.0	0.0%
Alliance Bank	105.0	0.0	0.0%
Total state support (7+8), including:	1,946.1	1,038.9	56.5%
Financial sector (1+8)	1,082.1	332.1	30.7%
Total state support as a percentage of GDP for 2009, including:	11.4%	6.1%	
Financial sector	6.4%	2.0%	

Sources: FSMA and data published by banks.

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 the Senate, which is the higher chamber of the 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 1 July 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 6.0 per cent. (with the K1-1 ratio increasing to 8.0 per cent. from 1 July 2012 and to 9.0 per cent. from 1 July 2013 and K1-2 ratio increasing to 9.0 per cent. from 1 July 2011), compared with the BIS Guidelines' recommendation of 4.0 per cent. The FMSA's K2 (own capital to total assets weighted for risk) capital adequacy ratio requirement is 12.0 per cent. compared with the BIS Guidelines' recommendation of 8.0 per cent. For banks with a bank holding company or a bank parent company among their shareholders and state-controlled banks, 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 5.0 per cent. of total assets (with the K1-1 (Tier 1 capital to total assets) ratio increasing to 7.0 per cent. from 1 July 2012 and to 8.0 per cent. from 1 July 2013 and K1-2 (Tier 1 capital to total assets weighted for risk) ratio increasing to 8.0 per cent. from 1 July 2011) while the K2 (own capital to total assets weighted for risk ratio) is reduced to 10.0 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 10.0 per cent. of such bank's shares to comply with higher capital adequacy ratios. Such ratios are 7.0 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 (with K1-1 ratio increasing to 9.0 per cent. staring from 1 July 2012 and to 10.0 per cent. starting from 1 July 2013 and with K1-2 ratio increasing to 10 per cent. starting from 1 July 2011) and 14.0 per cent. for the K2 (own capital to total assets weighted for risk) ratio.

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 currently 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) three 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. With effect from 3 March 2009, the minimum level at which second tier banks must maintain reserves has been decreased from 2.0 per cent. to 1.5 per cent. with respect to domestic liabilities and from 3.0 per cent. to 2.5 per cent. with respect to other liabilities.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme, the KDIF, was established and as at 1 September 2010, 34 commercial banks, including subsidiaries of foreign banks and the Bank, were covered by the scheme (according to the Kazakhstan Deposit Insurance Fund). 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 10.0 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 10.0 per cent. or more of a Kazakhstan bank. The rating of such an entity must be long term and not be less than (i) Kazakhstan's sovereign rating (or equivalent); or (ii) if the entity is a financial institution, "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 regulator of that country 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.

To address concerns 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 the 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 increases its provisioning ratios.

Commercial Banks

In November 2001, the Government divested its remaining 33.3 per cent. stake in JSC Halyk Bank (formerly known as 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 1 December 2009, the KDIF reported total payments of KZT 15,000 million to the depositors of JSC Valut-Transit Bank and JSC Nauryz Bank and money was returned to more than 67,000 depositors of those banks. As of 7 December 2009 the liquidation commission of JSC Valut-Transit Bank had satisfied claims of the KDIF (a creditor of the third priority) representing 23.6 per cent. of the total amount of indebtedness of the bank in respect of the third group of priority. As of 28 October 2009 the liquidation commission of JSC Nauryz Bank had satisfied claims of the KDIF (a creditor of the third priority) representing 88 per cent. of the total amount of indebtedness of the bank in respect of the third group of priority.

According to data published by the FMSA, as at 31 August 2010, 30 of the 38 second-tier banks (excluding Zhilstroysberbank) had capital of over KZT 5,000 million and eight banks had a capital of KZT 2,000 million to KZT 5,000 million. Since 1 October 2009, any bank whose own capital (i.e. shareholders' equity) falls below KZT 5,000 million (or KZT 2,000 million for banks registered outside of Astana and Almaty) is required to apply to the FMSA for voluntary reorganisation into an organisation performing only limited banking operations. Starting from 1 July 2011 the minimum requirements for size of own capital are established at KZT 10 billion for banks, including newly-created banks, KZT 5 billion for residential construction savings banks and KZT 4 billion for banks registered and carrying out a significant part of their operations outside Astana and Almaty.

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 has its own legal status which does not fall within either tier of the Kazakhstan banking system. The DBK does not currently accept commercial or retail deposits or provide corporate settlement services. However, the Bank expects that the DBK may become an important competitor in the corporate lending sector. The DBK is not treated as a commercial bank for the purposes of market share data and ranking in this Base Prospectus.

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

According to data published by the FMSA, as at 30 June 2010, there were 19 banks with foreign ownership 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. A number of foreign banks have opened representative offices in Kazakhstan, including JPMorgan Chase Bank N.A., Deutsche Bank AG, Commerzbank AG, ING Bank N.V., Landesbank Berlin AG and Société Générale.

According to data published by the FMSA, the total capital of commercial banks decreased to negative capital KZT 514.5 billion as at 30 June 2010 compared to negative capital of KZT 978 billion as at 1 January 2010 and KZT 1,453 billion as at 1 January 2009. During such period, the total assets of such banks increased to KZT 11,962 billion as at 30 June 2010 from KZT 11,557 billion as at 1 January 2010 (compared to approximately KZT 11,890 billion as at 1 January 2009). The aggregate liabilities increased to approximately KZT 12,476 billion as at 30 June 2010 from KZT 12,536 billion as at 1 January 2010 and KZT 10,437 billion as at 1 January 2009. The aggregate net loss amounted to KZT 267.7 million for the first six months of 2010 compared to KZT 265,428 million for the same period in 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 a national management holding company (which is currently Samruk-Kazyna), the authorised shares of any bank in Kazakhstan to the extent necessary (but not less than 10.0 per cent. of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or the national management holding company) 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 authorised to manage state property or the national management holding company is authorised to appoint no more than 30.0 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 by way of direct sale or through the stock exchange. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

On 2 February 2009, the FMSA agreed with the Government on the acquisition of approximately 75.1 per cent. of BTA Bank's shares, which were subsequently acquired by Samruk-Kazyna within the new financial stability measures. Also on 2 February 2009, Alliance Bank announced that its major shareholder had decided to sell 76.0 per cent. of the common shares of Alliance Bank to Samruk-Kazyna, and on the same date Samruk-Kazyna announced that it was considering such purchase. Separately from the acquisition of the common shares of Alliance Bank, Samruk-Kazyna and Alliance Bank signed a deposit agreement for the deposit of KZT 24,000 million with Alliance Bank to support its financial stabilisation and further capitalisation.

The NBK decreased its refinancing rate from 10.5 per cent. to 10.0 per cent. effective from 1 January 2009, and the current refinancing rate is 7.0 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 Alliance 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 in 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 Restructuring Law in Kazakhstan*". The restructuring of Alliance Bank was completed on 23 March 2010, restructuring and/or cancelling over U.S.$4.5 billion of Alliance Bank's financial indebtedness. The restructuring of BTA Bank was completed on 31 August 2010, cancelling approximately U.S.$16.7 billion of BTA Bank's financial indebtedness.

As at the date of this Base Prospectus, the Kazakhstan banking system remains under stress.

The Restructuring Law in Kazakhstan

Prior to July 2009 when the Restructuring Law was adopted, 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 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 Base Prospectus, the application of the Restructuring Law has been tested in practice three times, in the restructurings of Alliance Bank, BTA Bank and Temir Bank.

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:

(i) 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;

(ii) if a bank has already been placed in conservation, the reorganisation may be initiated by a temporary manager appointed by the FMSA; or

(iii) 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 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 be 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 Base Prospectus, it is unclear whether a stabilisation bank can be used as a holding vehicle for “good” assets of several distressed banks.

THE FMSA’S POWERS 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, *inter alia*, the following compulsory measures to second tier banks (commercial banks) in Kazakhstan and their shareholders which are major participants or bank holding companies:

(i) issuing a warning and mandatory written instructions to a bank;

(ii) entering into an agreement with a bank setting out measures to be taken by the bank to remedy any identified breaches, including but not limited to breaches of prudential requirements;

(iii) instituting the FMSA special regime in a bank and requiring the bank to develop an action plan to restore such bank’s financial condition;

(iv) suspending or revoking a bank’s licence for all or certain banking operations;

(v) mandatory purchase of a bank’s shares;

(vi) removing the management of a bank;

(vii) forcing a bank to reorganise into a credit partnership;

(viii) forcing a bank into conservation;

(ix) forcing a bank into mandatory liquidation; and

(x) forcing a bank into segregating 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 a major participant 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 10.0 per cent. of the bank’s voting shares in the case of a major participant and less than 25.0 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 shareholder when, for example, a bank is in breach of the FMSA’s prudential requirements or the bank’s shareholders which are major participants or bank holding companies are in an unstable financial condition which may negatively affect the bank concerned. See “*Risk Factors – Risks Relating to the Restructuring – The Bank may face litigation if the FMSA applies any of its compulsory restrictive measures to the Bank*”.

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 50.0 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 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 global depositary receipts) from such bank's shareholders at a price determined by the FMSA in the event the bank's own capital (i.e. shareholders' equity) 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 regulatory capital 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 temporary 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

Any creditor has the right to initiate insolvency proceedings against a Kazakhstan entity (including a bank) if the entity has failed to pay its debt within three months after the debt became due and payable, *provided that* the amount owed by the debtor is more than 150 times the monthly calculation index (approximately U.S.$1,437). The court will declare the entity bankrupt if the entity fails to prove its solvency.

However, in respect of banks, it is not the court but the FMSA which will determine whether the bank is insolvent. Thus, under the Banking Law, a court cannot declare a bank insolvent unless the FMSA consents. The FMSA will determine whether the bank is solvent on the basis of its own calculations, taking into account the applicable capital requirements and other factors.

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:

(i) administrative and legal expenses of bankruptcy;

(ii) payments for tort claims involving harm to life or health;

(iii) payments due to employees as a result of their employment and related social security and mandatory pension payments;

(iv) KDIF's claims related to insured deposits;

(v) claims of individual depositors relating to deposits and transfers, deposits made from pension fund assets and deposits of life insurance companies;

(vi) claims of non-profit organisations;

(vii) claims of legal entities secured by pledges of the bank's property;

(viii) tax liability settlements and repayment of borrowings from the state; and

(ix) unsecured claims of creditors.

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are constituted by a trust deed (the "Trust Deed") dated 22 October 2010 between JSC Kazkommertsbank (the "Issuer") and BNY Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes referred to below. An agency agreement (the "Agency Agreement") dated 22 October 2010 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon as calculation agent (the "Calculation Agent"), principal paying agent (the "Principal Paying Agent" and a "Paying Agent") and transfer agent (a "Transfer Agent"), and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "Registrar"). Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

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

1. FORM, DENOMINATION AND TITLE

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms or integral multiples thereof, without interest coupons, *provided that* (i) the Specified Denomination(s) shall not be less than €100,000 or its equivalent in other currencies, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in Part A of the relevant Final Terms and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies.

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

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

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

2. TRANSFERS OF NOTES

(a) **Transfer of Notes**

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

(b) **Exercise of Options or Partial Redemption in Respect of Notes**

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

(c) **Delivery of New Notes**

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

(d) **Transfer Free of Charge**

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

(e) **Closed Periods**

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

3. STATUS OF THE NOTES

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

4. COVENANTS

(a) **Negative Pledge of the Issuer**

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

(b) **Limitations on Certain Transactions**

So long as any Note remains outstanding, the Issuer will not, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) involving aggregate consideration equal to or greater than U.S.$5,000,000 unless such transaction or series of transactions is or are at a Fair Market Value.

(c) **Limitation on Payment of Dividends**

So long as any Note remains outstanding, the Issuer will not pay any dividends, in cash or otherwise, or make any other distributions (whether by way of redemption, acquisition or otherwise) in respect of its share capital (i) at any time when there exists an Event of Default (as defined in Condition 10) or an event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default or (ii) at any time when no such Event of Default or event exists, (a) more frequently than once during any calendar year or (b) in an aggregate amount exceeding 50 per cent. of the Issuer's net income for the period in respect of which the dividends are being paid or the distribution is being made, calculated in accordance with International Financial Reporting Standards, for which purpose, the amount of the Issuer's net income shall be determined by reference to its Annual Financial Statements of the period in respect of which the dividend is being paid. The foregoing limitation shall not apply to the payment of (i) any dividends in respect of any preferred shares of the Issuer, which may be issued by the Issuer from time to time or (ii) any dividends in respect of any common shares of the Issuer, which are paid through the issuance of additional common shares.

(d) **Determination of Material Subsidiaries**

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

(e) **Provision of Financial Information**

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

5. INTEREST AND OTHER CALCULATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (1)(I) *applies* and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (1)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

(3) if paragraph (2) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation *Agent* determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in Europe (the "Principal Financial Centre") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

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

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

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

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

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

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

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

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

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

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

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

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

(j) **Determination or Calculation by Trustee**

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

6. REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption**

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

(ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final

Redemption Amount (which, unless otherwise provided in the Final Terms, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption**

(i) *Zero Coupon Notes*

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

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

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

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

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

(c) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified in the Final Terms, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the 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 holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue of the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing in form and substance satisfactory to the Trustee to the effect that the Issuer has or will become obliged to pay such additional amounts and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders.

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

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

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

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

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

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

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

(h) **Cancellation**
All Notes purchased by or on behalf of the Issuer, or any of its subsidiaries may be held, resold or, at the option of the Issuer, surrendered for cancellation by surrendering the Notes to the Registrar and, if so

surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS

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

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

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

(b) **Payments subject to Laws**

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

(c) **Appointment of Agents**

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

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

(d) **Calculation Agent and Reference Banks**

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

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

(e) **Non-Business Days**

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

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

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

8. TAXATION

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

(a) **Other Connection**

to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note by reason of his having some connection with the Republic of Kazakhstan other than the mere holding of, the receipt of payment under, or the enforcement of rights or remedies under, the Notes;

(b) **Presentation more than 30 days after the Relevant Date**

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

(c) **Payment to Individuals**

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

9. PRESCRIPTION

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

10. EVENTS OF DEFAULT

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

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

(b) **Breach of other Obligations**
the Issuer 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 (other than a default or breach elsewhere specifically dealt with in this Condition 10) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer or as the case may be, by the Trustee; or

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

(d) **Bankruptcy**
(i) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (ii) the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent

seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or any Material Subsidiary, as the case may be, or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer or any Material Subsidiary commences proceedings with a view to the general adjustment of its Indebtedness which event is, in the case of the Material Subsidiary, (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

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

(f) **Maintenance of Business**
the Issuer fails to take any action as is required of it under applicable banking regulations in the Republic of Kazakhstan or otherwise to maintain in effect its banking licence or corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the Trustee) materially prejudicial to the interests of the Noteholders and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or

(g) **Material Compliance with Applicable Laws**
the Issuer fails to comply in any respect with any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority for any purpose to enable the Issuer 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 to ensure that all necessary agreements or other documents are entered into and that all necessary consents and approvals of, and registrations and filings with, any such authority in connection therewith are obtained and maintained in full force and effect and the Trustee certifies that such non compliance is, in the sole opinion of the Trustee, materially prejudicial to the interests of Noteholders; or

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

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

11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified in the Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (viii) modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or any resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

(b) **Modification**

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

(c) **Substitution**

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

(d) **Entitlement of the Trustee**

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

12. ENFORCEMENT

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

13. INDEMNIFICATION OF THE TRUSTEE

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

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

14. REPLACEMENT OF NOTES

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

15. FURTHER ISSUES

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

16. NOTICES

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

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18. GOVERNING LAW, JURISDICTION AND ARBITRATION

(a) **Governing law**
The Trust Deed and the Notes, including any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English Law.

(b) **Submission to Jurisdiction; Arbitration**
The Issuer has in the Trust Deed (i) agreed that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or regarding any non-contractual obligation arising out of or in connection with the Trust Deed) shall be referred to and finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration as at present in force and as modified by the Trust Deed; (ii) agreed that at any time before the Trustee has nominated an arbitrator to resolve any such claim, dispute or difference, the Trustee may, at its sole option, elect by notice in writing to the Issuer that any such claim, dispute or difference shall instead be heard by the courts of England or by any other court of competent jurisdiction; (iii) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any such claim, dispute or difference; (iv) waived any objection which it might have now or hereafter to the courts of England being nominated as the forum to hear and determine any such claim, dispute or difference and agreed not to claim that any such court is not a convenient or appropriate forum; (v) designated Law Debenture Corporate Services at Fifth Floor, 100 Wood Street, London EC2V 7EX to accept service of any process on its behalf in England; (vi) consented to the enforcement of any judgment; (vii) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction; and (viii) consented generally in respect of any arbitration or proceedings to the giving of any relief or the issue of any process in connection with such arbitration or proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order judgment or award which may be made or given in such arbitration or proceedings.

19. DEFINITIONS

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

"Agency Agreement" means the agency agreement dated 22 October 2010 between the Issuer and the agents named in it relating to the Programme.

"Business Day" means:

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

(b) in the case of euro, a day on which the TARGET2 System is operating (a "TARGET Business Day") and/or

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

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

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

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

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

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

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

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

(f) if "Actual/Actual – ICMA" is specified in the Final Terms,

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) the gross assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent Annual Financial Statements (or, if none, its then most recent management accounts); and

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

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

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

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

"Programme" means the U.S.$2,000,000,000 Debt Issuance Programme for the issuance of notes which the Issuer has authorised (or such other limit as agreed from time to time).

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

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

"Relevant Financial Centre" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

"Relevant Rate" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

"Relevant Time" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition, "local time" means, with respect to Europe as a Relevant Financial Centre, Brussels time.

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

"Representative Amount" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

"Security Interest" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person.

"Specified Currency" means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

"Specified Duration" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the Final Terms or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii).

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

"TARGET2 System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor thereto.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

FORM OF FINAL TERMS

Final Terms dated [ ]

JSC KAZKOMMERTSBANK

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$2,000,000,000
Debt Issuance Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 22 October 2010 [and the supplemental Base Prospectus dated [ ]][(1)] which [together] constitute[s] a Base Prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].][(2)]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated 22 October 2010 [and the supplemental Base Prospectus dated [ ]][(1)]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated 22 October 2010 [and the supplemental Base Prospectus dated [ ]][(2)], which [together] constitute[s] a Base Prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 22 October 2010 [and the supplemental Base Prospectus dated [ ]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 22 October 2010 and [current date] [and the supplemental Base Prospectus dated [ ]]. [The Base Prospectuses [and the supplemental Base Prospectus] are available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].][(2)]

[The following alternative language applies if Notes are issued pursuant to Rule 144A.]

THE NOTES REFERRED TO HEREIN THAT ARE REPRESENTED BY A RULE 144A GLOBAL NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144

1 Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purpose of all future issues under the Programme.

2 Article 14.2 of the Prospectus Directive provides that a Base Prospectus is deemed available to the public when, *inter alia*, made available (i) in printed form free of charge at the offices of the market on which securities are being admitted to trading; OR (ii) at the registered office of the Issuer and at the offices of the Paying Agents; OR (iii) in an electronic form on the Issuer's website. Article 16 of the Prospectus Directive requires that the same arrangements are applied to supplemental Base Prospectuses.

THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF NOTES REPRESENTED BY A RULE 144A GLOBAL NOTE.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK; SEE THE SECTION ENTITLED "*RISK FACTORS*" IN THE BASE PROSPECTUS.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

1.	Issuer:	JSC Kazkommertsbank
2.	(i) Series Number:	
	(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount of Notes admitted to trading:	[ ]
	(i) Series:	[ ]
	(ii) Tranche:	[ ]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [***insert date***] (*if applicable*)]
6.	(i) Specified Denominations:	[ ] *[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]*
	(ii) Calculation Amount:	[ ]
7.	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date:	[ ]
8.	Maturity Date:	*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9.	Interest Basis:	[[ ]% Fixed Rate] [[*specify reference rate*] +/–[ ]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)

10. Redemption/Payment Basis[3]:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options:	[Noteholder Put] [Issuer Call] [(further particulars specified below)]
13. (i) Status of the Notes:	[Senior/[Dated/Perpetual]/Subordinated]
(ii) [Date [Board] approval for issuance of Notes obtained:	[ ] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii) Interest Payment Date(s):	[ ] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
(iii) Fixed Coupon Amount[(s)]:	[ ] per [ ] in Nominal Amount
(iv) Broken Amount(s):	*[insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
(v) Day Count Fraction (Condition 19):	[30/360/Actual/Actual ([ICMA]/ISDA)/other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless requested otherwise)*
(vi) Determination Dates (Condition 19):	[ ] in each year *(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA]))*

3 If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.

	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
16.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Interest Period(s):	[ ]
	(ii) Specified Interest Payment Dates:	[ ]
	(iii) First Interest Payment Date:	[ ]
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v) Business Centre(s) (Condition 19):	[ ]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (give details)]
	(vii) Interest Period Date(s):	[Not Applicable/specify dates]
	(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
	(ix) Screen Rate Determination (Condition 5(b)(iii)(B):	[ ]
	• Relevant Time:	
	• Reference Rate:	
	• Interest Determination Date(s):	[[ ] [TARGET] Business Days in *[specify city]* for *[specify currency]* prior to [the first day in each Interest Accrual Period/each Interest Payment Date]][ ]
	• Primary Source for Floating Rate:	*[Specify "Page" or "Reference Banks"]*
	• Reference Banks (if Primary Source is "Reference Banks"):	*[Specify four]*
	• Page (if Primary Source is "Page"):	[Page]
	• Relevant Financial Centre:	*[The financial centre most closely connected to the Benchmark–specify if not London]*
	• Benchmark:	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]
	• Representative Amount:	*[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]*

	• Effective Date:	*[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
	• Specified Duration:	*[Specify period for quotation if not duration of Interest Accrual Period]*
	• Relevant Screen Page:	[ ]
	(x) ISDA Determination (Condition 5(b)(iii)(A):	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
	• ISDA Definitions (if different from those set out in the Conditions):	[ ]
	(xi) Margin(s):	[+/–][ ] per cent. per annum
	(xii) Minimum Rate of Interest:	[ ] per cent. per annum
	(xiii) Maximum Rate of Interest:	[ ] per cent. per annum
	(xiv) Day Count Fraction (Condition 19):	[ ]
	(xv) Rate Multiplier	[ ]
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) [Amortisation/Accrual] Yield:	[ ] per cent. per annum
	(ii) Reference Price:	[ ]
	(iii) Day Count Fraction (Condition 19):	[ ]
	(iv) Any other formula/basis of determining amount payable:	[ ]
18.	Index-Linked Interest Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula/Other variable:	*[give or annex details]*

	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	[ ]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula:	[ ]
	(iv) Determination Date(s):	[ ]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[ ]
	(vi) Interest or calculation period(s):	[ ]
	(vii) Specified Interest Payment Dates:	[ ]
	(viii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(ix) Business Centre(s):	[ ]
	(x) Minimum Rate/Amount of Interest:	[ ] per cent. per annum
	(xi) Maximum Rate/Amount of Interest:	[ ] per cent. per annum
	(xii) Day Count Fraction (Condition 19):	[ ]
19.	Dual Currency Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	*[give details]*
	(ii) Party, if any, responsible for calculating the principal and/or interest due:	[ ]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]
	(v) Day Count Fraction (Condition 19):	[ ]

PROVISIONS RELATING TO REDEMPTION

20. Call Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ] per Calculation Amount
(b) Maximum Redemption Amount:	[ ] per Calculation Amount
(iv) Option Exercise Date(s):	[ ]
(v) Description of any other Issuer's option:	[ ]
(vi) Notice period[4]	[ ]
21. Put Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Note of [ ] specified denomination
(iv) Option Exercise Date(s):	[ ]
(v) Description of any other Noteholder's option:	[ ]
(vi) Notice period:	[ ]
22. Final Redemption Amount of each Note[5]	[[ ] per Note of [ ] specified denomination/other/see Appendix]
In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
(i) Index/Formula/variable:	*[give or annex details]*

4 If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee.

5 If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.

	(ii) Party responsible for calculating the Final Redemption Amount (if not the Agent):	[ ]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index an/or Formula and/or other variable:	[ ]
	(iv) Determination Date(s):	[ ]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted [including any market disruption/settlement disruption events]:	[ ]
	(vi) Payment Date:	
	(vii) Maximum Final Redemption Amount:	[ ] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[ ] per Calculation Amount
23.	Early Redemption Amount:	
	(i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or on event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]
	(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)):	[Yes/No]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[*specify amount of the Regulation S/Rule 144 A Notes*] Global Notes exchangeable for Definitive Notes in the limited circumstances specified in the Global Note
25.	Financial Centre(s) (Condition 7) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 18(ix) relate*]

26. Talons for future Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
28. Details relating to Instalment Notes:	[Not Applicable/*give details*]
(i) Instalment Amount(s):	[ ]
(ii) Instalment Date(s):	[ ]
(iii) Minimum Instalment Amount:	[ ]
(iv) Maximum Instalment Amount:	[ ]
29. Redomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition [ ] apply]]
30. Consolidation provisions:	[Not Applicable/The provisions [in Condition [ ] apply]
31. Other final terms:	[Not Applicable/*give details*] *(When adding any other final terms consideration should be given as to whether such terms constitute a 'significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

DISTRIBUTION

32. (i) If syndicated, names of Managers:	[Not Applicable/*give names*] *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and entities of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
(ii) Date of Subscription Agreement:	[ ]
(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
33. If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
34. U.S. Selling Restrictions:	[Reg. S Compliance category/TEFRA not applicable]
35. Additional selling restrictions:	[Not Applicable/*give details*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Issuer's U.S.$2,000,000,000 Debt Issuance Programme.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms, [[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: . . . .
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

(i) Listing:	London/other (specify)/None
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant market] with effect from [ ]] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [[Other]: [ ]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. [NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

[5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer	[ ] (See ["*Use of Proceeds*"] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[(ii)] Estimated net proceeds:	[ ]
	(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
[(iii)] Estimated total expenses:	[ ] [Include breakdown of expenses.]
	*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]**
6. [Fixed Rate Notes only – YIELD	[ ]
Indication of yield	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. [INDEX-LINKED OR OTHER VARIABLE-LINKED NOTES ONLY – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained, including a description of any market disruption or settlement disruption events that affect the underlying. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

8. [DUAL CURRENCY NOTES ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

9. OPERATIONAL INFORMATION

ISIN Code (Reg S Notes):	[ ]
ISIN Code (Rule 144A Notes):	[ ]
Common Code (Reg S Notes):	[ ]
Common Code (Rule 144A Notes):	[ ]
Rule 144A Notes CUSIP number:	[ ]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme or DTC and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of Initial Paying Agent(s):	[ ]
Names and addresses of additional Paying Agent(s) (if any):	[ ]

OVERVIEW OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

THE GLOBAL NOTES

Each Series of Notes will be evidenced on issue (i) in the case of Regulation S Notes, a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and (ii) in the case of Rule 144A Notes, a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Book-Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a Series of Notes sold to or through more than one relevant Dealer, by each of such relevant Dealers as to the Notes of such Series sold by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all relevant Dealers have so certified (the "distribution compliance period"), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "*Book-Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U.S. person (within the meaning of Regulation S), it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to the Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "Definitive Notes"). The Notes are not issuable in bearer form.

AMENDMENTS TO CONDITIONS

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is an overview of those provisions:

- Payments. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

- Notices. So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes *provided that* for so long as the Notes are listed on the Regulated Market of the London Stock Exchange and the rules of the regulated market of the London Stock Exchange so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times).

- Meetings. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.

- Trustee's Powers. In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its account holders with entitlements to such Global Note and may consider such interests as if such account holders were the holders of such Global Note.

- Cancellation. Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

- Redemption at the Option of the Issuer. Any Call Option provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

- Redemption at the Option of Noteholders. Any Put Option provided for in the Conditions may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Conditions substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

EXCHANGE FOR DEFINITIVE NOTES

Exchange

Registration of title to Notes initially represented by a Rule 144A Global Note in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary and the Registrar has received a notice from the registered holder of a Rule 144A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by a Regulation S Global Note in a name other than the nominee of the common depositary for Euroclear and Clearstream, Luxembourg will only be permitted (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (i.e. common depositary) of the relevant Regulation S Global Note requesting an exchange of the Regulation S Global Note for Definitive Notes.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

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

"Exchange Date" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*."

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

BOOK-ENTRY PROCEDURES FOR THE GLOBAL NOTES

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*Book Entry Ownership – Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("Direct Participants") or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants") through organisations which are accountholders therein.

DTC

The Issuer understands that DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

The Issuer understands that DTC will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Exchange for Definitive Notes*", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

BOOK-ENTRY OWNERSHIP

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have a CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "Beneficial Owner") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual beneficial owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants

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

Trading Between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the issue date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant issue date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in the dealer agreement dated 22 October 2010 (the "Dealer Agreement") between the Issuer and the Dealers, the Notes will be offered from time to time by the Issuer to the Dealers. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

The Issuer has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their respective affiliates may provide various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non public market financing for, and enter into derivative transactions with, the Issuer and its affiliates (including its shareholders) and for which they will receive customary fees.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act, the securities laws of any State or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or and (ii) otherwise until 40 days after completion of the distribution compliance period within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Dealer Agreement provides that the Dealers may directly or through a U.S. broker-dealer affiliate arrange for the offer and re-sale of Notes under the Programme that are designated as Rule 144A eligible under the relevant Final Terms within the United States only to qualified institutional buyers in reliance on Rule 144A.

European Economic Area

In relation to each member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant in Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression a "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Kazakhstan

Each Dealer has represented, warranted and agreed that it will only offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan in compliance with the laws of Kazakhstan.

United Kingdom

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "FIEL") and each of the Dealers has undertaken that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither the Issuer, nor any other Dealer shall have responsibility therefor.

TAXATION

UNITED STATES FEDERAL INCOME TAXATION

The following is a summary of the principal U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organisations, dealers or traders in securities or currencies, holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar, or certain former citizens or long-term residents of the United States. Moreover, this summary does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial issue price.

This summary is based on the Internal Revenue Code of 1986, as amended, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Final Terms.

For purposes of this summary, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership (or an entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Investors should consult their own tax advisers with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Notes.

Internal Revenue Service Circular 230 Disclosure.

Pursuant to Internal Revenue Service Circular 230, the Bank hereby informs investors that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the promotion or marketing of the Notes. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

U.S. HOLDERS

Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes generally will be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income" for the purposes of computing any foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws.

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognise foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date of payment is received differs from the rate applicable to an accrual of that interest.

Additional rules for Notes that are denominated in more than one currency or that have one or more non-currency contingencies and are denominated in either one foreign currency or more than one currency are described below under Dual Currency Notes.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("OID"), including Zero Coupon Notes, will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as "Original Issue Discount Notes." Notice will be given in the relevant Final Terms when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the application of the Treasury Regulations addressing OID to, or address the U.S. federal income tax consequences of, an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments, the relevant Final Terms will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described under "Foreign Currency Discount Notes" below.

For U.S. federal income tax purposes, a Note (including a Zero Coupon Note), other than a Note with a term of one year or less (a "Short-term Note"), will be treated as issued as an Original Issue Discount Note if the excess of the Note's stated redemption price at maturity over its issue price equals or exceeds a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The "stated redemption price at maturity" of a Note is the sum of all payments required to be made on such Note other than "qualified States Interest" payments. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Final Terms when we determine that a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as stated principal payments on the Notes are made in proportion to the stated principal amount of the Note. Any amount of *de minimis* OID that has been included in income will be treated as capital gain.

Certain of the Notes may be redeemed prior to their maturity at our option and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods stated in U.S. dollar amounts.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the applicable Final Terms and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such Notes. Any amount of *de minimus* OID that has not been included in income will be treated as capital gain upon a disposition of a Note.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. U.S. Holders should consult their own tax advisors about this election.

Short-Term Notes

In the case of Short-term Notes, under the OID regulations, all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short-term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Foreign Currency Discount Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "Foreign Currency Denominated Interest". Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above in "*Foreign Currency Denominated Interest*."

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a "premium" and will not be required to include OID, if any, in income. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder's regular accounting method. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realised measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Under certain circumstances special rules limit the amortisation of premium in the case of convertible debt. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Sale, Exchange or Retirement

A U.S. Holder's tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale.

Gain or loss recognised on the sale or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss. Prospective investors should consult their tax advisers as to the foreign tax credit implications of a sale or retirement of Notes.

Sale, Exchange or Retirement of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be ordinary income or loss.

Dual Currency Notes

U.S. Holders of Notes that are denominated in more than one currency or that have one or more non-currency contingencies and are denominated in either one foreign currency or more than one currency will be subject to special tax accounting rules applicable to "Multi-Currency Debt Securities." A U.S. Holder generally would be required to apply the "noncontingent bond method" in the Multi-Currency Debt Security's denomination currency, which for this purpose would be the Multi-Currency Debt Security's predominant currency as determined by the Issuer. A description of the principal U.S. federal income tax consideration relevant to holders of Dual Currency Notes, including specification of the predominant currency, will be set forth, if required, in the relevant Final Terms.

Index Linked Notes

The tax consequences to a holder of an Index Linked Redemption Note or Index Linked Interest Note will depend on factors including the specific index or indices used to determine payments on such Note and the amount and time of any noncontingent payments on such Note. A description of the principal U.S. federal income tax considerations relevant to holders of such Note will be set forth, if required, in the relevant Final Terms.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to holders of high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set forth, if required, in the relevant Final Terms.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

New Legislation

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8 per cent. tax on net investment income, including on capital gains, for taxable years beginning after 31 December 2012. In addition, for taxable years beginning after 18 March 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of the Notes.

Non-U.S. Holders
Under U.S. federal income tax law currently in effect, subject to the discussion below under the caption "*U.S. Backup Withholding Tax and Information Reporting*," payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under the caption "*U.S. Backup Withholding Tax and Information Reporting*," any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting
A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on Notes and to proceeds of the sale or redemption of Notes made within the United States, or by a U.S. payor or U.S. middleman, to certain holders of Notes (other than an exempt recipient). The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a United States person, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a Note that is not a United States person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28 per cent. through 2010.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Kazakhstan Taxation
The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments of interest made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Interest

Payments of interest on the Notes to an individual who is not a resident of Kazakhstan for tax purposes or to a legal entity that is neither established under Kazakhstan law, nor has its actual governing body (place of actual management), nor maintains a permanent establishment in Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "Non-Kazakhstan Holders") will be subject to withholding tax at a rate of 15 per cent. unless reduced by an applicable double taxation treaty. Payments of interest on the Notes to Non-Kazakhstan Holders registered in countries with a favourable tax regime and which appear in a list published from time to time by the Government (these countries currently include Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Aruba, Singapore, Switzerland and others) will be subject to withholding of Kazakhstan tax at a rate of 20 per cent. unless reduced by an applicable double taxation treaty.

The withholding tax on interest would not apply if the Notes are, as at the date of accrual of interest, listed on the official list of a stock exchange in Kazakhstan (such as the KASE).

Interest payable to residents of Kazakhstan or to non-residents who maintain a permanent establishment in Kazakhstan (together, "Kazakhstan Holders"), other than to individuals (who are exempt) and Kazakhstan investment funds and certain other entities, will be subject to Kazakhstan withholding tax at a rate of 15 per cent. (10 per cent. from 1 January 2014 onwards) unless the Notes are, as at the date of accrual of interest, listed on the official list of a stock exchange operating in Kazakhstan.

The Terms and Conditions of the Notes state that 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.

Gains

Gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will be subject to withholding tax at a rate of 15 per cent. If the disposal of the Notes is made to a Kazakhstan Holder and the transferor is registered in a country with a favourable tax regime, as referred to above, gains derived from such a disposal are subject to withholding tax in Kazakhstan at the rate of 20 per cent.

Any gains realised by Non-Kazakhstan Holders in relation to Notes which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan or a foreign stock exchange and sold through open trades on such stock exchanges are not subject to withholding tax. However, the withholding tax on the gains may be reduced or eliminated under an applicable double taxation treaty. Kazakhstan's tax legislation does not specify a mechanism for the collection of any such tax or specify whether the purchaser of Notes in such a situation is treated as a withholding agent.

Any gains derived by Kazakhstan Holders in relation to the Notes which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan and sold through open trades on such stock exchange are not subject to Kazakhstan income tax.

However, there therefore is a possibility that gains made by a holder on the sale of a Note otherwise than on an official stock exchange may be subject to Kazakhstan tax or withholding tax and a purchaser may be treated as a withholding agent for such purposes and be liable to account for Kazakhstan withholding tax on the portion of the purchase price representing the gain by the seller of such Note.

European Savings Directive 2003/48/EC

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction (a "paying agent") to or for an individual (or a non-corporate, "residual entity") in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Also, a number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transition withholding) in relation to payments made by a "paying agent" within its jurisdiction to or for an individual in a Member State.

Investors should note that the European Commission has proposed amendments (COM (2008) 727) to the EU Savings Directive. These proposed amendments, if implemented, would extend the scope of the EU Savings Directive so as to treat a wider range of income as similar to interest and to bring payments made through a wider range of collective investment undertakings wherever established (including partnerships) within the scope of the EU Savings Directive. The timing of the implementation of these proposed amendments is not yet known nor is its possible application.

CERTAIN ERISA CONSIDERATIONS

Subject to the following discussion the Notes may be acquired by pension, profit -sharing or other employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), individual retirement accounts, Keogh plans and other plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and entities deemed to hold the plan assets of the foregoing (each a "Benefit Plan"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

The acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Trustee, the Dealers, the Registrar or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96 – 23, regarding transactions effected by "in-house asset managers;" PTCE 95 – 60, regarding investments by insurance company general accounts; PTCE 91 – 38, regarding investments by bank collective investment funds; PTCE 90 – 1, regarding investments by insurance company pooled separate accounts; and PTCE 84 – 14, regarding transactions effected by "qualified professional asset managers." In addition to the administrative class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory class exemption for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), *provided that* there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisors regarding the applicability of any such exemption.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans are not subject to ERISA requirements, however, such plans may be subject to substantially similar non-U.S., federal, state or local law restrictions.

By acquiring a Note, each purchaser and transferee will be deemed to represent, warrant and covenant that either (i) it is not acquiring the Note with the assets of a Benefit Plan or any other plan subject to a law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (ii) the acquisition, holding and disposition of the Note will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any other substantially similar applicable law.

A plan fiduciary considering the purchase of Notes should consult its legal advisors regarding whether the assets of the Issuer would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and other issues and their potential consequences.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale or other transfer of any Note.

RULE 144A NOTES

Each purchaser of a beneficial interest in the Rule 144A Notes, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.

(ii) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except in accordance with the legend set forth below.

(iii) It either (a) is not acquiring the Notes (or interests therein) with the plan assets of (and for so long as it holds the Notes (or interests therein) will not be or be acting on behalf of) an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, a "plan" as defined in Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code, or a church, governmental or non-U.S. plan that is subject to a law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (b) acquisition, holding and disposition of the Notes (or interests therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any substantially similar applicable law.

(iv) The Rule 144A Global Notes and any Definitive Notes issued in exchange for an interest in a Rule 144A Global Note will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE (INCLUDING ANY BENEFICIAL INTEREST HEREIN) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THE NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THAT (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (A) ABOVE."

"EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR AN INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF), AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT

TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY DEEMED TO HOLD PLAN ASSETS OF ANY OF THE FOREGOING, OR A CHURCH, GOVERNMENTAL OR NON-U.S. PLAN THAT IS SUBJECT TO A LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR INTEREST HEREIN) WILL NOT GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SUBSTANTIALLY SIMILAR APPLICABLE LAW."

