PROSPECTUS

ALLIANCE DPR COMPANY

U.S.$100,000,000 Series 2006A Fixed Rate Notes Due 2013
U.S.$100,000,000 Series 2006B Floating Rate Notes Due 2013

ALLIANCE BANK JSC

as the Originator of the Diversified Payment Rights and as the Servicer

The U.S.$100,000,000 Series 2006A Fixed Rate Notes Due 2013 (the "*Series 2006A Notes*") and the U.S.$100,000,000 Series 2006B Floating Rate Notes Due 2013 (the "*Series 2006B Notes*") and, together with the Series 2006A Notes, the "*Notes*" or the "*Offered Notes*") offered hereby will evidence senior limited recourse indebtedness of Alliance DPR Company (the "*SPC*"), an exempted company incorporated with limited liability under the laws of the Cayman Islands. The Offered Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "*Securities Act*") or the securities or "*blue sky*" laws of any State of the United States of America (the "*United States*" or "*U.S.*"), the Republic of Kazakhstan ("*Kazakhstan*"), the Cayman Islands or any other jurisdiction, and are being offered for sale (the "*Offering*") outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act ("*Regulation S*"). The Offered Notes (or beneficial interests therein) may not be offered or sold in Kazakhstan or the Cayman Islands except pursuant to the securities laws thereof.

The Offered Notes will be secured by substantially all of the assets of the SPC, consisting primarily of the SPC's rights and interests in the Diversified Payment Rights (as defined herein) existing on or generated after the date of the issuance (*i.e.*, November 13, 2006) of the Offered Notes and purchased on that date from JSC Alliance Bank, a Kazakhstan banking institution organized as a joint stock company (together with its successors, "*Alliance Bank*" or "*Alliance*".

Interest will accrue on the Series 2006A Notes from the date of their issuance at the rate of 5.10% per annum. Interest will accrue on the Series 2006B Notes from the date of their issuance at the rate of 2.00% per annum plus Three-Month LIBOR (as defined herein). Interest will be paid on the 15th day of each of February, May, August and November commencing on February 15, 2007 (or, if any such date is not a New York Business Day (as defined herein), on the next New York Business Day). Principal of the Series 2006A Notes will be distributed in quarterly installments on each Payment Date (as defined herein) commencing with the February 2009 Payment Date, but may be paid earlier or later under certain circumstances as described herein. Principal of the Series 2006B Notes will be distributed in quarterly installments on each Payment Date (as defined herein) commencing on the February 2007 Payment Date, but may be paid earlier or later under certain circumstances as described herein. The expected final Payment Date with respect to the Series 2006A Notes is the November 2013 Payment Date (the "*Series 2006A Expected Final Payment Date*") and the expected final Payment Date with respect to the Series 2006B Notes is the November 2013 Payment Date (the "*Series 2006B Expected Final Payment Date*"). **The Offered Notes initially will be sold to Investors at a price equal to 99.195% of the principal amount of the Series 2006A Notes and 100% of the principal amount of the Series 2006B Notes.**

The Series 2006A Notes will have the benefit of a guaranty (the "*Series 2006A Enhancement*") provided by Asian Development Bank (the "*Series 2006A Enhancer*" or "*ADB*") with respect to timely payment of Quarterly Amortization Amounts and Guaranteed Interest (as defined herein). See "The Series 2006A Enhancer" and "The Series 2006A Enhancement".

It is a condition to the issuance of the Offered Notes that (a) they be rated, without consideration of the Series 2006A Enhancement at least "BBB-" by Fitch Ratings Ltd. ("*Fitch*") (together with each rating agency rating any other Series (as defined herein), a "*Rating Agency*") and (b) the Series 2006A Notes be rated "AAA" by Fitch, with consideration of the Series 2006A Enhancement. A rating is not a recommendation to buy, sell or hold the Offered Notes (or beneficial interests therein) and is subject to revision or withdrawal in the future by a Rating Agency rating any Offered Notes. Application has been made to the Commission de Surveillance du Secteur Financier ("*CSSF*") in its capacity as competent authority under the Luxembourg Act dated July 10 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) to approve this Prospectus as a prospectus and this Prospectus constitutes a prospectus for the purposes of Article 5 of Directive 2003/71/EC (the "*Prospectus Directive*"). Application has also been made to the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's regulated market, which is the regulated market in Luxembourg. In this Prospectus, references to "regulated market" shall mean a regulated market for the purposes of European Parliament and Council Directive 2004/39/EC.