(v) The Issuer, the Bank, the Registrar, the Dealers and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements and if the purchaser is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

REGULATION S NOTES

Each purchaser of a beneficial interest in the Regulation S Notes outside the United States, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

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

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

(3) It understands that Regulation S Notes of a Series will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) It either (a) is not acquiring the Regulation S Notes (or interests therein) with the plan assets of (and for so long as it holds the Regulation S Notes (or interests therein) will not be or be acting on behalf of) an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, a "plan" as defined in Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), that is subject to Section 4975 of the Code, or a church, governmental or non-U.S. plan that is subject to a law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code or (b) the acquisition, holding and disposition of the Regulation S Notes (or interests therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any substantially similar applicable law.

(5) It acknowledges that the Issuer, the Trustee, the Registrar, the Dealer(s) and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer or the Dealer(s). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

GENERAL INFORMATION

(1) The Issuer has obtained or will obtain all necessary consents, approvals and authorisations in Kazakhstan in connection with any Series of Notes. The establishment of the Programme was authorised by a duly adopted resolution of the Board of Directors of the Issuer on 30 September 2010. Prior to the issue of any Notes under the Programme, a resolution of the Board of Directors of the Issuer will be required. In addition, with respect to each issuance of Notes under the Programme, the Issuer will make an applicaiton to the KASE for such Notes to be admitted to the "rated debt securities" section of the official list of the KASE. In order for payments to be made on the Notes exempt of Kazakhstan withholding tax, it will be necessary for the Notes to be admitted to the official list of the KASE. No Notes may be issued without the prior approval of the FMSA.

(2) There has been (i) no significant change in the financial or trading position of the Issuer and its subsidiaries taken as a whole since 30 June 2010 and (ii) no material adverse change in the prospects of the Issuer since 31 December 2009.

(3) The Issuer is not involved and has not been involved during the previous 12 months in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

(4) The Issuer has not entered into any material contracts outside the ordinary course of its businesses which could result in them being under an obligation or entitlement that is material to their ability to make payments under the Notes.

(5) Deloitte LLP of 36 Al Farabi Ave., Almaty Financial District, Building "B" 050059 Almaty, Kazakhstan, has audited, and rendered unqualified audit reports on, the consolidated financial statements of the Issuer for the years ended 31 December 2009, 2008 and 2007. Deloitte LLP has a state licence on auditing of the Republic of Kazakhstan, number 0000015, type MFU-2 given by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006. It is also a member of the chamber of auditors in the Republic of Kazakhstan.

(6) For so long as any Series of Notes is outstanding, copies (and English translations where the documents in question are not in English) of the following documents may be obtained free of charge at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the Annual Financial Statements;
- the Interim Financial Statements;
- the latest annual report and consolidated audited annual financial statements of the Issuer prepared in accordance with IFRS (published annually);
- the latest condensed interim consolidated financial information (unaudited) of the Issuer prepared in accordance with IAS 34; and
- the constitutional documents of the Issuer;

and copies of the following documents will be available for inspection at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the Trust Deed in respect of the Notes (including the forms of the Global Notes and definitive Notes);
- each set of Final Terms for Notes that are listed on the Regulated Market; and
- the Agency Agreement.

Each set of Final Terms for Notes that are listed on the Official List and admitted for trading on the Regulated Market will also be published through the London Stock Exchange's Regulatory News Service.

(7) The Issuer does not intend to provide any post issuance information.

(8) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

(9) This Base Prospectus shall be published through the London Stock Exchange's Regulatory News Service.

INDEX TO FINANCIAL STATEMENTS

JOINT STOCK COMPANY
KAZKOMMERTSBANK

Condensed Interim Consolidated
Financial Information (Unaudited)
For the six months ended 30 June 2010

JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguish the respective responsibilities of management from those of the independent auditors in relation to the condensed interim consolidated financial information of Joint Stock Company Kazkommertsbank and its subsidiaries ("the Group").

Management is responsible for the preparation of condensed interim consolidated financial information that presents fairly the consolidated financial position of the Group as at 30 June 2010 and the results of its operations for the three and six month periods then ended, as well as cash flows and changes in equity for the six month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the condensed interim consolidated financial information, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed; and
- Preparing the condensed interim consolidated financial information 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 condensed interim consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The condensed interim consolidated financial information of the Group for the six months ended 30 June 2010 was authorised for issue on 16 August 2010 by the Management Board of JSC Kazkommertsbank.

On behalf of the Management Board:

Zhussupova N.A.	Shoinbekova G.K.
Chairperson of the Board	Chief Accountant
16 August 2010	16 August 2010
Almaty	Almaty

Deloitte.

Deloitte, LLP
Almaty Financial District
[illegible]
36 Al-Farabi Ave.
Almaty, 050000
[illegible]

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
[illegible]
[illegible]

INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders of JSC Kazkommertsbank:

We have reviewed the accompanying condensed interim consolidated financial information of JSC Kazkommertsbank and its subsidiaries ("the Group"), which comprise the condensed interim consolidated statement of financial position as at 30 June 2010, the condensed interim consolidated income statement and statement of comprehensive income for the three and six month periods then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte, LLP

16 August 2010
Almaty

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

	Notes	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Interest income	5, 19	75,429	101,147	150,611	199,710
Interest expense	5, 19	(35,439)	(46,367)	(75,495)	(95,289)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		[illegible]	54,780	75,116	104,421
Provision for impairment losses on interest bearing assets	5, 19	(23,995)	(62,633)	(52,761)	(121,041)
NET INTEREST INCOME/(EXPENSE)		16,794	(7,895)	22,355	(15,414)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(28,185)	1,862	(47,781)	12,284
Net gain/(loss) on foreign exchange and precious metals operations	7	17,532	(1,574)	32,719	16,568
Fee and commission income		5,208	4,530	8,862	9,939
Fee and commission expense		(889)	(627)	(1,700)	(1,388)
Net realized (loss)/gain on investments available-for-sale		(19)	149	449	(91)
Dividends received		20	21	22	23
Other income		1,676	5,473	2,554	34,166
NET NON-INTEREST (LOSS)/INCOME		(3,639)	11,382	38	[illegible]
OPERATING INCOME		13,156	3,567	73,613	22,394
OPERATING EXPENSES	8, 19	(9,803)	(2,683)	(16,839)	(19,101)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES		3,413	884	6,808	3,290
Provision for impairment losses on other transactions	5, 19	(642)	(1,264)	(1,048)	(498)
Recovery of provision for guarantees and other contingencies	5, 19	1,291	8,151	3,317	1,206
Gain from sale of associates and share of results of associates	10	–	–	–	4,272
OPERATING PROFIT BEFORE INCOME TAX		3,862	7,366	7,537	11,402
Income tax benefit/(expense)	9	887	(334)	2,608	(3,333)
NET PROFIT		4,549	7,032	10,169	9,867
Attributable to:					
Ordinary shareholders of the Parent		3,191	5,999	9,503	8,561
Preference shareholders of the Parent		670	768	890	939
Non-controlling interest		[illegible]	(575)	(231)	367
EARNINGS PER SHARE					
Basic and diluted (KZT)	10	5.08	7.34	[illegible]	13.11

On behalf of the Management Board of the Bank:

Zhussupova N.A.	Shoinbekova G.K.
Chairperson of the Board	Chief Accountant
16 August 2010	16 August 2010
Almaty	Almaty

The notes on pages 10-43 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
NET PROFIT	4,539	4,832	10,260	9,867
Property and equipment:				
Revaluation of property and equipment	(9)	-	173	-
	(9)	-	173	-
Investments available-for-sale:				
Unrealised (loss)/gain on revaluation of investments available-for-sale	(910)	2,143	(759)	200
Loss/(gain) transferred to income statement on sale and impairment of investments available-for-sale	19	(143)	(429)	641
	(891)	2,000	(1,188)	841
Cash flow hedges:				
(Loss)/gain on cash flow hedges	(29)	28,641	(111)	16,719
Net loss/(gain) on hedging reserve transferred to income statement	266	(23,549)	545	(7,114)
	237	5,092	434	9,605
Exchange differences on translation of foreign operations	(1,031)	447	(880)	2,130
Deferred income tax:				
Deferred income tax recognized on property and equipment due to tax rate changes	-	192	-	15
Deferred income tax recognized on investments available-for-sale, on cash flow hedges and due to tax rate changes	100	(1,268)	133	(2,374)
	100	(1,075)	133	(2,359)
TOTAL COMPREHENSIVE INCOME	2,934	11,291	8,829	20,090
Attributable to:				
Ordinary shareholders of the Parent	2,557	10,548	8,160	17,453
Preference shareholders of the Parent	401	1,391	573	2,397
Non-controlling interest	(32)	(648)	97	240
TOTAL COMPREHENSIVE INCOME	2,934	11,291	8,829	20,090

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

16 August 2010
Almaty

Shoinbekova G.K.
Chief Accountant

16 August 2010
Almaty

The notes on pages 10-45 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010 (UNAUDITED)

	Notes	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	11	71,537	90,533
Precious metals		1,159	1,209
Financial assets at fair value through profit or loss	12	143,197	114,203
Loans and advances to banks and other financial institutions	13	141,753	148,175
Loans to customers	14, 19	2,177,198	2,160,767
Investments available-for-sale		15,766	16,996
Investments held to maturity		1,158	943
Goodwill		2,405	2,405
Property, equipment and intangible assets		38,346	33,971
Other assets		23,859	18,771
TOTAL ASSETS		2,605,378	2,587,873
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions		166,669	209,122
Customer accounts	15, 19	1,401,407	1,276,464
Financial liabilities at fair value through profit or loss	12	51,951	35,991
Debt securities issued	16	388,617	463,656
Other borrowed funds		28,792	33,172
Provisions	8	10,149	11,945
Deferred income tax liabilities	9	19,068	24,519
Dividends payable		745	15
Other liabilities		10,620	8,990
		2,078,015	2,061,874
Subordinated debt		128,924	136,411
Total liabilities		2,206,939	2,198,285
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		9,031	9,031
Share premium reserve		195,028	195,006
Property and equipment revaluation reserve		5,079	4,935
Other reserves		189,427	180,839
Total equity attributable to equity holders of the Parent		398,565	389,811
Non-controlling interest		(126)	(223)
Total equity		398,439	389,588
TOTAL LIABILITIES AND EQUITY		2,605,378	2,587,873

On behalf of the Management Board of the Bank:

Zhussupova N.A.	**Shoinbekova G.K.**
Chairperson of the Board	**Chief Accountant**
16 August 2010	16 August 2010
Almaty	Almaty

The notes on pages 10-45 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit[1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2008	7,000	(10)	152,684	6,918	(1,842)	(3,016)	(10,717)	162,567	313,584	278	313,862
Net profit	-	-	-	-	-	-	-	9,600	9,600	267	9,867
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(40)	-	-	-	40	-	-	-
Investments available-for-sale	-	-	-	-	841	-	-	-	841	-	841
Cash flow hedges	-	-	-	-	-	-	9,905	-	9,905	-	9,905
Exchange differences on translation of foreign operations	-	-	-	-	-	2,163	-	-	2,163	(27)	2,136
Deferred income tax	-	-	-	2	(286)	-	(2,068)	(7)	(2,359)	-	(2,359)
Total comprehensive income	-	-	-	(38)	555	2,163	7,837	9,633	20,150	240	20,390
Share capital increase of:											
- ordinary shares	2,044	-	42,428	-	-	-	-	-	44,472	-	44,472
Purchase of treasury shares	-	(9)	(224)	-	-	-	-	-	(233)	-	(233)
Sale of treasury shares	-	4	98	-	-	-	-	-	102	-	102
30 June 2009 (unaudited)	9,044	(15)	194,986	6,880	(1,287)	(853)	(2,880)	172,200	378,075	518	378,593

[1] The amounts included within the Investments available-for-sale fair value deficit, Cumulative translation reserve, Hedging reserve and Retained earnings, in the above table, are included within "Other reserves" in the condensed interim consolidated statement of financial position.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve/ (deficit)[1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2009	9,044	(13)	197,069	4,933	(91)	(473)	(935)	(82,637)	289,811	(223)	289,588
[illegible]	-		-	-	-	-		10,265	10,263	(273)	10,166
Effect of revaluation of property and equipment	-		-	173	-	-	-	-	173	-	173
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(38)	-	-	-	38			-
Investments available-for-sale	-	-	-	-	(1,188)	-	-	-	(1,188)		(1,188)
Cash flow hedges	-	-	-	-	-	-	434	-	434		434
Exchange differences on translation of foreign operations					-	(1,255)	-	-	(1,011)	(14)	(887)
Deferred income tax				7	229		(77)	(7)	137	-	137
Total comprehensive income	-	-	-	146	(968)	(1,208)	347	10,112	8,732	87	8,839
Sale of treasury shares	-	-	22	-	-	-	-	-	22	-	22
30 June 2010 (unaudited)	9,044	(13)	197,092	5,079	(777)	(1,675)	(588)	(72,467)	298,567	(136)	298,431

[1] The amounts included within the Investments available-for-sale fair value reserve/(deficit), Cumulative translation reserve, Hedging reserve and Retained earnings in the above table are included within "Other reserves" in the condensed interim consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Zhussupova N.A.	Shuinbakova G.K.
Chairperson of the Board	Chief Accountant
16 August 2010	16 August 2010
Almaty	Almaty

The notes on pages 10-43 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on loans and advances to banks and other financial institutions	2,547	4,154
Interest received from financial assets at fair value through profit or loss	839	1,473
Interest received from loans to customers	102,511	134,306
Interest received from investments available-for-sale	617	1,216
Interest received from investments held to maturity	29	81
Interest paid on loans and advances from banks and other financial institutions	(4,468)	(8,735)
Interest paid on customer accounts	(31,471)	(40,177)
Interest paid on debt securities issued	(23,149)	(41,942)
Interest paid on other borrowed funds	(905)	(3,712)
Interest paid on subordinated debt	(6,615)	(2,566)
Fee and commission received	9,961	9,959
Fee and commission paid	(1,721)	(1,580)
Other income received	2,710	2,976
Operating expenses paid	(15,149)	(19,546)
Cash inflow from operating activities before changes in operating assets and liabilities	35,736	35,907
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand	19,288	(29,066)
Funds deposited with Central Bank of Russian Federation	(1,219)	(239)
Funds deposited with National Bank of the Kyrgyz Republic	40	(8)
Funds deposited with National Bank of Tajikistan	(2)	(4)
Precious metals	50	(550)
Financial assets at fair value through profit or loss	(55,924)	7,632
Loans and advances to banks and other financial institutions	8,169	69,080
Loans to customers	(40,256)	15,000
Other assets	(3,356)	5,963
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(39,762)	(51,774)
Customer accounts	122,840	28,697
Other liabilities	(132)	(12,578)
Cash inflow from operating activities before taxation	45,472	68,060
Income tax paid	(348)	(572)
Net cash inflow from operating activities	45,124	67,488

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2010 (UNAUDITED)

	Notes	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(1,185)	(2,720)
Proceeds on sale of property, equipment and intangible assets		3,877	401
Dividends received		22	-
Purchase of investments available-for-sale		(2,959)	(1,896)
Proceeds on sale of investments available-for-sale		2,549	301
Purchase of investments held to maturity		(656)	(723)
Proceeds on disposal of investments in associates		-	6,017
Net cash inflow from investing activities		1,771	1,276
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary shares		-	44,472
Purchase of treasury shares		-	(233)
Proceeds on sale of treasury shares		23	105
Proceeds from debt securities issued		1,957	31,357
Repurchase and repayment of debt securities issued		(43,600)	(142,952)
Repayment of other borrowed funds		(2,299)	(123,409)
Proceeds from subordinated bonds		1,050	-
Net cash outflow from financing activities		(42,867)	(190,171)
Effect of changes in foreign exchange rate on cash and cash equivalents		(1,376)	8,734
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,634	(113,333)
CASH AND CASH EQUIVALENTS, beginning of period	11	82,566	[illegible]
CASH AND CASH EQUIVALENTS, end of period	11	85,200	[illegible]

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

16 August 2010
Almaty

Shinibekova G.K.
Chief Accountant

16 August 2010
Almaty

The notes on pages 10-43 form an integral part of this condensed interim consolidated financial information.

1. ORGANISATION

JSC Kazkommertsbank ("the Bank", or "Kazkommertsbank") is a Joint Stock Bank and has operated in the Republic of Kazakhstan since 1990. The Bank's activities are regulated by the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations ("the FMSA") in accordance with the license № 48 dated 27 December 2007 and by the National Bank of the Republic of Kazakhstan ("the NBRK"). The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, and originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin Str., Almaty, 050060, Republic of Kazakhstan.

As at 30 June 2010 and 31 December 2009, the Bank has 23 branches in the Republic of Kazakhstan and a representative office in London.

Kazkommertsbank is the Parent company of the banking group ("the Group"). The subsidiaries consolidated in the condensed interim consolidated financial information are consistent with those presented in the consolidated financial statements for the year ended 31 December 2009.

		Proportion or ownership interest/voting rights		
Name	**Country of operation**	**30 June 2010 (unaudited)**	**31 December 2009**	**Type of operation**
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card processing and related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Commercial bank
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	94.64%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	80.01%	Pension fund
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	Insurance
LLP Commercial bank Moskommertsbank	Russia	100%	100%	Commercial bank
LLP Investment Group East Kommerts	Russia	50%	50%	Securities market transactions

On 11 February 2010, at the Extraordinary General Shareholders Meeting of JSC Grantum APF, a decision was taken to increase the charter capital of JSC Grantum APF by issuing 2,200,000 additional common shares. On 2 March 2010, the Board of Directors of JSC Grantum APF approved the price at KZT 1,000 per share. On 6 April 2010, Kazkommertsbank exercised its pre-emptive right and purchased 1,760,260 shares of JSC Grantum APF for KZT 1,760 million. After the completion of the placement, the Board of Directors of JSC Grantum APF made a decision to place the remaining 80,370 common shares at KZT 1,000 per share among unrestricted investors. On 5 May 2010, Kazkommertsbank purchased in full the above-mentioned shares. As a result, Kazkommertsbank increased its stake in JSC Grantum APF from 80.01% to 82.52%.

On 14 May 2010, Kazkommertsbank has acquired ordinary shares of the 7th issue of OJSC Kazkommertsbank Kyrgyzstan, increasing its stake from 94.64% to 95.75% at a price of Kyrgyz soms 1,689,500 (equivalent to KZT 5 million).

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with selective notes to the consolidated financial statements of the Group for the year ended 31 December 2009.

The condensed interim consolidated financial information has been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments according to IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") and measurement of property and equipment at revalued amounts according to IAS 16 "Property, Plant and Equipment" ("IAS 16").

The preparation of the condensed interim consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

The condensed interim consolidated financial information reflects all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the financial information are of a normal, recurring nature. Because the results from common banking activities are so closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

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 this condensed interim consolidated financial information is the Kazakhstan tenge.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2009.

Standards and interpretations issued and not yet adopted

The Group has not applied the following International Financial Reporting Standards ("IFRS") and Interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC") that have been issued:

- In December 2008, the IFRIC issued interpretation IFRIC 17 "Distributions of Non-Cash Assets to Owners" and the International Accounting Standards Board ("IASB") made consequential amendments to IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" effective for the annual periods beginning on or after 1 July 2009. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognized in statement of comprehensive income. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. The changes are not expected to have a material effect on the Group.
- Financial instruments: Classification and Measurement - On 12 November 2009, the IASB issued IFRS 9 "Financial instruments" as the first step in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting 1 January 2013, with earlier adoption permitted including for 2009. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. By the end of 2010, IFRS 9 will be a complete replacement for IAS 39 – mandatory for 2013 and optional in earlier years. Management of the Group decided not to adopt early this standard. The Management of the Group has not yet completed the assessment of the effect of the standard on the financial statements once it will be adopted.
- The IASB has revised IAS 24 Related Party Disclosures on 4 November 2009 to provide a partial exemption from the disclosure requirements for government-related entities and to clarify the definition of a related party. The revised standard also clarifies that disclosure is required of any commitments of a related party to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised). The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Management of the Group currently assesses the possible impacts of adoption of the amendment.
- In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. The Management of the Group currently assesses the impact on adoption of the amendment.

4. NET INTEREST INCOME

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on homogenous and individually assessed watch assets	50,996	77,650	93,272	148,771
- interest income on impaired financial assets	14,346	14,803	34,292	23,895
- interest income on unimpaired financial assets	8,834	7,656	20,666	24,560
Interest income on financial assets at fair value through profit or loss	978	825	1,991	1,684
Interest income on investments available-for-sale	175	213	390	600
Total interest income	75,329	101,147	150,611	199,510
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	72,767	98,432	144,351	193,120
Interest income on loans and advances to banks and other financial institutions	1,280	1,594	3,632	3,764
Interest income on investments held to maturity	13	49	26	90
Amortization of discount on loans	116	34	221	252
Total interest income on financial assets recorded at amortized cost	74,176	100,109	148,230	197,226
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	978	825	1,991	1,684
Total interest income on financial assets at fair value through profit or loss	978	825	1,991	1,684
Interest income on investments available-for-sale	175	213	390	600
Total interest income	75,329	101,147	150,611	199,510
Interest expense comprises:				
Interest on financial liabilities recorded at amortized cost	(38,439)	(46,367)	(76,455)	(93,289)
Total interest expense	(38,439)	(46,367)	(76,455)	(93,289)
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on customer accounts	(24,494)	(20,341)	(48,209)	(40,629)
Interest expense on debt securities issued	(8,224)	(16,617)	(15,678)	(33,301)
Interest expense on subordinated debt	(3,396)	(3,468)	(6,859)	(6,717)
Interest expense on loans and advances from banks and other financial institutions	(1,856)	(4,034)	(4,109)	(8,303)
Interest expense on securitization program	-	(1,393)	-	(2,792)
Preference share dividends	-	-	(731)	(746)
Other interest expense	(469)	(514)	(869)	(801)
Total interest expense on financial liabilities recorded at amortized cost	(38,439)	(46,367)	(76,455)	(93,289)
Net interest income before provision for impairment losses on interest bearing assets	36,890	54,780	74,156	106,221

The Group classifies corporate loans as non-performing and accordingly impaired if there is a default on payment of the principal or accrued interest for 30 days or more.

The impairment of the loan is identified within credit monitoring, which includes monitoring of payments of the customer and preparation of regular monitoring reports on the customer and their loans every 6 or 12 months, depending on the solvency of the customer. In addition, on a regular basis the credit managers monitor the quality of the loan, financial position and business of the customer, and observe compliance with the terms of the loan agreements. For the purpose of provisioning, assessment of impairment losses for corporate loans is performed on an individual basis.

Consumer loans are classified as non-performing, and accordibgly, impaired if there is a default on payments of the principal or accrued interest for 60 days or more. For the purpose of provisioning, assessment of impairment losses is made on the collective or portfolio basis.

According to the Group's credit portfolio management policy, if at least one loan of a customer is recognized as impaired based on the above mentioned criteria, the total debt on such a customer is considered impaired, i.e. other performing loans of such customer are also recognized as impaired.

For certain performing loans which are not overdue, the Group classifies them as homogenous and individually assessed watch assets. Homogenous assets are not individually impaired, because there is not enough objective evidence to recognize them as impaired. At the same time, the Group assesses these assets for credit risk and impairment on a collective basis taking into account the general macroeconomic environment as well as industry specific developments. The individually assessed watch assets consist of loans not past due, but there is a possibility that the credit losses may arise in the future due to a possible negative trend in the borrower's financial position or evidence of some unsatisfactory financial results which affect the ability of a borrower to repay. The financial standing of such clients is regularly monitored based on business results, repayment discipline and cash flows.

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million) (Note 13)	**Loans to customers (KZT million) (Note 14)**	**Total (KZT million)**
31 March 2009 (unaudited)	2,593	371,931	374,524
(Recovery of provision)/additional provision recognized	(2,509)	65,184	62,675
Recovery of assets previously written off	-	150	150
Exchange rate difference	(4)	164	160
30 June 2009 (unaudited)	80	437,429	437,509
31 March 2010 (unaudited)	19	533,354	533,373
Additional provision recognized	1	20,095	20,096
Write-off of assets	-	(2)	(2)
Exchange rate difference	(1)	(134)	(135)
30 June 2010 (unaudited)	19	553,313	553,332

	Loans and advances to banks and other financial institutions (KZT million)	Loans to customers (KZT million)	Total (KZT million)
31 December 2008	299	289,328	289,627
(Recovery of provision)/additional provision recognized	(294)	121,958	121,664
Recovery of assets previously written off	-	164	164
Exchange rate difference	75	25,979	26,054
30 June 2009 (unaudited)	80	437,429	437,509
31 December 2009	22	505,548	505,570
(Recovery of provision)/additional provision recognized	(2)	50,763	50,761
Write-off of assets	-	(7)	(7)
Exchange rate difference	(1)	(2,991)	(2,992)
30 June 2010 (unaudited)	19	553,313	553,332

The Group creates allowance for impairment losses in order to cover credit losses, including losses where the asset is not specifically identified. At least monthly, the provision for impairment losses on interest bearing assets is reviewed by the Chairperson of the Board, the Head of Risk Management Department, the Chief Financial Officer, and the Chief Accountant. At least quarterly, the provision for impairment losses and overall credit quality is reviewed by the Board of Directors. The amount of provision is reviewed relative to the loan portfolio and current economic conditions. The amount of provision is determined by individual and portfolio-based approaches. As at 30 June 2010, Management deemed the provision for impairment losses to be appropriate and sufficient to absorb losses that are inherent to the portfolio.

As at 30 June 2010, the Group has identified certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group prior to 2013. These loans are considered impaired by management. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to its collection. The accrued interest income on these loans for the six months ended 30 June 2010 amounted to KZT 30,113 million. Management has established an allowance for loan losses of KZT 30,113 million against this interest. Had this interest not been accrued, the net interest income before provision for impairment losses on interest bearing assets for the six-month period ended 30 June 2010 would have been KZT 44,043 million and the provision for impairment losses on interest bearing assets would have been KZT 20,648 million. While there is currently evidence of impairment, the Group continues to progress work out strategies on these loans.

Total provisions for impairment losses on insurance provision and guarantees and other off-balance sheet contingencies comprise:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Insurance provisions	5,326	4,728
Provision for guarantees and other contingencies	4,823	7,217
	10,149	11,945

The movements in insurance provisions and allowances for impairment losses on other transactions were as follows:

	Insurance provisions (KZT million)	Other assets (KZT million)	Total (KZT million)
31 March 2009 (unaudited)	3,823	1,857	5,680
Additional provision recognized	208	955	1,163
Write-off of assets	-	(123)	(123)
Exchange rate difference	-	376	376
30 June 2009 (unaudited)	4,031	3,065	7,096
31 March 2010 (unaudited)	5,379	3,073	8,452
(Recovery of provision)/additional provision recognized	(53)	736	683
Write-off of assets	-	(380)	(380)
Exchange rate difference	-	339	339
30 June 2010 (unaudited)	5,326	3,768	9,094

	Insurance provisions (KZT million)	Other assets (KZT million)	Total (KZT million)
31 December 2008	4,005	2,303	6,308
Additional provision recognized	26	432	458
Write-off of assets	-	(136)	(136)
Exchange rate difference	-	466	466
30 June 2009 (unaudited)	4,031	3,065	7,096
31 December 2009	4,728	2,756	7,484
Additional provision recognized	598	1,050	1,648
Write-off of assets	-	(17)	(17)
Exchange rate difference	-	(21)	(21)
30 June 2010 (unaudited)	5,326	3,768	9,094

Insurance provisions comprised:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Annuity insurance	2,042	1,520
Civil liability for damage	915	929
Property	713	664
Civil liability for owners of vehicles	498	115
Accidents	346	297
Vehicles	323	330
Freight	106	110
Insurance of environmental risk	76	40
Life insurance	70	54
Railway transport	19	10
Financial loss insurance	11	11
Other	207	648
	5,326	4,728

Other includes provisions for insurance of private lawyers, auditors and audit organizations, medical, owners of air and marine transport and others.

The movements in provision for guarantees and other contingencies were as follows:

	Guarantees and other contingencies 2010 (KZT million) (Note 17)	Guarantees and other contingencies 2009 (KZT million) (Note 17)
31 March (unaudited)	6,081	12,962
Recovery of provision	(1,252)	(6,245)
Exchange rate difference	(6)	(8)
30 June (unaudited)	4,823	6,709

	Guarantees and other contingencies 2010 (KZT million) (Note 17)	Guarantees and other contingencies 2009 (KZT million) (Note 17)
1 January	7,217	6,271
Recovery of provision	(2,332)	(1,196)
Exchange rate difference	(62)	1,634
30 June (unaudited)	4,823	6,709

6. NET (LOSS)/GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Net (loss)/gain on financial assets and liabilities held-for-trading	(28,188)	5,862	(43,741)	12,084
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(28,188)	5,862	(43,741)	12,084
Net (loss)/gain on operations with financial assets and liabilities held-for-trading comprise:				
Realized gain on trading operations	44	215	1,738	578
Unrealized loss on fair value adjustment	(194)	(2,821)	(12)	(4,419)
Hedge ineffectiveness	-	832	-	920
Net (loss)/gain on operations with derivative financial instruments	(28,038)	7,636	(45,467)	15,005
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(28,188)	5,862	(43,741)	12,084

7. NET GAIN/(LOSS) ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Dealing, net	1,140	(755)	2,481	(18,466)
Translation differences, net	16,433	(3,319)	30,264	11,898
	17,573	(4,074)	32,745	(6,568)

Gain on translation differences for the three and six month periods ended 30 June 2010 amounted to KZT 16,433 million and KZT 30,264 million, respectively (for the three and six month periods ended 30 June 2009: loss of KZT 3,319 million and gain of KZT 11,898 million). These differences arise on the revaluation of assets and liabilities denominated in non-functional currencies, such as the Japanese Yen, Pound and Singaporean dollar into functional currencies.

8. OPERATING EXPENSES

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Staff costs	4,593	3,438	8,428	7,058
Depreciation and amortization	861	918	1,758	1,814
Payments to the Deposit Insurance Fund	728	425	1,386	741
Operating lease expenses	596	646	1,212	1,342
Property and equipment maintenance	425	313	764	622
Taxes, other than income tax	352	296	652	593
Advertising costs	265	247	417	405
Communications	179	179	347	354
Bank card services	180	160	340	314
Consulting and audit services	105	95	241	168
Charity and sponsorship expenses	201	36	219	57
Collection services	101	27	157	35
Vehicle maintenance	82	68	156	130
Business trip expenses	75	62	143	103
Security services	79	77	142	155
Training and information services	60	39	106	72
Stationery	34	30	58	57
Mail and courier expenses	29	34	52	49
Other expenses	118	93	261	235
	9,063	7,183	16,839	14,304

9. 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 Bank and its subsidiaries operate; such tax accounts may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2010 and 31 December 2009 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 30 June 2010 and 31 December 2009:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Deferred income tax assets:		
Unrealized loss on trading securities and derivatives	10,941	2,967
Bonuses accrued	458	478
Provision on guarantees and letters of credit	380	836
Unrealized loss on revaluation of financial instruments treated as cash flow hedges	148	234
Unamortized deferred loan fees	67	81
Investments in associates	52	238
Realized loss on securities	-	676
Tax losses	454	1,198
Total deferred income tax assets	12,500	6,708
Deferred income tax liabilities:		
Allowance for losses on loans and advances to banks and customers	30,030	29,294
Property, equipment and intangible assets	1,443	1,807
Unrealized gain on trading securities and derivatives	90	124
Provision on guarantees and letters of credit	2	-
Investments in associates	-	2
Total deferred income tax liabilities	31,565	31,227
Net deferred income tax liabilities	19,065	24,519

Relationships between tax expenses and accounting profit for the six months ended 30 June 2010 and 2009 are explained as follows:

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Operating profit before income tax	3,682	5,166	7,522	13,400
Tax at the statutory tax rate (20% for 2010 and 2009)	736	1,033	1,504	2,680
Tax effect of permanent differences:				
- tax exempt income	(1,749)	(1,187)	(4,608)	(2,135)
- non-deductible expense	146	488	466	794
Recalculation of deferred tax assets and liabilities due to tax rate changes	-	-	-	2,194
Income tax (benefit)/expense	(867)	334	(2,638)	3,533
Current income tax expense/(benefit)	2,429	(239)	2,676	461
Deferred income tax (benefit)/expense	(3,296)	573	(5,314)	3,072
Income tax (benefit)/expense	(867)	334	(2,638)	3,533

The corporate income tax rate in the Republic of Kazakhstan was 20% during the six months ended 30 June 2010 and 2009.

During 2009 there was a change in tax legislation in Kazakhstan in relation to corporate income tax, which was set at 20% for financial years ending 31 December 2009, 2010 and 2011, 17.5% for the financial year ending 31 December 2012 and 15% for financial year ending 31 December 2013 and thereafter.

	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)	Year ended 31 December 2009 (KZT million)
Deferred income tax liabilities			
Opening balance	24,519	10,205	10,205
Increase of deferred tax liability due to tax rate changes	-	2,194	4,892
(Decrease)/increase of deferred tax liability	(5,314)	878	6,465
Change in deferred tax liability due to change in hedging reserve	87	1,734	2,445
Increase of deferred tax expenses through equity due to tax rate changes	-	480	453
Change of deferred tax liabilities due to change in available-for-sale reserve	(220)	234	438
Change in deferred tax liability from revaluation of property and equipment	(7)	(200)	(379)
Ending balance	19,065	15,525	24,519

10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income attributable to equity holders of the Parent by the weighted average number of participating shares outstanding during the period.

Dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net 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:

	Three months ended 30 June 2010 (unaudited) (KZT million)	Three months ended 30 June 2009 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2009 (unaudited) (KZT million)
Basic and diluted earnings per share				
Net profit attributable to equity holders of the Parent	4,861	5,407	10,383	9,600
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(670)	(368)	(800)	(959)
Net profit attributable to ordinary shareholders	4,191	5,039	9,583	8,641
Weighted average number of ordinary shares for basic and diluted earnings per share	778,612,838	686,194,185	778,609,384	630,336,209
Earnings per share – basic and diluted (tenge)	5.38	7.34	12.31	13.71

11. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Cash on hand	34,841	35,073
Balances with the national (central) banks	36,696	55,460
	71,537	90,533

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	30 June 2010 (unaudited) (KZT million)	30 June 2009 (unaudited) (KZT million)	31 December 2009 (KZT million)
Cash and balances with national (central) banks	71,537	119,385	90,533
Loans and advances to banks in Organization for Economic Co-operations and Development ("OECD") countries with original maturities less than 3 months	81,134	49,080	77,611
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK") and cash on hand	(65,117)	(114,193)	(84,405)
Less funds deposited with the Central Bank of Russian Federation ("CBR")	(2,168)	(417)	(949)
Less funds deposited with the National Bank of the Kyrgyz Republic ("NBKR")	(164)	(163)	(204)
Less funds deposited deposit with the National Bank of Tajikistan	(22)	(53)	(20)
	85,200	53,639	82,566

In accordance with Kazakhstan legislation, second-tier banks are required to maintain Minimum Reserve Requirements ("the MRR") in the form of cash on hand and funds deposited on correspondent account with the NBRK in national and freely-convertible currencies. The MRR is defined as a percentage of total of the Bank's liabilities, calculated as an average amount for fourteen calendar days. As at 30 June 2010, an amount of KZT 35,621 million (31 December 2009: KZT 35,537 million, 30 June 2009: KZT 47,430 million) of cash on hand and balance maintained with the NBRK represents MRR and is restricted in use.

The balances with the NBRK as at 30 June 2010 amounted to KZT 32,918 million (31 December 2009: KZT 51,767 million, 30 June 2009: KZT 75,460 million) deposited in correspondent accounts. Together with cash on hand balance of KZT 32,199 million (31 December 2009: KZT 32,638 million, 30 June 2009: KZT 38,733 million), the total amount of KZT 65,117 million (31 December 2009: KZT 84,405 million, 30 June 2009: KZT 114,193 million), represent reserve assets that are not restricted in use in accordance with the requirements of the NBRK as long as the balances exceed the amount required by the MRR.

The balances with the CBR as at 30 June 2010 totalled KZT 3,115 million (31 December 2009: KZT 2,220 million, 30 June 2009: KZT 2,050 million), of which KZT 2,168 million (31 December 2009: KZT 949 million, 30 June 2009: KZT 417 million) represents the obligatory minimum reserve deposits required by the CBR. The Group is required to maintain the reserve balance at the CBR at all times.

The balances with the NBKR as at 30 June 2010 totalled KZT 239 million (31 December 2009: KZT 1,198 million, 30 June 2009: KZT 254 million), of which KZT 164 million (31 December 2009: KZT 204 million, 30 June 2009: KZT 163 million) represents the minimum reserve deposits required by the NBKR at all times.

The balances with the National Bank of Tajikistan as at 30 June 2010 totalled KZT 424 million (31 December 2009: KZT 275 million, 30 June 2009: KZT 146 million), of which KZT 22 million (31 December 2009: KZT 20 million, 30 June 2009: KZT 53 million) represents the minimum reserve required by the National Bank of Tajikistan, constantly deposited.

12. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Debt securities	133,332	74,125
Derivative financial instruments	6,294	37,440
Equity investments	3,571	2,638
	143,197	114,203

Financial liabilities at fair value through profit or loss comprise:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Derivative financial instruments	51,951	35,991
	51,951	35,991

The financial assets and financial liabilities at fair value through profit or loss relate entirely to financial assets and financial liabilities held-for-trading.

	30 June 2010 (unaudited)		31 December 2009	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:				
Short-term NBRK notes	-	112,035	-	51,822
Bonds of Kazakhstani companies	6.70-11.00	7,116	5.69-11.00	7,837
Bonds of Russian companies	8.50-18.00	5,112	7.29-16.50	2,891
State treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	5.60-8.75	3,524	4.05-8.90	5,738
Bonds of Russian banks	10.10-11.50	2,052	15.00-16.00	1,905
Bonds of international financial organizations	7.75-9.789	1,410	4.847-7.75	1,385
Bonds of Kazakhstani banks	7.50-9.70	1,208	7.50-10.90	1,440
Bonds of local executive bodies of the Russian Federation	7.70-8.00	307	6.73-8.20	218
Eurobonds of Kazakhstani banks	7.25	275	3.148-8.00	591
Bonds of federal loan of the Ministry of Finance of the Russian Federation	8.00	151	8.00	154
Bonds of Development Bank of Kazakhstan	6.50	142	6.50	144
		133,332		74,125

As at 30 June 2010, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models based on non-observable market data. The Group applied the valuation model to certain debt securities of local issuers which are undergoing the process of restructuring (JSC Alliance Bank, JSC BTA Bank, JSC BTA Ipoteka and JSC Azia Auto) and market data of them is either unavailable or, alternatively, management of the Group believes the market for these debt securities is not active enough to use quoted prices. As at 30 June 2010, the total carrying value of these debt securities amounted to KZT 121 million (31 December 2009: KZT 599 million) and the total nominal value amounted to KZT 963 million (31 December 2009: KZT 6,451 million).

	30 June 2010 (unaudited)		31 December 2009	
	Ownership share %	Amount (KZT million)	Ownership share %	Amount (KZT million)
Equity investments:				
GDRs of Kazakhstani banks	0.0009-0.23	1,744	0.20	1,609
GDRs of Kazakhstani company	0.0006-0.067	814	0.0006	31
GDRs of Russian bank	0.104	570	0.072	546
Shares of Kazakhstani companies	0.004-0.158	240	0.124-0.158	265
Shares of Russian companies	0.006-0.619	97	0.006-0.619	29
ADRs of Russian company	0.014	56	0.014	58
GDRs of Russian companies	0.0002-0.01	29	0.0001-2.468	67
Shares of foreign company	0.0003	21	0.0003	27
Shares of Kazakhstani bank	-	-	0.006	6
		3,571		2,638

As at 30 June 2010, financial assets at fair value through profit or loss included accrued interest income on debt securities of KZT 585 million (31 December 2009: KZT 441 million).

As at 30 June 2010 and 31 December 2009, there were no financial assets pledged under repurchase agreements.

	30 June 2010 (unaudited)			31 December 2009		
	Nominal value	Fair value (KZT million)		Nominal value	Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
Foreign exchange contracts:						
Foreign exchange swap	317,307	6,104	(38,005)	303,891	37,182	(24,011)
Spot	29,101	74	(75)	4,684	-	-
Forward contracts	-	-	-	1,041	8	(4)
Interest rate contracts:						
Interest rate swap	106,565	112	(13,824)	111,743	250	(11,976)
Contracts on purchase/sale of securities:						
Securities futures	937	4	(47)	-	-	-
		6,294	(51,951)		37,440	(35,991)

Included in the above are derivatives held for hedging purposes as follows:

	30 June 2010 (unaudited)			31 December 2009		
	Nominal value	Fair value (KZT million)		Nominal value	Fair value (KZT million)	
Cash flow hedging		**Assets**	**Liabilities**		**Assets**	**Liabilities**
Interest rate swap	-	-	-	2,524	11	(105)
		-	-		11	(105)

The Group's cash flow hedges relate to exposure to variability in the anticipated future cash flows on its financial liabilities.

To hedge against the variability in the cash flows on financial liabilities due to the floating interest rates risk, the Group uses interest rate swap contracts to exchange the floating rates for fixed rates. As such, the Group converts its floating rate debt repayments to fixed rate debt repayments and minimizes the effect of change in interest rates on its future cash flows. The cash flows related to the hedging relationships will occur over the life of the debt securities instruments which are being hedged. The Group de-designated some hedge relationships in 2009 and the rest of them in 2010. Accordingly, changes in fair value of these instruments since the de-designation of the hedging relationship have been recognized in the condensed interim consolidated income statement.

To hedge the foreign exchange risk on financial liabilities the Group uses cross-currency swap contracts to convert, partially or in-full, its repayments on foreign currency denominated liabilities to the functional currency of the subsidiary which issued these liabilities. The cash flows related to the hedging relationships will occur over the life of the debt securities instruments which are being hedged. The Group de-designated these hedge relationships in 2009 and the rest of them in 2010. Accordingly, changes in fair value of these instruments since the de-designation of the hedging relationship have been recognized in the condensed interim consolidated income statement.

As at 30 June 2010, the fair value of assets and liabilities arising from the derivative financial instruments classified as hedging instruments is KZT Nil (31 December 2009: KZT 11 million and KZT 105 million).

For the six-month period ended 30 June 2010, gain from hedge ineffectiveness recognized in net (loss)/gain on financial assets and liabilities at fair value through profit or loss was nil (six-month period ended 30 June 2009: KZT 920 million).

As at 30 June 2010, the aggregate amount of unrealized gain under foreign exchange swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 1,158 million (30 June 2009: loss KZT 1,376 million). It is being recycled to profit or loss over the periods up to February 2017, in line with the previously hedged cash flows relating to these contracts.

As at 30 June 2010, the aggregate amount of unrealized losses under interest rate swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 1,896 million (30 June 2009: KZT 2,117 million). It is being recycled to profit or loss over the periods up to January 2018, in line with the previously hedged cash flows relating to these contracts.

13. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Recorded as loans and receivables:		
Loans and advances to banks	97,047	90,676
Correspondent accounts with banks and other financial institutions	44,725	46,828
Loans under reverse repurchase agreements	-	10,893
	141,772	148,397
Less allowance for impairment losses	(19)	(22)
	141,753	148,375

Movements in allowances for impairment losses on loans and advances to banks and other financial institutions for the three and six month periods ended 30 June 2010 and 30 June 2009 are disclosed in Note 5.

As at 30 June 2010, loans and advances to banks and other financial institutions included accrued interest of KZT 414 million (31 December 2009: KZT 402 million).

As at 30 June 2010 and 31 December 2009, the Group had no loans and advances to banks and other financial institutions, which individually exceeded 10% of the Group's equity.

The fair value of collateral and carrying value of loans under reverse repurchase agreements as at 30 June 2010 and 31 December 2009 comprised:

	30 June 2010 (unaudited) (KZT million)		31 December 2009 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	8,725	7,913
Bonds of the Russian banks	-	-	1,313	1,134
Bonds of the Russian companies	-	-	812	981
Bonds of the executive bodies and subjects of the Russian Federation	-	-	495	421
Bonds of the Ministry of Finance of the Russian Federation	-	-	494	444
	-	-	11,839	10,893

In addition, as at 30 June 2010, the Bank maintained deposits of KZT 403 million (31 December 2009: KZT 2,036 million) included in loans and advances to banks and other financial institutions as collateral for credit card operations.

14. LOANS TO CUSTOMERS

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Recorded as loans and receivables:		
Originated loans	2,723,691	2,658,772
Net investments in finance lease	5,597	6,654
Loans under reverse repurchase agreements	1,223	889
	2,730,511	2,666,315
Less allowance for impairment losses	(553,313)	(505,548)
	2,177,198	2,160,767

As at 30 June 2010, accrued interest income included in loans to customers amounted to KZT 267,644 million (31 December 2009: KZT 224,510 million).

Movements in allowances for impairment losses on loans to customers for the three-month and six-month periods ended 30 June 2010 and 30 June 2009 are disclosed in Note 5.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Analysis by type of collateral:		
Loans collateralized by real estate	1,149,900	1,167,069
Loans collateralized by equipment	383,297	309,245
Loans collateralized by shares of the banks and other companies	215,032	208,693
Loans collateralized by inventories	198,621	181,694
Loans collateralized by guarantees of enterprises	57,624	81,507
Loans collateralized by accounts receivable	53,394	61,264
Loans collateralized by mixed types of collateral	37,002	14,725
Loans collateralized by cash or Kazakhstani Government guarantees	15,003	23,563
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	13,483	49,503
Loans collateralized by securities	1,223	889
Loans collateralized by guarantees of financial institutions	104	171
Unsecured loans	52,515	62,444
	2,177,198	2,160,767

Mixed collateral consists of multiple types of collateral including real estate, guarantees and inventories. Loans are classified as being collateralized by mixed collateral where it is impractical to split this collateral into the categories disclosed above.

As at 30 June 2010, the Bank has its own bonds and Eurobonds issued by its subsidiary Kazkommerts Finance II B.V. with a nominal value of KZT 12,517 million (USD 85 million) (31 December 2009: KZT 15,087 million (USD 102 million)) as collateral for certain loans.

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Analysis by sector:		
Real estate	358,894	306,961
Housing construction	319,094	311,969
Individuals	254,285	274,141
Wholesale and retail trade	252,654	282,509
Commercial real estate construction	186,476	187,171
Hotel business	181,438	171,795
Production of other non-metal materials	112,041	111,920
Transport and communication	90,191	106,099
Investments and finance	72,379	67,441
Food industry	60,659	60,102
Energy	57,462	49,992
Industrial and other construction	42,037	27,889
Agriculture	37,620	24,328
Production of construction materials	18,828	18,499
Mining and metallurgy	13,685	15,756
Machinery construction	11,300	28,826
Medicine	7,685	6,526
Culture and art	747	402
Other	99,723	108,441
	2,177,198	2,160,767

During the six-month period ended 30 June 2010 and the year ended 31 December 2009, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 June 2010, such assets with the amount of KZT 3,313 million (31 December 2009: KZT 2,479 million) are included in the other assets line of the condensed interim consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions.

Loans to individuals comprise the following products:

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Mortgage loans	167,445	183,016
Consumer loans	60,061	59,724
Business loans	14,985	15,279
Car loans	6,830	8,951
Other	4,964	7,171
	254,285	274,141

As at 30 June 2010 and 31 December 2009, the Group granted loans to the borrowers, shown below, which individually exceeded 10% of the Group's equity. Although loans to borrowers disclosed in 2009 may continue to be outstanding in 2010, only those borrowers which exceed 10% of equity are disclosed below.

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
JSC Visor Investment Solutions	73,793	70,674
Vek ZhSK Holding	71,843	66,404
GAS Corporation LLP	70,690	72,875
Capital Tower LLP	54,959	61,806
JSC Holding Build Investments	51,090	-
Airport Almaty Holding	50,927	51,007
	373,302	322,766

As at 30 June 2010, a significant part of loans to customers 82.98% (31 December 2009: 82.42%) of the total portfolio is granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration.

As at 30 June 2010 and 31 December 2009, the fair value of collateral and carrying value of loans under reverse repurchase agreements comprised:

	30 June 2010 (unaudited) (KZT million)		31 December 2009 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Notes of the National Bank of the Republic of Kazakhstan	542	515	338	483
Bonds of Kazakhstani companies	344	350	34	342
Bonds of the Ministry of Finance of the Republic of Kazakhstan	241	358	-	-
Shares of Kazakhstani banks	-	-	21	58
Shares of Kazakhstani companies	-	-	6	6
	1,127	1,223	399	889

15. CUSTOMER ACCOUNTS

	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Recorded at amortized cost:		
Time deposits	871,555	799,880
Demand deposits	358,332	299,926
JSC National Welfare Fund "Samruk-Kazyna", JSC Entrepreneurship Development Fund "Damu" and JSC Stressed Assets Fund	170,382	175,583
Metallic accounts in precious metals	949	1,075
Loans under repurchase agreements	189	-
	1,401,407	1,276,464

As at 30 June 2010, customer accounts included accrued interest expense of KZT 35,682 million (31 December 2009: KZT 18,943 million).

As at 30 June 2010, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 4,461 million (31 December 2009: KZT 5,438 million).

The Bank participates in the stabilization program of the Government of Kazakhstan through financing and refinancing programs of JSC National Welfare Fund "Samruk-Kazyna". JSC National Welfare Fund "Samruk-Kazyna" has deposited in the Bank KZT 24 billion under the mortgage refinancing program, KZT 84 billion within the real economy sector financing program and KZT 34 billion under the program on completion of construction projects in Almaty and Astana.

The refinancing of large-scale businesses in the manufacturing sector is conducted in accordance with the General Agreement # 3-4SP signed by JSC National Welfare Fund "Samruk-Kazyna", JSC Stressed Assets Fund, JSC Entrepreneurship Development Fund "Damu" and second-tier banks dated 9 October 2009. The funds were placed with the Bank and consequently used for refinancing of large-scale businesses in the manufacturing sector. The total amount of funds of the program was KZT 5.20 billion,of which 30% of the funds (KZT 1.56 billion) are provided by the Bank's own funds and 70% (KZT 3.64 billion) are sourced from JSC Stressed Assets Fund.

As at 30 June 2010, customer accounts of KZT 758,383 million or 54.12% (31 December 2009: KZT 774,868 million or 60.80%) were due to 10 customers, which represents significant concentration. The Group considers JSC National Welfare Fund "Samruk-Kazyna" and all state entities as one customer for concentration risk purposes. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	30 June 2010 (unaudited) (KZT million)	**31 December 2009 (KZT million)**
Analysis by sector:		
Individuals	372,770	327,622
Chemical and petrochemical industry	299,850	356,415
Investments and finance	166,485	92,916
Public authorities	143,819	147,447
Distribution of electricity, gas and water	136,125	116,402
Transport and communication	73,200	48,533
Individual services	42,288	48,513
Wholesale and retail trade	35,837	43,688
Construction	33,749	35,360
Education	28,851	19,002
Agriculture	27,187	11,019
Health care	10,923	6,450
Mining and metallurgy	8,663	7,655
Hotel business	2,127	2,805
Public organizations and unions	1,436	1,516
Machinery construction	1,327	900
Culture and art	1,159	706
Real estate	1,152	890
Metallic accounts in precious metals	949	1,075
Food industry	824	545
Light industry	759	580
Other	11,927	6,425
	1,401,407	1,276,464

16. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 June 2010 (unaudited) (KZT million)	31 December 2009 (KZT million)
Recorded at amortized cost:					
Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V. – see discussion below):					
Issued in March 2006 at the price of 99.993%	EUR	March 2011	5.125	38,686	50,840
Issued in May 2008 at the price of 100%	USD	May 2011	12.00	13,870	34,146
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.625	29,717	42,190
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	48,272	51,893
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875	37,182	38,335
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	43,386	45,350
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	52,554	52,878
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875	70,714	90,158
Other Eurobonds of Kazkommerts International B.V.	USD	December 2012 - April 2013	8.50-12.85	29,856	32,497
				364,237	438,287
(Less)/including:					
Discount on debt securities issued				(2,747)	(3,162)
Accrued interest on debt securities issued				6,065	13,588
Total issued Eurobonds of Kazkommerts International B.V.				367,555	448,713
Issued promissory notes of LLP Moscommertsbank at the price of 88.00-100.00%		June 2013	7.00-15.00	4,788	6,124
Accrued interest expense on issued promissory notes of LLP Moscommertsbank				700	647
Issued bonds of Moscow Stars B.V. at the price of 99.00%		February 2022	1.983-5.483	7,564	8,161
Accrued interest on bonds of Moscow Stars B.V.				10	11
				380,617	463,656

As at 30 June 2010, accrued interest expense included in debt securities issued amounted to KZT 6,775 million (2009: KZT 14,246 million).

On 11 February 2010, the Bank replaced Kazkommerts International B.V. as the Eurobonds issuer. As a result, the Bank's guarantee is no longer effective and all of the issuer's liabilities on the Eurobonds have been transferred to the Bank. The issuer has been substituted in accordance with the terms and conditions of the Eurobonds and this transfer has no effect on the bondholders' rights.

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of the Bank, and were guaranteed by the Bank. For Eurobonds with a maturity of April 2013 the coupon is paid on 16 April and 16 October, for Eurobonds with a maturity of April 2014 the coupon is paid on 7 April and 7 October, for Eurobonds with a maturity of November 2015 the coupon is paid on 3 May and 3 November, for Eurobonds with a maturity of March 2011 the coupon is paid on 23 March, for Eurobonds with a maturity of November 2016 the coupon is paid on 29 May and 29 November, for Eurobonds with a maturity of February 2017 the coupon is paid on 13 February, for Eurobonds with a maturity of February 2012 the coupon is paid on 13 February and for Eurobonds with a maturity of December 2012 the coupon is paid on 30 May and 30 November.

During the six months ended 30 June 2010, the Bank acquired bonds issued by Kazkommerts International B.V. and its own bonds for total amount of KZT 45,651 million (USD 309 million) (for the year ended 31 December 2009: KZT 236,316 million (USD 1,590 million)). The bank acquired bonds in two ways: one, by purchasing them from the market; and two, customers who owned bonds of the Bank or of Kazkommerts Internationa B.V., transferred the ownership of these bonds to the Bank as repayment of their loans. These transactions resulted in a gain on extinguishment of KZT 914 million (for the year ended 31 December 2009: KZT 23,378 million), which is included into other income in the condensed interim consolidated income statement.

17. 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 condensed interim consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2010, provision for losses on guarantees and other contingencies amounted to KZT 4,823 million (31 December 2009: KZT 7,217 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 30 June 2010 and 31 December 2009, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2010 (unaudited)		**31 December 2009**	
	Nominal amount (KZT million)	**Risk-weighted amount (KZT million)**	**Nominal amount (KZT million)**	**Risk-weighted amount (KZT million)**
Contingent liabilities and credit commitments:				
Guarantees issued and similar commitments	104,016	104,016	122,096	122,096
Letters of credit and other transaction related to contingent obligations	2,466	155	8,391	1,040
Commitments on loans and unused credit lines	8,530	8,530	9,865	9,865
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	54	54	58	58
	115,066	112,755	140,410	133,059

The decision to issue loans to customers within open credit lines is made by the Group at the request of a customer and depends on the financial position of the borrower, credit history and other factors. As at 30 June 2010, the amount of liabilities on such unused credit lines equals KZT 375,701 million (31 December 2009: KZT 433,903 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit line without warning the borrower for any reason including: the borrower violates the obligations before the Group; insufficiency of collateral when revaluing the collateral due to a decrease in its pledge value or if change of prices in the market; or as a result of provision of the credit line (provision of loan) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks.

Capital commitments

As at 30 June 2010, capital commitments amounted to KZT 2,923 million (31 December 2009: KZT 2,272 million).

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in Kazakhstan are subject to rapid change and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Although in recent years there has been a general improvement in economic conditions in Kazakhstan, the country continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high levels of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Ongoing global liquidity crisis

The financial markets, both globally and in the Republic of Kazakhstan, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and have worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets and the strength of counterparties. As such, many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

While many countries, including Kazakhstan, have recently reported an improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. While the Kazakhstan government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

18. SUBSEQUENT EVENTS

On 2 July 2010, JSC National Welfare Fund "Samruk-Kazyna" allocated KZT 23,000 million to the Bank to refinance real estate construction in Astana.

On 3 August 2010, the Bank has placed 2,329,361 bonds with a total nominal amount of KZT 2,329 million under its second bond programme, registered on 14 January 2010 in accordance with the FMSA requirements for a total amount of KZT 35,000 million.

19. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures".

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions 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:

	30 June 2010 (unaudited) (KZT million)		31 December 2009 (KZT million)	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	1,181	2,730,511	1,140	2,666,315
- key management personnel of the entity or its parent	1,180		1,138	
- other related parties	1		2	
Allowance for impairment losses on loans to customers	(103)	(553,313)	(114)	(505,548)
- key management personnel of the entity or its parent	(103)		(114)	
Customer accounts	5,196	1,401,407	7,769	1,276,464
- parent company	1,760		1,287	
- entities with joint control or significant influence over the entity	211		106	
- key management personnel of the entity or its parent	3,209		3,966	
- other related parties	16		2,410	
Commitments on loans and unused credit lines	376	8,530	456	9,865
- key management personnel of the entity or its parent	376		453	
- other related parties	-		3	
Guarantees issued and similar commitments	10	104,016	580	122,096
- key management personnel of the entity or its parent	10		8	
- other related parties	-		572	

Included in the condensed interim consolidated income statement for the six months ended 30 June 2010 and 2009 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2010 (unaudited) (KZT million)		Six months ended 30 June 2009 (unaudited) (KZT million)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	54	150,611	132	199,510
Interest expense	(241)	(76,455)	(154)	(93,289)
Operating expenses	(629)	(16,839)	(349)	(14,304)
Short-term employee benefits	(629)	(8,428)	(349)	(7,058)
Provision on impairment losses on interest bearing assets, other transactions, guarantees and other contingent liabilities	(8)	(50,077)	9	(120,926)
Gain from sale of associates and share of results of associates	-	-	201	4,372

Key management personnel compensation for the six months ended 30 June 2010 and 2009 is represented by short-term employee benefits.

As at 30 June 2010 and 31 December 2009, the Group does not pledge any assets in connection with guarantees issued to management.

20. SEGMENT REPORTING

Business segments

The Group is managed and reported on the basis of four main business segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

- 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, documentary credits, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.
- Other – representing insurance operations and other activities.

Retail Banking offers a range of personal banking, savings and mortgage products and services. Corporate Banking offers business banking services principally to small and mid sized companies and commercial loans to larger Corporate & Commercial customers. Investment Banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities, Group Capital and shared services. Other operation includes insurance operations and other activities.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily re-allocated 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. Internal charges and transfer pricing adjustments, if any, 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 assets and liabilities comprise operating assets and liabilities, being the majority of the financial position, but excluding taxation.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive, hence the Group presents operating segments on the basis of its three main products.

The amounts disclosed in the segment analysis below are regularly provided to and reviewed by the chief operating decision maker.

	Retail banking (unaudited) (KZT million)	Corporate banking (unaudited) (KZT million)	Investment banking (unaudited) (KZT million)	Other (unaudited) (KZT million)	Unallocated (unaudited) (KZT million)	Eliminations (unaudited) (KZT million)	As at and for the six months ended 30 June 2010 (unaudited) (KZT million)
External interest income	18,149	125,901	6,228	333	-	-	150,611
Internal interest income	21,110	30,561	83,995	-	-	(135,666)	-
External interest expenses	(17,492)	(30,500)	(28,463)	-	-	-	(76,455)
Internal interest expenses	(9,652)	(85,119)	(40,895)	-	-	135,666	-
Net interest income before provision for impairment losses on interest bearing assets	12,115	40,843	20,865	333	-	-	74,156
Provisions for impairment losses on interest bearing assets	(6,310)	(44,907)	456	-	-	-	(50,761)
NET INTEREST INCOME	5,805	(4,064)	21,321	333	-	-	23,395
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(43,954)	213	-	-	(43,741)
Net gain on foreign exchange and precious metals operations	177	31	32,584	3	(50)	-	32,745
Fee and commission income	3,806	4,343	1,814	-	-	-	9,963
Fee and commission expense	(317)	(681)	(134)	(567)	(1)	-	(1,700)
Net realized gain on investments available-for-sale	-	-	434	5	-	-	439
Dividends received	-	-	22	-	-	-	22
Other income	343	(266)	(148)	2,592	33	-	2,554
NET NON-INTEREST INCOME	4,009	3,427	(9,382)	2,246	(18)	-	282
OPERATING INCOME	9,814	(637)	11,939	2,579	(18)	-	23,677
OPERATING EXPENSES	(8,489)	(6,136)	(1,243)	(914)	(57)	-	(16,839)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	1,325	(6,773)	10,696	1,665	(75)	-	6,838
Provision for impairment losses on other transactions	-	(870)	(3)	(775)	-	-	(1,648)
Recovery of provision for guarantees and other contingencies	-	2,332	-	-	-	-	2,332
OPERATING PROFIT BEFORE INCOME TAX	1,325	(5,311)	10,693	890	(75)	-	7,522
Income tax benefit	-	-	-	-	2,638	-	2,638
NET PROFIT	1,325	(5,311)	10,693	890	2,563	-	10,160
Segment assets	273,392	1,933,245	419,838	18,464	127,633	(167,194)	2,605,378
Segment liabilities	372,770	1,028,448	806,059	4,340	102,129	(125,872)	2,187,874

	Retail banking (unaudited) (KZT million)	Corporate banking (unaudited) (KZT million)	Investment banking (unaudited) (KZT million)	Other (unaudited) (KZT million)	Unallocated (unaudited) (KZT million)	Eliminations (unaudited) (KZT million)	As at 31 December 2009 and for the six months ended 30 June 2009 (unaudited) (KZT million)
External interest income	25,144	167,181	6,801	384	-	-	199,510
Internal interest income	17,177	25,702	88,659	-	-	(131,538)	-
External interest expenses	(14,271)	(27,630)	(51,388)	-	-	-	(93,289)
Internal interest expenses	(13,204)	(91,053)	(27,281)	-	-	131,538	-
Net interest income before provision for impairment losses on interest bearing assets	14,846	74,200	16,791	384	-	-	106,221
Provisions for impairment losses on interest bearing assets	(20,713)	(97,231)	(3,720)	-	-	-	(121,664)
NET INTEREST EXPENSE	(5,867)	(23,031)	13,071	384	-	-	(15,443)
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	12,243	(159)	-	-	12,084
Net loss on foreign exchange and precious metals operations	372	39	(6,701)	8	(286)	-	(6,568)
Fee and commission income	3,405	4,915	1,639	-	-	-	9,959
Fee and commission expense	(352)	(539)	(183)	(499)	(7)	-	(1,580)
Net realized loss on investments available-for-sale	-	-	(687)	46	-	-	(641)
Dividends received	-	-	23	-	-	-	23
Other income	12	341	22,431	1,958	18	-	24,760
NET NON-INTEREST INCOME	3,437	4,756	28,765	1,354	(275)	-	38,037
OPERATING INCOME	(2,430)	(18,275)	41,836	1,738	(275)	-	22,594
OPERATING EXPENSES	(7,657)	(4,454)	(1,392)	(763)	(38)	-	(14,304)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	(10,087)	(22,729)	40,444	975	(313)	-	8,290
Provisions for impairment losses on other transactions	-	(365)	(50)	(43)	-	-	(458)
Recovery of provisions for guarantees and other contingencies	-	1,196	-	-	-	-	1,196
Gain from sale of associates and share results of associates	-	-	4,372	-	-	-	4,372
OPERATING PROFIT BEFORE INCOME TAX	(10,087)	(21,898)	44,766	932	(313)	-	13,400
Income tax expense	-	-	-	-	(3,533)	-	(3,533)
NET PROFIT	(10,087)	(21,898)	44,766	932	(3,846)	-	9,867
Segment assets	296,136	1,897,748	443,054	16,777	582,955	(648,797)	2,587,873
Segment liabilities	327,622	948,842	939,233	4,118	574,119	(620,168)	2,173,766

21. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: the risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: the Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools adequately and reasonably represent the risks.
- Risk monitoring: the Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits set forth in internal documents of the Group are reviewed on a periodic basis.
- Risk reporting: risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to the management.

The main risks inherent to the Group's operations are those related to:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk
- Currency risk

The Group has opted to present liquidity risk and currency risk as at 30 June 2010. The Group believes this information to be useful to users of this condensed interim consolidated financial information. The remaining risk management policies, which include credit risk, interest rate risk and market risk are not significantly different from the Group's risk management policies disclosed in the audited consolidated financial statements for the year ended 31 December 2009. The Group has presented its interest rate risk and currency risk sensitivity analysis as part of its annual financial statements.

From 1 January 2008, the Group implemented a hedge accounting policy as part of its risk management strategy. Prior to this date, the Group opted not to designate its economic hedges as hedging relationships. The Group has designated cross currency swaps and interest swaps as hedging instruments against various currency and interest rate exposures in cash flows. As at 30 June 2010, the Group has de-designated all the exisiting hedge relationships (refer to Note 12 for details).

Liquidity risk

Liquidity risk refers to the risk of availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through the deals in the money markets, with placement of available funds in liquid securities in line with instructions of ALMC.

The Group maintains the compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity limits. The Management of the Group considers these requirements to be strict, and, as such, this measure guarantees maintaining on appropriate liquidity level.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month (unaudited) (KZT million)	1 month to 3 months (unaudited) (KZT million)	3 months to 1 year (unaudited) (KZT million)	1 year to 5 years (unaudited) (KZT million)	Over 5 years (unaudited) (KZT million)	Maturity undefined (unaudited) (KZT million)	30 June 2010 Total (unaudited) (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	63,962	56,110	7,194	2,673	9,102	-	139,041
Loans and advances to banks and other financial institutions	90,632	-	21,588	29,104	15	-	141,339
Loans to customers	81,679	46,658	559,301	695,891	526,025	-	1,909,554
Debt securities included in investments available-for-sale	124	281	4,546	4,951	1,611	-	11,513
Investments held to maturity	-	-	22	1,111	-	-	1,133
Total interest bearing assets	236,397	103,049	592,651	733,730	536,753	-	2,202,580
Cash and balances with national (central) banks	71,537	-	-	-	-	-	71,537
Precious metals	1,159	-	-	-	-	-	1,159
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	3,571	3,571
Equity securities in the investments available-for-sale	-	-	-	-	-	4,003	4,003
Accrued interest income on interest-bearing assets	55,034	42,640	81,460	89,712	72	-	268,918
Other financial assets	3,075	1,285	4,525	1,906	-	-	10,791
TOTAL FINANCIAL ASSETS	367,202	146,974	678,636	825,348	536,825	7,574	2,562,559
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	28,641	6,519	29,775	100,783	251	-	165,969
Customer accounts	503,193	243,885	265,125	302,408	51,114	-	1,365,725
Debt securities issued	311	531	51,898	150,994	170,108	-	373,842
Other borrowed funds	4	281	414	3,783	23,940	-	28,422
Subordinated debt	-	-	-	21,737	106,188	6,706	134,631
Total interest bearing liabilities	532,149	251,216	347,212	579,705	351,601	6,706	2,068,589
Financial liabilities at fair value through profit or loss	261	124	1,319	26,922	23,325	-	51,951
Dividends payable	-	-	10	735	-	-	745
Accrued interest expense on interest-bearing liabilities	12,373	21,872	10,785	790	-	-	45,820
Other financial liabilities	7,161	194	766	-	-	-	8,121
TOTAL FINANCIAL LIABILITIES	551,944	273,406	360,092	608,152	374,926	6,706	2,175,226
Liquidity gap	(184,742)	(126,432)	318,544	217,196	161,899		
Interest sensitivity gap	(295,752)	(148,167)	245,439	154,025	185,152		
Cumulative interest sensitivity gap	(295,752)	(443,919)	(198,480)	(44,455)	140,697		
Cumulative interest sensitivity gap as a percentage of total assets	(11.5%)	(17.3%)	(7.7%)	(1.7%)	5.5%		
Contingent liabilities and credit commitments	5,451	7,982	27,198	61,162	4,675	14	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	6,076	17,618	32,108	19,574	35,748	-	111,124
Loans and advances to banks and other financial institutions	89,440	531	52,080	5,907	15	-	147,973
Loans to customers	19,363	53,437	534,511	886,195	442,751	-	1,936,257
Debt securities included in investments available-for-sale	3	100	5,453	4,557	853	-	10,966
Investments held to maturity	-	194	11	558	150	-	913
Total interest bearing assets	114,882	71,880	624,163	916,791	479,517	-	2,207,233
Cash and balances with national (central) banks	89,584	-	-	-	949	-	90,533
Precious metals	1,209	-	-	-	-	-	1,209
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	2,638	2,638
Equity securities in the investments available-for-sale	-	-	-	-	-	5,252	5,252
Accrued interest income on interest-bearing assets	47,126	30,219	88,003	60,452	61	-	225,861
Other financial assets	5,958	516	3,145	435	20	-	10,074
TOTAL FINANCIAL ASSETS	258,759	102,615	715,311	977,678	480,547	7,890	2,542,800
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	24,656	4,752	42,296	133,463	2,896	-	208,063
Customer accounts	369,466	54,037	458,544	324,501	50,973	-	1,257,521
Debt securities issued	314	684	2,246	248,862	197,304	-	449,410
Other borrowed funds	-	23	674	4,946	25,124	-	30,767
Subordinated debt	-	-	-	14,836	112,524	6,747	134,107
Total interest bearing liabilities	394,436	59,496	503,760	726,608	388,821	6,747	2,079,868
Financial liabilities at fair value through profit or loss	174	137	594	26,361	8,725	-	35,991
Dividends payable	-	-	15	-	-	-	15
Accrued interest expense on interest-bearing liabilities	6,078	6,278	15,153	560	8,888	-	36,957
Other financial liabilities	769	3,470	100	77	-	-	4,416
TOTAL FINANCIAL LIABILITIES	401,457	69,381	519,622	753,606	406,434	6,747	2,157,247
Liquidity gap	(142,698)	33,234	195,689	224,072	74,113		
Interest sensitivity gap	(279,554)	12,384	120,403	190,183	90,696		
Cumulative interest sensitivity gap	(279,554)	(267,170)	(146,767)	43,416	134,112		
Cumulative interest sensitivity gap as a percentage of total assets	(11.0%)	(10.5%)	(5.8%)	1.7%	5.3%		
Contingent liabilities and credit commitments	11,508	12,213	52,530	54,095	86	55	

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over. The Group is aware of the importance of maintaining the stability of these deposits. In order to achieve this it is essential that the Group ensures depositor confidence in the Group's liquidity, by continuing to position itself as the depositor of choice in local markets and a leading financial institution in both the Republic of Kazakhstan and abroad. The Group does not use undiscounted contractual maturity information when managing its operations.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimise losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The FMSA sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

As at 30 June 2010, the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (unaudited) (KZT million)	USD (unaudited) (KZT million)	EUR (unaudited) (KZT million)	RUR (unaudited) (KZT million)	Other currency (unaudited) (KZT million)	30 June 2010 Total (unaudited) (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	53,993	7,936	4,547	3,908	1,153	71,537
Precious metals	-	-	-	-	1,159	1,159
Financial assets at fair value through profit or loss	127,600	2,228	1,767	7,651	3,951	143,197
Loans and advances to banks and other financial institutions	4,176	127,044	6,089	1,666	2,778	141,753
Loans to customers	848,798	1,291,649	7,233	29,158	360	2,177,198
Investments available-for-sale	12,424	3,342	-	-	-	15,766
Investments held to maturity	729	354	-	-	75	1,158
Other financial assets	3,484	791	174	6,305	37	10,791
TOTAL FINANCIAL ASSETS	1,051,204	1,433,344	19,810	48,688	9,513	2,562,559
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	4,592	153,809	5,643	2,567	58	166,669
Customer accounts	750,641	574,608	55,005	18,372	2,781	1,401,407
Financial liabilities at fair value through profit or loss	47,507	4,442	-	-	2	51,951
Debt securities issued	-	238,838	111,143	104	30,532	380,617
Other borrowed funds	17,843	10,949	-	-	-	28,792
Dividends payable	-	735	-	-	10	745
Other financial liabilities	6,648	78	444	681	270	8,121
Subordinated debt	32,864	104,060	-	-	-	136,924
TOTAL FINANCIAL LIABILITIES	860,095	1,087,519	172,235	21,724	33,653	2,175,226
OPEN POSITION	191,109	345,825	(152,425)	26,964	(24,140)	

Derivative financial instruments and spot contracts

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 on derivative financial instruments and spot contracts as at 30 June 2010:

	KZT (unaudited) (KZT million)	USD (unaudited) (KZT million)	EUR (unaudited) (KZT million)	RUR (unaudited) (KZT million)	Other currency (unaudited) (KZT million)	30 June 2010 Total (unaudited) (KZT million)
Accounts payable on spot and derivative contracts	(510)	(316,683)	(21,165)	(6,388)	(1,662)	(346,408)
Accounts receivable on spot and derivative contracts	33,873	26,232	174,251	4,261	78,224	316,841
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	33,363	(290,451)	153,086	(2,127)	76,562	

As at 31 December 2009, the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other currency (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	61,450	7,753	16,345	2,913	2,072	90,533
Precious metals	-	-	-	-	1,209	1,209
Financial assets at fair value through profit or loss	91,413	359	10,647	5,196	6,588	114,203
Loans and advances to banks and other financial institutions	13,253	120,762	6,065	3,943	4,352	148,375
Loans to customers	773,155	1,338,637	10,172	37,770	1,033	2,160,767
Investments available-for-sale	12,262	4,434	-	-	-	16,696
Investments held to maturity	938	-	-	-	5	943
Other financial assets	3,138	876	52	5,585	423	10,074
TOTAL FINANCIAL ASSETS	955,609	1,472,821	43,281	55,407	15,682	2,542,800
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	4,959	178,337	9,939	15,846	41	209,122
Customer accounts	632,542	549,936	75,772	14,414	3,800	1,276,464
Financial liabilities at fair value through profit or loss	30,111	5,820	-	60	-	35,991
Debt securities issued	-	269,783	148,576	254	45,043	463,656
Other borrowed funds	19,097	12,075	-	-	-	31,172
Dividends payable	-	-	-	-	15	15
Other financial liabilities	2,363	333	646	634	440	4,416
Subordinated debt	31,736	104,675	-	-	-	136,411
TOTAL FINANCIAL LIABILITIES	720,808	1,120,959	234,933	31,208	49,339	2,157,247
OPEN POSITION	234,801	351,862	(191,652)	24,199	(33,657)	

Derivative financial instruments and spot contracts

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 on derivative financial instruments and spot contracts as at 31 December 2009:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other currency (KZT million)	31 December 2009 Total (KZT million)
Accounts payable on spot and derivative contracts	(892)	(304,125)	-	(4,599)	-	(309,616)
Accounts receivable on spot and derivative contracts	28,017	5,463	192,555	5,053	83,860	314,948
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	27,125	(298,662)	192,555	454	83,860	

JOINT STOCK COMPANY KAZKOMMERTSBANK

Consolidated Financial Statements
For the Years Ended 31 December 2009, 2008 and 2007

JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Kazkommertsbank and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2009, 2008 and 2007 the consolidated results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; 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 and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The recent economic downturn and severe liquidity conditions continue to place extreme pressure on the financial markets in particular and the global economy, generally. Governments and central banks have introduced extensive measures both in Kazakhstan and globally in order to redress the capital and liquidity imbalance. The Group has become an active participant in funding measures introduced by the Kazakhstan government, and its future funding and capital plans for 2010 include an element of continued reliance on these measures.

The consolidated financial statements for the years ended 31 December 2009, 2008 and 2007 were authorized for issue on 5 April 2010 by the Management Board of JSC Kazkommertsbank.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

5 April 2010
Almaty

Shoinbekova G.K.
Chief Accountant

5 April 2010
Almaty

Deloitte.