Prospective Investors should consider the factors set forth under "Risk Factors" beginning on page 92 of this Prospectus (the "*Prospectus*").

The Offered Notes are being offered outside the United States to persons other than U.S. persons as defined in Regulation S by Merrill Lynch International and HSBC Bank plc, as Lead Managers (the *"Lead Managers"*), subject to their acceptance and their right to reject orders in whole or in part. It is expected that delivery of the Offered Notes will be made in book-entry registered form only through the facilities of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("*Euroclear*"), and/or Clearstream Banking Luxembourg, a division of Clearstream International, société anonyme ("*Clearstream*"), in each case against payment therefor in immediately available funds.

Merrill Lynch International	**HSBC**
Sole Structuring Advisor & Joint Bookrunner	**Joint Bookrunner**

The date of this Prospectus is November 10, 2006

GENERAL INFORMATION AND RESPONSIBILITY

General Information

The Offered Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any State of the United States or any other jurisdiction and are being offered and sold in reliance on Regulation S under the Securities Act to certain persons in offshore transactions. Each Investor, by purchasing an Offered Note (or a beneficial interest therein), agrees that the Offered Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom described herein. Any resale or other transfer, or attempted resale or other attempted transfer, that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

Offered Notes offered and sold outside the United States to non-U.S. persons pursuant to Regulation S will be represented by beneficial interests in a single, permanent global note in fully registered form without interest coupons (for each Series of Offered Notes individually, a "*Global Note*" and together, the "*Global Notes*"). Each purchaser of Offered Notes outside the United States pursuant to Regulation S, and each subsequent purchaser of Offered Notes in re-sales during the period which expires on and includes the 40th day after the later of the commencement of the offering of the Offered Notes and the Offered Notes Issuance Date (the "*distribution compliance period"*), will be deemed to have represented, agreed and acknowledged as follows:

(i) it is, or at the time the Offered Notes (or beneficial interests therein) are purchased by it will be, the beneficial owner of such Offered Notes and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S);

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

(iii) the SPC, Alliance Bank, the Registrar, the Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

The Global Notes for the Offered Notes will be deposited on or about the Offered Notes Issuance Date with a common depositary for Euroclear and Clearstream and will be registered in the name of a nominee for such common depositary. Except as described in this Prospectus, beneficial interests in the Global Notes will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream. Investors may elect to hold interests in the Global Notes through the applicable clearing system either directly, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Except as described in this Prospectus, owners of beneficial interests in the Global Notes will not be entitled to have the Offered Notes registered in their names, will not receive or be entitled to receive physical delivery of the Offered Notes in definitive form and will not be considered holders of the Offered Notes under such Offered Notes, the Indenture or the applicable Indenture Supplement.

The Offered Notes represent obligations of the SPC, the repayment of which is secured by substantially all of the SPC's assets and, except for Alliance Bank's obligation to make any Sale Recision Payment and pay any Additional Amounts, do not represent interests in, or obligations of, Alliance Bank or any other person, including the Lead Managers, the Indenture Trustee and any of their respective affiliates; provided that, as described in "The Series 2006A Enhancement", Investors in the Offered Notes will benefit from the guaranty of Quarterly Amortization Amounts and Guaranteed Interest provided by the Series 2006A Enhancer pursuant to the Series 2006A Enhancement. Other than the Series 2006A Enhancement provided by the Series 2006A Enhancer, a multilateral institution, neither the Offered Notes nor the Diversified Payment Rights are guaranteed by any governmental agency in the United States, Kazakhstan, the Cayman Islands or elsewhere.

The Offered Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the *"SEC"*), any state securities commission or any other U.S., Kazakhstan, Cayman Islands or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary may be a criminal offence.