Deloitte, LLP
Almaty Financial District
Building «B»
36, Al Farabi ave.
Almaty, 050000
Republic of Kazakhstan

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Kazkommertsbank:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Kazkommertsbank and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2009, 2008 and 2007, the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, 2008 and 2007, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice 78586
Australia

Deloitte, LLP

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan Number 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate # 0082
General Director
Deloitte, LLP

5 April 2010
Almaty, Kazakhstan

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Notes	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Interest income	6, 34	372,939	380,777	316,458
Interest expense	6, 34	(179,737)	(181,265)	(171,762)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		193,202	199,512	144,696
Provision for impairment losses on interest bearing assets	5, 34	(193,113)	(150,697)	(69,956)
NET INTEREST INCOME		89	48,815	74,740
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	7	22,793	(28,373)	20,647
Net (loss)/gain on foreign exchange and precious metals operations	7	(15,022)	5,601	(15,164)
Fee and commission income	8	20,957	21,741	23,558
Fee and commission expense	8	(3,543)	(4,324)	(2,733)
Net realized (loss)/gain on investments available-for-sale	9	(1,026)	(2,018)	119
Dividends received		186	176	149
Other income	10	34,526	9,352	6,019
NET NON-INTEREST INCOME		58,870	2,155	33,206
OPERATING INCOME		58,959	50,970	107,946
OPERATING EXPENSES	11, 34	(30,671)	(34,049)	(31,200)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES		28,288	16,921	76,746
Provision for impairment losses on other transactions	5	(1,472)	(2,718)	(1,238)
Recovery of provision/(provision) for guarantees and other contingencies	5	600	856	(3,100)
Gain from sale of associates and share of results of associates	21, 34	4,372	(3,585)	1,335
OPERATING PROFIT BEFORE INCOME TAX		31,788	11,474	73,655
Income tax (expense)/benefit	12	(12,763)	8,690	(15,904)
NET PROFIT		19,025	20,164	57,751
Attributable to:				
Ordinary shareholders of the Parent		17,152	18,406	46,468
Preference shareholders of the Parent		2,271	3,399	9,495
Non-controlling interest		(409)	(1,641)	1,788
		19,025	20,164	57,751
EARNINGS PER SHARE				
Basic and diluted (KZT)	13	24.27	32.01	80.85

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

5 April 2010
Almaty

Sholpanbekova G.K.
Chief Accountant

5 April 2010
Almaty

The notes on pages 12-111 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
NET PROFIT	19,623	20,164	57,721
Property and equipment			
Revaluation of property and equipment	(1,896)	(362)	5,239
	(1,896)	(362)	5,239
Investments available-for-sale			
Unrealized gain/(loss) on revaluation of investments available-for-sale	1,627	(4,217)	9
Gain transferred to income statement on sale of investments available-for-sale	(34)	(82)	(119)
Loss transferred to income statement on impairment of investments available-for-sale	1,060	2,170	-
Parent's share from revaluation of associated companies reserves	(130)	3	-
	2,524	(2,196)	(110)
Cash flow hedges			
Loss on cash flow hedges	(1,992)	(43,397)	-
Plus: net gain on hedging reserve transferred to earnings	14,219	30,000	-
	12,227	(13,397)	
Exchange differences on translation of foreign operations	2,443	(3,443)	(4,211)
Deferred income tax:			
Deferred income tax recognized on revaluation of property and equipment	379	72	(1,572)
Deferred income tax recognized on property and equipment due to tax rate changes	(421)	1,144	-
Deferred income tax recognized on loss on investments available-for-sale, on cash flow hedges and due to tax rate changes	(2,915)	3,103	-
	(2,957)	4,319	(1,572)
TOTAL COMPREHENSIVE INCOME	31,363	5,083	56,794
Attributable to:			
Ordinary shareholders of the Parent	27,731	6,321	50,019
Preference shareholders of the Parent	4,133	773	9,495
Non-controlling interest	(501)	(2,011)	(2,720)
TOTAL COMPREHENSIVE INCOME	31,363	5,083	56,794

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

5 April 2010
Almaty

Shaimbekova G.K.
Chief Accountant

5 April 2010
Almaty

The notes on pages 12-141 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2009, 2008 AND 2007

	Notes	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
ASSETS:				
Cash and balances with national (central) banks	14	90,553	90,478	168,148
Precious metals	15	1,209	317	-
Financial assets at fair value through profit or loss	16	114,203	58,130	188,776
Loans and advances to banks and other financial institutions	17	148,375	241,813	212,823
Loans to customers	18, 34	2,159,707	2,144,782	2,166,335
Investments available-for-sale	19	16,696	15,056	3,030
Investments held to maturity	20	943	776	375
Investments in associates	21, 34	-	1,775	7,222
Goodwill	22	2,405	2,405	2,405
Property, equipment and intangible assets	23	33,974	55,465	34,259
Other assets	24	18,773	23,808	17,853
TOTAL ASSETS		2,587,873	2,614,805	2,997,232
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and advances from banks and other financial institutions	25	209,122	296,391	723,131
Customer accounts	26, 34	1,236,064	979,453	895,083
Financial liabilities at fair value through profit or loss	16	35,994	54,329	7,120
Debt securities issued	27	463,630	678,285	759,588
Other borrowed funds	28	71,172	117,324	148,934
Provisions	5	11,945	19,276	10,638
Deferred income tax liabilities	12	24,319	10,226	30,496
Dividends payable		15	3	2
Other liabilities	29	8,990	16,981	13,845
		2,061,874	2,183,219	2,569,847
Subordinated debt	30	136,411	117,724	108,166
Total liabilities		2,198,285	2,300,943	2,678,013
EQUITY:				
Equity attributable to equity holders of the Parent:				
Issued and outstanding share capital	31	9,031	6,990	6,998
Share premium reserve		195,006	152,684	152,855
Property and equipment revaluation reserve		4,935	6,918	6,020
Other reserves		180,839	146,992	140,794
Total equity attributable to equity holders of the Parent		389,811	313,584	306,667
Non-controlling interest		(223)	278	12,552
Total equity		389,588	313,862	319,219
TOTAL LIABILITIES AND EQUITY		2,587,873	2,614,805	2,997,232

On behalf of the Management Board of the Bank:

Zhussupova N.A.	**Shoinbekova G.K.**
Chairman of the Board	**Chief Accountant**
5 April 2010	5 April 2010
Almaty	Almaty

The notes on pages 12-111 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit [1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2006	6,999	(4)	152,534	2,436	40	76	-	84,748	246,829	15,272	262,101
Net profit	-	-	-	-	-	-	-	55,963	55,963	1,788	57,751
Gain on revaluation of property and equipment	-	-	-	5,239	-	-	-	-	5,239	-	5,239
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(119)	-	-	-	119	-	-	-
Investments available-for-sale	-	-	-	-	(110)	-	-	-	(110)	-	(110)
Exchange differences on translation of foreign operations	-	-	-	-	-	(18)	-	12	(6)	(4,508)	(4,514)
Deferred income tax	-	-	-	(1,536)	-	-	-	(36)	(1,572)	-	(1,572)
Total comprehensive income	-	-	-	3,584	(110)	(18)	-	56,058	59,514	(2,720)	56,794
Share capital increase of:											
- ordinary shares	1	-	153	-	-	-	-	-	154	-	154
Purchase of treasury shares	-	(1)	(119)	-	-	-	-	-	(120)	-	(120)
Sale of treasury shares	-	3	287	-	-	-	-	-	290	-	290
31 December 2007	7,000	(2)	152,855	6,020	(70)	58	-	140,806	306,667	12,552	319,219

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit [1]	Cumulative translation reserve [1]	Hedging reserve [1]	Retained earnings [1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2007	7,000	(2)	152,855	6,020	(70)	58	-	140,806	306,667	12,552	319,219
Net profit	-	-	-	-	-	-	-	21,805	21,805	(1,641)	20,164
Loss on revaluation of property and equipment	-	-	-	(362)	-	-	-	-	(362)	-	(362)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(93)	-	-	-	93	-	-	-
Investments available-for-sale	-	-	-	-	(2,195)	-	-	-	(2,195)	(1)	(2,196)
Cash flow hedges	-	-	-	-	-	-	(13,397)	-	(13,397)	-	(13,397)
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,074)	-	-	(3,074)	(369)	(3,443)
Deferred income tax	-	-	-	1,353	423	-	2,680	(137)	4,319	-	4,319
Total comprehensive income	-	-	-	898	(1,772)	(3,074)	(10,717)	21,761	7,096	(2,011)	5,085
Purchase of treasury shares	-	(14)	(406)	-	-	-	-	-	(420)	-	(420)
Sale of treasury shares	-	6	235	-	-	-	-	-	241	-	241
Change in non-controlling interest due to increase of ownership share	-	-	-	-	-	-	-	-	-	(10,263)	(10,263)
31 December 2008	7,000	(10)	152,684	6,918	(1,842)	(3,016)	(10,717)	162,567	313,584	278	313,862

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit[1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2008	7,000	(16)	152,496	6,915	(1,852)	(3,101)	(10,717)	162,567	313,350	570	[illegible]
Net profit	-	-		-	-	-		[illegible]	19,423	(400)	19,023
Loss on revaluation of property and equipment		-	-	(1,896)		-	-	-	(1,896)		(1,896)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-		-	(89)		-		[illegible]	-	-	
Investments available-for-sale	-		-	-	2,523		-	-	2,523	-	2,523
Cash flow hedges	-	-	-	-	-	-	12,219	-	12,227	-	(12,227)
Exchange differences on translation of foreign operations	-		-	-	-	2,544			2,544	(101)	2,443
Deferred income tax	-		-	(7)	(400)		(2,445)	(13)	(2,857)		(2,857)
Total comprehensive income	-		-	(1,983)	2,093	2,544	9,762	19,498	31,958	(501)	31,353
Increase of share capital - ordinary shares	2,049	-	42,428				-	-	44,477		44,477
Purchase of treasury shares	-	(13)	(266)		-				(279)	-	(279)
Sale of treasury shares		16	160	-	-			-	170	-	170
31 December 2009	9,084	(13)	194,596	4,832	193	(457)	(955)	182,065	389,811	(221)	389,588

[1] The amounts included within the investments available-for-sale fair value deficit, Cumulative translation reserve, Hedging reserve and Retained earnings, in the above table, are included within "Other reserves" of the consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

5 April 2010
Almaty

Shoinbekova G.K.
Chief Accountant

5 April 2010
Almaty

The notes on pages 12-111 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Notes	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest received from financial assets at fair value through profit or loss		2,802	5,701	6,440
Interest received on loans and advances to banks and other financial institutions		7,957	10,076	9,457
Interest received from loans to customers		234,827	332,858	264,828
Interest received from investments available-for-sale		1,653	370	48
Interest received from investments held to maturity		41	105	32
Interest paid on loans and advances from banks and other financial institutions		(16,301)	(31,022)	(40,030)
Interest paid on customer accounts		(80,995)	(76,896)	(46,601)
Interest paid on debt securities issued		(72,695)	(66,735)	(44,492)
Interest paid on other borrowed funds		(4,663)	(8,195)	(9,117)
Interest paid on subordinated debt		(5,824)	(4,400)	(3,005)
Fee and commission received		20,957	22,149	23,558
Fee and commission paid		(3,544)	(4,140)	(2,713)
Other income received		3,795	8,756	6,893
Operating expenses paid		(24,456)	(37,393)	(41,537)
Cash inflow from operating activities before changes in operating assets and liabilities		63,554	151,234	123,761
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand		722	75,090	29,414
Funds deposited with Central Bank of Russian Federation		(771)	2,252	(718)
Funds deposited with National Bank of the Kyrgyz Republic		(49)	42	(15)
Funds deposited with National Bank of Tajikistan		29	(49)	-
Precious metals		(892)	(317)	807
Financial assets at fair value through profit or loss		(49,372)	100,482	173,811
Loans and advances to banks and other financial institutions		94,026	11,937	88,295
Loans to customers		245,123	115,674	(701,115)
Other assets		11,083	(5,884)	(5,749)
Increase/(decrease) in operating liabilities:				
Loans and advances from banks and other financial institutions		(121,917)	(426,163)	(171,383)
Customer accounts		145,223	80,462	164,344
Other liabilities		(10,760)	3,153	(3,808)
Cash inflow/(outflow) from operating activities before taxation		375,999	107,913	(302,356)
Income tax paid		(3,851)	(6,516)	(2,259)
Net cash inflow/(outflow) from operating activities		372,148	101,397	(304,615)

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

	Notes	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, equipment and intangible assets		(13,186)	(5,928)	(16,261)
Proceeds on sale of property, equipment and intangible assets		11,412	134	1,362
Dividends received		186	176	–
Proceeds on sale of investments available-for-sale		2,764	5,078	6,295
Purchase of investments available-for-sale		(5,428)	(3,666)	(6,946)
Proceeds on maturity of investments held to maturity		173	39	542
Purchase of investments held to maturity		(525)	(422)	(818)
Purchase of investments in associates			(2,172)	(134)
Proceeds on disposal of investments in associates		6,147	-	-
Purchase of subsidiaries, net of cash of entities acquired		–	(2,940)	(1,525)
Net cash inflow/(outflow) from investing activities		543	(9,705)	(17,211)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary shares		44,472	-	154
Purchase of treasury shares		(279)	(420)	(429)
Proceeds on sale of treasury shares		170	241	290
Proceeds from debt securities issued		37,570	111,169	321,632
Repurchase and repayment of debt securities issued		(404,041)	(173,008)	(25,940)
Proceeds from subordinated debt		2,530	8,549	15,919
Repayment of subordinated debt		(3,391)	-	(1,878)
Repayment of other borrowed funds		(140,265)	(12,951)	79,756
Dividends paid on preference shares		(714)	(595)	(601)
Net cash (outflow)/inflow from financing activities		(464,672)	(67,023)	406,208
Effect of changes in foreign exchange rate on cash and cash equivalents		5,633	(22)	587
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(86,428)	24,648	44,943
CASH AND CASH EQUIVALENTS, beginning of period	11	168,994	144,346	99,403
CASH AND CASH EQUIVALENTS, end of period	11	82,566	168,994	144,346

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

5 April 2010
Almaty

Shoinbekova G.K.
Chief Accountant

5 April 2010
Almaty

The notes on pages 12-111 form an integral part of these consolidated financial statements.

1. ORGANISATION

JSC Kazkommertsbank (the "Bank", or "Kazkommertsbank") is a joint stock bank and operates in the Republic of Kazakhstan since 1990. The Bank's activities are regulated by the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations (the "FMSA") in accordance with the license № 48 dated 27 December 2007 and by the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin str., Almaty 050060, Republic of Kazakhstan.

As at 31 December 2009 and 2008, the Bank has 23 branches in the Republic of Kazakhstan, and a representative office in London. As at 31 December 2007, the Bank had 25 branches in the Republic of Kazakhstan, and a representative office in Dushanbe, Tajikistan.

Kazkommertsbank is a parent company of the banking group (the "Group") which consists of the following enterprises consolidated in the financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights 2009	2008	2007	Type of operation
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	100%	Payment card processing and other related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	100%	Investment management of pension assets
LLP Kazkommertsbank RFCA	Republic of Kazakhstan	-	100%	100%	Operations with financial instruments on Regional financial centre of Almaty
JSC Kazkommerts Life	Republic of Kazakhstan	100%	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	100%	Commercial bank
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	94.64%	94.64%	93.58%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	80.01%	80.01%	80.01%	Pension fund
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	65%	Insurance
LLP Commercial bank Moskommertsbank	Russia	100%	100%	52.11%	Commercial bank
LLP Investment Group East Kommerts	Russia	50%	50%	50%	Securities market transactions

JSC Kazkommerts Securities is a joint stock company and has operated under the laws of the Republic of Kazakhstan since 1997. The company's primary business consists of trading with securities, including broker and dealing operations, consulting in investments and corporate finances, organization of security issuances, allocation and underwriting of securities, and purchase and sale of securities in the capacity of the agent. In connection with the renaming from OJSC to JSC company received license on broker and dealing operations № 0401201207 dated 17 May 2006 and license for investment portfolio management № 0403200439 dated 17 May 2006 issued by the FMSA.

LLP Processing Company is a limited liability partnership and has operated under the laws of the Republic of Kazakhstan since 9 July 2004. The company is registered with the Ministry of Justice of the Republic of Kazakhstan under № 64313-1910-TOO. The Company's primary business is to provide payment and other types of card processing.

Kazkommerts International B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The company was registered with the Chamber of Commerce of the Netherlands under the license № 24278506 dated 1 October 1997 for raising funds, including the issuance of bonds and other securities and entering into agreements regarding those activities.

Kazkommerts Finance II B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets. The company was registered with the Chamber of Commerce of the Netherlands under the license № 24317181 dated 13 February 2001 for conducting separate types of banking and other types of operations.

Kazkommerts Capital II B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands since 11 April 2000. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The company has license № 24305284 dated 11 April 2000 issued by the Chamber of Commerce of the Netherlands for conducting operations.

JSC OCOPAIM Grantum Asset Management ("Grantum PAMC") is a joint stock company and has operated under the laws of the Republic of Kazakhstan since 1998. The company's primary business is investment management of pension funds. The company has license № 0411200249 dated 26 June 2006 on investment management of pension funds issued by the FMSA, license № 0403200454 dated 26 June 2006 on management of investment portfolio issued by the FMSA, license № 0402200299 dated 26 June 2006 on broker and dealer activity without right to custody activities issued by the FMSA.

LLP Kazkommertsbank RFCA is a limited liability partnership and has operated under the laws of the Republic of Kazakhstan since 11 January 2007. The company's primary business consists of trading with securities, including broker and dealing operations on Regional financial centre of Almaty. The company has license № 0401201454 dated 2 March 2007 on broker and dealing operations at the stock market with the right to maintain customer accounts as a nominal holder issued by the FMSA. On 28 January 2009, the Board of Directors of the Bank approved to voluntarily liquidate its subsidiary LLP Kazkommerts RFCA. In accordance with the Order №162 dated 03 June 2009 of the Chairman of the FMSA, the license № 0401201454 issued to LLP Kazkommertsbank RFCA on 2 March 2007 was terminated as the result of voluntary liquidation. Currently LLP Kazkommertsbank RFCA is in the process of liquidation.

JSC Kazkommerts Life is a joint stock company and has operated under the laws of the Republic of Kazakhstan. The company's primary business consists of life insurance. The company has a license on life insurance (reinsurance) services № 42-2/1 dated 14 April 2008 issued by the FMSA.

On 29 May 2007, the Board of Directors of the Bank decided to establish a subsidiary bank, CJSC Kazkommertsbank Tajikistan. The Bank received an approval from the FMSA № 93 on 6 September 2007 for the creation of a subsidiary bank in Tajikistan. On 22 November 2007 and 25 December 2007 the Bank transferred cash to fund the capital of CJSC Kazkommertsbank Tajikistan in the amount of KZT 604 million and KZT 602 million, respectively. On 24 January 2008, CJSC Kazkommertsbank Tajikistan received an operating license from the National Bank of Tajikistan for banking operations in both national currency and foreign currencies № 33/1.

JSC Kazkommertsbank Kyrgyzstan is a joint stock bank and has operated under the laws of the Kyrgyz Republic since 1991. The Bank's operations are regulated by the National Bank of the Kyrgyz Republic according to license № 010 dated 15 April 2005 for banking operations in national currency and license № 010/1 dated 15 April 2005 for banking operations in foreign currency. The Bank's primary business consists of commercial banking activities, acceptance of deposits from individuals, transfer of payments, operations with foreign exchange and derivative instruments, originating loans and guarantees.

JSC Grantum APF is a joint stock company and has operated since 1998 under the laws of the Republic of Kazakhstan. The company's primary business consists of the receipt of pension contributions of depositors and making pension payments to recipients under the laws of the Republic of Kazakhstan. The company operates based on a state license on the receipt of pension contributions and making pension payments № 0000019 dated 20 April 2006, issued by the FMSA.

JSC Insurance Company Kazkommerts-Policy is a joint stock company and operates under laws of the Republic of Kazakhstan since 1996. The company's primary business consists of insurance of property, cargoes, auto insurance, civil liability insurance of vehicle owners, insurance of other civil liabilities and reinsurance. The company has licenses on voluntary insurance services DOS № 13-11/2 dated 13 April 2007 and on obligatory insurance services OS № 13-11/2 dated 13 April 2007 issued by the FMSA.

LLP Commercial Bank Moskommertsbank ("MKB") is a limited liability partnership and operates under the laws of the Russian Federation since 2001. MKB's operations are regulated by the Central Bank of the Russian Federation in accordance with the license on the banking operations № 3365 dated 20 September 2002 and license on the banking operations with private sector № 3365 dated 16 June 2005. License of the Federal securities commission on broker operations № 177-11190-100000 dated 18 April 2008, license on the depository activity № 177-11200-000100 dated 18 April 2008, license on dealer operations № 177-11192-010000 dated 18 April 2008, license on the trust operations № 177-11196-001000 dated 18 April 2008 and license of stock broker commodity futures and option transactions in the exchange trade № 1283 dated 4 December 2008.

MKB provides a wide spectrum of banking products and services for individuals, corporate clients and financial institutions. The Bank's primary business consists of retail banking, crediting of small and medium business and the corporate sector. At the date of acquisition the estimated fair value of the net assets of MKB approximated their carrying value.

LLP Investment Group East Kommerts is a limited liability partnership and operates on the securities market. The main activities of LLP Investment Group East Kommerts are broker dealer activities and depository services.The company has a license on depository activities operations № 177-08298-000100 dated 08 February 2005, license on brokerage services № 177-08289-100000 dated 08 February 2005, license on dealer services № 177-08292-010000 dated 08 February 2005 and license on securities management № 177-08295-001000 dated 08 February 2005. At the date of acquisition the estimated fair value of the net assets of LLP Investment Group East Kommerts approximated their carrying value.

Acquisitions and sales

On 24 July 2007 the Bank acquired a 52.11% ownership interest in the share capital of LLP Moscommertsbank. Prior to this date, the Bank consolidated LLP Moscommertsbank as the Bank had control enabled by the trust management agreements with LLP Moscomertsbank's shareholders. The Bank also entered into an agreement for trust management of the remaining 47.89%. Due to the nature of the assets acquired, management has estimated that the fair value of the net assets of LLP Moscommertsbank approximated their carrying values.

The purchase price on acquisition of LLP Moscommertsbank has been allocated as follows:

	Book value at 24 July 2007 (KZT million) (unaudited)	Fair value at 24 July 2007 (KZT million) (unaudited)
Assets		
Cash and balances with national (central) banks	6,705	6,705
Financial assets at fair value through profit or loss	14,250	14,250
Loans and advances to banks and other financial institutions	4,414	4,414
Loans to customers	181,533	181,533
Loans under reverse repurchase agreements	13,693	13,693
Property, equipment and intangible assets	1,673	1,673
Other assets	1,961	1,961
	224,229	224,229
Liabilities		
Loans and advances from banks and other financial institutions	47,405	47,405
Customer accounts	29,752	29,752
Debt securities issued	109,440	109,440
Subordinated debt	19	19
Securities purchased under repurchase agreements	336	336
Derivative financial liabilities	13	13
Other liabilities	561	561
	187,526	187,526
Net assets	36,703	36,703
Non-controlling interest		(17,577)
Share of net assets acquired, being 52.11%		19,126
Purchase consideration		(17,740)
Excess of the Bank's interest in fair value of net assets of LLP Moscommertsbank over cash consideration paid		1,386
Purchase consideration consists of the following:		
Elimination of intercompany balances with LLP Moscommertsbank on acquisition		11,525
Net cash outflow on acquisition:		
Cash consideration paid		(6,215)
Less: cash and cash equivalents acquired, being 52.11%		3,494
Total		(2,721)

The purchase price was agreed in 2006, however, the acquisition did not occur in 2007. The negative goodwill resulted from a change in the net asset value between these dates.

On 4 October 2007, the Bank acquired 50% of the ownership interest of LLP Investment Group East Kommerts for KZT 146 million. In accordance with IAS 27 "Consolidated and Separate Financial Statements", the Bank has opted to consolidate its interest in LLP Investment Group East Kommerts as under the requirements of IFRS, it is of the opinion that it exerts sufficient control over the operations of the company, as the Bank has control over the Board of Directors of LLP Investment Group East Kommerts.

The purchase price on acquisition of LLP Investment Group East Kommerts has been allocated as follows:

	Book value at 4 October 2007 (KZT million) (unaudited)	Fair value at 4 October 2007 (KZT million) (unaudited)
Assets		
Cash and balances with national (central) banks	2,684	2,684
Loans to customers	2,271	2,271
Property, equipment and intangible assets	166	166
Other assets	9,014	9,014
	14,135	14,135
Liabilities		
Loans and advances from banks and other financial institutions	6,025	6,025
Other liabilities	7,481	7,481
	13,506	13,506
Net assets	629	629
Non-controlling interest		(314)
Share of net assets acquired, being 50.00 %		315
Purchase consideration		(146)
Excess of the Bank's interest in fair value of net assets of LLP Investment Group East Kommerts over cash consideration paid		169
Net cash inflow on acquisition:		
Cash consideration paid		(146)
Less: cash and cash equivalents acquired, being 50.00%		1,342
Total		1,196

Negative goodwill on acquisition of LLP Investment Group East Kommerts, recognized through consolidated income statement, arose due to the fact that LLP Investment Group East Kommerts is attributable to the access to resources available to LLP Investment Group East Kommerts under the combination. These resources include affiliation to the Kazkommerts brand, access to the branch system of the Bank and LLP Commercial bank Moscommertsbank and to the financing through the Bank.

The excess of the Bank's interest in fair value of net assets of LLP Investment Group East Kommerts and LLP Commercial bank Moscommertsbank is credited to the consolidated income statement on the dates of acquisition.

On 22 April 2008, the Bank acquired 290,000 ordinary shares of JSC Life Insurance Company Kazkommerts Life for KZT 290 million. The Bank's capital share did not change.

On 28 April 2008, the Bank acquired 53,486 ordinary shares (35%) of JSC Insurance Company Kazkommerts-Policy from the European Bank of Reconstruction and Development for KZT 1,630 million. The Bank's capital share in JSC Insurance Company Kazkommerts-Policy increased to 100% upon acquisition.

An independent appraisal of the fair value of the assets acquired was not needed due to the fact that the fair value of most purchased assets and liabilities being available and easily definable. The fair value of the net assets purchased and the Bank's interest in the definitive net fair value of net assets of JSC Insurance Company Kazkommerts-Policy over the consideration paid, are as follows:

	Book value as at 28 April 2008 (KZT million) (unaudited)	Fair value as at 28 April 2008 (KZT million) (unaudited)
Assets		
Cash and balances with national (central) banks	12	12
Financial assets at fair value through profit or loss	1,495	1,495
Loans and advances to banks	3,487	3,487
Investments available-for-sale	1,362	1,362
Loans under reverse repurchase agreements	1,084	1,084
Property, equipment and intangible assets	171	171
Other assets	2,387	2,387
	9,998	9,998
Liabilities		
Other liabilities	4,755	4,755
	4,755	4,755
Net assets	5,243	5,243
Non-controlling interest		-
Net assets acquired, being 35%		1,835
Purchase consideration		(1,581)
Excess of the Bank's interest in fair value of net assets of JSC Insurance Company Kazkommerts-Policy over cash consideration paid		254
Net cash outflow on acquisition:		
JSC Insurance Company Kazkommerts-Policy purchase intergroup balances elimination		49
Purchase cash outflows:		
Total paid in cash		(1,630)
Cash acquired, being 35%		4
Total		(1,626)

The negative goodwill arose due to a change in the net assets between the date of the pricing and the date the transaction took place.This is due to the purchase consideration for JSC Insurance Company Kazkommerts-Policy being determined as at 31 December 2007, while the transaction was finalized on 28 April 2008. The resulting gain was recorded within other income.

The income and revenue of JSC Insurance Company Kazkommerts-Policy from the beginning of the period till the date of acquisition, were accounted for as being attributable to minority interest. Prior to the date of acquisition, the Group consolidated JSC Insurance Company Kazkommerts-Policy as it had a controlling interest in JSC Insurance Company Kazkommerts-Policy.

On 19 May 2008, the Bank acquired 480,071 ordinary shares of JSC Grantum APF within the parameters of a privileged acquisition program. The amount of the transaction of KZT 480 million comprised 80.01% of total shares placed. The Bank's share in the capital of JSC Grantum APF did not change.

On 27 May 2008, the Bank acquired the remaining share in LLP Commercial Bank Moscommertsbank ("MKB") capital – 47.89%. The transaction amount of KZT 5,484 million brought the Bank's share in the MKB capital to 100% upon acquisition.

An independent appraisal of the fair value of the acquired assets was not needed due to the fact that the present value of most purchased assets and liabilities was available and easily definable. The fair value of the net assets purchased and the Bank's interest in the definitive net fair value of net assets of MKB over the consideration paid are as follows:

	Book value as at 27 May 2008 (KZT million) (unaudited)	Fair value as at 27 May 2008 (KZT million) (unaudited)
Assets		
Cash and balances with national (central) banks	8,731	8,731
Financial assets at fair value through profit or loss	7,071	7,071
Loans and advances to banks and other financial institutions	14,947	14,947
Loans to customers	185,354	185,354
Loans under reverse repurchase agreements	13,371	13,371
Property, equipment and intangible assets	2,533	2,533
Other assets	1,687	1,687
	233,694	233,694
Liabilities		
Loans and advances from banks and other financial institutions	71,433	71,433
Customer accounts	34,371	34,371
Debt securities issued	86,192	86,192
Subordinated debt	16	16
Derivative financial instruments	1,082	1,082
Other liabilities	1,037	1,037
	194,131	194,131
Net assets	39,563	39,563
Non-controlling interest		-
Net assets acquired, being 47.89%		18,946
Purchase consideration		(16,063)
Excess of the Bank's interest in fair value of net assets of LLP Commercial bank Moscommertsbank over cash consideration paid		2,883
Net cash outflow on acquisition:		
LLP Commercial bank Moscommertsbank purchase intergroup balances elimination		(10,579)
Purchase cash outflows:		
Total paid in cash		(5,484)
Cash acquired, being 47.89%		4,181
Total		(1,303)

The excess of the Bank's interest in the fair value of net assets was credited to "Other income" in the consolidated income statement on the date of acquisition.

Negative goodwill has been recognised on the acquisition of 47.89% of the issued ordinary share capital of MKB due to the investment in MKB being considered a financial rather than strategic investment by the previous shareholders. As such the Bank was solely responsible for the development of MKB, including the enhancement of internal business processes and building brand recognition. In addition, the previous shareholders did not intend to make any additional capital contributions in MKB in light of worsening market conditions. As a result, the Bank acquired the remaining 47.89% of issued ordinary share capital of MKB at a price exceeding the initial investment of the previous shareholders, however, below the current fair value.

On 8 August 2008, the Bank acquired 50,000 ordinary shares of JSC OCOPAIM Grantum Asset Management within the parameters of a privileged acquisition program. The amount of the transaction was KZT 500 million. The Bank's capital share did not change.

On 10 September 2008, the Bank has paid a premium on the existing shares held of Kazkommerts Capital II B.V. by contributing cash of KZT 132 million.

OJSC Kazkommertsbank Kyrgyzstan increased share capital by 20.5% (or KZT 71 million) through the placement of an additional 41,000 ordinary shares. On 24 October 2008, the Bank bought 38,368 shares of this new emission in accordance with its prevailing purchase right for KZT 163 million. The share of the Bank of 93.58% did not change.

On 24 December 2008, the Bank acquired 2,568 ordinary shares of OJSC Kazkommertsbank Kyrgyzstan for KZT 11 million. The share of the Bank increased from 93.58% up to 94.64%.

On 28 January 2009, the Board of Directors of the Bank approved the decision to voluntarily liquidate its subsidiary LLP Kazkommerts RFCA ("Kazkommerts RFCA") and return its license for brokerage and dealership activities issued in favor of Kazkommerts RFCA by authorized governmental bodies. The procedure on voluntary liquidation will be conducted in accordance with the requirements of current legislation.

On 10 March 2009, the Bank sold its stake in associates, JSC APF Ular Umit and JSC OCOPAIM Zhetysu, for KZT 5,817 million and KZT 200 million, respectively. The gain on sale of these companies amounted to KZT 4,027 million. Movement of investments in associates is disclosed in Note 21.

On 25 March 2009, the Bank purchased 900 thousand shares of the new issue of JSC Kazkommerts Securities, within the additional issue on the right of preferential purchase, at the price of placement of KZT 1,000 per share. As a result, the share capital of JSC Kazkommerts Securities increased by KZT 900 million and amounted to KZT 1,475 million. The share of the Bank did not change and amounted to 100%.

On 24 March 2009, the Bank purchased 292 thousand shares of the new issue of JSC Life Insurance Company Kazkommerts Life at the placement price of KZT 1,000 per share. As a result, the share capital of the insurer increased by KZT 292 million and amounted to KZT 1,382 million. The share of the Bank did not change and amounted to 100%.

On 29 September 2009, the Board of Directors of JSC Kazkommertsbank decided to participate in acquisition of shares of the new 7th issue of OJSC Kazkommertsbank Kyrgyzstan ("subsidiary bank') of 66,036 shares with placement price of KGS 500 per share. As a result of the placement, share capital of the subsidiary bank will increase by KGS 33,018 thousand. JSC Kazkommertsbank has used its pre-emptive right and acquired 62,500 shares for KGS 31,250 thousand. On 12 March 2010, JSC Kazkommertsbank made payment from dividends received from the subsidiary bank. The ownership share of JSC Kazkommertsbank did not change and amounted to 94.64%.

On 24 December 2009, the Bank purchased 69,000 shares of the new issue of JSC Life Insurance Company Kazkommerts Life ("insurer") at the placement price of KZT 1,000 per share. As a result, the share capital of the insurer increased by KZT 69 million and amounted to KZT 1,451 million. The ownership share of the Bank did not change and amounted to 100%.

The investments of the Bank into the share capital of subsidiaries were made with the purpose of increasing their financial stability and compliance with the prudential and capital adequacy requirements.

Shareholders

As at 31 December 2009, 2008 and 2007, the following shareholders owned the issued ordinary shares of the Bank:

	31 December 2009		31 December 2008		31 December 2007	
	Number of shares	**Direct ownership,** [1] **%**	**Number of shares**	**Direct ownership,**[1] **%**	**Number of shares**	**Direct ownership,**[1] **%**
JSC Central-Asian Investment Company ("CAIC")	184,679,013	23.72[2]	184,679,013	32.14	184,679,013	32.13
European Bank for Reconstruction and Development	76,095,329	9.77	48,597,741	8.46	48,597,741	8.45
Subkhanberdin N.S.	72,570,672	9.32	72,570,672	12.63	72,570,672	12.62
JSC Alnair Capital Holding ("Alnair")	222,408,342	28.57	144,625,896	25.17	-	-
JSC National Welfare Fund Samruk –Kazyna	165,517,241[3]	21.26	-	-	-	-
Other shareholders	57,330,567	7.36	124,141,548	21.6	269,002,395	46.80
Total	**778,601,164**[4]	**100.00**	**574,614,870**	**100.00**	**574,849,821**	**100.00**

Number of ordinary shares is calculated net of the treasury shares.

JSC Central-Asian Investment Company ("CAIC") is one of the entities through which the Directors and Management Board members own shares of the Bank. As at 31 December 2009, CAIC held 184,679,013 shares of the Bank (2008: 184,679,013 shares, 2007: 184,679,013 shares). As at 31 December 2009 Subkhanberdin N.S. owned 87.21% (2008: 87.21%, 2007: 87.21%) and Zhussupova N.A. 12.79% (2008: 12.79%, 2007: 12.79%). As at 31 December 2009, Subkhanberdin N.S. owns 30.01% (2008: 40.66%, 2007: 40.64%) of the ordinary share capital of the Bank through direct and indirect ownership as a result of his holdings in CAIC, Zhussupova N.A. owns 3.97% (2008: 4.11%, 2007: 4.11%) through indirect ownership.

JSC Alnair Capital Holding ("Alnair") is a company operating under the laws of the Republic of Kazakhstan and is owned by a private investment fund, established by Sheikh Takhnun bin Zaid Al-Nahayan. Alnair has been a shareholder of the Bank since 2008 and together with "Alnair Capital" LLP has the official status of bank holding. Alnair owns shares in the form of GDRs, which are included in the total amount of shares under the nominal holding with the Central Depository.

JSC Samruk-Kazyna National Welfare Fund ("Samruk-Kazyna") belongs to the Government of the Republic of Kazakhstan. Samruk-Kazyna took its position in the Bank in 2009 following the Government's decision to protect the rights of the Bank's creditors and support the sustainability of the Kazakh banking system.

[1] These percentage holdings were calculated based on the direct holding of each shareholder in the total number of common shares outstanding.

[2] Total number of shares under CAIC's control is 241,885,810 common shares (ownership – 31.06%), including 56,324,076 shares received in trust management from JSC National Welfare Fund Samruk-Kazyna and 882,721 shares owned indirectly through JSC Ak-Zhalyn, subsidiary of CAIC.

[3] As at 31 December 2009, out of total mentioned number of common shares, 56,324,076 common shares were passed to trust management with voting right to CAIC and 50,208,649 shares to JSC Alnair. However, on 28 December 2009, JSC Alnair and JSC National Welfare Fund Samruk-Kazyna cancelled the agreement on trust management of the Bank's shares with actual cancellation became effective in January 2010.

[4] This number is calculated at each reporting date as the total number of the common shares outstanding minus treasury shares purchased by the Bank's market-maker based on the requirements of the Kazakhstan Stock Exchange.

Samruk-Kazyna plans to be a shareholder of the Bank for a limited period based on the terms of the agreements signed between Samruk-Kazyna, the Bank and its major shareholders. According to these agreements, Samruk-Kazyna will not participate in the day-to-day management of the Bank. The major shareholders of the Bank have maintained control over the Bank, as Samruk-Kazyna has transferred a portion of its common shares to the trust management of major shareholders CAIC and Alnair. As a result of this agreement, CAIC, European Bank for Reconstruction and Development and Mr. Subkhanberdin together have voting rights on 50% plus one common share of the Bank. CAIC, Mr. Subkhanberdin and Alnair were granted an option to repurchase the additional shares issued from Samruk-Kazyna exercisable within a period of four years from the date of the ordinary share's issue.

European Bank for Reconstruction and Development ("EBRD") is an international financial institution established in 1991 to support market economies in the countries of Central Europe and Central Asia. It has been a shareholder of the Bank since 2003. EBRD is a large investor in the region, and in addition to allocating its own funds, it attracts significant direct foreign investments. It's shareholders are 61 countries and two intergovernmental organisations.

During the first half of 2009, 325,000,000 ordinary shares for total amount of KZT 3,250 million were authorized for issue by the shareholders. On 14 May 2009, the Bank completed the placement of 204,338,177 ordinary shares. As a result of the placement of shares, the Bank's share capital increased by KZT 44.47 billion (149.82/$1). The new shares were priced at US$ 1.45 per ordinary share and US$ 2.90 per GDR (representing two ordinary shares).

Samruk-Kazyna purchased 165,517,241 ordinary shares. Meanwhile, the main shareholders of the Bank, CAIC, Alnair and Mr. Subkhanberdin N.S., opted not to exercise their pre-emptive purchase rights or participate in the increase. The European Bank of Reconstruction and Development ("EBRD"), a shareholder of the Bank since 2003, used its pre-emptive rights and purchased 27,497,588 ordinary shares. The holders of GDRs purchased 9,704,658 ordinary shares via the Bank of New York Mellon in the framework of pre-emptive purchase rights. Minority shareholders purchased 1,618,690 ordinary shares in accordance with their pre-emptive rights.

14 January 2010, JSC Alnair Capital Holding has acquired additional shares of JSC Kazkommertsbank. As a result of the transaction, Alnair has increased its holding of JSC Kazkommertsbank's common shares to 28.565% and now owns 222,408,342 common shares of the Bank. The earlier agreement between Alnair and JSC National Welfare Fund Samruk-Kazyna, in relation to the placement of 6.448% of the Bank's common shares under the trust management of Alnair, has been terminated based on the mutual agreement of both parties. This purchase has not resulted in any changes to the shareholdings structure of other major shareholders – Mr. Subkhanberdin, JSC Central Asian Investment Company ("CAIC"), European Bank for Reconstruction and Development ("EBRD") and JSC National Welfare Fund Samruk-Kazyna.

These consolidated financial statements were authorized for issue by the Bank's Management Board on 5 April 2010.

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"), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of property and equipment at revalued amounts according to International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement" and IAS 16 "Property, Plant and Equipment", respectively.

Kazkommertsbank and its subsidiaries (except for subsidiaries in Russia and Tajikistan) maintain their accounting records in accordance with IFRS. Subsidiaries in Russia and Tajikistan maintain their accounting records in accordance with local GAAP and their financial statements are prepared from the local statutory accounting records and adjusted to conform with IFRS.

These consolidated financial statements have been prepared based on the accounting records of the Bank and its subsidiaries. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

The Group had a change in accounting policy during 2009 with regards to the presentation of the consolidated statements of cash flows from indirect to direct method. The direct method is a requirement of the National Bank of the Republic of Kazakhstan for annual periods starting from 1 January 2009. This change is retrospectively applied in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. In addition, IAS 1 “Presentation of Financial Statements” requires the presentation of the statement of financial position as at the beginning of the earliest period when a reporting entity applies an accounting policy retrospectively. For the Group, this consolidated statement of financial position would be as at 31 December 2006. However, the retrospective accounting for the change in accounting policy had no impact on the consolidated statement of financial position as at 31 December 2006. Therefore that consolidated statement of financial position has not been presented in these consolidated financial statements.

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 the Group is the Kazakhstani tenge.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including special purpose 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank.

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 in particular, 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 on the date of the transactions;

- Equity items of the foreign entity are translated at exchange rates on the date of the transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of an investment in a foreign entity, related exchange differences are recognized in the consolidated income statement.

Business combinations

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition.