There is currently no market for the Offered Notes (or beneficial interests therein) being offered hereby and there can be no assurance that one will develop or, if one develops, that it will continue.

The distribution of this Prospectus and the offering of the Offered Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Prospectus are required by Alliance Bank, the SPC and the Lead Managers to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Offered Notes (or any beneficial interest therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Prospectus and the offer and sale of the Offered Notes (and beneficial interests therein) in (without limitation) the United States, Kazakhstan, the Cayman Islands, the United Kingdom, Japan, Singapore and Hong Kong.

Responsibility

This Prospectus has been prepared based upon information supplied by the SPC and Alliance Bank or obtained from Kazakhstan authorities or published sources. Where information has been obtained from the Kazakhstan authorities or published sources, Alliance Bank accepts responsibility for accurately reproducing such extracts, and as far as it is aware and able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading. None of the Lead Managers or the Series 2006A Enhancer (other than in respect of the section of this Prospectus entitled "The Series 2006A Enhancer") makes any representation or warranty as to the accuracy or completeness of the information contained in this Prospectus, and nothing herein shall be deemed to constitute such a representation or warranty by any of the Lead Managers or the Series 2006A Enhancer (other than in respect of the section of this Prospectus entitled "The Series 2006A Enhancer") or a promise or representation as to the future performance of the Offered Notes, Alliance Bank, the SPC or the Diversified Payment Rights.

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

Neither of the Lead Managers nor any of their respective officers, employees, affiliates, counsel, agents or other representatives (collectively, the "*Arranger Parties*") are responsible for this Prospectus or any portion hereof (including the accuracy of any information herein or any omission herefrom) (other than, in respect of the Series 2006A Enhancer, as set forth in the Series 2006A Indemnification Agreement) and (except to the extent required by applicable law and, in respect of the Series 2006A Enhancer, as set forth in the Series 2006A Indemnification Agreement) no Arranger Party shall have any liability to any Investor, the Series 2006A Enhancer or any other person for any reason with respect hereto.

This Prospectus contains descriptions of certain provisions of the Transaction Documents and various other related documents. This Prospectus does not purport to contain complete summaries of the terms of such documents, and all information herein about such documents is qualified in its entirety by reference to such documents.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by Alliance Bank, the SPC, the Indenture Trustee, the Lead Managers, the Series 2006A Enhancer, or any affiliate or representative of any such person. The delivery of this Prospectus at any time does not imply that information herein is correct as of any time after the date hereof. No Offered Notes (or beneficial interests therein) may be sold without delivery of this Prospectus.

This Prospectus is personal to each prospective Investor and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Offered Notes (or beneficial interests therein). Distribution of this Prospectus to any person other than the prospective Investors and those persons, if any, retained to advise such prospective Investors with respect hereto is unauthorized, and any disclosure of any of the contents hereof without the prior written consent of Alliance Bank, the SPC and the Lead Managers is prohibited. This Prospectus may be used only for the purposes for which it has been published.

Prospective Investors are not to construe the contents of this Prospectus or any previous or subsequent communications from Alliance Bank, the SPC, the Indenture Trustee, the Lead Managers or any of their respective officers, employees, counsel or agents as investment, legal, accounting, regulatory or tax advice. Before investing in any Offered Notes (or beneficial interests therein), a prospective Investor should consult with its own business, legal, accounting, regulatory and tax advisers to determine the appropriateness and consequences of an investment in the Offered Notes (or beneficial interests therein) in such prospective

Investor's specific circumstances and arrive at an independent evaluation of the investment based upon, among other things, its own views as to the risks associated with the Offered Notes, Alliance Bank, the SPC and the Diversified Payment Rights. Investors whose investment authority is subject to legal restrictions should consult their legal advisors to determine whether and to what extent the Offered Notes (or beneficial interests therein) constitute legal investments for them.

As noted above, it is expected that prospective Investors interested in investing in the Offered Notes will conduct their own independent investigation of the risks posed thereby. Officers of Alliance Bank and directors of the SPC will be available to answer any questions concerning Alliance Bank, the SPC, the Transaction Documents, the Diversified Payment Rights and the servicing thereof and will make available such other information as such prospective Investors may reasonably request.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

The financial information of Alliance Bank set forth herein, has, unless otherwise indicated, been derived from its audited consolidated balance sheet and consolidated profit and loss accounts, statements of cash flows and changes in equity as at and for the years ended December 31, 2005, 2004 and 2003 (the "*Audited Consolidated Financial Statements*") as well as its unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2006 and 2005 (the "*Unaudited Consolidated Financial Statements*", and together with the Audited Consolidated Financial Statements, the "*Consolidated Financial Statements*"). The Consolidated Financial Statements, including the notes thereto, were prepared in accordance with IFRS.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "*U.S.$*", "*U.S. Dollars*" and "*$*" are to the lawful currency of the United States of America, references to "*Tenge*" or "*KZT*" are to Kazakhstani Tenge, the lawful currency of the Republic of Kazakhstan and references to "*Euro*" and "*€*" are to the currency introduced at the start of the third stage of the European Economic and Monetary union pursuant to the Treaty establishing the European community, as amended. References to "*Kazakhstan*" or the "*Republic*" are to the Republic of Kazakhstan, references to the "*Government*" are to the government of Kazakhstan.

For further details of applicable exchange rates, see "Exchange Rates and Exchange Controls" and the Consolidated Financial Statements.

No representation is made that the Tenge or U.S. Dollar amounts in this Prospectus could have been converted into U.S. Dollars or Tenge, as the case may be, at any particular rate or at all. Certain amounts which appear in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that constitute forward-looking statements. These statements appear in a number of places in this Prospectus and include statements regarding the intent, belief or current expectations of Alliance Bank and its officers with respect to (among other things) the financial condition of Alliance Bank, the volume and characteristics of the Diversified Payment Rights and the extent of Alliance Bank's relationships with Payors and Payees (each as defined below).

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those in the forward-looking statements as a result of various factors. The information in this Prospectus, including the information under "Risk Factors" and "Alliance Bank's Diversified Payment Rights Business" identifies important factors that could cause such differences (including a change in overall economic conditions in Kazakhstan, a change in Alliance Bank's financial condition or its Diversified Payment Rights business, the change in value of the Tenge relative to the U.S. Dollar and/or other currencies and the effect of new legislation or government directives in Kazakhstan).

Moreover, no assurances can be given that any of the historical information, data, trends or practices mentioned and described in this Prospectus are indicative of future results or events.

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APPENDICES:

APPENDIX A INDEX TO FINANCIAL STATEMENTS OF ALLIANCE BANK F-1

SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements and notes thereto appearing elsewhere in this Prospectus. Prospective Investors should see "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Offered Notes (or beneficial interests therein). Reference is made to the Index of Defined Terms for the location of the definitions of certain capitalized terms.

Summary of Alliance Bank

Alliance Bank

Alliance Bank was incorporated in 1993 as an open joint stock company under the name IrtyshBusinessBank OJSC and merged with Semipalatinsk City Bank in 1999. The combined bank primarily served large industrial enterprises in Eastern Kazakhstan and the Pavlodar region.

In 2001, a consortium of domestic companies acquired more than a 90% interest in Alliance Bank. Part of this consortium included Seimar Investment Group, who acquired a 37% interest in Alliance Bank. In 2002, Alliance Bank changed its name to OJSC Alliance Bank and relocated its headquarters to Almaty, Kazakhstan's financial center.

In 2004, Alliance Bank was re-registered as a joint stock company, JSC Alliance Bank.

Alliance Bank's Business

As at June 30, 2006, Alliance Bank was the fourth largest commercial bank in Kazakhstan in terms of assets, with assets of KZT 519,649 million; the fourth largest bank in Kazakhstan in terms of equity, with equity of KZT 33,414 million; and the fourth largest bank in Kazakhstan in terms of total time deposits (including retail deposits), with total time deposits of KZT 112,315 million.