The non-controlling interest is initially measured at the minority's proportion of the fair values of the assets, liabilities and contingent liabilities recognized. The equity attributable to equity holders of the parent and net income attributable to non-controlling shareholders' interests are shown separately in the consolidated statement of financial position and consolidated income statement, respectively.

The Group accounts for increases in ownership of a controlled entity by revaluing all identified assets and liabilities of the subsidiary to fair value at the date of exchange in proportion to the amounts attributable to the additional interest acquired. Goodwill is recognized for any excess of the cost of the increase over the Group's interest in the net fair value of the identifiable assets and liabilities.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the owners of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The difference, between the carrying amount of non-controlling interest and the amount received on its purchase is recognized in equity attributable to the owners of the parent.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual provisions 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 the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

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 in the consolidated statement of financial position. 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.

On the redemption or settlement of debt securities (including subordinated liabilities) issued by the Group, the Group derecognises the debt instrument and records a gain or loss being the difference between the debt's carrying amount and the cost of redemption or settlement. The same treatment applies where the debt is exchanged for a new debt issue that has terms substantially different from those of the existing debt. The assessment of whether the terms of the new debt instrument are substantially different takes into account qualitative and quantitative characteristics including a comparison of the discounted present value of the cash flows under the new terms with the discounted present value of the remaining cash flows of the original debt issue.

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.

Cash and balances with national (central) banks

Cash and balances with national (central) banks include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan, the Central Bank of the Russian Federation, the National Bank of Kyrgyz Republic and the National Bank of Tajikistan with original maturities within 90 days.

For the purposes of determining cash flows, cash and cash equivalents includes advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"). The minimum reserve deposit required by the Central Bank of the Russian Federation, the National Bank of the Republic of Kazakhstan, the National Bank of the Kyrgyz Republic and the National Bank of Tajikistan are not included in cash equivalents.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates using the KZT/USD exchange rate effective on the date. Changes in the bid prices are recorded in net gain/(loss) on foreign exchange and precious metals operations.

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 a 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; (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 and liabilities 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. 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 enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. These instruments include forwards on foreign currency, precious metals and securities.

Reclassification of financial assets

On 13 October 2008, IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassification 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 in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements as the Group has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and, due to rare market circumstances as in accordance with the amendments, the Group applied the revised IAS 39 retrospectively from 1 July 2008. Transfers must be made at fair value and this fair value becomes the instruments' new cost or amortized cost. Reclassifications made before 1 November 2008 were backdated to 1 July 2008; subsequent classifications were effective from the date the reclassification was made. The Group has reclassified certain debt and equity securities out of trading instruments category into the available-for-sale category. The carrying values of these assets, the effect of the reclassification on the income statement and the impairment losses relating to these assets are shown in Note 19.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards, swaps and options on foreign currency, precious metals and securities to manage currency and liquidity risks and for trading purposes. 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 reporting 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 statement of financial position. 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 the 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.

Hedge accounting

From 1 January 2008, the Group implemented a hedge accounting policy to designate certain financial instruments as cash flow hedges in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

At inception of the hedge relationship, the Group documents the relationship between hedging instruments and hedged items, along with its risk management objectives and the way in which effectiveness will be assessed at inception and during the period of the hedge. Furthermore, at inception of the hedge and on an ongoing basis, the Group documents whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. If the hedge is not highly effective in offsetting changes in cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. A hedge is normally regarded as highly effective if, at inception and throughout its life, the Group can expect, and actual results indicate, that changes in the fair value or cash flows of the hedged items are effectively offset by changes in the fair value of the hedging instrument, and actual results are within a range of 80% to 125%.

With cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in consolidated statement of changes in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “Net gain/(loss) on financial assets and liabilities at fair value through profit or loss” line of the consolidated income statement. Amounts deferred in equity are recycled in profit or loss in the same periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. Hedge accounting is discontinued when the Group revokes the hedging relationship or when the hedging instrument expires, is sold, terminated or exercised, or no longer qualifies for hedge accounting. On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), any cumulative unrealized gain or loss recognised in equity is recognised in profit or loss when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit or loss immediately.

Loans and advances to banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Loans and advances to banks and other financial institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method, and are carried net of an allowance for impairment.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business the Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of business. 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 financial statements and the consideration received under these agreements is recorded as a collateralized deposit received within loans and advances from banks and other financial institutions and customer accounts.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collateralized by securities and other assets and are classified within loans and advances to banks and other financial institutions and loans to customers.

In the event that assets purchased under reverse repos are sold to third parties, the results are recorded in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated income statement.

The Group enters into repos and reverse repos agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Kazakhstan and other CIS states, 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.

As at 31 December 2009, the fair value of securities transferred as collateral under loans under repurchase agreements amounted to KZT Nil (2008: KZT 11,095 million, 2007: KZT 82,147 million).

As at 31 December 2009, the fair value of securities received as collateral under reverse repurchase agreements amounted to KZT 12,238 million (2008: KZT 23,413 million, 2007: KZT 21,501 million).

Loans to customers

Loans to customers are non-derivative financial 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 that directly relate to acquisition or creation of such financial assets. 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 to banks and customers 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.

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 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 by adjustment of an allowance account.

Investments available-for-sale

If an available-for-sale asset is impaired, the cumulative loss 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 were recognized in the consolidated income statement.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into profits using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). Assets recorded in the consolidated statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater than recorded impairment.

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. A lease classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Investments available-for-sale

Investments available-for-sale represents 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 are measured at fair value, with such re-measurement recognized directly in equity, 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 equity investments are included in dividend received in the consolidated income statement.

Non-marketable debt/equity securities are stated at amortized cost/cost 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. These financial assets are recognized net of impairment loss.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has a positive intent and the ability to hold them to maturity. Such securities are carried at amortized cost, using the effective interest rate method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Investments in associates are carried in the consolidated statement of financial position at cost and adjusted for goodwill and post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of associates in excess of the Group's interest in those associates are not recognized.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the consolidated income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

As discussed in Note 21, Investments in associates, the Bank sold its stake in JSC APF Ular Umit and JSC OCOPAIM Zhetysu, thus financial information of the associates as at and for the year ended 31 December 2009 is not presented.

Details of the Group's investments in associates, including summarized financial information of the associates, as at and for the years ended 31 December 2008 and 2007 are presented below:

As at and for the year ended 31 December 2008:

Name of associated company	Ownership interest	Fair value of investments in associates	Total assets of associated company	Total liabilities of associated company	Revenue of associated company	Net loss
		(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
JSC APF Ular Umit	49.35%	1,775	18,263	14,061	5, 625	(3,880)
JSC OCOPAIM Zhetysu	50.00%	-	1,371	6,971	539	(8,481)

As at and for the year ended 31 December 2007:

Name of associated company	Ownership interest	Fair value of investments in associates	Total assets of associated company	Total liabilities of associated company	Revenue of associated company	Net profit
		(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
JSC APF Ular Umit	49.35%	1,752	3,840	342	5,143	1,805
JSC OCOPAIM Zhetysu	50.00%	1,433	2,909	12	1,522	902
LLP First Credit Bureau	18.40%	37	227	7	170	77

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment loss. The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

The Group tests goodwill for impairment at least annually. An impairment loss recognized for goodwill is not reversed in a subsequent period.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

(a) Reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities of acquired company and the measurement of the cost of the combination; and

(b) Recognizes immediately in the consolidated income statement any excess remaining after that reassessment.

On disposal of an investment, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

Property, equipment and intangible assets

Property and equipment, except for buildings and other real estate and construction, and intangible assets are carried at historical cost less accumulated depreciation. Buildings and other real estate and construction are carried at market value. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	1-10%
Furniture and equipment	4-50%
Intangible assets	15-50%

Leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. 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, plant and equipment and intangible assets are reviewed at each reporting 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 this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by an 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 reporting 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 profit or loss for the period to the extent of the decrease previously charged. A decrease the 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 properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to consolidated income statement. 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.

Market value of property is assessed using one of four 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;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges;
- The value is determined based on available public information and internet data on sales and purchases of property and real estate.

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

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 income 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are 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 reporting 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 profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated statement of financial position 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.

Countries where the Group operates also have various other taxes other than income tax, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds 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, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because 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; 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 not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital and share premium reserve

Share capital is recognized at historical cost. Share premium reserve represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium reserve.

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 reporting date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" and disclosed accordingly.

Preference shares

Preference shares having a prescribed dividend amount are considered to be compound financial instruments in accordance with the substance of the contractual arrangement and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. On initial recognition the equity component is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. The fair value of the liability component on initial recognition is estimated by discounting expected future cash flows at a market interest rate for a comparable debt instrument. Subsequently the liability component is measured according to the same principles used for subordinated debt, and the equity component is measured according to the same principles used for share capital.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the countries in which the Group operates certain percentages of pension payments are withheld from total disbursements 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. This 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 state pension system of the countries in which the Group operates. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

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 income also includes income earned on investments in securities. Other income is credited to the consolidated income statement when the related transactions are completed.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct and incremental 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 profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the profit or loss when the syndication has been completed. All other commissions are recognized when services are provided.

Underwriting income and expenses

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other assets in the accompanying consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated income statement as incurred.

Commissions earned on ceded reinsurance contracts are recorded to the consolidated income statement at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the accompanying consolidated statement of financial position within other assets, and are amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately. All other costs are recognized as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in the consolidated statement of financial position within reserves and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

Due to the absence of prior experience, the reserve for incurred but not reported claims ("IBNR") is determined by applying current government guidance as provided by the FMSA. Under this guidance, the IBNR reserve is calculated as being equal to the expected loss ratio for each line of business times the value of coverage, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in current income.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated statements of financial position within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Group to the reinsurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Rates of exchange

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year end are as follows:

	31 December 2009	31 December 2008	31 December 2007
KZT/1 US Dollar	148.46	120.79	120.30
KZT/1 Euro	213.95	170.24	177.17
KZT/1 Kyrgyz Som	3.37	3.06	3.43
KZT/1 Russian Rouble	4.90	4.11	4.92

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers, which include transactions with securities on their depository 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

The segments are identified on the basis used by the Group’s chief operating decision maker to allocate resources and evaluate performance, in accordance with IFRS 8 “Operating Segments”. The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and loans and advances to banks and other financial institutions and operating expenses other than salaries and other employee benefits. 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 based on the domicile of the Company within the Group.

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 reporting 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 losses 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 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 most significant judgment is applied in assessing impairment levels in real estate loans and construction financing. Current economic and market conditions make historical statistical loss levels less relevant in determining the inherent loss levels in the loan portfolio. Instead, management is required to use recent empirical evidence of impairment or employ analytical tools to estimate future economic value of collateral secured under loans or the expected cash generating ability of borrowers' business. This area of judgment bears significant sensitivity to various risk factors, such as general economic growth, central government involvement, support of local authorities, trends in the housing and commercial real estate markets, and changes in the regulatory environment. The assumptions underlying this judgment are highly subjective.

The level of loan loss provisions at the reporting date is supported by following factors:

- The economic value assessment of collateral under real estate loans. In some cases management used certain assumptions to determine the inherent value of collateral, such as land, based on highest and best use, current observable lease rates and sale prices for commercial and residential real estate. Moreover, the assessment sometimes depends on expectations that local municipal government will continue funding capital expenditure costs for infrastructure development in and around any given real estate project. In certain cases, additional financing as well as investment is factored into determining the value.

- The Bank has formulated a work-out strategy for construction loans, which is currently being implemented, most significantly in the city of Almaty. In many cases the approach taken by the Bank necessitates close partnership with local municipal authorities, construction subcontractors, suppliers of construction materials, and the availability of construction materials, specialized equipment and labor.

- Additional investments in real estate and construction projects provides revenues and the opportunity to generate more cash flows for existing borrowers of the Bank that are involved in ancillary services to the construction sector, such as equipment leasing, construction materials, site management, labor outsourcing, transportation, security, and other services.

Fair value changes in the above factors and assumptions may result in significant adjustment to loan loss provisions and the carrying value of loans to customer. Management seeks to regularly update assumptions and the approach it has taken toward individual borrowers.

The allowances for impairment losses 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.

The carrying amount of the allowance for impairment of loans to customers as at 31 December 2009 is KZT 505,548 million (31 December 2008: KZT 289,328 million, 31 December 2007: KZT 140,363 million).

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 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 at the close of business on the balance sheet date. 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 and the use of discounted cash flow pricing models. 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 are 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 fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only 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 consolidated statement of financial position as well as its profit/(loss) could be material.

The Group uses quoted market prices from independent information sources, for all its financial assets and liabilities recorded at fair value, with the exception of certain debt securities, which are valued using internal models, and derivative financial instruments, which are valued using a valuation model based on market data.

The Group also considers both the credit risk of its counterparties, as well as its own creditworthiness when estimating the fair value of financial instruments, including derivatives. The Group attempts to mitigate credit risk to third parties by entering into netting and collateral arrangements. Net counterparty exposure (counterparty positions netted by offsetting transactions and both cash and securities collateral) is then valued for counterparty creditworthiness and this resultant value is incorporated into the fair value of the respective instruments. The Group generally calculates the credit risk adjustment for derivatives on observable credit data.

Credit risk is measured using dynamic models that calculate the probability and potential future exposure given default. The main inputs used in these models are generally data relating to individual issuers in the portfolio and correlations thereto. The main inputs used in determining the underlying cost of credit for credit risk derivatives are quoted credit spreads and the correlation between individual issuers' quoted credit derivatives.

The Group also considers its own creditworthiness when determining the fair value of an instrument, including OTC derivative instruments and financial liabilities held at fair value through profit or loss if the Group believes market participants would take that into account when transacting the respective instrument. The approach to measuring the impact of the Group's credit risk on an instrument is done in the same manner as for third party credit risk. The impact of the Group's credit risk is considered when calculating the fair value of an instrument, even when credit risk is not readily observable such as in OTC derivatives contracts. As at 31 December 2009, 2008 and 2007, the impact of credit valuation adjustments in the derivatives portfolio was not material to the Group.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit ratings of the counterparties, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available could have had a material impact on the Group's reported net income.

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2009, 2008 and 2007, respectively:

Category as per the consolidated statement of financial position		**Quoted prices in active markets (Level 1)**	**Internal models based on market prices (Level 2)**	**Internal models (unobserv-able inputs) (Level 3)**	**31 December 2009 Total**
Assets:					
Trading assets	Debt securities	73,526	-	599	74,125
	Equity investments	2,638	-	-	2,638
Derivative financial instruments	Foreign exchange contracts	-	37,440	-	37,440
Available-for-sale financial assets	Debt securities	11,444	-	-	11,444
	Equity securities	-	5,252	-	5,252
Liabilities:					
Derivative financial instruments	Foreign exchange contracts	-	35,991	-	35,991

Category as per the consolidated statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	31 December 2008 Total
Assets:				
Trading assets	Debt securities	32,537	-	32,537
	Equity investments	1,276	-	1,276
Derivative financial instruments	Foreign exchange contracts	-	24,317	24,317
Available-for-sale financial assets	Debt securities	11,755	-	11,755
	Equity securities	-	3,301	3,301
Liabilities:				
Derivative financial instruments	Foreign currency contracts	-	54,339	54,339

Category as per the consolidated statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	31 December 2007 Total
Assets:				
Trading assets	Debt securities	130,271	-	130,271
	Equity investments	15,647	-	15,647
Derivative financial instruments	Foreign exchange contracts	-	42,835	42,835
	Securities contracts	-	23	23
Available-for-sale financial assets	Debt securities	3,034	-	3,034
	Equity securities	-	2	2
Liabilities:				
Derivative financial instruments	Foreign exchange contracts	-	7,684	7,684
	Securities contracts	-	46	46

Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for the year ended 31 December 2009 was presented as follows:

	Year ended 31 December 2009
Beginning of the year	-
Transfer from Level 1 category	2,372
Total losses recognized in the consolidated income statement	(1,773)
End of the year	599

Internal models used in estimation of fair value of certain debt instruments are based on discounted future cash flows with/or without consideration of restructuring plan depending on type of debt security. Discount factors are estimated using yield curve which in turn is formed by constructing risk-free curve for a given currency of debt instrument adding a risk premium. The risk premium value is measured in basis points and reflects an issuer's credit risk determined using a robust scoring model. This internal model does not take directly into consideration available market information related to prices. However, on a regular basis its outcomes are compared with prices of similar instruments or quoted prices of certain debt instruments, which the Management of the Group believes to be not reliable due to low trading volumes, and minimal of those values is used to determine fair value of the debt instrument. Reasonable possible changes in the key assumptions used, on which Management has based its determination of the fair values, did not cause the carrying amount of those debt instruments to change significantly.

Goodwill

Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management judgment; for example those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. A difference in fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

The carrying amount of goodwill as at 31 December 2009 is KZT 2,405 million (2008: KZT 2,405 million, 2007: KZT 2,405 million).

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 IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009. 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.

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Group that are regularly reviewed by the Group's management to allocate resources and assess their performance. The internal reports about the components of the Group that are regularly reviewed by the Group's management have the same composition and format that was historically disclosed in the Group's operating segments information. Therefore management of the Group has not restated the operating segments information disclosed within the consolidated financial statements.

From 1 January 2009, the Group implemented an amendment to IAS 1"Presentation of Financial Statements" (revised 2008), which changes the way in which non-owner changes in equity are required to be presented. The Group also decided to change titles of primary financial statements as they will be referred to in IFRS even though it is not required to be renamed in an entity's financial statements.

IFRS 7 'Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments'. On 5 March 2009, the IASB issued an amendment to IFRS 7 'Financial Instruments: Disclosures' which requires enhanced disclosures about fair value measurements and liquidity risk. Among other things, the amendment (1) requires disclosure of any change in the method for determining fair value and the reasons for the change; (2) establishes a three-level hierarchy for making fair value measurements; (3) requires disclosure for each fair value measurement in the balance sheet of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 of the hierarchy is used including a measure of sensitivity to a change in input data; (4) clarifies that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts; and (5) requires disclosure of a maturity analysis for derivative financial liabilities. It is effective for periods beginning on or after 1 January 2009.

Standards and interpretations issued and not yet adopted

The Group has not applied the following IFRS and Interpretations of the IFRIC that have been issued but are 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. The amendment is not expected to have a material effect on the Group's consolidated financial statements.

- In December 2008 the IFRIC issued interpretation IFRIC 17 'Distributions of Non-Cash Assets to Owners' and the IASB made consequential amendments to IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognised in income statement. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation is not expected to have a material effect on the Group's consolidated financial statements.

- In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. Management of the Group is currently assessing the impact on adoption the amendment.

- The IASB has revised IAS 24 Related Party Disclosures on 4 November 2009 to provide a partial exemption from the disclosure requirements for government-related entities and to clarify the definition of a related party. The revised standard also clarifies that disclosure is required of any commitments of a related party where a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised). The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. Management of the Group is currently assessing the impacts of adoption of the amendments.

- IFRS 9 'Financial Instruments' - On 12 November 2009, the IASB issued IFRS 9 'Financial Instruments', which significantly overhauls the accounting requirements for financial instruments under IFRS. IFRS 9 is mandatory for annual periods beginning on or after 1 January 2013, with early application permitted. IFRS 9 requires that a financial asset be classified into one of three categories for measurement and income recognition: (1) Amortised cost, (2) Fair value through profit or loss (FVTPL) and (3) Fair value through other comprehensive income. The standard requires reclassification between amortised cost and FVTPL (or vice versa) if a financial asset no longer meets the criteria for its original classification. IFRS 9 replaces the existing classification and measurement requirements in IAS 39 for financial assets. It changes the manner in which entities classify and measure investments in debt and equity securities, loan assets, trade receivables, and derivative financial assets by requiring entities to classify financial assets as being measured at either amortized cost or fair value depending on the entity's business model and the contractual cash flow characteristics of the asset. Management of the Group is currently evaluating impact of adoption of IFRS 9.

4. NET INTEREST INCOME

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on homogenous and individually assessed watch assets	157,058	190,881	124,534
- interest income on unimpaired financial assets	140,869	162,525	176,742
- interest income on impaired financial assets	70,532	21,483	6,617
Interest income on financial assets at fair value through profit or loss	3,211	5,345	8,380
Interest income on investments available-for-sale	1,269	543	185
Total interest income	372,939	380,777	316,458
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	360,339	363,182	297,608
Interest on loans and advances to banks and other financial institutions	7,236	10,554	9,312
Interest on investments held to maturity	69	121	31
Amortization of discount on loans	815	1,032	942
Total interest income on financial assets recorded at amortized cost	368,459	374,889	307,893
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	3,211	5,345	8,380
Total interest income on financial assets at fair value through profit or loss	3,211	5,345	8,380
Interest income on investments available-for-sale	1,269	543	185
Total interest income	372,939	380,777	316,458
Interest expense comprises:			
Interest on financial liabilities recorded at amortized cost	179,737	181,265	171,762
Total interest expense	179,737	181,265	171,762
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on customer accounts	82,435	72,288	51,542
Interest on debt securities issued	63,054	61,511	56,103
Interest on loans and advances from banks and other financial institutions	15,123	27,989	46,023
Interest expense on subordinated debt	13,874	10,740	7,947
Interest expense on securitization program	2,792	6,250	8,008
Preference share dividends	747	598	604
Other interest expense	1,712	1,889	1,535
Total interest expense on financial liabilities recorded at amortized cost	179,737	181,265	171,762
Net interest income before provision for impairment losses on interest bearing assets	193,202	199,512	144,696

The Group classifies corporate loans as non-performing and accordingly impaired if there is a default on payment of the principal or accrued interest for 30 days or more.

The impairment of the loan is identified within credit monitoring, which includes monitoring of payments of the customer and preparation of regular monitoring reports on the customer and his loans every 6 or 12 months, depending on the solvency of the customer. In addition, on a regular basis the credit managers monitor the quality of the loan, financial position and business of the customer, and observe the terms of the loan agreements. For the purpose of provisioning, assessment of impairment losses for corporate loans is performed on an individual basis.

The consumer loans are classified as non-performing or impaired if there is a default on payments of the principal or accrued interest for 60 days or more. For the purpose of provisioning, assessment of impairment losses is made on the collective or portfolio basis.

According to the Group's credit portfolio management policy, if at least one loan of a customer is recognized as impaired based on the above mentioned criteria, the total debt on such a customer is considered impaired, i.e. other performing loans of such customer are also recognized as impaired.

For certain performing loans which are not overdue, the Group classifies them as homogenous and individually assessed watch assets. Homogenous assets are not individually impaired, because there is not enough objective evidence to recognize them as impaired. At the same time, the Group assesses these assets for credit risk and impairment on a collective basis taking into account the general macroeconomic environment as well as industry specific developments. The individually assessed watch assets consist of loans not past due, but there is a possibility that the credit losses may arise in the future due to a possible negative trend in the borrower's financial position or evidence of some unsatisfactory financial results which affect the ability of a borrower to repay. The financial standing of such clients, is evidenced and monitored, based on business results, repayment discipline and cash flows.

During 2009, the Group has actively participated in government economic stimulus programs of Kazakhstan Government, which allowed borrowers to take benefit from lower interest rates on their borrowings. Refinancing has allowed many customers to significantly reduce their debt service burden as interest rates were decreased to a range of 9% to 12.5%, depending on the type of the customer and the refinancing program. As a result of the refinancing, a portion of the loans, previously included in the collectively assessed for impairment category have been reclassified as unimpaired.

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million) (Note 17)	Loans to customers (KZT million) (Note 18)	Total (KZT million)
31 December 2006	857	73,936	74,793
Additional provision due to acquisition of LLP Investment Group East Kommerts	-	46	46
Additional provision recognized	459	69,451	69,910
Write-off of assets	-	(724)	(724)
Recoveries of assets previously written off	-	81	81
Foreign exchange differences	(40)	(2,427)	(2,467)
31 December 2007	1,276	140,363	141,639
(Recovery of provision)/additional provision recognized	(977)	151,674	150,697
Write-off of assets	-	(1,172)	(1,172)
Foreign exchange differences	-	(1,537)	(1,537)
31 December 2008	299	289,328	289,627
(Recovery of provision)/additional provision recognized	(350)	193,463	193,113
Write-off of assets	-	(171)	(171)
Foreign exchange differences	73	22,928	23,001
31 December 2009	22	505,548	505,570

The Group creates allowance for impairment losses in order to cover credit losses, including losses where the asset is not specifically identified. At least monthly, the provision for impairment losses on interest bearing assets is reviewed by the Chairwoman of the Board, the Head of Risk Management Department, the Chief Financial Officer, and the Chief Accountant. At least quarterly, the provision for impairment losses and overall credit quality is reviewed by the Board of Directors. The amount of provision is reviewed relative to the credit portfolio and current economic conditions. The amount of provision is determined by individual and portfolio-based approaches. As at 31 December 2009, 2008 and 2007, Management deemed the provision for impairment losses to be appropriate and sufficient to absorb losses that are inherent to the portfolio.

Total provisions for impairment losses on insurance provision and guarantees and other off-balance sheet contingencies comprise:

	31 December 2009 (KZT million)	**31 December 2008 (KZT million)**	**31 December 2007 (KZT million)**
Insurance provisions	4,728	4,005	3,422
Provisions on guarantees and other contingencies	7,217	6,271	7,216
	11,945	10,276	10,638

The movements in insurance provisions and allowances for impairment losses on other transactions were as follows:

	Insurance provisions (KZT million)	**Other assets (KZT million) (Note 24)**	**Total (KZT million)**
31 December 2006	2,703	117	2,820
Additional provision recognized	889	349	1,238
Write-off of assets	(170)	(187)	(357)
Recoveries of assets previously written off	-	44	44
31 December 2007	3,422	323	3,745
Additional provision recognized	583	2,135	2,718
Write-off of assets	-	(249)	(249)
Exchange difference	-	94	94
31 December 2008	4,005	2,303	6,308
Additional provision recognized	723	749	1,472
Write-off of assets	-	(673)	(673)
Exchange difference	-	377	377
31 December 2009	4,728	2,756	7,484

Insurance provisions comprised:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Annuity insurance	1,520	498	199
Civil liability for damage	929	853	91
Property	664	934	978
Vehicles	330	468	770
Accidents	297	272	487
Civil liability for owners of vehicles	115	510	241
Freight	110	95	462
Life insurance	54	38	8
Insurance of environmental risk	40	43	27
Financial loss insurance	11	28	-
Railway transport	10	13	15
Other	648	253	144
	4,728	4,005	3,422

Other insurance provisions include provisions for insurance of private lawyers, auditors and audit organizations, medical, air and marine transport and others.

The movements in provision for guarantees and other contingencies were as follows:

	Guarantees and other off-balance sheet contingencies (KZT million) (Note 32)
31 December 2006	4,055
Additional provision recognized	3,186
Exchange difference	(25)
31 December 2007	7,216
Recovery of provision	(856)
Exchange difference	(89)
31 December 2008	6,271
Recovery of provision	(600)
Exchange difference	1,546
31 December 2009	7,217

6. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Net gain/(loss) on financial assets and liabilities held-for-trading	22,793	(28,373)	20,642
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	22,793	(28,373)	20,642
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:			
Realized gain/(loss) on trading operations	2,039	(72)	(61)
Unrealized (loss)/gain on fair value adjustment of financial assets held for trading	(6,173)	(4,451)	965
Hedge ineffectiveness	730	(186)	-
Net gain/(loss) on operations with derivative financial instruments	26,197	(23,664)	19,738
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	22,793	(28,373)	20,642

7. NET (LOSS)/GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Dealing, net	(15,232)	7,476	7,468
Translation differences, net	210	(1,859)	(22,932)
	(15,022)	5,617	(15,464)

Translation differences for the year ended 31 December 2009 amounted to KZT 210 million (31 December 2008: loss of KZT 1,859 million, 31 December 2007: loss of KZT 22,932 million). This result arises on the revaluation of assets and liabilities denominated in non-functional currencies such as the USD, Japanese Yen, Euro, Pound and Singaporean dollar.

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Fee and commission income:			
Cash operations	4,575	4,985	6,681
Plastic cards operations	4,251	3,668	3,036
Documentary operations	3,668	4,723	5,069
Settlements	2,973	3,006	2,986
Investment fees on administered pension funds	2,689	2,067	863
Foreign exchange and securities operations	2,027	2,346	3,892
Encashment operations	281	284	248
Other	493	666	783
Total fee and commission income	20,957	21,745	23,558
Fee and commission expense:			
Plastic cards services	1,578	1,300	1,107
Insurance activity	1,190	917	787
Foreign exchange and securities operations	252	257	337
Correspondent bank services	148	160	164
NBRK computation center services	110	92	97
Investment expenses on administered pension funds	86	1,231	-
Documentary operations	41	84	29
Other	139	283	192
Total fee and commission expense	3,544	4,324	2,713

9. NET REALIZED (LOSS)/GAIN ON INVESTMENTS AVAILABLE-FOR-SALE

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Loss from impairment of investments available-for-sale	(1,060)	(2,120)	-
Realized gain from investments available-for-sale	34	82	119
	(1,026)	(2,038)	119

10. OTHER INCOME

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Income from repurchase of own debt securities and early redemption of other obligations	30,727	902	-
Insurance income	4,586	4,349	4,134
Income from sale of property, equipment and intangible assets	107	72	48
Fines and penalties received	68	57	288
Negative revaluation of foreclosed assets held for sale	(1,207)	-	-
Bargain purchase gain on acquisition of stake in subsidiaries	-	3,137	1,555
Other	245	835	894
	34,526	9,352	6,919

In 2009 the Bank foreclosed loans to customers in the amount of KZT 162,938 million (USD 1,097 million) for Eurobonds issued by its subsidiary Kazkommerts International B.V. recorded at book value of KZT 168,256 million (USD 1,133 million) which resulted in a gain on redemption of own debt of KZT 5,318 million. In addition, the Bank purchased from the market Eurobonds issued by Kazkommerts International B.V. with book value of KZT 73,203 million (equivalent of USD 493 million) which resulted in a gain on extinguishment of KZT 23,378 million. On 1 April 2009 the Bank purchased KZT 19,187 million (USD 127 million) in aggregate principal amount of Securitization Notes through tender offer held since 23 March 2009 till 30 March 2009. The price of purchase was USD 920 per USD 1,000 in principal amount of Notes, which resulted in a gain of KZT 2,031 million.

11. OPERATING EXPENSES

	Year ended 31 December 2009 (KZT million)	**Year ended 31 December 2008 (KZT million)**	**Year ended 31 December 2007 (KZT million)**
Staff costs	14,400	16,475	15,980
Depreciation and amortization	3,672	3,379	2,519
Operating leases	2,663	3,604	2,400
Payments to the Individuals' Deposit Insurance Fund	2,160	1,627	1,742
Property and equipment maintenance	1,917	2,215	1,392
Taxes, other than income tax	1,233	1,157	1,632
Advertising costs	887	1,694	1,519
Communications	692	749	707
Bank cards services	648	521	383
Consulting and audit services	399	394	382
Security services	333	440	326
Vehicle maintenance	266	338	325
Business trip expenses	223	401	524
Collection services	153	39	-
Training and information services	143	215	240
Stationery	130	166	184
Legal services	98	19	30
Mail and courier expenses	92	106	90
Charity and sponsorship expenses	88	123	102
Other expenses	476	387	723
	30,673	34,049	31,200

12. 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 and which may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2009, 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 31 December 2009, 2008 and 2007:

	31 December 2009 (KZT millions)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Deferred income tax assets:			
Unrealised loss on trading securities and derivatives	2,967	6,082	1,462
Provision on guarantees and letters of credit	836	-	-
Unrealised loss on revaluation of financial instruments treated as cash flow hedges	234	2,680	-
Realized loss on securities	676	1,030	-
Bonuses accrued	478	649	706
Investments in associates	238	-	-
Unamortized deferred loan fees	81	132	-
Deferred tax losses	1,198	240	136
Total deferred income tax assets	6,708	10,813	2,304
Deferred income tax liabilities:			
Allowance for losses on loans and advances to banks and customers	29,294	19,144	20,147
Property, equipment and intangible assets and accumulated depreciation	1,807	1,498	2,795
Provision on guarantees and letters of credit	-	264	1,198
Investments in associates	2	108	946
Unrealised gain on trading securities and derivatives	124	4	7,714
Total deferred income tax liabilities	31,227	21,018	32,800
Net deferred income tax liabilities	24,519	10,205	30,496

Relationships between tax expenses and accounting profit for the years ended 31 December 2009, 2008 and 2007 are explained as follows:

	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Profit before income tax	31,786	11,474	73,655
Tax at the statutory tax rate (20% for 2009 and 30% for 2008 and 2007)	6,357	3,442	22,097
Tax effect of permanent differences:			
- tax exempt income	(168)	(1,687)	(5,611)
- non-deductible expense	1,402	3,714	415
Recalculation of net deferred liability expenses due to tax rate changes	4,892	(14,267)	-
Adjustments to prior year provisions for income tax	280	108	(997)
Income tax expense/(benefit)	12,763	(8,690)	15,904
Current income tax expense	1,406	7,282	3,795
Deferred income tax expense/(benefit)	11,357	(15,972)	12,109
Income tax expense/(benefit)	12,763	(8,690)	15,904

Corporate income tax rate in the Republic of Kazakhstan was 20% during 2009 and 30% during 2008 and 2007. During 2008 there was a change in tax legislation in Kazakhstan in relation to corporate income tax which was set at 20% for the financial year ending 31 December 2009, 17.5% for the financial year ending 31 December 2010 and 15% for financial years ending 31 December 2011 and thereafter.

There was a further change during 2009 in tax legislation in Kazakhstan in relation to corporate income tax, which is set at 20% for financial years ending 31 December 2009, 2010 and 2011, 17.5% for the financial year ending 31 December 2012 and 15% for financial years ending 31 December 2013 and thereafter.

	2009 (KZT million)	2008 (KZT million)	2007 (KZT million)
Deferred income tax liabilities			
1 January	10,205	30,496	16,851
Increase/(decrease) of deferred tax liability due to tax rate changes	4,892	(14,267)	-
Increase/(decrease) of deferred tax liability	6,465	(1,705)	12,109
Change in hedging reserve	2,445	(2,680)	-
Increase/(decrease) of deferred tax expenses through the equity due to tax rate changes	453	(1,144)	-
Change in available-for-sale reserve	438	(423)	-
Change in deferred tax liability from revaluation of property and equipment	(379)	(72)	1,536
31 December	24,519	10,205	30,496

13. EARNINGS PER SHARE

Basic and diluted 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 31, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net 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 2009 (KZT million)	Year ended 31 December 2008 (KZT million)	Year ended 31 December 2007 (KZT million)
Basic and diluted earnings per share			
Net profit for the year attributable to equity holders of the parent	19,423	21,805	55,963
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(2,271)	(3,399)	(9,495)
Net profit for the year attributable to ordinary shareholders	17,152	18,406	46,468
Weighted average number of ordinary shares for basic and diluted earnings per share	706,725,587	574,861,869	574,828,600
Earnings per share – basic and diluted (tenge)	24.27	32.01	80.85

14. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Cash on hand	35,073	35,879	41,082
Balances with national (central) banks	55,460	54,599	127,066
	90,533	90,478	168,148

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Cash and balances with national (central) banks	90,533	90,478	168,148
Loans and advances to banks in Organization for Economic Co-operations and Development ("OECD") countries with original maturities less than 3 months	77,611	164,025	139,042
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK") and cash on hand	(84,405)	(85,127)	(160,217)
Less funds deposited with the Central Bank of Russian Federation ("CBR")	(949)	(178)	(2,430)
Less funds deposited with the National Bank of the Kyrgyz Republic ("NBKR")	(204)	(155)	(197)
Less funds deposited deposit with the National Bank of Tajikistan	(20)	(49)	-
	82,566	168,994	144,346

In accordance with Kazakhstan legislation, second-tier banks are required to maintain Minimum Reserve Requirements (the "MRR") in the form of cash on hand and funds deposited on correspondent account with the National Bank in national and freely-convertible currencies. MRR is defined as a share in percentage of total of the Bank's liabilities and calculated as of a certain date, as an average amount for fourteen calendar days. As at 31 December 2009, an amount of KZT 35,537 million (2008: KZT 49,925 million, 2007: KZT 155,205 million) of cash on hand and balance maintained with the NBRK represents MRR and is restricted in use.

The balances with the NBRK as at 31 December 2009 include KZT 51,767 million (2008: KZT 51,329 million, 2007: KZT 121,476 million) and cash on hand of KZT 32,638 million (2008: KZT 33,798 million, 2007: KZT 38,741 million), totaling KZT 84,405 million (2008: KZT 85,127 million, 2007: KZT 160,217 million), which represent reserve assets that are not restricted in use in accordance with the requirements of the NBRK.

The balances with the CBR as at 31 December 2009 include KZT 2,220 million (2008: KZT 2,559 million, 2007: KZT 5,246 million), of which KZT 949 million (2008: KZT 178 million, 2007: KZT 2,430 million) represents the obligatory minimum reserve deposits required by the CBR. The Group is required to maintain the reserve balance at the CBR at all times.

The balances with the NBKR as at 31 December 2009 include KZT 1,198 million (2008: KZT 415 million, 2007: KZT 344 million), of which KZT 204 million (2008: KZT 155 million, 2007: KZT 197 million) represents the minimum reserve deposits required by the NBKR at all times.

The balances with the National Bank of Tajikistan as at 31 December 2009 include KZT 275 million (2008: KZT 296 million, 2007: Nil), of which KZT 20 million (2008: KZT 49 million, 2007: Nil) represents the minimum reserve deposits required by the National Bank of Tajikistan.

15. PRECIOUS METALS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Precious metals	1,209	317	-
	1,209	317	-

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Debt securities	74,125	32,537	130,271
Derivative financial instruments	37,440	24,317	42,858
Equity investments	2,638	1,276	15,647
Total financial assets at fair value through profit or loss	114,203	58,130	188,776

The financial assets at fair value through profit or loss relate entirely to financial assets held for trading.

	31 December 2009		31 December 2008		31 December 2007	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Short-term NBRK notes	-	51,822	-	5,609	-	1,845
Bonds of Kazakhstani companies	5.69-11.00	7,837	8.00-19.20	12,356	4.90-12.40	22,684
State treasury bonds of the Ministry of Finance of Republic of Kazakhstan	4.05-8.90	5,738	4.50-8.75	1,765	3.78-6.68	926
Bonds of Russian companies	7.29-16.50	2,891	7.28-13.80	3,078	7.28-13.80	4,030
Bonds of Russian banks	15.00-16.00	1,905	7.34-9.90	1,828	7.34-8.25	703
Bonds of Kazakhstani banks	7.50-10.90	1,440	6.00-12.00	2,390	6.00-12.00	4,151
Bonds of international financial organizations	4.847-7.75	1,385	6.50-15.715	2,920	1.56-20.09	87,336
Eurobonds of Kazakhstani banks	3.148-8.00	591	7.875-8.125	2,089	7.75-8.13	2,900
Bonds of local executive bodies of the Russian Federation	6.73-8.20	218	7.26-8.70	378	7.75-9.20	607
Bonds of federal loan of the Ministry of Finance of the Russian Federation	8.00	154	9.00	124	9.00-10.00	343
Bonds of Development Bank of Kazakhstan	6.50	144	-	-	-	-
Bonds of Russian investment funds	-	-	-	-	-	4,273
Eurobonds of OECD countries	-	-	-	-	4.75	253
Bonds of Atyrau local executive bodies	-	-	-	-	8.50	220
		74,125		32,537		130,271

As at 31 December 2009, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models not based on observable market data. The Group applied the model to certain debt securities of local issuers undergoing the process of restructuring (JSC Alliance Bank, JSC BTA Bank, JSC BTA Ipoteka and JSC Azia Auto) and market data on them is either unavailable or the Management of the Group believes the market for these debt securities to be not active enough to use quoted prices. As at 31 December 2009, total carrying value of these debt securities amounted to KZT 599 million (total nominal value of KZT 6,451 million) and unrealized loss on fair value adjustment of debt securities recognized during 2009 amounted to KZT 1,773 million.