Alliance Bank is authorized to act as a commercial bank and to offer a wide range of traditional banking services, including deposit taking, lending, issuing letters of credit and guarantees, availing of promissory notes and payment cards, foreign currency exchange, broker-dealer transactions, custody, clearing and safe-keeping operations, financial leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust, pawnshop, factoring and forfeiting operations and issuing securities. However Alliance Bank's primary business consists of retail and corporate banking. Its retail banking activities include lending and deposit taking as well as the provision of payment cards. Alliance Bank's corporate banking division provides a broad range of banking products to a diversified group of domestic customers, primarily small- and medium-sized enterprises ("*SMEs*") with under 250 employees and total assets of up to U.S.$2,500,000 and requiring financing of up to U.S.$1,000,000. Alliance Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan.

As at June 30, 2006, Alliance Bank had 19 full-service branches located in the principal cities of Kazakhstan and 103 cash settlement offices (that provide a more limited range of banking service) throughout Kazakhstan.

Alliance Bank's Strategy

As Kazakhstan's economy grows and the private sector expands, Management expects to see continued strong demand from private sector companies for financial services, including a range of financing. In addition, Management believes that the demand for retail banking services will continue to grow largely due to a further increase of public confidence in the banking sector, and, accordingly, Alliance Bank continues to focus on the development of its retail business, targeting customers in the relatively under-penetrated mass market. A major contributing factor to this growth in public confidence has been the measures taken by the National Bank of Kazakhstan (the "*NBK*" or "*National Bank*") and the FMSA with a view to developing and stabilizing Kazakhstan's banking sector, including the establishment in 2000 of the Kazakhstan Deposit Insurance Fund.

Following three years of rapid expansion of both Alliance Bank's deposit base and loan portfolio, Management aims to continue the growth of Alliance Bank across all its business lines and thereby consolidate Alliance Bank's position in the market. Generally, Alliance Bank's strategy will be to continue to focus on strengthening and expanding its retail and corporate banking (especially SME) business. However, Alliance Bank's current strategic plan places particular emphasis on developing its retail banking business (particularly in consumer credit). Management intends to achieve this through improving the quality of customer service, exploiting cross-selling opportunities and diversifying Alliance Bank's distribution channels. In respect of the diversification of Alliance Bank's distribution channels, in addition to a planned increase of its cash settlement offices from 103 as at the date of this Prospectus to 176 by the end of 2006, Alliance Bank also plans to expand its network of agent and retail partner sales points.

The key elements of Alliance Bank's strategy include:

- development and strengthening of its existing market position;
- entrance into new financial market segments;
- continuous improvement of financial performance;
- refining and modernizing its products;
- increasing the quality of services; and
- diversification of its distribution network.

Alliance Bank's Credit Ratings

Currently, Alliance Bank is rated by two rating agencies: Fitch and Moody's. The current ratings of Alliance Bank are as follows:

Fitch		**Moody's**	
Individual	D	Strength	E+
Long term	BB-	Long term	Ba2
Short term	B	Short term	NP
Outlook	Stable	Outlook	Positive

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

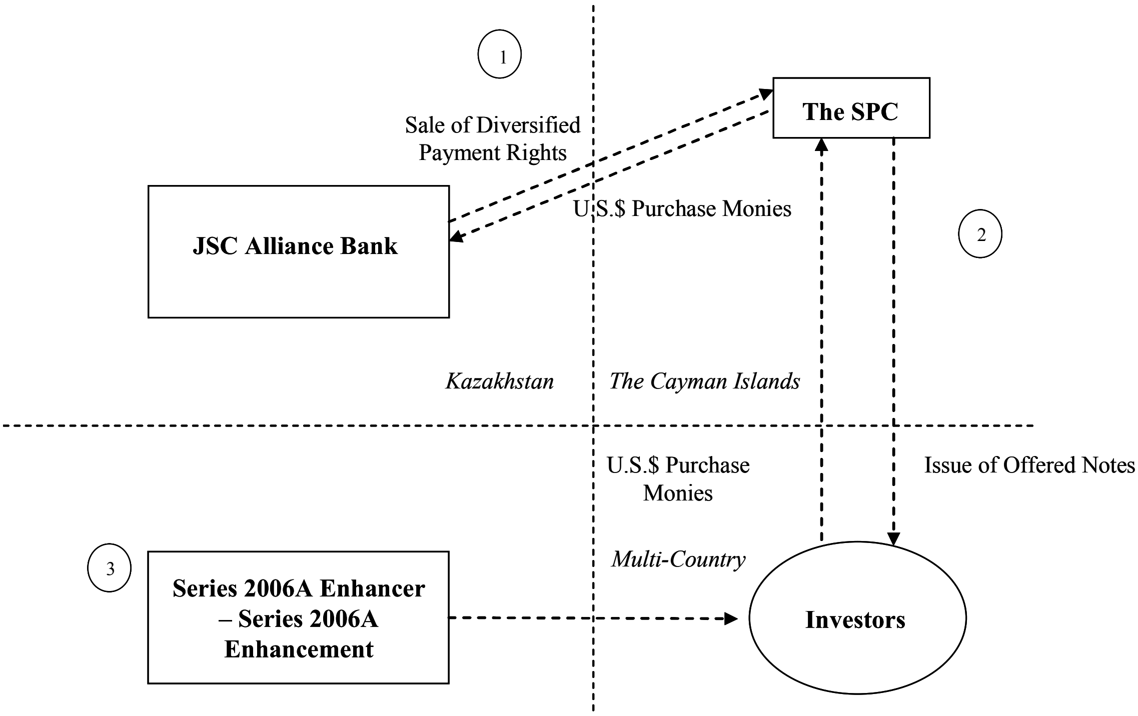
Summary Diagrams of the Transaction

The diagrams on the following pages illustrate (in simplified form) the structure of the transactions to be effected by the Transaction Documents. Of particular note, the diagrams reflect how Collections on the Diversified Payment Rights will be paid into the Concentration Accounts for further payment to Investors. A more detailed description of the transactions effected by the Transaction Documents and the Diversified Payment Rights is found in "Overview of Terms" and "Alliance Bank's Diversified Payment Rights Business". Potential investors are advised to review such sections in order to understand more fully the characteristics of the transactions effected by the Transaction Documents and the Diversified Payment Rights.

Transaction Structure

The transaction contemplates: (1) a sale by Alliance Bank of all of its right, title and interest in, to and under the Diversified Payment Rights to the SPC, (2) the purchase of which the SPC finances, in part, by issuing the Offered Notes. Alliance Bank retains all of its obligations to make applicable payments to the respective Payees.

Sale of Diversified Payment Rights



(1) Pursuant to the Origination Agreement, to be dated as of the Offered Notes Issuance Date, Alliance Bank will acknowledge its sale to the SPC of all of its current and future Diversified Payment Rights in consideration for cash (in the form of the Initial Payment from the proceeds of the offering of the Offered Notes), a promise by the SPC (evidenced by the Originator Note) to pay to Alliance Bank the amount of Collections on Diversified Payment Rights in excess of the SPC's debt service and other obligations and a promise of the SPC to pay to Alliance Bank any Additional Payments from the issuance of additional Series. The sale of the Diversified Payment Rights will be effected pursuant to the Bill of Sale. The Origination Agreement will be governed by New York law and the Bill of Sale will be governed by Kazakhstan law. See "Description of the Offered Notes and the Other Transaction Documents - Origination Agreement".

(2) Pursuant to the Indenture, the Series 2006A Indenture Supplement and Series 2006B Indenture Supplement, the SPC will issue the Offered Notes to Investors. See "Description of the Offered Notes and the Other Transaction Documents - Indenture".