	Ownership share %	31 December 2009 (KZT million)	Ownership share %	31 December 2008 (KZT million)	Ownership share %	31 December 2007 (KZT million)
Equity investments:						
GDRs of Kazakhstani bank	0.20	1,609	0.64	610	0.01	80
GDRs of Russian bank	0.072	546	0.103	214	0.07	652
Shares of Kazakhstani companies	0.124-0.158	265	0.001-0.293	162	0.007-0.282	701
GDRs of Russian companies	0.0001-2.468	67	0.0001-0.01	30	-	-
ADRs of Russian company	0.014	58	0.003	12	-	-
GDRs of Kazakhstani company	0.0006	31	0.0006	8	0.247	3,771
Shares of Russian companies	0.006-0.619	29	0.0001-2.00	108	0.00001-19.559	7,565
Shares of foreign company	0.0003	27	0.0003-5.93	45	-	-
Shares of Kazakhstani bank	0.006	6	0.025	75	0.0007-0.043	363
Shares of Russian bank	-	-	0.00001	12	0.00001	19
ADRs of Kazakhstani company	-	-	-	-	0.654	2,496
		2,638		1,276		15,647

As at 31 December 2009, financial assets at fair value through profit or loss included accrued interest income on debt securities of KZT 441 million (2008: KZT 592 million, 2007: KZT 1,506 million).

As at 31 December 2009, there were no financial assets pledged under repurchase agreements. As at 31 December 2008, financial assets at fair value through profit or loss included state treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, bonds of Kazakhstani companies, pledged under repurchase agreements with other banks and customers of fair value of KZT 9,860 million (2007: KZT 82,147 million). All of the repurchase agreements open as at 31 December 2008 were settled by January 2009 (2007: February 2008).

	31 December 2009			31 December 2008			31 December 2007		
	Nominal value	Net fair value (KZT million)		Nominal value	Net fair value (KZT million)		Nominal value	Net fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:									
Foreign exchange contracts:									
Foreign exchange swap	303,891	37,182	(24,011)	305,917	21,265	(34,648)	381,001	25,724	(2,145)
Spot	4,684	-	-	18,563	2	(8)	74,996	19	(25)
Forward contracts	1,041	8	(4)	112,221	1,941	(4,135)	64,652	2,105	(381)
Options	-	-	-	23,227	163	-	-	-	-
Interest rate contracts:									
Interest rate swap	111,743	250	(11,976)	124,591	946	(15,548)	82,740	14,987	(5,133)
Securities purchase/sale contracts:									
Securities swap	-	-	-	-	-	-	592	23	(46)
		37,440	(35,991)		24,317	(54,339)		42,858	(7,730)

Included in the above are derivatives held for hedging purposes as follows:

Cash flow hedging:	Nominal value	31 December 2009 Net fair value (KZT million)		Nominal value	31 December 2008 Net fair value (KZT million)		Nominal value	31 December 2007 Net fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Interest rate swap	2,524	11	(105)	14,132	43	(1,618)	-	-	-
Foreign exchange swap	-	-	-	191,476	11,952	(32,216)	-	-	-
		11	(105)		11,995	(33,834)		-	-

The Group's cash flow hedges relate to exposure to variability in the anticipated future cash flows on its financial liabilities.

To hedge the cash flows on financial liabilities with floating interest rates, the Group uses interest rate swap contracts to exchange the floating rates for fixed rates. As such, the Group converts its floating rate debt repayments to fixed rate debt repayments and minimizes the effect of change in interest rates on its future cash flows. The cash flows related to the hedging relationships will occur over the life of the debt securities instruments which are being hedged.

To hedge the foreign exchange risk on financial liabilities the Group uses cross-currency swap contracts to convert, partially or in-full, its repayments on foreign currency denominated liabilities to the functional currency of the subsidiary which issued these liabilities. The cash flows related to the hedging relationships will occur over the life of the debt securities instruments which are being hedged.

For the year ended 31 December 2009, gain from hedge ineffectiveness recognized in net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprised KZT 730 million (2008: loss from hedge ineffectiveness of KZT 186 million, 2007: Nil).

As at 31 December 2009, the aggregate amount of unrealized gains under foreign exchange swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 975 million (2008: the aggregate amount of unrealized losses of KZT 11,034 million, 2007: Nil). The cash flows under these contracts will occur quarterly, for periods up to February 2017. These contracts are designated as hedge instruments to hedge the exchange rate risk arising from the future cash flows of the funds raised by the Group from international financial organizations in currencies other than tenge.

As at 31 December 2009, the aggregate amount of unrealized losses under interest rate swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 2,144 million (2008: KZT 2,363 million, 2007: Nil). The cash flows under these contracts will occur biannually, for periods up to January 2018. These contracts are designated as hedge instruments to hedge the interest rate risk arising from the future cash flows of the funds raised by the Group from international financial organizations in currencies other than tenge.

As at 31 December 2009, the fair value of assets and liabilities arising from the derivative financial instruments classified as hedging instruments is KZT 11 million and KZT 105 million, respectively (2008: KZT 11,995 million and KZT 33,834 million, 2007: Nil).

17. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Recorded as loans and receivables:			
Loans and advances to banks	90,676	222,785	173,759
Correspondent accounts with other banks	46,828	19,262	39,661
Loans under reverse repurchase agreements	10,893	65	679
	148,397	242,112	214,099
Less allowance for impairment losses	(22)	(299)	(1,276)
	148,375	241,813	212,823

Movements in allowances for impairment losses on loans and advances to banks and other financial institutions for the years ended 31 December 2009, 2008 and 2007 are disclosed in Note 5.

As at 31 December 2009, loans and advances to banks and other financial institutions included accrued interest of KZT 402 million (2008: KZT 1,123 million, 2007: KZT 1,327 million).

As at 31 December 2009, 2008 and 2007, the Group had no loans and advances to banks and other financial institutions, which individually exceeded 10% of the Group's equity. As at 31 December 2009, the maximum exposure to any individual bank amounted to KZT 33,434 million (2008: KZT 39,651 million, 2007: KZT 32,091 million).

As at 31 December 2009 the maximum credit risk exposure on loans and advances to banks and other financial institutions amounted to KZT 148,375 million (2008: KZT 241,813 million, 2007: KZT 212,823 million).

The fair value of collateral and carrying value of loans under reverse repurchase agreements as at 31 December 2009, 2008 and 2007 comprised:

	31 December 2009 (KZT million)		31 December 2008 (KZT million)		31 December 2007 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	8,725	7,913	39	65	12	11
Bonds of the Russian banks	1,313	1,134	-	-	-	-
Bonds of the Russian companies	812	981	-	-	-	-
Bonds of the executive bodies and subjects of the Russian Federation	495	421	-	-	-	-
Bonds of the Ministry of Finance of the Russian Federation	494	444	-	-	-	-
Shares of Russian companies	-	-	-	-	756	668
	11,839	10,893	39	65	768	679

In addition, as at 31 December 2009, the Bank maintained deposits of KZT 2,036 million included in loans and advances to banks as collateral for credit cards operations. As at 31 December 2008, the Bank placed deposits with JP Morgan Chase Bank and Morgan Stanley totaling KZT 4,723 million to guarantee certain letters of credit and derivative operations closed during 2009. As at 31 December 2007, the Bank placed deposit with JP Morgan Chase Bank totaling KZT 2,536 million to guarantee certain letters of credit operations.

18. LOANS TO CUSTOMERS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Recorded as loans and receivables:			
Originated loans	2,658,772	2,392,218	2,480,059
Net investments in finance lease	6,654	7,475	6,090
Loans under reverse repurchase agreements	889	34,417	20,549
	2,666,315	2,434,110	2,506,698
Less allowance for impairment losses	(505,548)	(289,328)	(140,363)
	2,160,767	2,144,782	2,366,335

As at 31 December 2009, accrued interest income included in loans to customers amounted to KZT 224,510 million (2008: KZT 98,183 million, 2007: KZT 66,827 million).

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2009, 2008 and 2007 are disclosed in Note 5.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Analysis by type of collateral:			
Loans collateralized by real estate	1,167,069	914,265	1,039,685
Loans collateralized by equipment	309,245	266,345	209,168
Loans collateralized by shares of the banks and other companies	208,693	249,811	209,729
Loans collateralized by inventories	181,694	67,717	41,014
Loans collateralized by guarantees of enterprises	81,507	175,352	176,004
Loans collateralized by accounts receivable	61,264	83,884	86,872
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	49,503	77,973	152,707
Loans collateralized by cash or Kazakhstani Government guarantees	23,563	58,231	80,232
Loans collateralized by mixed types of collateral	14,725	122,956	209,980
Loans collateralized by securities	889	34,417	20,549
Loans collateralized by guarantees of financial institutions	171	2,701	8,031
Unsecured loans	62,444	91,130	132,364
	2,160,767	2,144,782	2,366,335

Mixed collateral consists of multiple types of collateral including real estate, guarantees and inventories. Loans are classified as being collateralized by mixed collateral where it is impractical to split this collateral into the categories disclosed above.

In addition to the collateral disclosed above, as at 31 December 2009, the Bank has Eurobonds issued by its subsidiaries, Kazkommerts International B.V. and Kazkommerts Finance II B.V with a nominal value of KZT 15,087 million (USD 102 million) as collateral for certain loans.

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Analysis by sector:			
Real estate	306,961	140,901	165,825
Wholesale and retail trade	282,509	333,171	442,181
Housing construction	311,969	301,665	246,546
Individuals	274,141	351,088	452,330
Commercial real estate construction	187,171	192,869	228,165
Hotel business	171,795	135,015	133,635
Production of other non-metal materials	111,920	93,492	54,840
Transport and communication	106,099	97,576	106,576
Investments and finance	67,441	131,866	122,744
Food industry	60,102	56,730	62,661
Energy	49,992	73,792	66,179
Machinery construction	28,826	39,972	43,935
Industrial and other construction	27,889	30,447	40,115
Agriculture	24,328	45,440	52,906
Production of construction materials	18,499	16,073	31,468
Mining and metallurgy	15,756	13,118	11,577
Medicine	6,526	5,877	4,239
Culture and art	402	2,437	4,945
Other	108,441	83,253	95,468
	2,160,767	2,144,782	2,366,335

During the years ended 31 December 2009, 2008 and 2007, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 December 2009, 2008 and 2007, such assets in amount of KZT 2,479 million (2008: KZT 1,620 million, 2007: KZT 1,151 million) are included in other assets line of the consolidated statement of financial position. These assets are represented mostly by real estate the majority of which will be realized through auctions.

Loans to individuals comprise the following products:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Mortgage loans	183,016	197,663	247,478
Consumer loans	59,724	100,830	133,108
Business loans	15,279	25,390	42,817
Car loans	8,951	13,584	19,422
Other	7,171	13,621	9,505
	274,141	351,088	452,330

As at 31 December 2009, 2008 and 2007, the Group granted loans to the borrowers, shown below, respectively, which individually exceeded 10% of the Group's equity. Although loans to borrowers disclosed in 2007 and 2008 may continue to be outstanding in 2008 and 2009, only those borrowers which exceed 10% of equity are disclosed below.

	2009 (KZT million)	2008 (KZT million)	2007 (KZT million)
LLP GAS Corporation	72,875	64,835	-
JSC Visor Investment Solutions	70,674	58,455	43,122
Holding Vek ZhSK	66,404	50,660	-
LLP Capital Tower	61,806	-	-
Holding Airport Almaty	51,007	-	-
JSC NGSK Kazstroiservice	-	47,343	-
Group LLP CP Retail Almaty	-	46,593	-
JSC Holding Build Investment	-	44,097	-
LLP Ken-Sary	-	-	69,714
LLP Alibi Holding	-	-	48,327
	322,766	311,983	161,163

As at 31 December 2009, significant part of loans 82.42% (2008: 80.43%, 2007: 78.42%) of the total portfolio is granted to companies operating on the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

As at 31 December 2009, maximum credit risk exposure on loans to customers amounted to KZT 2,160,767 million (2008: KZT 2,144,782 million, 2007: KZT 2,366,335 million).

As at 31 December 2009, maximum credit risk exposure on loan commitments and overdrafts extended by the Group to its customers amounted to KZT 9,865 million (2008: KZT 9,312 million, 2007: KZT 10,382 million).

As at 31 December 2009, 2008 and 2007, the fair value of collateral and carrying value of loans under reverse repurchase agreements comprised:

	31 December 2009 (KZT million)		31 December 2008 (KZT million)		31 December 2007 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Notes of the National Bank of the Republic of Kazakhstan	338	483	-	-	-	-
Bonds of Kazakhstani companies	34	342	1,711	1,981	2,534	2,871
Shares of Kazakhstani banks	21	58	139	498	419	676
Shares of Kazakhstani companies	6	6	11,189	19,803	614	636
Shares of Russian companies			4,165	3,800	15,998	15,081
Bonds of Russian companies	-	-	3,543	2,983	-	-
ADR of Kazakhstani companies	-	-	1,642	4,338	-	-
Shares of Russian banks	-	-	519	446	499	480
Bonds of Kazakhstani banks	-	-	290	383	669	805
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	176	185	-	-
Total securities purchased under reverse repurchase agreements	399	889	23,374	34,417	20,733	20,549

The components of net investment in finance lease as at 31 December 2009, 2008 and 2007 are as follows:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Minimum lease payments	8,359	9,739	8,037
Less: unearned finance income	(1,705)	(2,264)	(1,947)
Net investment in finance lease	6,654	7,475	6,090
Current portion	2,778	2,310	1,681
Long-term portion	3,876	5,165	4,409
Net investment in finance lease	6,654	7,475	6,090

The value of future minimum lease payments received from the customer under finance lease as of 31 December 2009, 2008 and 2007 comprised:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Not later than one year	2,985	3,393	2,264
From one year to five years	3,864	1,015	5,185
More than 5 years	1,510	5,331	588
Total value of future minimum lease payments	8,359	9,739	8,037

19. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Debt securities	11,444	11,755	3,034
Equity securities	5,252	3,301	2
	16,696	15,056	3,036

	Nominal interest rate %	31 December 2009 (KZT million)	Nominal interest rate %	31 December 2008 (KZT million)	Nominal interest rate %	31 December 2007 (KZT million)
Debt securities:						
Bonds of Kazakhstani companies	6.10-18.59	6,194	6.50-19.20	7,258	7.90-12.20	1,342
State treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	0.5-10.10	4,345	3.35-17.94	2,882	3.75-11.08	1,400
Bonds of Kazakhstani banks	7.90-10.90	766	8.50-12.00	1,615	8.50-12.00	290
Short-term notes of the NBRK	-	139	-	-	-	2
		11,444		11,755		3,034

	Ownership share %	31 December 2009 (KZT million)	Ownership share %	31 December 2008 (KZT million)	Ownership share %	31 December 2007 (KZT million)
Equity securities:						
GDR of Kazakhstani companies	0.040	2,798	0.263	1,687	-	-
ADR of Kazakhstani companies	3.23	1,154	0.646	930	-	-
Shares of Kazakhstani companies	0.006-0.119	718	0.029-0.078	311	-	-
GDR of Russian banks	0.066	348	0.07	136	-	-
GDR of Kazakhstani banks	0.020	134	0.057-0.08	93	-	-
Shares of Kazakhstani banks	0.008-0.014	100	0.020-0.042	142	-	-
Shares of Kazakhstan stock exchange	-	-	1.33	2	1.33	2
		5,252		3,301		2

As at 31 December 2009, interest income on debt securities amounting to KZT 478 million (2008: KZT 904 million, 2007: KZT 168 million), was accrued and included in investments available-for-sale.

As at 31 December 2009, there were no investments available-for-sale pledged under reverse repurchase agreements. As at 31 December 2008, investments available-for-sale included bonds of Kazakhstani banks, pledged under repurchase agreements with other banks with fair value of KZT 1,235 million (2007: Nil). All of the repurchase agreements open as at 31 December 2008 were settled by January 2009 (2007: none).

As at 31 December 2009, the Management of the Group believes certain equity securities to be impaired and loss transferred to the consolidated income statement on impairment of shares of Kazakhstani banks, JSC Kazakhtelecom and on GDRs of Russian banks amounted to KZT 1,060 million (2008: KZT 2,120 million, 2007: Nil). This amount is recognized in the line "Net realized loss on investments available-for-sale" of the consolidated income statement.

In October 2008, the International Accounting Standards Board issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") to permit the reclassification of financial assets out of the held-for-trading and available-for-sale categories, subject to certain restrictions. In accordance with these amendments, during 2008, the Group reclassified certain debt and equity securities with total fair value as at 31 December 2009 of KZT 11,083 million (2008: KZT 10,886 million) from the held-for-trading category of financial assets at fair value through profit or loss into investments available-for-sale. Total fair value of debt and equity securities reclassified amounted to KZT 14,896 million as at the reclassification date.

The reclassifications were made for those securities which have had a significant decline in volume of transactions in the financial markets as a result of the financial crisis. In the current situation the Group has revised its investment strategy and has the intention and ability to hold those securities for the foreseeable future. Those debt and equity securities which were reclassified are presented in the tables below. Reclassifications implemented before 1 November 2008 have been backdated to 1 July 2008, 1 August 2008, 1 September 2008 and 1 November 2008, as permitted by the revision to IAS 39.

	On reclassification			31 December 09		31 December 08	
	Effective interest rate %	Fair value	Estimated cash flows expected to be recovered	Nominal value	Fair value	Nominal value	Fair value
Debt securities:		(KZT million)		(KZT million)		(KZT million)	
Bonds of Kazakhstani companies	17.6453	6,419	6,456	5,514	5,622	5,514	6,182
Bonds of Kazakhstani banks	5.5054	1,556	1,846	304	307	1,504	1,405
Total debt securities		7,975	8,302	5,818	5,929	7,018	7,587

		31 December 2009		31 December 2008	
	Fair value on reclassification	Par value	Fair value	Par value	Fair value
Equity securities:	(KZT million)	(KZT million)		(KZT million)	
GDR of Kazakhstani companies	3,232	2,125	2,798	2,474	1,687
ADR of Kazakhstani companies	2,201	911	1,154	741	930
Shares of Kazakhstani companies	621	1,067	681	790	311
GDR of Kazakhstani banks	484	179	134	519	93
Shares of Kazakhstani banks	286	380	39	369	142
GDR of Russian banks	97	830	348	675	136
Total equity securities	6,921	5,492	5,154	5,568	3,299

	As at and for the year ended 31 December 2009			
	After reclassification			Amount that would have been recognized had reclassification not occurred
	Interest income/other income	Impairment losses	Movements in available-for-sale revaluation reserves	Income from FVTLP
	(KZT million)		(KZT million)	
Debt securities:				
Bonds of Kazakhstani companies	714	-	(560)	(560)
Bonds of Kazakhstani banks	114	-	(1,098)	(1,098)
Total debt securities	828	-	(1,658)	(1,658)
Equity securities:				
GDR of Kazakhstani companies	-	-	1,111	1,111
ADR of Kazakhstani companies	-	(605)	224	(381)
Shares of Kazakhstani companies	-	(306)	370	64
GDR of Kazakhstani banks	-	(39)	41	2
Shares of Kazakhstani banks	-	(90)	(103)	(193)
GDR of Russian banks	-	(20)	212	192
Total equity securities	-	(1,060)	1,855	795
	828	(1,060)	197	(863)

	As at and for the year ended 31 December 2008			
	After reclassification			Amount that would have been recognized had reclassification not occurred
	Interest income/other income	Impairment losses	Movements in available-for-sale revaluation reserves	Income from FVTLP
	(KZT million)		(KZT million)	
Debt securities:				
Bonds of Kazakhstani companies	854	-	(237)	(237)
Bonds of Kazakhstani banks	45	-	(151)	(151)
Total debt securities	899	-	(388)	(388)
Equity securities:				
GDR of Kazakhstani companies	-	-	(1,545)	(1,545)
ADR of Kazakhstani companies	-	(1,277)	(1,271)	(2,548)
Shares of Kazakhstani companies	-	(214)	(310)	(524)
GDR of Kazakhstani banks	-	(392)	(391)	(783)
Shares of Kazakhstani banks	-	(237)	(144)	(381)
GDR of Russian banks	-	-	39	39
Total equity securities	-	(2,120)	(3,622)	(5,742)
	899	(2,120)	(4,010)	(6,130)

20. INVESTMENTS HELD TO MATURITY

	31 December 2009		31 December 2008		31 December 2007	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Eurobonds of HSBK Europe BV	9.25	337	-	-	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.75	234	6.75	229	-	-
Bonds of JSC BankCenterCredit	8.90-10.00	116	8.50-10.00	117	8.50-10.00	117
Bonds of JSC Halyk Bank	6.00-9.20	110	6.00-7.75	109	7.30-7.75	109
Bonds of JSC ATF Bank	10.90-11.00	91	8.50-11.00	92	8.50-9.80	91
Bonds of JSC Batys Transit	9.20	49	19.20	52	-	-
Bonds of the Ministry of Finance of the Kyrgyz Republic	4.04-11.65	5	19.16-19.21	2	5.24-7.07	58
Bonds of JSC KazexportAstik	6.80	1	11.00	1	-	-
Notes of the National Bank of Kyrgyz Republic	-	-	15.20-16.40	174	-	-
		943		776		375

As at 31 December 2009 interest income on debt securities amounting to KZT 30 million (2008: KZT 19 million, 2007: KZT 5 million) was accrued and included in investments held to maturity.

21. INVESTMENTS IN ASSOCIATES

The following enterprises were recorded in the consolidated financial statements using the equity method:

	31 December 2009 (KZT million)		31 December 2008 (KZT million)		31 December 2007 (KZT million)	
	Ownership interest %	Carrying value	Ownership interest %	Carrying value	Ownership interest %	Carrying value
JSC APF Ular Umit	-	-	49.35	1,775	49.35	1,752
JSC OCOPAIM Zhetysu	-	-	50.00	-	50.00	1,433
LLP First Credit Bureau	-	-		-	18.40	37
		-		1,775		3,222

Investments in associates, accounted for in the consolidated financial statements using the equity method, are presented below:

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
1 January	1,775	3,222	1,755
Purchase cost	-	2,172	134
Sales consideration	(6,017)	-	-
Share of results of associates	345	(3,585)	1,333
Revaluation through equity	(130)	3	-
Gain from sale of associates	4,027	-	-
Write-off investments in the LLP First Credit Bureau	-	(37)	-
31 December	-	1,775	3,222

On 10 March 2009, the Bank sold its stake in JSC APF Ular Umit and JSC OCOPAIM Zhetysu. The gain on sale of the associate companies amounted to KZT 4,027 million.

22. GOODWILL

Goodwill arising as a result of business acquisition relates to expected income from business expansion from the distribution of products on new markets, raising long-term funds and expected combined activity.

Goodwill arising as a result of a business acquisition is distributed to the companies that generate cash flows.

Companies that generate cash flows:	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
JSC Grantum APF	1,281	1,281	1,281
JSC OCOPAIM Grantum Asset Management	1,124	1,124	1,124
	2,405	2,405	2,405

As at 31 December 2009, 2008 and 2007, there was no evidence that the goodwill that arose on the acquisition of JSC Grantum APF and JSC OCOPAIM Grantum Asset Management has been impaired.

As at 31 December 2009, the Group has conducted a reassessment of goodwill attributable to Grantum APF and Grantum AM. For the estimations of cash flows, the Group used the following assumptions:

- The economy is cyclical;
- Equity market volatility;
- Conservative investment strategy;
- Stable customer base (high salary customers);
- Favorable population indicators (expanding younger population); and
- Cross-selling opportunities.

The Bank used forecasted cash flows for revenues and expenses of Grantum APF and Grantum AM for the next 4 years based on the budgets; the revenues and expenses were segregated by sources of inflows/outflows (e.g. commission income/expense, general and administrative expenses). Estimation was made using the discounted cash flows method. Calculations used discounted rates of 15.94% (2008: 19.35%, 2007: 16.45%). Based on the results of internal estimation of goodwill the recoverable value of shares exceeds the acquisition cost. As such, the Management of the Bank believes that there is no impairment of goodwill. Moreover, a sensitivity analysis allowing for reasonable possible changes in the key assumptions used, on which Management has based its determination of the recoverable amounts, did not cause the carrying amount of goodwill to exceed its recoverable amount.

23. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate (KZT million)	Furniture and equipment (KZT million)	Intangible assets (KZT million)	Construction in progress (KZT million)	Other equipment (KZT million)	Total (KZT million)
At primary/revalued cost:						
31 December 2006	6,818	10,761	1,529	2,119	1,101	22,328
Additions	2,162	5,492	1,630	6,116	861	16,261
Revaluation increase	5,245	-	-	-	-	5,245
Disposals	(233)	(658)	(11)	-	(460)	(1,362)
Net foreign currency exchange differences	6	121	1	-	105	233
31 December 2007	13,998	15,716	3,149	8,235	1,607	42,705
Additions	765	1,953	392	1,960	858	5,928
Transfers	-	(354)	-	-	354	-
Revaluation decrease	(778)	-	-	-	-	(778)
Disposals	(51)	(879)	(15)	-	(239)	(1,184)
Net foreign currency exchange differences	(85)	(285)	(58)	-	(140)	(568)
31 December 2008	13,849	16,151	3,468	10,195	2,440	46,103
Additions	64	1,624	556	2,108	31	4,383
Transfers	11,891	-	-	(11,891)	-	-
Revaluation decrease	(2,352)	-	-	-	-	(2,352)
Disposals	(178)	(801)	(390)	-	(239)	(1,608)
Net foreign currency exchange differences	83	236	58	-	141	518
31 December 2009	23,357	17,210	3,692	412	2,373	47,044
Accumulated depreciation:						
31 December 2006	97	5,318	930	-	302	6,647
Charge for the year	131	1,784	324	-	280	2,519
Disposals	(94)	(476)	(10)	-	(181)	(761)
Net foreign currency exchange differences	-	29	1	-	11	41
31 December 2007	134	6,655	1,245	-	412	8,446
Charge for the year	182	2,323	418	-	456	3,379
Transfers	-	(225)	-	-	225	-
Disposals	(37)	(735)	(12)	-	(212)	(996)
Net foreign currency exchange differences	(6)	(135)	(20)	-	(30)	(191)
31 December 2008	273	7,883	1,631	-	851	10,638
Charge for the year	143	2,361	506	-	662	3,672
Transfers	-	(56)	-	-	56	-
Disposals	(177)	(649)	(390)	-	(219)	(1,435)
Net foreign currency exchange differences	6	105	23	-	64	198
31 December 2009	245	9,644	1,770	-	1,414	13,073
Net book value:						
31 December 2009	23,112	7,566	1,922	412	959	33,971
31 December 2008	13,576	8,268	1,837	10,195	1,589	35,465
31 December 2007	13,864	9,061	1,904	8,235	1,195	34,259

As at 31 December 2009, property, equipment and intangible assets of the Group included fully depreciated and amortized assets on initial cost amounting to KZT 3,620 million (2008: KZT 3,176 million, 2007: KZT 3,497 million), of which KZT 3,217 million pertain to the Bank (2008: KZT 3,009 million, 2007: KZT 3,384 million).

Buildings and other real estate are revalued on a regular cyclical basis, with the last valuation being conducted on 20 August 2009 (2008: 7 May 2008, 2007: 30 June 2007). The valuation was conducted by a local independent appraisal company and for determining of the final value on these dates, the Group used observable prices in an active market for the properties. These prices are obtained through publications and current market data, and are adjusted based on characteristics of the valued property.

The carrying value of the buildings as at 31 December 2009 amounted to KZT 23,112 million (2008: KZT 13,135 million, 2007: KZT 13,319 million). If the buildings were accounted for at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, their carrying value as at 31 December 2009 would be KZT 15,632 million (2008: KZT 3,278 million, 2007: KZT 2,993 million).

Intangible assets include software, patents and licenses.

24. OTHER ASSETS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Other financial assets recorded as loans and receivables in accordance with IAS 39:			
Receivables on other transactions	10,249	13,463	7,605
Insurance agreement accounts receivable	1,598	4,733	1,196
Accrued commission	983	726	1,131
	12,830	18,922	9,932
Less allowance for impairment losses	(2,756)	(2,303)	(323)
Total other financial assets recognized as loans and receivables in accordance with IAS 39	10,074	16,619	9,609
Prepaid expenses	2,554	3,030	4,050
Non-current asset held for sale	2,479	1,620	1,151
Income tax receivable	1,972	237	386
Tax settlements, other than income tax	1,692	2,278	2,632
Inventory	-	24	25
Total other non-financial assets	8,697	7,189	8,244
	18,771	23,808	17,853

During the years ended 31 December 2009 and 2008, the Group received non-financial assets by taking possession of collateral it held as security. For the year ended 31 December 2009, the amount of loss from sale of non-current assets amounted to KZT 41 million (2008: KZT 12 million, 2007: Nil). The non-current assets are included in the retail banking segment in Note 35. Loss from revaluation of such non-financial assets amounted to KZT 1,207 million (2008: Nil, 2007: Nil).

Movements in allowances for impairment losses for the years ended 31 December 2009, 2008 and 2007 are disclosed in Note 5.

25. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Recorded at amortized cost:			
Correspondent accounts of other banks	2,680	14,267	72,028
Correspondent accounts of organizations that serve certain types of banking operations	254	386	5
Loans from banks and other financial institutions, including:			
Syndicated loan from a group of banks with maturity of December 2009 and interest rate of 1.1%	-	36,451	36,255
Loan with maturity of October 2010	314	300	4,143
Loan with maturity of June 2014	32,357	32,952	40,138
Syndicated loan from a group of banks with maturity of September 2008 and interest rate of 5.815%	-	-	72,834
Syndicated loan from a group of banks with maturity of December 2008 and interest rate of 3.718%	-	-	33,147
Syndicated loan from a group of banks with maturity of December 2008 and interest rate of 3.4%	-	-	13,235
Syndicated loan from a group of banks with maturity of February 2008 and interest rate of 5.51%	-	-	54,838
Loans with other banks and financial establishments	172,093	193,764	284,267
Deposits with banks	1,424	8,745	34,780
Loans under repurchase agreements	-	9,526	77,761
	209,122	296,391	723,431

As at 31 December 2009, accrued interest expense included in loans and advances from banks and other financial institutions amounted to KZT 1,059 million (2008: KZT 2,238 million, 2007: KZT 5,272 million).

As at 31 December 2009, loans with other banks and financial institutions for KZT 162,264 million (94% of total loans with other banks and financial establishments) (2008: KZT 173,203 million or 89% of total loans with other banks and financial establishments, 2007: KZT 247,667 million or 87% of total loans with other banks and financial establishments) consisted of 14 (2008: 23, 2007: 45) banks and financial institutions of such countries as Great Britain, Austria, Russia, Luxemburg, Kazakhstan, Germany, Switzerland and China. Maturities of these loans range from 13 days to 97 months (2008: 5 days to 97 months, 2007: 3 days to 101 months). Interest rates on loans with other banks and financial establishments varied from 0.72% to 11.84% (2008: from 0.05% to 15%, 2007: from 2.33% to 10.16%).

As at 31 December 2009, included in loans and advances to banks and other financial institutions are loans under repurchase agreements of KZT Nil (2008: KZT 9,526 million and maturity in January 2009, 2007: KZT 77,761 million and maturity in February 2008).

The fair value of collateral and carrying value of loans under repurchase agreements as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009 (KZT million)		31 December 2008 (KZT million)		31 December 2007 (KZT million)	
	Fair value of collateral	Carriyng value of loans	Fair value of collateral	Carriyng value of loans	Fair value of collateral	Carriyng value of loans
Bonds of Kazakhstani companies	-	-	4,359	3,611	1,750	1,501
Notes of the National Bank of the Republic of Kazakhstan	-	-	4,209	4,000	843	802
Bonds of Kazakhstani banks	-	-	1,235	1,000	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	553	500	776	702
Bonds of Russian banks	-	-	467	415	249	219
Bonds of international financial establishments	-	-	-	-	75,749	72,501
Bonds of Russian companies	-	-	-	-	2,064	1,489
Bonds of local executive bodies of the Russian Federation	-	-	-	-	504	547
	-	-	10,823	9,526	81,935	77,761

During 2009 the Group simultaneously placed with and received short-term funds from banks in different currencies for a total amount of KZT 29,408 million (2008: KZT 96,962 million, 2007: KZT 301,892 million).

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, the Group is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. In accordance with the terms of certain of those loans, the Group is also required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Furthermore, certain of the Group's outstanding financing agreements include covenants restricting the capability of the Group to create the right of pledge on its assets. The Group's failure to observe obligations on these covenants can lead to cross reduction in the maturity and a chain of defaults on the terms of other financial agreements of the Group.

As at 31 December 2009, 2008 and 2007, the Group was in compliance with the covenants of the various debt agreements the Group has with other banks and financial institutions.

26. CUSTOMER ACCOUNTS

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Recorded at amortized cost:			
Time deposits	799,880	789,780	701,854
Demand deposits	299,926	153,967	175,979
JSC National Welfare Fund "Samruk-Kazyna", JSC Entrepreneurship Development Fund "Damu" and JSC Stress Assets Fund	175,583	35,110	17,049
Metallic accounts in precious metals	1,075	300	-
Loans under repurchase agreements	-	296	201
	1,276,464	979,453	895,083

As at 31 December 2009, customer accounts included accrued interest expense of KZT 18,943 million (2008: KZT 14,610 million, 2007: KZT 16,516 million).

As at 31 December 2009, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 5,438 million (2008: KZT 4,736 million, 2007: KZT 2,750 million).

The Bank participates in the stabilization program of the Government of Kazakhstan through financing and refinancing programs of JSC National Welfare Fund "Samruk-Kazyna". The National Welfare Fund "Samruk-Kazyna" deposited KZT 24 billion under mortgage refinancing program and KZT 84 billion within the real economy sector financing program.

As at 31 December 2009, Samruk-Kazyna deposited KZT 34 billion under the program on completion of construction objects in Almaty and Astana.

The refinancing of large-scale businesses in the manufacturing sector is conducted in accordance with the General Agreement № 3-4SP signed by JSC National Welfare Fund "Samruk-Kazyna", JSC Stress Assets Fund, JSC Entrepreneurship Development Fund "Damu" and second-tier banks dated 09 October 2009. The funds were placed with the Bank and consequently used for refinancing of large-scale businesses in the manufacturing sector. The total amount of funds of the Program was KZT 5.2 billion. The Bank allocates its own funds in the proportion of 30/70 (KZT 1.56 billion are the Bank's funds and KZT 3.64 billion are the funds of JSC Stress Assets Fund).

As at 31 December 2009, the customer accounts of KZT 774,868 million or 60.8% (2008: KZT 565,565 million or 57.74%, 2007: KZT 335,853 million or 37.52%), were due to 10 customers, which represents significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	31 December 2009 (KZT million)	**31 December 2008 (KZT million)**	**31 December 2007 (KZT million)**
Analysis by sector:			
Chemical and petrochemical industry	356,415	393,550	168,778
Individuals	327,622	263,771	309,679
Public authorities	147,447	271	-
Distribution of electricity, gas and water	116,402	45,386	16,683
Investments and finance	92,916	105,169	146,763
Transport and communication	48,533	27,644	56,345
Individual services	48,513	30,249	30,752
Wholesale and retail trade	43,688	46,667	39,867
Construction	35,360	24,711	36,592
Education	19,002	10,800	27,261
Agriculture	11,019	13,895	25,766
Mining and metallurgy	7,655	6,090	8,402
Health care	6,450	2,856	6,830
Hotel business	2,805	1,145	694
Public organizations and unions	1,516	519	592
Machinery construction	900	939	904
Real estate	890	606	1,704
Culture and art	706	770	612
Light industry	580	1,168	1,077
Food industry	545	570	2,444
Energy	-	1	1
Metallic accounts in precious metals	1,075	300	-
Other	6,425	2,376	13,337
	1,276,464	979,453	895,083

As at 31 December 2009, the customer accounts included loans under repurchase agreements amounting to KZT Nil (2008: KZT 296 million, 2007: KZT 201 million).

The fair value of collateral and carrying value of loans under repurchase agreements as at 31 December 2009, 2008 and 2007 are presented as follows:

	31 December 2009 (KZT million)		31 December 2008 (KZT million)		31 December 2007 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	176	185	-	-
Shares of Kazakhstani banks	-	-	35	27	-	-
Shares of Russian companies	-	-	29	29	-	-
Shares of Russian banks	-	-	25	25	-	-
Bonds of Kazakhstani companies	-	-	7	30	212	201
Total securities sold under repurchase agreements	-	-	272	296	212	201

27. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Recorded at amortized cost:						
Eurobonds of Kazkommerts International B.V.:						
Issued in May 2007 with zero coupon	USD	May 2008	-	-	-	30,075
Issued in July 2007 at the price of 100%	JPY	July 2009	2.56	-	33,500	26,775
Tranche A issued in November 2004 at the price of 98.967%	USD	November 2009	7.00	-	36,797	40,949
Issued in March, 2006 at the price of 99.993%	EUR	March 2011	5.125	50,840	49,965	53,151
Issued in May 2008 at the price of 100%	USD	May 2011	12.00	34,146	27,782	-
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.625	42,190	61,124	84,049
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	51,893	40,471	41,420
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875	38,335	46,397	47,337
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	45,350	60,395	60,150
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	52,878	60,395	60,150
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875	90,158	127,680	132,877
Other Eurobonds of Kazkommerts International B.V.	USD	December 2012 - April 2013	8.50-12.85	32,497	59,743	59,450
				438,287	604,249	636,383
(Less)/including:						
Discount on debt securities issued				(3,162)	(3,951)	(6,289)
Accrued interest on debt securities issued				13,588	18,239	19,897
Total issued Eurobonds of Kazkommerts International B.V.				448,713	618,537	649,991
Issued promissory notes of LLP Moscommertsbank at the price of 88.00-100.00%		June 2013	7.00-15.00	6,124	50,342	78,370
Accrued interest expense on issued promissory notes of LLP Moscommertsbank				647	1,326	1,198
Issued bonds of Moscow Stars B.V. at the price of 99.00%		February 2022	1.983-5.483	8,161	8,066	10,099
Accrued interest on bonds of Moscow Stars B.V.				11	14	30
				463,656	678,285	739,688

As at 31 December 2009 accrued interest expense included in debt securities issued amounted to KZT 14,246 million (2008: KZT 19,579 million, 2007: KZT 21,125 million).

Eurobonds were issued by Kazkommerts International B.V., a subsidiary of the Bank, and were guaranteed by the Bank. For Eurobonds with a maturity of April 2013, the coupon is paid on 16 April and 16 October, for Eurobonds with a maturity of April 2014, the coupon is paid on 7 April and 7 October, for Eurobonds with a maturity of November 2009, the coupon is paid on 3 May and 3 November, for Eurobonds with a maturity of November 2015, the coupon is paid on 3 May and 3 November, for Eurobonds with a maturity of March 2011, the coupon is paid on 23 March, for Eurobonds with a maturity of November 2016, the coupon is paid on 29 May and 29 November, for Eurobonds with a maturity of February 2017, the coupon is paid on 13 February, for Eurobonds with a maturity of February 2012, the coupon is paid on 13 February, for Eurobonds with a maturity of May 2008, the coupon is paid on 16 May, for Eurobonds with a maturity of July 2009, the coupon is paid on 8 January, 8 April, 8 July and 8 October and for Eurobonds with a maturity of December 2012, the coupon is paid on 30 May and 30 November.