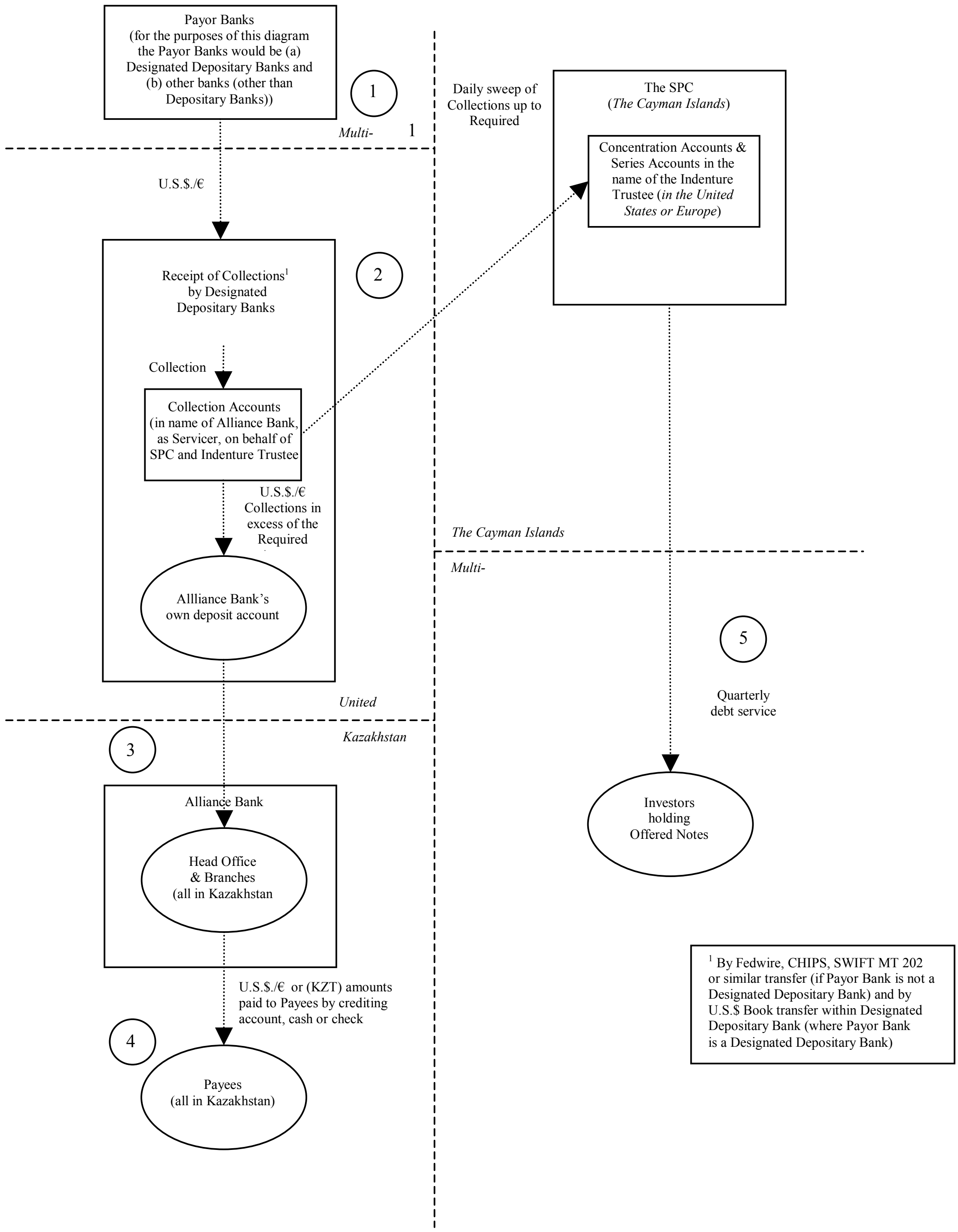
(3) Under the Series 2006A Enhancement, the Series 2006A Enhancer will unconditionally guarantee, for the benefit of the Guaranteed Noteholders, the timely payment of the Guaranteed Amount in respect of the Series 2006A Notes due on each applicable scheduled Payment Date, subject to the terms and conditions of the Series 2006A Enhancement. See "The Series 2006A Enhancement".