On 11 February 2010, the Bank replaced Kazkommerts International B.V. as a Eurobonds issuer. As a result, the Bank's guarantee is no longer effective and all of the issuer's liabilities on the Eurobonds have been transferred to the Bank. The issuer has been substituted in accordance with the terms and conditions of the Eurobonds; and this transfer has no effect on the bondholders' rights.

On 18 July 2007, Eurobonds were issued by Moscow Stars B.V. with a maturity of December 2021, the first coupon payment was due on 16 August 2007 and subsequent coupon is to be paid on the 15^{th} of each month. Moscow Stars B.V. is the special purpose vehicle created for securitization of mortgage loans, and it is consolidated into the financial statement of MKB in accordance with SIC 12 "Consolidation – Special Purpose Entities".

On 3 November 2009, the Bank redeemed the issue of Eurobonds placed in November 2004 of KZT 75,425 million (USD 500 million). The issuer of bonds was Kazkommerts International B.V. Full scheduled redemption of the issue was made through own funds of the Bank. Previously, the Bank has partially repurchased Eurobonds of this issue.

During 2009 the Bank purchased from the market Eurobonds issued by Kazkommerts International B.V. with book value of KZT 73,203 million (USD 493 million) which resulted in a gain on extinguishment of KZT 23,378 million.

The Group is obligated to comply with financial covenants in relation to the debt securities disclosed above. These covenants include stipulated capital ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants in the years ended 31 December 2009, 2008 and 2007.

28. OTHER BORROWED FUNDS

	Currency	Maturity	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Moore's Creek	KZT	February 2009	-	6,588	6,588
Cargill Financial Services Int, USA	USD	March 2009	-	1,939	-
Intesa Soditic Trade Finance LTD	USD	August 2009	-	246	249
NLB InterFinanz AG	USD	August 2010	2,252	1,849	1,858
Funding of agricultural equipment purchasing by Export Development Canada	USD	March 2011	316	432	603
Funding by the Ministry of Finance of the Republic of Kazakhstan and by the Ministry of Kyrgyz Republic	KZT	September 2011	38	58	78
DEG-Deutsche Investitions MBH	USD	November 2011	1,291	5,471	6,207
London Forfaiting Company LTD	USD	June 2012	1,485	-	-
Deere Credit	USD	May 2013	275	311	251
Funding by the Ministry of Finance of Kyrgyz Republic	USD	July 2015	2	2	2
Funding by JSC Entrepreneurship Development Fund "Damu"*	KZT	February 2016	19,059	2,716	12,264
Kazkommerts DPR Company	USD	March 2017	-	111,436	113,581
Private Export Funding Corporation	USD	April 2017	1,798	1,572	1,660
Societe Generale Financial Corp	USD	September 2017	4,656	4,704	5,593
			31,172	137,324	148,934

* JSC Entrepreneurship Development Fund "Damu" is a subsidiary of JSC National Welfare Fund "Samruk-Kazyna".

As at 31 December 2009, accrued interest expense included in other borrowed funds amounted to KZT 405 million (2008: KZT 564 million, 2007: KZT 620 million).

On 8 December 2005, the Bank launched the inaugural future flow securitization of diversified payment rights for KZT 40,194 million (USD 300 million) with floating interest rate and three year grace period on repayment of principal debt in the framework of the future payment inflow securitization program and circulation period of 7 years. The transaction is a true-sale securitization of the Bank's dollar-denominated present and future diversified payment rights (SWIFT USD MT100 series) to Kazkommerts DPR Company (special purpose vehicle created in the Cayman Islands). Kazkommerts DPR Company is operated by Maples Finance Limited, which is incorporated in the Cayman Islands. Allocation was made in three series 2005A in the amount of KZT 26,796 million (USD 200 million), 2005B and 2005C in the amount of KZT 6,699 million (USD 50 million) each. The two latter tranches were allocated by private offering, and Series 2005A was insured by the specialized financial company AMBAC, the rate of which amounted to 3-month LIBOR plus 0.29%.

On 7 June, 2006 the Bank, in the framework of the future payment inflow securitization program, allocated additional series of bonds 2006A and 2006B, insured by the specialized financial companies AMBAC and FGIC. The sum of the given bonds amounted to KZT 11,999 million (USD 100 million) each, with a maturity of 7 years, a three year grace period of the principal debt and an interest rate of 3-month LIBOR plus 0.25 %.

On 12 April 2007, the Bank, in the framework of the future payment inflow securitization program, allocated three additional series of bonds: 2007A in the amount of KZT 18,363 million (USD 150 million), 2007B in the amount of KZT 30,605 million (USD 250 million) and 2007C in the amount of KZT 12,242 million (USD 100 million). The bonds were issued with a maturity of 10 years, a three year grace period of the principal debt and floating interest rates. The insurers of the bonds issue are specialized financial companies FGIC (2007A series), MBIA (2007B series) and ADB (2007C series). The interest rate on each series is 3-month LIBOR plus the following spreads: 2007A plus 0.20%, 2007B plus 0.20% and 2007C plus 0.16%.

On 11 June 2009 Kazkommertsbank, acting in its capacity as originator, requested the securitization of future payments programme's controlling parties (Ambac Assurance Corporation, MBIA Insurance Corporation, Financial Guaranty Insurance Company, the Asian Development Bank and WestLB) to terminate the programme. As a result of this termination, the programme's issuer, Kazkommerts DPR Company ("SPC") optionally redeemed all of its outstanding notes issued under the programme. The principal amount of KZT 127,892 million on 11 June 2009 (equivalent of USD 850.4 million) and KZT 14,965 million on 16 March 2009 (USD 99.6 million).

The Group is obligated to comply with financial covenants in relation to other borrowed funds disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2009, 2008 and 2007.

29. OTHER LIABILITIES

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Other financial liabilities:			
Payable to employees	2,514	2,714	2,851
Settlements on other transactions	1,212	941	2,109
Accounts payable on re-insurers	674	3,464	682
Accrued commission expense	16	358	108
	4,416	7,477	5,750
Other non-financial liabilities			
Taxes payable	4,037	8,648	7,276
Advances received	537	816	819
	8,990	16,941	13,845

30. SUBORDINATED DEBT

	Currency	Maturity date (year)	Interest rate %	31 December 2009 (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)
Subordinated debt of Kazkommerts Finance II B.V.	USD	2017	9.54	37,097	30,175	30,035
Subordinated bonds	KZT	2015 - 2019	9.00 – 9.50	31,736	29,291	20,411
Subordinated debt of Kazkommerts Finance II B.V.	USD	2016	9.64	30,709	24,975	24,864
Subordinated debt of Citigroup GMD AG & Co	USD	2014	8.19	15,200	12,310	12,260
Perpetual bonds of Kazkommerts Finance II B.V.	USD	-	9.25	14,922	12,125	12,060
Debt component of preference shares	USD	-	-	6,747	5,490	5,221
Indexed subordinated bonds	KZT	-	-	-	3,358	3,315
				136,411	117,724	108,166

In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

As at 31 December 2009, accrued interest expenses included in subordinated debt amounted to KZT 2,304 million (2008: KZT 1,928 million, 2007: KZT 1,793 million).

The Group is obligated to comply with financial covenants in relation to subordinated debt disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2009, 2008 and 2007.

31. SHARE CAPITAL

As at 31 December 2009, 2008 and 2007, authorized share capital consisted of 1,100,000,000 (2008: 575,000,000, 2007: 575,000,000) ordinary shares and 175,000,000 (2008: 125,000,000, 2007: 125,000,000) preference shares.

As at 31 December 2009, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	Authorized but not issued share capital (KZT million)	Repurchased share capital (KZT million)	Issued share capital (KZT million)
Ordinary shares	11,000	(3,206)	(7)	7,787
Preferred shares	1,750	(500)	(6)	1,244
	12,750	(3,706)	(13)	9,031

As at 31 December 2008, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	Authorized but not issued share capital (KZT million)	Repurchased share capital (KZT million)	Issued share capital (KZT million)
Ordinary shares	7,750	(2,000)	(4)	5,746
Preferred shares	1,250	-	(6)	1,244
	9,000	(2,000)	(10)	6,990

As at 31 December 2007, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	Authorized but not issued share capital (KZT million)	Repurchased share capital (KZT million)	Issued share capital (KZT million)
Ordinary shares	7,750	(2,000)	(1)	5,749
Preferred shares	1,250	-	(1)	1,249
	9,000	(2,000)	(2)	6,998

During first half of 2009, 325,000,000 ordinary shares were authorized for issue by the shareholders of the Group. During 2007, 200,000,000 ordinary shares were authorized for issue by the shareholders of the Group. As at 31 December 2009, 320,661,823 ordinary shares remain unpaid (2008: 200,000,000 ordinary shares).

The preference shares carry no voting rights, unless preference dividends are not paid, but rank ahead of the ordinary shares in the event of liquidation of the Bank. The annual dividend is determined by the preference shares issuance rules in the amount of USD 0.04 per share. 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. These shares are not redeemable.

During 2009, dividends declared on preference shares amounted to KZT 747 million (2008: KZT 598 million, 2007: KZT 604 million). In 2009, 2008 and 2007 dividends on ordinary shares of the Bank have not been declared.

The table below provides a reconciliation of the number of shares outstanding as of 31 December 2009, 2008 and 2007:

	Preference shares Number of shares	**Ordinary shares Number of shares**
31 December 2006	124,755,170	574,760,698
Issue of shares	-	49,272
Sale of treasury shares	166,557	39,851
31 December 2007	124,921,727	574,849,821
Repurchase of treasury shares	(565,284)	(234,951)
31 December 2008	124,356,443	574,614,870
Issue of shares	-	204,338,177
Sale/(repurchase) of treasury shares	96,541	(351,883)
31 December 2009	124,452,984	778,601,164

As at 31 December 2009, the number of ordinary shares held as treasury shares is 737,013 (2008: 385,130, 2007: 150,179).

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

The Group's profit distributable among shareholders is limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by Kazakhstan regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the regulations of the Republic of Kazakhstan that provide for the creation of a reserve for these purposes of not less than 2% from classified assets recorded in its statutory accounts as defined by and in accordance with local legislative requirements. Retained earnings include these non-distributable reserves which are kept as a reserve fund.

32. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2009, provision for losses on guarantees and contingent liabilities amounted to KZT 7,217 million (2008: KZT 6,271 million, 2007: KZT 7,216 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 31 December 2009, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 48,958 million (2008: KZT 68,213 million, 2007: KZT 85,640 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 31 December 2009, 2008 and 2007, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2009		31 December 2008		31 December 2007	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	(KZT million)		(KZT million)		(KZT million)	
Contingent liabilities and credit commitments:						
Guarantees issued and similar commitments	122,096	122,096	109,550	109,550	94,582	94,582
Letters of credit and other transaction related to contingent obligations	8,391	1,040	37,570	6,760	90,510	15,253
Commitments on loans and unused credit lines	9,865	9,865	9,312	9,312	10,382	10,382
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	58	58	72	72	114	114
	140,410	133,059	156,504	125,694	195,588	120,331

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 December 2009, the amount of contingent liabilities on such unused credit lines equals KZT 433,903 million (2008: KZT 502,123 million, 2007: KZT 774,926 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit for any reason including in case: the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

Capital commitments

As at 31 December 2009, capital commitments amounted to KZT 2,272 million (2008: KZT 1,960 million, 2007: KZT 2,789 million).

Operating lease commitments

There were no material operating lease commitments outstanding as at 31 December 2009, 2008 and 2007.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited rights on decision making with clients for the management of assets in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the customer's funds plus/minus any unrealized income/loss on the customer's position. The management believes that the potential financial risk on securities held on behalf of the customers is not inherent to the Group.

The Group also provides depositary services to its customers. As at 31 December 2009, 2008 and 2007 the Group had customer securities in its nominal holder accounts totaling:

- on broker and dealer operations 4,973,334,166 deals totaling KZT 44,744 million (2008: 17,699,975,814 deals totaling KZT 93,102 million, 2007: 5,203,455,006 deals totaling KZT 94,829 million).
- on custodial operations 5,218,591,161 deals totaling KZT 59,061 million (2008: 7,881,879,257 deals totaling KZT 1,969,480 million, 2007: 720,874,948 deals totaling KZT 20,929 million).

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

Commercial legislation of the countries 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.

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Although in recent years there has been a general improvement in economic conditions in Kazakhstan, the country continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Ongoing global liquidity crisis

The financial markets, both globally and in the Republic of Kazakhstan, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets and the strength of counterparties. As such, many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

While many countries, including Kazakhstan, have recently reported an improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. While the Kazakhstan government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

33. SUBSEQUENT EVENTS

14 January 2010, JSC Alnair Capital Holding has acquired additional shares of JSC Kazkommertsbank. As a result of the transaction, Alnair has increased its holding of Kazkommertsbank's common shares to 28.565% and now owns 222,408,342 common shares of the Bank. The earlier agreement between Alnair and JSC National Welfare Fund Samruk-Kazyna, in relation to the placement of 6.448% of the Bank's common shares under the trust management of Alnair, has been terminated based on the mutual agreement of both parties. This purchase has not resulted in any changes to the shareholdings structure of the other major shareholders – Mr. Subkhanberdin, JSC Central Asian Investment Company ("CAIC"), European Bank for Reconstruction and Development ("EBRD") and JSC National Welfare Fund Samruk-Kazyna.

On 11 February 2010, the Bank replaced its subsidiary, Kazkommerts International B.V. (the Netherlands) as a Eurobonds issuer. As a result, the Bank's guarantee is no longer effective and all of the issuer's liabilities on the Eurobonds have been transferred to JSC Kazkommertsbank. The issuer has been substituted in accordance with the terms and conditions of the Eurobonds listed above and has no effect on the bondholders' rights.

On 15 March 2010, the Bank increased the share capital of OJSC Kazkommertsbank Kyrgyzstan ("subsidiary bank") in accordance with its pre-emptive rights. On 14 October 2009, at the General Meeting of Shareholders of the subsidiary bank, a decision was taken to increase the share capital of the subsidiary bank by issuing 66,036 new shares at KGS 500 per share. As a result, the share capital of the subsidiary bank increased by KGS 33,018,000 (USD 739,233). The Board of Directors of Kazkommertsbank decided to purchase 62,500 shares in accordance with their pre-emptive rights. On 12 March 2010, Kazkommertsbank made the payment for issued shares of KGS 31,250,000 by means of dividends paid by Kazkommertsbank Kyrgyzstan in accordance with the requirements of the law on joint stock companies of the Kyrgyz Republic. As a result of acquisition of shares the Bank's ownership share of 94.64% did not change.

34. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24.

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions 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 2009 (KZT million)		31 December 2008 (KZT million)		31 December 2007 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	1,140	2,666,315	1,525	2,434,110	895	2,506,698
- entities with joint control or significant influence over the entity	-		3		117	
- key management personnel of the entity or its parent	1,138		1,522		778	
- other related parties	2		-		-	
Allowance for impairment losses	114	(505,548)	106	(289,328)	33	(140,363)
- entities with joint control or significant influence over the entity	-		-		17	
- key management personnel of the entity or its parent	114		106		16	
Investments in associates	-	-	1,775	1,775	3,222	3,222
- to associates	-		1,775		3,222	
Customer accounts	7,769	1,276,464	4,661	979,453	5,495	895,083
- parent company	1,287		1,124			
- entities with joint control or significant influence over the entity	106		53		1,087	
- associates	-		29		22	
- key management personnel of the entity or its parent	3,966		3,443		4,385	
- other related parties	2,410		12		1	
Commitments on loans and unused credit lines	456	9,865	304	9,312	482	10,382
- key management personnel of the entity or its parent	453		304		482	
- other related parties	3		-		-	
Guarantees issued and similar commitments	580	122,096	19	109,550	18	94,582
- key management personnel of the entity or its parent	8		19		18	
- other related parties	572		-		-	

Included in the consolidated income statement for the years ended 31 December 2009, 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2009 (KZT million)		Year ended 31 December 2008 (KZT million)		Year ended 31 December 2007 (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	204	372,939	155	380,777	67	316,458
Interest expense	354	(179,737)	(464)	(181,265)	(438)	(171,762)
Operating expenses	(730)	(30,673)	(1,221)	(34,049)	(621)	(31,200)
Short-term employee benefits	(730)	(14,400)	(1,221)	(16,475)	(621)	(15,980)
Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(11)	(193,985)	(47)	(152,559)	(365)	(74,380)
Share of results of associates	345	4,372	(3,585)	(3,585)	1,333	1,333

Key management personnel compensation for the years ended 31 December 2009, 2008 and 2007 is represented by short-term employee benefits.

As at 31 December 2009, 2008 and 2007, the Group does not pledge any assets in connection with guarantees issued to management.

35. SEGMENT REPORTING

Business segments

The Group is managed and reported on the basis of four main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

- 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, documentary credits, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.
- Other – representing insurance operations and other activities.

Retail Banking offers a range of personal banking, savings and mortgage products and services. Corporate Banking offers business banking services principally to small and mid sized companies and commercial loans to larger Corporate & Commercial customers. Investment Banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities, Group Capital and shared services.

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. Internal charges and transfer pricing adjustments, if any, 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 assets and liabilities comprise operating assets and liabilities, being the majority of the financial position, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive. Hence the Group presents operating segments on the basis of three main products.

Segment information about these businesses is presented below.

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	As at and for the year ended 31 December 2009 (KZT million)
External interest income	48,762	312,053	11,320	804	-	-	372,939
Internal interest income	35,869	49,674	177,786	-	-	(263,329)	-
External interest expenses	(29,818)	(55,849)	(94,070)	-	-	-	(179,737)
Internal interest expenses	(24,810)	(181,752)	(56,767)	-	-	263,329	-
Net interest income before provision for impairment losses on interest bearing assets	30,003	124,126	38,269	804	-	-	193,202
Provisions for impairment losses on interest bearing assets	(22,793)	(171,411)	1,091	-	-	-	(193,113)
NET INTEREST INCOME	7,210	(47,285)	39,360	804	-	-	89
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	23,027	(234)	-	-	22,793
Net loss on foreign exchange and precious metals operations	1,563	538	(17,322)	(5)	204	-	(15,022)
Fee and commission income	7,513	10,214	3,230	-	-	-	20,957
Fee and commission expense	(801)	(1,103)	(309)	(1,320)	(11)	-	(3,544)
Net realized loss on investments available-for-sale	-	-	(1,079)	53	-	-	(1,026)
Dividends received	-	-	171	15	-	-	186
Other income	58	225	29,430	4,764	49	-	34,526
NET NON-INTEREST INCOME	8,333	9,874	37,148	3,273	242	-	58,870
OPERATING INCOME	15,543	(37,411)	76,508	4,077	242	-	58,959
OPERATING EXPENSES	(15,999)	(10,017)	(2,815)	(1,748)	(94)	-	(30,673)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	(456)	(47,428)	73,693	2,329	148	-	28,286
Provision for impairment losses on other transactions	-	(1,334)	544	(682)	-	-	(1,472)
Recovery of provision for guarantees and other contingencies	-	600	-	-	-	-	600
Gain from sale of associates	-	-	4,372	-	-	-	4,372
OPERATING PROFIT BEFORE INCOME TAX	(456)	(48,162)	78,609	1,647	148	-	31,786
Income tax expense	-	-	-	-	(12,763)	-	(12,763)
NET PROFIT	(456)	(48,162)	78,609	1,647	(12,615)	-	19,023
Segment assets	296,136	1,897,748	443,054	16,777	582,955	(648,797)	2,587,873
Segment liabilities	327,622	948,842	939,233	4,118	574,119	(620,168)	2,173,766

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	As at and for the year ended 31 December 2008 (KZT million)
External interest income	62,031	299,421	18,445	880	-	-	380,777
Internal interest income	34,666	50,144	148,840	-	62,909	(296,559)	-
External interest expenses	(29,066)	(43,308)	(108,891)	-	-	-	(181,265)
Internal interest expenses	(34,804)	(149,849)	(49,749)	-	(62,157)	296,559	-
Net interest income before provision for impairment losses on interest bearing assets	32,827	156,408	8,645	880	752	-	199,512
Provisions for impairment losses on interest bearing assets	(20,962)	(128,966)	(769)	-	-	-	(150,697)
NET INTEREST INCOME	11,865	27,442	7,876	880	752	-	48,815
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(28,188)	(185)	-	-	(28,373)
Net gain on foreign exchange and precious metals operations	528	16	5,067	34	(28)	-	5,617
Fee and commission income	7,141	11,155	3,449	-	-	-	21,745
Fee and commission expense	(1,124)	(723)	(1,340)	(1,001)	(136)	-	(4,324)
Net realized loss on investments available-for-sale	-	-	(1,820)	(218)	-	-	(2,038)
Dividends received	-	-	158	18	-	-	176
Other income	11	416	4,352	4,543	30	-	9,352
NET NON-INTEREST INCOME	6,556	10,864	(18,322)	3,191	(134)	-	2,155
OPERATING INCOME	18,421	38,306	(10,446)	4,071	618	-	50,970
OPERATING EXPENSES	(16,054)	(12,686)	(3,481)	(1,766)	(62)	-	(34,049)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	2,367	25,620	(13,927)	2,305	556	-	16,921
Provision for impairment losses on other transactions	-	(424)	(1,621)	(673)	-	-	(2,718)
Recovery of provision for guarantees and other contingencies	-	856	-	-	-	-	856
Share of results of associates	-	-	(3,585)	-	-	-	(3,585)
OPERATING PROFIT BEFORE INCOME TAX	2,367	26,052	(19,133)	1,632	556	-	11,474
Income tax benefit	-	-	-	-	8,690	-	8,690
NET PROFIT	2,367	26,052	(19,133)	1,632	9,246	-	20,164
Segment assets	377,802	1,801,469	466,519	14,929	761,983	(807,897)	2,614,805
Segment liabilities	263,771	715,682	1,327,403	7,624	755,246	(778,988)	2,290,738

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	As at and for the year ended 31 December 2007 (KZT million)
External interest income	55,333	240,792	19,564	582	187	-	316,458
Internal interest income	30,263	36,407	145,703	-	-	(212,373)	-
External interest expenses	(25,114)	(30,477)	(116,724)	-	553	-	(171,762)
Internal interest expenses	(36,922)	(135,632)	(39,819)	-	-	212,373	-
Net interest income before provision for impairment losses on interest bearing assets	23,560	111,090	8,724	582	740	-	144,696
Provisions for impairment losses on interest bearing assets	(9,905)	(59,918)	(133)	-	-	-	(69,956)
NET INTEREST INCOME	13,655	51,172	8,591	582	740	-	74,740
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	20,709	(67)	-	-	20,642
Net loss on foreign exchange and precious metals operations	2,240	747	(18,555)	33	71	-	(15,464)
Fee and commission income	8,567	12,229	2,899	(104)	(33)	-	23,558
Fee and commission expense	(1,009)	(513)	(388)	(791)	(12)	-	(2,713)
Net realized gain on investments available-for-sale	-	-	119	-	-	-	119
Dividends received	-	-	143	2	-	-	145
Other income	209	1,843	707	4,145	15	-	6,919
NET NON-INTEREST INCOME	10,007	14,306	5,634	3,218	41	-	33,206
OPERATING INCOME	23,662	65,478	14,225	3,800	781	-	107,946
OPERATING EXPENSES	(15,986)	(10,763)	(2,681)	(1,194)	(576)	-	(31,200)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	7,676	54,715	11,544	2,606	205	-	76,746
Provision for impairment losses on other transactions	-	(126)	(103)	(1,009)	-	-	(1,238)
Provision for guarantees and other contingencies	-	(3,186)	-	-	-	-	(3,186)
Share of results of associates	-	-	1,333	-	-	-	1,333
OPERATING PROFIT BEFORE INCOME TAX	7,676	51,403	12,774	1,597	205	-	73,655
Income tax expense	-	-	-	-	(15,904)	-	(15,904)
NET PROFIT	7,676	51,403	12,774	1,597	(15,699)	-	57,751
Segment assets	477,546	1,922,164	626,402	9,915	965,523	(1,004,318)	2,997,232
Segment liabilities	309,679	585,404	1,758,867	4,120	961,153	(971,706)	2,647,517

Geographical segments

Segment information for the main geographical segments of the Group is set out below for the years ended 31 December 2009, 2008 and 2007.

	Kazakhstan (KZT million)	CIS (KZT million)	OECD Countries (KZT million)	Other non-OECD Countries (KZT million)	31 December 2009 Total (KZT million)
Interest income	347,202	25,180	557	-	372,939
Interest expense	(97,989)	(13,769)	(67,979)	-	(179,737)
Provision for impairment losses on interest bearing assets	(189,567)	(3,546)	-	-	(193,113)
Net gain on financial assets and liabilities at fair value through profit or loss	23,498	(705)	-	-	22,793
Net loss on foreign exchange and precious metals operations	(15,943)	717	204	-	(15,022)
Fee and commission income	20,016	941	-	-	20,957
Fee and commission expense	(3,354)	(189)	(1)	-	(3,544)
Net realized loss on investments available-for-sale	(1,028)	2	-	-	(1,026)
Dividends received	186	-	-	-	186
Other income	35,553	(1,027)	-	-	34,526
OPERATING INCOME	118,574	7,604	(67,219)	-	58,959

	Kazakhstan (KZT million)	CIS (KZT million)	OECD Countries (KZT million)	Other non-OECD Countries (KZT million)	31 December 2008 Total (KZT million)
Interest income	352,601	26,794	1,182	200	380,777
Interest expense	(165,814)	(14,944)	(507)	-	(181,265)
Provision for impairment losses on interest bearing assets	(144,935)	(5,762)	-	-	(150,697)
Net loss on financial assets and liabilities at fair value through profit or loss	(25,677)	(2,696)	-	-	(28,373)
Net gain on foreign exchange and precious metals operations	33,947	(179)	(28,151)	-	5,617
Fee and commission income	20,227	1,510	-	8	21,745
Fee and commission expense	(3,775)	(413)	(136)	-	(4,324)
Net realized loss on investments available-for-sale	(2,549)	511	-	-	(2,038)
Dividends received	176	-	-	-	176
Other income	8,374	83	895	-	9,352
OPERATING INCOME	72,575	4,904	(26,717)	208	50,970

	Kazakhstan (KZT million)	CIS (KZT million)	OECD Countries (KZT million)	Other non-OECD Countries (KZT million)	31 December 2007 Total (KZT million)
Interest income	290,137	26,134	187	-	316,458
Interest expense	(90,152)	(14,682)	(66,928)	-	(171,762)
Provision for impairment losses on interest bearing assets	(65,904)	(4,052)	-	-	(69,956)
Net gain on financial assets and liabilities at fair value through profit or loss	19,358	1,284	-	-	20,642
Net loss on foreign exchange and precious metals operations	(15,721)	256	1	-	(15,464)
Fee and commission income	21,740	1,818	-	-	23,558
Fee and commission expense	(2,341)	(327)	(45)	-	(2,713)
Net realized gain on investments available-for-sale	119	-	-	-	119
Dividends received	119	26	-	-	145
Other income	5,956	963	-	-	6,919
OPERATING INCOME	163,311	11,420	(66,785)	-	107,946

External operating income has been allocated based on domicile of the company within the Group.

36. 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 the fair value of financial instruments not carried at fair value:

Loans and advances to and from banks and other financial institutions and other borrowed funds – for assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value in relation to repurchase and reverse repurchase agreements was estimated as the fair value of collateral pledged and received. For all other loans and advances and other borrowed funds the fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates and making adjustments for credit risk of the Group or counterparty.

Loans to customers – the estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Debt securities issued – market values have been used, where available, to determine the fair value of debt securities traded on an active market.

Subordinated debt – market values have been used, where available, to determine the fair value of subordinated bonds issued and perpetual debt of Kazkommerts Finance II B.V.

The fair value of financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position compared with the corresponding carrying value in the consolidated financial statements of the Group are presented below:

	31 December 2009		31 December 2008		31 December 2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(KZT million)		(KZT million)		(KZT million)	
Financial assets:						
Loans and advances to banks and other financial institutions	148,375	149,321	241,813	241,650	212,823	212,912
Loans to customers	2,160,767	2,033,690	2,144,782	2,109,144	2,366,335	2,188,893
Financial liabilities:						
Loans and advances from banks and financial institutions	209,122	179,422	296,391	260,911	723,431	727,605
Debt securities issued	463,656	402,996	678,285	432,778	739,688	615,520
Other borrowed funds	31,172	22,488	137,324	86,402	148,934	148,934
Subordinated debt	136,411	113,289	117,724	109,331	108,166	106,688

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the consolidated statement of financial position. The carrying amounts of cash and balances with national (central) banks, investments held to maturity, other financial assets and other financial liabilities and customer accounts approximates fair value due to the short-term nature of such financial instruments. The carrying amount of customer accounts approximates fair value as interest rates charged to customers closely approximate market interest rates.

37. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets.

Capital adequacy requirements are set by the FMSA and controlled using the principles, methods and factors identified by the Basel Committee on Banking Supervision.

	31 December 2009 (KZT million)	31 December 2008 (KZT million)	Change (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)	Change (KZT million)	31 December 2007 (KZT million)	31 December 2006 (KZT million)	Change (KZT million)
Composition of regulatory capital[a]:									
Tier 1 capital:									
Share capital (ordinary shares)	7,787	5,746	2,041	5,746	5,749	(3)	5,749	5,748	1
Share premium reserve	195,006	152,684	42,322	152,684	152,855	(171)	152,855	152,534	321
Retained earnings	161,971	140,762	21,209	140,762	84,843	55,919	84,843	58,763	26,080
Current income	19,423	21,805	(2,382)	21,805	55,963	(34,158)	55,963	25,985	29,978
Minority interest	(223)	278	(501)	278	12,552	(12,274)	12,552	15,272	(2,720)
Goodwill	(2,405)	(2,405)	-	(2,405)	(2,405)	-	(2,405)	(2,405)	-
Innovative instrument[c]	14,085	11,965	2,120	11,965	11,900	65	11,900	12,546	(646)
Total qualifying tier 1 capital	395,644	330,835	64,809	330,835	321,457	9,378	321,457	268,443	53,014
Property and equipment revaluation reserve[d]	5,040	5,905	(865)	5,905	5,981	(76)	5,981	2,458	3,523
Share capital (preferred shares)	1,244	1,244	-	1,244	1,249	(5)	1,249	1,247	2
Subordinated debt[b]	97,871	95,005	2,866	95,005	86,617	8,388	86,617	52,997	33,620
Total qualifying tier 2 capital	104,155	102,154	2,001	102,154	93,847	8,307	93,847	56,702	37,145
Total capital	499,799	432,989	66,810	432,989	415,304	17,685	415,304	325,145	90,159
Ratio of tier 1 capital adequacy	15.94%	13.53%	2.41%	13.53%	11.72%	1.81%	11.72%	12.37%	(0.65)%
Capital adequacy ratio	20.14%	17.70%	2.44%	17.70%	15.15%	2.55%	15.15%	14.98%	0.17%

[a] According to the principles applied by Basel Committee

[b] As at 31 December 2009, 2008 and 2007, the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, which is not to exceed 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

[c] Innovative instruments represents perpetual bonds.

[d] The line "Property and equipment revaluation reserve" includes 55% of investments available-for-sale securities revaluation reserve/(deficit) (in accordance with the Basel standards).

During the years ended 31 December 2009, 2008 and 2007, the Group complied with all set capital requirements.

The capital adequacy ratio was calculated according to the principles employed by the Basel Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks and other financial institutions for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated and perpetual debt disclosed in Note 30, and equity comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board of the Bank reviews its capital structure on quarterly basis. Based on the recommendations of the Management Board by making decisions on the Board of Directors or shareholders meeting, the Group balances its overall capital structure through new share issues, issues of new debt or the redemption of existing debt, and the payment of dividends.

The Group's overall capital risk management policy remains unchanged in comparison with 2008 and 2007.

39. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: The risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: The Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools represent the risks adequately and reasonably.
- Risk monitoring: Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits are reviewed on a periodic basis set forth in internal documents of the Group.
- Risk reporting: Risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to the management.

The main risks inherent to the Group's operations are those related to:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk
- Currency risk

Credit risk

The Group is exposed to credit risk which is the risk that counterparty to a financial instrument will fail to fulfill its obligation to the Group. This covers actual payment defaults as well as losses in value resulting from a decrease in credit quality of the counterparty.

Risk management and monitoring is performed within set procedures and limits by the Credit Committees and Board of the Group. Risk management coordination is performed by the risk management specialist or Risk Management Departments. Daily risk management is performed by the Head of the Credit Departments or Credit Divisions of branches and subsidiaries.

To measure credit risk, the Group employs several methodologies for estimating the likelihood of borrower or counterparty default. Methodologies differ depending on types of assets (e.g. consumer loans versus corporate term loan), risk measurement parameters (e.g. delinquency status and credit bureau reports versus corporate risk rating), and risk management and collection procedures (e.g. consumer lending collection center versus centrally managed workout groups).

The Group determines the level of credit risk it undertakes by setting limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by a borrower and a product, by industry sector and by region are approved by the Credit Committees. The exposure to any individual borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committees.

Off-balance sheet credit commitments represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk of off-balance sheet financial instruments is defined as the probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet instruments, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. The actual amount of this loss is likely to be less than the total unused commitments since the commitments are contingent upon customers maintaining certain credit standards. The Group applies the same credit policy to contingent liabilities as it does to the on-balance sheet financial instruments.

Structure of credit committees

The Group has developed policies and guidelines that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are aimed at accurate assessment of credit risk and its proper and timely monitoring. The policy frameworks (separate for retail lending and corporate lending) establish credit approval authorities, risk-rating methodologies, credit review parameters and guidelines for management of distressed loans.

The Group has been centralizing decision making in the Head Office over the past several years. In particular, authorities of branches and regional directorates on approval of small entrepreneurship and retail loans have been transferred to Decision Making Centers ("DMCs") in the Head office. Furthermore, most of branch and regional directorate authorities on corporate loan approvals have also been transferred to the Head Office.

- *Head office committees.*
    - *Head Office Credit Committee.* This committee is authorized to approve corporate loans of up to equivalent of USD 5 million. The committee also approves retail and small entrepreneurship loans which exceed the thresholds and authorities set for DMCs.
    - *Commercial Directorate.* There are eight members of the committee, including the Chair person of the Group, who presides, and seven Managing Directors. The committee is authorized to approve loans exceeding equivalent of USD 5 million.
    - *Board of Directors.* All loans exceeding 10% of the Group's total assets as well as all transactions with related parties have to be approved by the Board of Directors.
- *North Regional Directorate Committee.* The Group has North Regional Directorate Committee, covering the north regions of Kazakhstan (Astana, Kostanay, Kokshetau and Petropavlovsk). The north directorate has limited authorities to grant loans.
- *Branch Committees.* Each of the Group's branches has a credit committee. The branches have limited authorities to grant loans.

Corporate loans

While considering loan applications of corporate borrowers, the related Credit Committees take into account the analysis and conclusions of Risk Management Department №1, Collateral Valuation, Legal and Security Departments.

- Risk Management Department №1. The analytic group within the Head Office, which is divided into sub-groups according to industry, provides advice on commercial loans based on their assessment of the borrower's business and/or the project, to which the loan relates. Their assessment takes into account a number of industry and borrower specific factors, future cash flows of the potential borrower and anticipated risk-adjusted returns for the Group. For the purpose of the analysis, risk managers utilize the rating model described below. Furthermore, the Department of Risk Management №1 is involved in the Group's loan portfolio monitoring and in the development of procedures and guidelines with respect to the Group's lending.
- Collateral Valuation Department. The Group requires collateral for almost all of its loans. According to Kazakh legislation, collateral valuation should be performed by independent collateral valuation companies ("NOKs"). Collateral Valuation Department reviews appraisal reports issued by NOKs and carries out certification and monitoring of NOKs.
- Legal Department. The Group obtains legal advice from the Legal Department regarding proposed loans and receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into loan transactions and collateral agreement.
- Security Department. The Security Department provides information on assets, credit history and reputation of potential borrowers. A central credit bureau has recently been established in Kazakhstan and this should improve the quality of information on the credit history of potential borrowers.

Retail and small entrepreneurship loans

Loans to retail and small entrepreneurship loans are subject to a standardized approval procedure. The Group has established two new divisions in the Risk Management Department №2, the Decision Making Centers ("DMCs"). One DMC processes retail loan applications, while the second unit makes decisions on small entrepreneurship loans. In order to approve or decline an application, the DMCs analyze payment ability and creditworthiness of a potential borrower on the basis of standard terms, criteria and procedures set forth by the Group.

The DMC on retail is authorized to approve applications from customers with one obligor exposure of up to equivalent of USD 200,000. The DMC on small entrepreneurship has authorities to approve applications from customers with one obligor exposure of up to equivalent of USD 500,000. Applications with larger exposures are referred to one of the relevant credit committees in the Head Office. The DMCs conduct analysis of the applications exceeding their authority limits, and the relevant credit committee takes their conclusions into account in decision making.

Allowance for credit losses

The Group establishes an allowance for impairment losses on loans and off-balance liabilities where there is objective evidence that a financial asset is impaired. In order to assess the quality of an asset and to classify it for provisioning purposes, a loan officer takes into account a number of criteria, including financial performance of the borrower, terms of the loan, collateral value and debt service of the borrower.

Maximum exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks of certain financial assets and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and commitments. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other commitments the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. The information in relation to financial guarantees and other contingent liabilities is disclosed in Note 32.

					31 December 2009
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged[1]**	**Net exposure after offset and collateral**
	(KZT million)	**(KZT million)**	**(KZT million)**	**(KZT million)**	**(KZT million)**
Financial assets at fair value through profit or loss	114,203	-	114,203	-	114,203
Loans and advances to banks and other financial institutions	148,375	-	148,375	-	148,375
Loans to customers	2,160,767	(5,312)	2,155,455	(1,070,859)	1,084,596
Investments available-for-sale	16,696	-	16,696	-	16,696
Investments held to maturity	943	-	943	-	943
Other financial assets	10,074	-	10,074	-	10,074
Contingent liabilities and other credit commitments	140,410	(5,372)	135,038	(43,586)	91,452

					31 December 2008
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged[1]**	**Net exposure after offset and collateral**
	(KZT million)	**(KZT million)**	**(KZT million)**	**(KZT million)**	**(KZT million)**
Financial assets at fair value through profit or loss	58,130	-	58,130	-	58,130
Loans and advances to banks and other financial institutions	241,813	-	241,813	(5,783)	236,030
Loans to customers	2,144,782	(19,390)	2,125,392	(1,471,267)	654,125
Investments available-for-sale	15,056	-	15,056	-	15,056
Investments held to maturity	776	-	776	-	776
Other financial assets	16,619	-	16,619	-	16,619
Contingent liabilities and other credit commitments	156,504	(5,046)	151,458	(63,167)	88,291

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2007 Net exposure after offset and collateral (KZT million)
Financial assets at fair value through profit or loss	188,776	-	188,776	-	188,776
Loans and advances to banks and other financial institutions	212,823	(15,038)	197,785	(799)	196,986
Loans to customers	2,366,335	(40,867)	2,325,468	(1,604,068)	721,400
Investments available-for-sale	3,036	-	3,036	-	3,036
Investments held to maturity	375	-	375	-	375
Other financial assets	9,609	-	9,609	-	9,609
Contingent liabilities and other credit commitments	195,588	(19,791)	175,797	(65,849)	109,948

[1] A description of the collateral presented on loans to customers is included in Note 18.

As at 31 December 2009, loans and advances to banks and other financial institutions also include loans under reverse repurchase agreements in amount of KZT 10,893 million (2008: KZT 65 million, 2007: KZT 679 million).

As at 31 December 2009, loans to customers include loans under reverse repurchase agreements in amount of KZT 889 million (2008: KZT 34,417 million, 2007: KZT 20,549 million).

As at 31 December 2009, financial assets at fair value through profit or loss and investments available–for-sale also include securities collateralized under repurchase agreements with total fair value of KZT Nil and KZT Nil, respectively (2008: KZT 9,860 million and KZT 1,235 million, respectively, 2007: KZT 82,147 million and Nil, respectively).

Credit ratings

Financial assets are graded according to the current credit rating of international rating agencies. The highest possible rating is AAA. Investment grade of the financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as a speculative grade.

The following table details the credit ratings of financial assets held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2009 Total (KZT million)
Financial assets at fair value through profit or loss	-	11,102	146	59,789	6,506	36,660	114,203
Loans and advances to banks and other financial institutions	-	50,409	17,380	28,436	7,818	44,332	148,375
Loans to customers	-	-	-	483	4,614	2,155,670	2,160,767
Investments available-for-sale	-	-	-	5,373	5,268	6,055	16,696
Investments held to maturity	-	-	-	285	266	392	943
Other financial assets	-	-	-	-	-	10,074	10,074

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2008 Total (KZT million)
Financial assets at fair value through profit or loss	1,788	11,278	1,807	9,596	11,652	22,009	58,130
Loans and advances to banks and other financial institutions	-	57,754	106,466	747	25,595	51,251	241,813
Loans to customers	-	-	-	-	4,873	2,139,909	2,144,782
Investments available-for-sale	-	-	-	3,289	4,942	6,825	15,056
Investments held to maturity	-	-	-	230	317	229	776
Other financial assets	-	-	-	-	-	16,619	16,619

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2007 Total (KZT million)
Financial assets at fair value through profit or loss	11,321	44,627	72,488	13,878	14,995	31,467	188,776
Loans and advances to banks and other financial institutions	-	106,297	17,577	2,755	38,344	47,850	212,823
Loans to customers	-	-	-	242	6,438	2,359,655	2,366,335
Investments available-for-sale	-	-	-	1,537	289	1,210	3,036
Investments held to maturity	-	-	-	-	317	58	375
Other financial assets	-	-	-	-	-	9,609	9,609

Since not all counterparties of the Group have credit ratings from international rating agencies, the Group has developed its own methodologies allowing it to assign internal credit ratings. Such methodologies include a rating model for corporate borrowers and scoring models for retail banking clients and SME. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan.

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the Risk Management function.

At present, the Bank uses classification as follows:

Homogeneous loans: Loans to customers with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults and other factors). Collective assessment is performed on loans that were determined not to be individually significant.

Group 1: The borrower makes interest and principal payments without delay and in full. The borrower is clearly able to repay both the loan principal and interest and the borrower's high financial efficiency is expected to continue.

Group 2: The borrower makes interest and principal payments without delay and in full. The borrower is currently in a stable financial position, however, a possible negative trend may arise.

Group 3: The borrower makes interest and principal payments without delay and in full. There is evidence of some unsatisfactory financial results which may affect the ability of the borrower to repay in the future.

Group 4: The borrower makes interest and principal payments with delays and/or not in full. There is evidence of a significant number of unsatisfactory financial results which will affect the ability of the borrower to repay.

Group 5: The borrower is unable to make interest and principal payments without delays and in full. Financial efficiency is questionable and there is low probability of a full repayment in the future.

	31 December 2009	31 December 2008	31 December 2007
Homogeneous loans	133,615	158,114	202,582
Group 1	308,175	456,728	922,438
Group 2	595,156	993,734	1,093,517
Group 3	817,484	337,356	58,950
Group 4	162,781	88,648	34,185
Group 5	142,667	75,785	34,114
	2,159,878	2,110,365	2,345,786
Reverse purchase agreements	889	34,417	20,549
Loans to customers	2,160,767	2,144,782	2,366,335

Impairment of financial assets

The following table details the carrying value of assets that are impaired:

31 December 2009	Neither past due nor impaired	Financial assets that have been assessed individually for impairment	Homogenous and individually assessed watch assets	Total
Financial assets at fair value through profit or loss	113,604	599	-	114,203
Loans and advances to banks and other financial institutions	148,373	-	2	148,375
Loans to customers	309,855	440,013	1,410,899	2,160,767
Investments available-for-sale	16,696	-	-	16,696
Investments held to maturity	943	-	-	943
Other financial assets	10,074	-	-	10,074

31 December 2008	Neither past due nor impaired	Financial assets that have been assessed individually for impairment	Homogenous and individually assessed watch assets	Total
Financial assets at fair value through profit or loss	58,130	-	-	58,130
Loans and advances to banks and other financial institutions	236,368	-	5,445	241,813
Loans to customers	492,388	122,395	1,529,999	2,144,782
Investments available-for-sale	13,772	1,284	-	15,056
Investments held to maturity	776	-	-	776
Other financial assets	16,619	-	-	16,619

31 December 2007	Neither past due nor impaired	Financial assets that have been assessed individually for impairment	Homogenous and individually assessed watch assets	Total
Financial assets at fair value through profit or loss	188,776	-	-	188,776
Loans and advances to banks and other financial institutions	188,806	-	24,017	212,823
Loans to customers	967,655	68,795	1,329,885	2,366,335
Investments available-for-sale	3,036	-	-	3,036
Investments held to maturity	375	-	-	375
Other financial assets	9,609	-	-	9,609

As at 31 December 2009, the carrying value of assets that are overdue, but not impaired is KZT 5,722 million (31 December 2008: KZT 4,409 million, 31 December 2007: KZT 4,542 million) and they are overdue for less than 3-month period.

Geographical concentration

The relevant Credit Committees exercise control over the risk in the legislation and regulatory arena and assess its influence on the Group's activity. The Group sets country limits for all countries with ratings below A- according to the Standard and Poor's classification.

The Management of the Group considers the main segment to be the Republic of Kazakhstan.

The geographical concentration of financial assets and financial liabilities is set out in tables below:

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Other non-OECD countries (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:					
Cash and balances with national (central) banks	84,566	5,951	16	-	90,533
Precious metals	-	-	1,209	-	1,209
Financial assets at fair value through profit or loss	69,232	5,868	39,061	42	114,203
Loans and advances to banks and other financial institutions	14,886	4,218	128,480	791	148,375
Loans to customers	1,780,993	201,871	36,304	141,599	2,160,767
Investments available-for-sale	16,348	348	-	-	16,696
Investments held to maturity	938	5	-	-	943
Other financial assets	2,388	6,729	769	188	10,074
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,969,351	224,990	205,839	142,620	2,542,800
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	16,976	9,179	177,137	5,830	209,122
Customer accounts	1,240,089	17,814	10,880	7,681	1,276,464
Financial liabilities at fair value through profit or loss	11	60	35,920	-	35,991
Debt securities issued	-	1,385	462,197	74	463,656
Other borrowed funds	19,097	2	12,073	-	31,172
Dividends payable	-	15	-	-	15
Other financial liabilities	3,354	355	256	451	4,416
Subordinated debt	47,493	-	88,918	-	136,411
TOTAL FINANCIAL LIABILITIES	1,327,020	28,810	787,381	14,036	2,157,247
NET POSITION	642,331	196,180	(581,542)	128,584	

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Other non-OECD countries (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL ASSETS:					
Cash and balances with national (central) banks	73,457	5,324	11,697	-	90,478
Precious metals	-	-	317	-	317
Financial assets at fair value through profit or loss	24,815	5,848	27,096	371	58,130
Loans and advances to banks and other financial institutions	5,769	32,767	203,277	-	241,813
Loans to customers	1,725,020	243,648	28,626	147,488	2,144,782
Investments available-for-sale	14,920	136	-	-	15,056
Investments held to maturity	600	176	-	-	776
Other financial assets	8,760	4,698	2,981	180	16,619
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,853,341	292,597	273,994	148,039	2,567,971
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	84,197	15,063	189,981	7,150	296,391
Customer accounts	938,376	19,589	16,591	4,897	979,453
Financial liabilities at fair value through profit or loss	149	-	53,868	322	54,339
Debt securities issued	365	51,555	626,251	114	678,285
Other borrowed funds	3,420	2	133,902	-	137,324
Dividends payable	-	5	-	-	5
Other financial liabilities	6,917	475	82	3	7,477
Subordinated debt	38,318	-	79,406	-	117,724
TOTAL FINANCIAL LIABILITIES	1,071,742	86,689	1,100,081	12,486	2,270,998
NET POSITION	781,599	205,908	(826,087)	135,553	

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Other non-OECD countries (KZT million)	31 December 2007 Total (KZT million)
FINANCIAL ASSETS:					
Cash and balances with national (central) banks	144,174	7,868	16,106	-	168,148
Financial assets at fair value through profit or loss	66,429	11,261	110,923	163	188,776
Loans and advances to banks and other financial institutions	28,401	45,380	139,042	-	212,823
Loans to customers	1,855,687	303,936	46,011	160,701	2,366,335
Investments available-for-sale	3,036	-	-	-	3,036
Investments held to maturity	317	58	-	-	375
Other financial assets	4,264	1,517	3,737	91	9,609
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	2,102,308	370,020	315,819	160,955	2,949,102
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	118,412	46,844	551,534	6,641	723,431
Customer accounts	770,799	32,548	82,248	9,488	895,083
Financial liabilities at fair value through profit or loss	3,078	37	4,445	170	7,730
Debt securities issued	-	70,142	667,372	2,174	739,688
Other borrowed funds	12,928	2	136,004	-	148,934
Dividends payable	-	2	-	-	2
Other financial liabilities	1,324	1,574	2,846	6	5,750
Subordinated debt	29,125	-	79,041	-	108,166
TOTAL FINANCIAL LIABILITIES	935,666	151,149	1,523,490	18,479	2,628,784
NET POSITION	1,166,642	218,871	(1,207,671)	142,476	

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Main credit risk exposure of the Group is concentrated within 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.

Asset and Liability Management Risks

Effective assets and liabilities management is fundamental to the Bank, which allows the Bank to offer competitive products in the market while maintaining the risk and profitability balance on the level creating additional value for shareholders.

The following are defined by the bank as key areas within asset and liability management:

- Structural risk management: structural interest rate and currency risks;
- Liquidity risk management;
- Market risk management in trading portfolio;
- Capital management.

The Group's Assets and Liabilities Management Committee (the "ALMC") is responsible for managing risks the bank is exposed to while managing assets and liabilities.

ALMC is responsible of making strategic and operational decisions with respect of managing asset and liabilities with purpose of:

- Maintaining and further increasing net income while keeping risk exposure at an acceptable level;
- Ensuring continuity of the bank operations.

In order to fulfill the objectives set above, short meetings of the ALMC take place on a weekly basis while extended meetings are organized monthly. Operational asset and liability management questions including trading portfolio performance and liquidity management are considered at the weekly meetings. At the monthly meetings ALMC discusses more strategic questions including balance sheet structure management. Various reports are presented to ALMC's attention including but not limiting to trading portfolio reports, open currency positions, liquidity gaps, cash flows, stress tests, etc. ALMC is lead by the chairperson of the bank and includes nine permanent members: the Chairman of the Board, seven Managing Directors and head of the Treasury Department.

Structural interest rate risk

This year as a result of a ALM and MRM consultancy project the Group adopted a new approach to define and manage overall interest rate risk of the Group. The approach implies distinguishing interest rate risk in trading portfolio from structural interest rate risk since they impact capital and profit and loss differently. These two subtypes of the risk are now measured and managed separately. This section covers structural interest rate risk. Interest rate risk in trading portfolio is measured and managed by the bank as a part of market risks.

Structural interest rate risk is a risk of possible decline in interest income generated on balance and off-balance sheet positions accounted at amortized cost as a result of changes in market interest rates. Thus managing structural interest rate risk implies managing exposure of the Bank's net interest income and hence capital to market interest rate changes with the purpose of limiting and controlling possible income reductions or losses and ensuring optimal and stable interest income inflow.

To manage structural interest rate risk ALMC monitors and analyzes re-pricing gap and earnings at risk as well as interest rate margins. This helps the Group mitigate exposure to the structural interest rate risk and maintain positive interest rate margin. The Risk Management Department monitors financial activity of the Group regularly assessing its exposure to changes in interest rates and income impact of the changes.

As for the moment most of the loans extended by the Group are at fixed rate agreements. At the same time the loan agreements allow the Group to change the interest rate thus allowing the Group to decrease interest rate risks.

The following table presents an analysis of interest rate risk. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2009			31 December 2008			31 December 2007		
	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies
ASSETS:									
Financial assets at fair value through profit or loss	3.50	1.91	12.61	8.62	6.31	8.96	9.39	4.99	5.07
Loans and advances to banks and other financial institutions	0.56	4.01	1.91	11.01	2.83	2.21	6.54	6.73	3.98
Loans to customers	13.86	13.70	11.59	15.94	15.19	15.22	14.16	13.69	14.27
Investments available-for-sale and held to maturity	7.34	-	7.37	13.45	0.87	15.54	9.04	-	6.30
LIABILITIES:									
Loans and advances from banks and other financial institutions	3.49	5.10	7.76	7.81	5.73	9.73	6.93	6.61	3.73
Customer accounts	5.91	6.95	6.81	7.29	6.89	8.04	7.83	7.77	4.22
Debt securities issued	-	8.71	6.72	-	8.26	6.76	-	7.98	6.66
Other borrowed funds	7.66	1.88	-	7.49	3.00	-	9.84	6.29	-
Subordinated debt	7.52	8.47	-	7.69	8.45	-	7.50	8.67	-

The Group uses derivative financial instruments to mitigate the interest rate risk and control the interest rate margin by types of products. Management monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of change in interest rates and related cash flow interest rate risk.

Interest rate risk sensitivity analysis

The Risk Management Department periodically estimates the Group's sensitivity to changes in market interest rates and their influence on the Group's profitability. If necessary, the Risk Management Department suggests decreasing the relevant risk levels to the ALMC of the Group.

During 2009 the Group had changed its risk management policy in relation to interest rate risk sensitivity analysis and methods of calculation. During 2009 in calculating and analyzing sensitivity of net profit of the Group to structural interest rate risk, the Group applies the earnings at risk ratio (EaR). EaR is based on re-pricing gap and measures the potential fluctuations in earnings over a given time interval under normal market conditions and based on the following assumptions:

- the period when possible losses are incurred, is one year. One year is viewed as a period, within which the Group may raise new funding or restructure its assets and liabilities with a purpose of returning and keeping its risks level within its risk appetite;
- EaR is calculated based on the assumption that each interest rate gap will be reassessed at a new interest rate.

As at the reporting date, in calculating EaR, as reasonably possible, the Group applied the range of interest rate fluctuations in 200 bp across the yield curve.

The following table presents the sensitivity of the Group's consolidated income statement to the above changes to interest rates, in which all other parameters are assumed to be constant:

Earnings at risk (EaR)	31 December 2009 (KZT million)
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	3,694
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	(3,694)

At the reporting date, the Group's equity is not sensitive to interest rate fluctuations, since the interest rate swaps became ineffective in 2009 and, accordingly, changes in fair value of these instruments are recognized in the consolidated income statement.

During 2008 and 2007, the Group used two interest rate variation ranges as reasonable in relation to the sensitivity of its financial instruments: 10 basis points ("bp") for those in USD and 100 bp for those in other currencies, as opposed to the previous year when the Group applied 100 bp to yield curves in all currencies.

During 2008 and 2007, sensitivity of the consolidated income statement represents fluctuations of interest income due to changes in interest rates for the period of one year, estimated on the basis of interest-bearing instruments of the trading portfolio, and assets and liabilities with floating interest rates.

The following table presents the sensitivity of the Group's consolidated income statement to the above changes in interest rates, in which all other parameters apart from interest rates are assumed to be constant.

	31 December 2008 (KZT million)				31 December 2007 (KZT million)	
	US dollar		Other currencies		All currencies	
	+10 bp	-10 bp	+100 bp	-100 bp	+100 bp	-100 bp
Assets:						
Financial assets at fair value through profit or loss:						
Bonds	(3)	3	(571)	596	(1,338)	1,423
Derivative financial instruments	332	(335)	-	-	947	(958)
Instruments with floating rates:						
Loans and advances to banks	24	(24)	-	-	18	(18)
Loans to customers	-	-	52	(52)	566	(566)
Investments held-to-maturity:						
Instruments with floating rates	-	-	3	(3)	3	(3)
Liabilities:						
Instruments with floating rates:	(266)	266	(94)	94	(3,030)	3,030
Loans and advances from banks	(50)	50	(335)	335	(5,621)	5,621
Net effect on profit before tax	37	(40)	(945)	970	(8,455)	8,529

Possible losses from a change in the interest rate within the range, provided all other parameters remain fixed, amount to less than 1% of the Group's consolidated capital, which is considered as permissible and does not require a further change in the Group's strategy and policy. The reduction in sensitivity compared to the previous year is due to the fact that in 2008 the volume of interbank loans with floating interest rates and securities portfolios fell significantly. In addition, due to considerable increase of yield to maturity (as a result of greatly widened credit spreads) for most financial instruments in the Group's portfolio its sensitivity to changes in interest rates significantly weakened. Hedging using interest rate swaps has also helped reduce the volatility of the Group's profit as a consequence of interest rate movements.

The sensitivity of capital to feasible variations in interest rates at 31 December 2008 and 2007 has been provided in the following table:

	31 December 2008 (KZT million)				31 December 2007 (KZT million)	
	US dollar		Other currencies		All currencies	
	+10 bp	**-10 bp**	**+100 bp**	**-100 bp**	**+100 bp**	**-100 bp**
Assets						
Investments available-for-sale:						
Bonds	-	-	(73)	77	(73)	76
Derivative financial instruments	117	(118)	-	-	-	-
Net effect on profit before tax	37	(40)	(945)	970	(8,455)	8,529
Change in equity	154	(158)	(1,018)	1,047	(8,528)	8,605

The possible changes in capital due to applied shifts in interest rates are less than 1% of the Group's equity, which is considered acceptable by the Group. Since hedging began, the effective part of the revaluation of swap transactions has had an effect on capital provisions as at 31 December 2008 due to a movement in interest rates. The sensitivity analysis does not take into account the tax effect on equity.

The management of the Group periodically monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of fluctuations in interest rates and the corresponding risk of changes in cash flows.

The Group considers the above sensitivity to structural interest rate risk as reasonable.

Liquidity risk

Liquidity risk refers to the risk of availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

ALMC controls these types of risks by means of weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through the deals in the money markets, with placement of available funds in liquid securities in line with instructions of ALMC.

The Group maintains the compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity limits. The Management of the Group considers these requirements to be strict, and, as such, this measure guarantees maintaining appropriate liquidity level.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	6,076	17,618	32,108	19,574	35,748	-	111,124
Loans and advances to banks and other financial institutions	89,440	531	52,080	5,907	15	-	147,973
Loans to customers	19,363	53,437	534,511	886,195	442,751	-	1,936,257
Debt securities included in investments available-for-sale	3	100	5,453	4,557	853	-	10,966
Investments held to maturity	-	194	11	558	150	-	913
Total interest bearing assets	114,882	71,880	624,163	916,791	479,517	-	2,207,233
Cash and balances with national (central) banks	89,584	-	-	-	949	-	90,533
Precious metals	1,209	-	-	-	-	-	1,209
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	2,638	2,638
Equity securities in the investments available-for-sale	-	-	-	-	-	5,252	5,252
Accrued interest income on interest-bearing assets	47,126	30,219	88,003	60,452	61	-	225,861
Other financial assets	5,958	516	3,145	435	20	-	10,074
TOTAL FINANCIAL ASSETS	258,759	102,615	715,311	977,678	480,547	7,890	2,542,800
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	24,656	4,752	42,296	133,463	2,896	-	208,063
Customer accounts	369,466	54,037	458,544	324,501	50,973	-	1,257,521
Debt securities issued	314	684	2,246	248,862	197,304	-	449,410
Other borrowed funds	-	23	674	4,946	25,124	-	30,767
Subordinated debt	-	-	-	14,836	112,524	6,747	134,107
Total interest bearing liabilities	394,436	59,496	503,760	726,608	388,821	6,747	2,079,868
Financial liabilities at fair value through profit or loss	174	137	594	26,361	8,725	-	35,991
Dividends payable	-	-	15	-	-	-	15
Accrued interest expense on interest-bearing liabilities	6,078	6,278	15,153	560	8,888	-	36,957
Other financial liabilities	769	3,470	100	77	-	-	4,416
TOTALFINANCIAL LIABILITIES	401,457	69,381	519,622	753,606	406,434	6,747	2,157,247
Liquidity gap	(142,698)	33,234	195,689	224,072	74,113		
Interest sensitivity gap	(279,554)	12,384	120,403	190,183	90,696		
Cumulative interest sensitivity gap	(279,554)	(267,170)	(146,767)	43,416	134,112		
Cumulative interest sensitivity gap as a percentage of total assets	(11.0%)	(10.5%)	(5.8%)	1.7%	5.3%		
Contingent liabilities and credit commitments	11,508	12,213	52,530	54,095	86	55	

	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
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	1,127	6,647	26,489	13,592	8,407	-	56,262
Loans and advances to banks and other financial institutions	181,044	14,210	39,658	1,051	4,727	-	240,690
Loans to customers	69,388	94,480	484,754	861,803	536,174	-	2,046,599
Debt securities included in investments available-for-sale	106	-	822	4,292	5,631	-	10,851
Investments held to maturity	174	6	2	105	470	-	757
Total interest bearing assets	251,839	115,343	551,725	880,843	555,409	-	2,355,159
Cash and balances with national (central) banks	90,478	-	-	-	-	-	90,478
Precious metals	317	-	-	-	-	-	317
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	1,276	1,276
Equity securities in the investments available-for-sale	-	-	-	-	-	3,301	3,301
Accrued interest income on interest-bearing assets	30,866	23,345	43,105	3,504	1	-	100,821
Other financial assets	8,828	1,824	4,980	987	-	-	16,619
TOTAL FINANCIAL ASSETS	382,328	140,512	599,810	885,334	555,410	4,577	2,567,971
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,572	21,388	92,777	93,727	10,689	-	294,153
Customer accounts	383,076	32,790	316,450	229,805	2,722	-	964,843
Debt securities issued	487	8,405	90,220	260,093	299,501	-	658,706
Other borrowed funds	2	7,416	8,876	81,475	38,991	-	136,760
Subordinated debt	-	-	3,337	-	95,005	17,454	115,796
Total interest bearing liabilities	459,137	69,999	511,660	665,100	446,908	17,454	2,170,258
Financial liabilities at fair value through profit or loss	426	229	720	37,524	15,440	-	54,339
Dividends payable	-	5	-	-	-	-	5
Accrued interest expense on interest-bearing liabilities	3,476	15,973	16,312	3,158	-	-	38,919
Other financial liabilities	4,331	1,473	1,664	9	-	-	7,477
TOTAL FINANCIAL LIABILITIES	467,370	87,679	530,356	705,791	462,348	17,454	2,270,998
Liquidity gap	(85,042)	52,833	69,454	179,543	93,062		
Interest sensitivity gap	(207,298)	45,344	40,065	215,743	108,501		
Cumulative interest sensitivity gap	(207,298)	(161,954)	(121,889)	93,854	202,355		
Cumulative interest sensitivity gap as a percentage of total assets	(8.1%)	(6.3%)	(4.7%)	3.7%	7.9%		
Contingent liabilities and credit commitments	4,927	30,806	52,999	57,844	490	54	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2007 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	10,459	129,347	31,817	-	-	-	171,623
Loans and advances to banks and other financial institutions	158,420	26,415	6,918	18,572	1,171	-	211,496
Loans to customers	121,342	160,508	449,367	858,742	709,549	-	2,299,508
Debt securities included in investments available-for-sale	-	3	179	1,535	1,147	-	2,864
Investments held to maturity	-	24	34	104	208	-	370
Total interest bearing assets	290,221	316,297	488,315	878,953	712,075	-	2,685,861
Cash and balances with national (central) banks	168,148	-	-	-	-	-	168,148
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	15,647	15,647
Equity securities in the investments available-for-sale	-	-	-	-	-	2	2
Accrued interest income on interest-bearing assets	34,227	19,371	10,687	5,219	331	-	69,835
Other financial assets	1,513	4,771	1,752	1,573	-	-	9,609
TOTAL FINANCIAL ASSETS	494,109	340,439	500,754	885,745	712,406	15,649	2,949,102
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	141,216	160,676	230,012	166,715	19,540	-	718,159
Customer accounts	320,227	127,509	203,474	225,057	2,300	-	878,567
Debt securities issued	1,964	11,060	35,288	280,996	389,255	-	718,563
Other borrowed funds	-	585	-	43,231	104,498	-	148,314
Subordinated debt	-	-	-	3,293	103,080	-	106,373
Total interest bearing liabilities	463,407	299,830	468,774	719,292	618,673	-	2,569,976
Financial liabilities at fair value through profit or loss	331	7,399	-	-	-	-	7,730
Dividends payable	-	2	-	-	-	-	2
Accrued interest expense on interest-bearing liabilities	7,111	20,614	14,321	1,445	1,835	-	45,326
Other financial liabilities	2,321	1,600	1,717	112	-	-	5,750
TOTAL FINANCIAL LIABILITIES	473,170	329,445	484,812	720,849	620,508	-	2,628,784
Liquidity gap	20,939	10,994	15,942	164,896	91,898		
Interest sensitivity gap	(173,186)	16,467	19,541	159,661	93,402		
Cumulative interest sensitivity gap	(173,186)	(156,719)	(137,178)	22,483	115,885		
Cumulative interest sensitivity gap as a percentage of total assets	(5.87%)	(5.31%)	(4.65%)	0.76%	3.93%		
Contingent liabilities and credit commitments	170,815	1,267	5,860	5,784	873	493	

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over. The Group is aware of the importance of maintaining the stability of these deposits. In order to achieve this it is essential that the Group ensures depositor confidence in the Group's liquidity, by continuing to position itself as the depositor of choice in local markets and a leading financial institution in both the Republic of Kazakhstan and abroad.

A further analysis of the liquidity 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 consolidated statement of financial position 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 consolidated statement of financial position under the effective interest rate method.

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	24,656	4,752	42,296	133,463	2,896	-	208,063
Customer accounts	369,466	54,037	458,544	324,501	50,973	-	1,257,521
Debt securities issued	314	684	2,246	248,862	197,304	-	449,410
Other borrowed funds	-	23	674	4,946	25,124	-	30,767
Subordinated debt	-	-	-	14,836	112,524	6,747	134,107
Total interest bearing financial liabilities	394,436	59,496	503,760	726,608	388,821	6,747	2,079,868
Financial liabilities at fair value through profit or loss	174	137	594	26,361	8,725	-	35,991
Accrued interest expense on interest-bearing liabilities	9,755	18,726	84,826	141,193	72,859	-	327,359
Other financial liabilities	769	3,470	100	77	-	-	4,416
Contingent liabilities and other credit commitments	11,508	12,213	52,530	54,095	86	55	130,487
TOTAL FINANCIAL LIABILITIES	416,642	94,042	641,810	948,334	470,491	6,802	2,578,121

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,572	21,388	92,777	93,727	10,689	-	294,153
Customer accounts	383,076	32,790	316,450	229,805	2,722	-	964,843
Debt securities issued	487	8,405	90,220	260,093	299,501	-	658,706
Other borrowed funds	2	7,416	8,876	81,475	38,991	-	136,760
Subordinated debt	-	-	3,337	-	95,005	17,454	115,796
Total interest bearing financial liabilities	459,137	69,999	511,660	665,100	446,908	17,454	2,170,258
Financial liabilities at fair value through profit or loss	426	229	720	37,524	15,440	-	54,339
Accrued interest expense on interest-bearing liabilities	56,233	76,215	190,354	489,600	195,914	333	1,008,649
Other financial liabilities	4,331	1,473	1,664	9	-	-	7,477
Contingent liabilities and other credit commitments	4,927	30,806	52,999	57,844	490	54	147,120
TOTAL FINANCIAL LIABILITIES	525,054	178,722	757,397	1,250,077	658,752	17,841	3,387,843

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2007 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	141,216	160,676	230,012	166,715	19,540	-	718,159
Customer accounts	320,227	127,509	203,474	225,057	2,300	-	878,567
Debt securities issued	1,964	11,060	35,288	280,996	389,255	-	718,563
Other borrowed funds	-	585	-	43,231	104,498	-	148,314
Subordinated debt	-	-	-	3,293	103,080	-	106,373
Total interest bearing financial liabilities	463,407	299,830	468,774	719,292	618,673	-	2,569,976
Financial liabilities at fair value through profit or loss	331	7,399	-	-	-	-	7,730
Accrued interest expense on interest-bearing liabilities	31,548	79,781	162,263	451,145	283,070	322	1,008,129
Other financial liabilities	2,321	1,600	1,717	112	-	-	5,750
Contingent liabilities and other credit commitments	170,815	1,267	5,860	5,784	873	493	185,092
TOTAL FINANCIAL LIABILITIES	668,422	389,877	638,614	1,176,333	902,616	815	3,776,677

Market risk

The Group defines market risk as currency, equity, commodity and interest rate risks related to its trading and available-for-sale portfolios, as well as currency positions.

The Risk Management Department measures the risks and generates treasury position reports, which are presented to the ALMC of the Group. Risk Management Department calculates VaR to measure the market risk on equity, fixed income and currency positions and breaks it down to individual risk factors (currency risk, interest rate risk, equity risk etc.). This allows the Group to analyze exposure to each risk factor and make further decisions to mitigate a particular exposure. For internal reporting purposes, in addition to VAR analysis discussed above, the Bank also performs sensitivity analysis on its currency risk and interest rate exposures. This sensitivity analysis is presented in these financial statements.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimise losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The FMSA sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

As at 31 December 2009 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

FINANCIAL ASSETS:	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2009 Total (KZT million)
Cash and balances with national (central) banks	61,450	7,753	16,345	2,913	2,072	90,533
Precious metals	-	-	-	-	1,209	1,209
Financial assets at fair value through profit or loss	91,413	359	10,647	5,196	6,588	114,203
Loans and advances to banks and other financial institutions	13,253	120,762	6,065	3,943	4,352	148,375
Loans to customers	773,155	1,338,637	10,172	37,770	1,033	2,160,767
Investments available-for-sale	12,262	4,434	-	-	-	16,696
Investments held to maturity	938	-	-	-	5	943
Other financial assets	3,138	876	52	5,585	423	10,074
TOTAL FINANCIAL ASSETS	955,609	1,472,821	43,281	55,407	15,682	2,542,800
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	4,959	178,337	9,939	15,846	41	209,122
Customer accounts	632,542	549,936	75,772	14,414	3,800	1,276,464
Financial liabilities at fair value through profit or loss	30,111	5,820	-	60	-	35,991
Debt securities issued	-	269,783	148,576	254	45,043	463,656
Other borrowed funds	19,097	12,075	-	-	-	31,172
Dividends payable	-	-	-	-	15	15
Other financial liabilities	2,363	333	646	634	440	4,416
Subordinated debt	31,736	104,675	-	-	-	136,411
TOTAL FINANCIAL LIABILITIES	720,808	1,120,959	234,933	31,208	49,339	2,157,247
OPEN POSITION	234,801	351,862	(191,652)	24,199	(33,657)	

Derivative financial instruments and spot contracts

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 on derivative financial instruments and spot contracts as at 31 December 2009:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2009 Total (KZT million)
Accounts payable on spot and derivative contracts	(892)	(304,125)	-	(4,599)	-	(309,616)
Accounts receivable on spot and derivative contracts	28,017	5,463	192,555	5,053	83,860	314,948
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	27,125	(298,662)	192,555	454	83,860	

As at 31 December 2008 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	40,444	9,627	2,723	3,599	34,085	90,478
Precious metals	-	-	-	-	317	317
Financial assets at fair value through profit or loss	35,299	3,302	9,546	5,510	4,473	58,130
Loans and advances to banks and other financial institutions	4,499	164,905	62,302	4,779	5,328	241,813
Loans to customers	725,185	1,340,347	12,024	66,171	1,055	2,144,782
Investments available-for-sale	12,209	2,847	-	-	-	15,056
Investments held to maturity	600	-	-	-	176	776
Other financial assets	7,126	2,447	1,368	5,177	501	16,619
TOTAL FINANCIAL ASSETS	825,362	1,523,475	87,963	85,236	45,935	2,567,971
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	16,512	244,090	11,211	23,847	731	296,391
Customer accounts	443,862	481,640	39,467	12,505	1,979	979,453
Financial liabilities at fair value through profit or loss	52,306	2,033	-	-	-	54,339
Debt securities issued	-	359,271	188,535	22,727	107,752	678,285
Other borrowed funds	9,362	127,962	-	-	-	137,324
Dividends payable	-	-	-	-	5	5
Other financial liabilities	4,438	2,396	8	582	53	7,477
Subordinated debt	38,139	79,585	-	-	-	117,724
TOTAL FINANCIAL LIABILITIES	564,619	1,296,977	239,221	59,661	110,520	2,270,998
OPEN POSITION	260,743	226,498	(151,258)	25,575	(64,585)	

Derivative financial instruments and spot contracts

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 on derivative financial instruments and spot contracts as at 31 December 2008:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2008 Total (KZT million)
Accounts payable on spot and derivative contracts	(120,432)	(294,254)	(16,143)	-	(5,872)	(436,701)
Accounts receivable on spot and derivative contracts	50,780	135,391	168,951	1,644	75,401	432,167
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(69,652)	(158,863)	152,808	1,644	69,529	

As at 31 December 2007 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2007 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	57,840	46,588	3,465	6,171	54,084	168,148
Financial assets at fair value through profit or loss	59,371	97,047	8,445	17,896	6,017	188,776
Loans and advances to banks and other financial institutions	12,968	125,370	56,086	11,527	6,872	212,823
Loans to customers	891,041	1,369,863	24,955	79,548	928	2,366,335
Investments available-for-sale	3,036	-	-	-	-	3,036
Investments held to maturity	317	-	-	-	58	375
Other financial assets	3,621	3,216	1,555	602	615	9,609
TOTAL FINANCIAL ASSETS	1,028,194	1,642,084	94,506	115,744	68,574	2,949,102
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	31,993	576,394	22,682	14,721	77,641	723,431
Customer accounts	542,353	290,241	33,372	27,808	1,309	895,083
Financial liabilities at fair value through profit or loss	2,831	4,861	-	25	13	7,730
Debt securities issued	-	363,358	194,526	57,120	124,684	739,688
Other borrowed funds	18,929	130,005	-	-	-	148,934
Dividends payable	-	-	-	-	2	2
Other financial liabilities	949	1,384	1,149	1,575	693	5,750
Subordinated debt	28,929	79,237	-	-	-	108,166
TOTAL FINANCIAL LIABILITIES	625,984	1,445,480	251,729	101,249	204,342	2,628,784
OPEN POSITION	402,210	196,604	(157,223)	14,495	(135,768)	

Derivative financial instruments and spot contracts

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 on derivative financial instruments and spot contracts as at 31 December 2007:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2007 Total (KZT million)
Accounts payable on spot and derivative contracts	(200,473)	(312,485)	(1,240)	(6,992)	(605)	(521,795)
Accounts receivable on spot and derivative contracts	70,626	159,739	160,870	14,846	140,394	546,475
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(129,847)	(152,746)	159,630	7,854	139,789	

Currency risk sensitivity analysis

The Group estimates the possible effect of a 10% fluctuation in foreign currency rates on the consolidated income statement and consolidated equity based on the sensitivity analysis of the internally prepared open currency position report, which includes derivative financial instruments.

The analysis is based on the calculation of the impact of possible fluctuations in US dollar, Euro and Russian Ruble currency rates on the consolidated income statements and consolidated equity. This is due to the fact that as at 31 December 2009 these were the main currencies in which the Group had open positions. A 10% fluctuation is determined as a "reasonably possible change in the risk variable" by the management of the Group. All other parameters were assumed to be constant. Negative and positive amounts in the table reflect the potential probable effect on the consolidated income statement and consolidated equity of such fluctuations. The Group hedges cash flow on its foreign currency liabilities using cross-currency swaps.

	31 December 2009 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	(26,950)	26,899	22,360	(22,360)	2,925	(2,925)
Impact on equity	-	-	-	-	-	-

	31 December 2008 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	8,583	(8,525)	445	(445)	3,069	(3,069)
Impact on equity	(3,356)	3,442	3,489	(3,489)	-	-

	31 December 2007 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	4,190	(4,190)	160	(160)	2,606	(2,606)
Impact on equity	-	-	-	-	-	-

The table shows the possible effect on the Group's consolidated profit and equity if one of the above foreign currencies strengthens or weakens by 10% at the current date to all other currencies represented in the Group's consolidated statement of financial position. In the event of the strengthening or devaluation of the tenge, open positions on all foreign currencies could have an impact on profit, while value of the cross-currency swaps is not sensitive to movements in the tenge exchange rate. Thus, at a 25% tenge devaluation at the reporting date the positive effect on the consolidated income statement of the Group would be KZT 32,098 million (2008: KZT 24,004 million) and at a 35% tenge devaluation it would amount to KZT 44,936 million (2008: KZT 33,657 million). The breakdown of these tenge devaluation effects are given in the following table:

	31 December 2009 (KZT million)									
	KZT/USD		**KZT/EUR**		**KZT/RUB**		**KZT/Other**		**Total**	
	-25%	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**
Impact on profit or loss	12,052	16,872	162	227	7,313	10,238	12,571	17,599	32,098	44,936

	31 December 2008 (KZT million)									
	KZT/USD		**KZT/EUR**		**KZT/RUB**		**KZT/Other**		**Total**	
	-25%	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**
Impact on profit or loss	14,764	20,720	300	420	7,672	10,741	1,268	1,776	24,004	33,657

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key risk factor while all other things held constant. 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 impacts should not be 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 depending on any actual market movements, since the Group's financial risk management strategy aims to manage the exposure to market fluctuations. In instances where there are significant or unexpected changes in market conditions, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the risk factors may be different from those shown above.

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 a fair degree of certainty; and the assumption that all interest rates move in an identical fashion.

ISSUER

JSC Kazkommertsbank
135 zh Gagarin Ave.
Almaty 050060
Kazakhstan

ARRANGERS

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

PERMANENT DEALERS

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

JSC Kazkommerts Securities
CDC Business Centre, 5th floor
240G Furmanov Street
Almaty 050059
Kazakhstan

LEGAL ADVISERS TO THE ISSUER

as to English and U.S. law

Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF
United Kingdom

LEGAL ADVISERS TO THE ARRANGERS

as to English and U.S. law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

as to Kazakhstan law

White & Case Kazakhstan LLP
64 Amangeldy Street
Almaty 180012
Kazakhstan

AUDITORS TO THE ISSUER

Deloitte LLP
36 Al-Farabi Ave.
Almaty Financial District, Building "B"
050059 Almaty
Kazakhstan

TRUSTEE

BNY Corporate Trustee Services Limited
One Canada Square
48th Floor
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon
One Canada Square
48th Floor
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Aerogolf Center 1A, Hoehenhof
L-1736 Senningerberg
Luxembourg