Diversified Payment Rights and Cash Flow

Subject to the Servicer's right to pre-fund (or cause to be pre-funded) the Required Amount (as described in "Overview of Terms - Pre-Funding of the Concentration Accounts") pursuant to the Servicing Agreement, daily Collections in respect of the Diversified Payments Rights will be transferred by each Primary Designated Depositary Bank and, in certain circumstances, by all Designated Depositary Banks from Collection Accounts to the Concentration Accounts until such time as the amount collectively on deposit therein and in the Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Overview of Terms - Allocation of Amounts in the Concentration Accounts" below) is equal to the Required Amount for the next Payment Date. See "Overview of Terms - Concentration Accounts" below. Thereafter, unless an Early Amortization Period for any Series exists (in which case, a percentage of all excess Collections paid by all Designated Depositary Banks into the Concentration Accounts will be transferred to the applicable Series Account until such time as there are sufficient funds in such Series Account to pay such Series in full), any Collections received by a Designated Depositary Bank into Collection Accounts for the remainder of the Interest Period will be transferred to Alliance Bank (which amounts would first be applied to pay for any pre-funding amounts and then as payments under the Originator Note).

Below is a diagram that illustrates the expected flow of Collections through the Collection Accounts at the Designated Depositary Banks into the Concentration Accounts or Alliance Bank's deposit accounts maintained at each Designated Depositary Bank, as the case may be:

Diversified Payment Rights – Cash



(1) In the normal course of business, companies, governments and individuals request Payor Banks, in the majority of cases outside Kazakhstan, to initiate transactions for the payment of amounts to Payees in Kazakhstan through Alliance Bank, thereby generating Payment Orders. See "Alliance Bank's Diversified Payment Rights Business - The Diversified Payment Rights".

(2) Collections on the Diversified Payment Rights received from a Payor Bank that is a Designated Depositary Bank will be deposited into the Collection Account at such Designated Depositary Bank. Starting on the first day of each Interest Period, amounts on deposit in the Collection Account(s) with each Primary Designated Depositary Bank and, in certain circumstances, all Designated Depositary Banks will be transferred to the Concentration Account(s) (unless the Servicer has made (or caused to be made) an advance sufficient to pre-fund the Required Amount) on each business day until the Required Amount for the next Payment Date has been accumulated therein (and/or in the Series

Accounts and/or already sent to the SPC). See "Overview of Terms - Concentration Accounts". On each of its Business Days, the Indenture Trustee will allocate the amounts in the Concentration Accounts to pay the various components of the Required Amount, including depositing the appropriate amounts payable in respect of each Series (including the Offered Notes) into the applicable Series Accounts. See "Overview of Terms - Allocation of Amounts in the Concentration Accounts".

The Servicer (so long as it is Alliance Bank or an affiliate thereof) will have the ability to make (or cause to be made) advances to the SPC from time to time to pre-fund the Required Amount for a Payment Date. See "Overview of Terms - Pre-Funding of the Concentration Accounts".

(3) Collections that are not required to be transferred to the Concentration Accounts (as described above in paragraph (2)) will be applied as a payment by the SPC to the Servicer (if it is Alliance Bank or an affiliate thereof) for pre-funding amounts and then to Alliance Bank under the Originator Note. See "Overview of Terms - Allocation of Amounts in the Concentration Accounts".

(4) Alliance Bank, from its own funds, will pay to the respective Payee within Kazakhstan an amount equal to the U.S. Dollar or Euro amount (or Tenge equivalent) of the applicable Payment Order (less any commission or fee retained by Alliance Bank). See "Overview of Terms - Covenants of Alliance Bank".

(5) On each Payment Date (or Early Amortization Payment Date, if applicable), amounts on deposit in the Concentration Accounts and the Series Accounts will be applied to the payment of principal, Interest and other payments due with respect to each Series, including the Offered Notes. See "Overview of Terms - Allocation of Amounts in the Concentration Accounts" and "Overview of Terms - Distribution of Amounts in the Series Accounts".

OVERVIEW OF TERMS

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Prospectus. Prospective Investors in the Offered Notes should see "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Offered Notes.

Securities Offered

U.S.$100,000,000 of Series 2006A Notes and U.S.$100,000,000 of Series 2006B Notes (*i.e.*, the Offered Notes). The Offered Notes will be issued by Alliance DPR Company, an exempted limited liability company incorporated under the laws of the Cayman Islands (*i.e.*, the SPC). The Offered Notes will be issued in registered form and are expected to be listed on the Luxembourg Stock Exchange.

The Offered Notes will be issued in the initial aggregate principal amount specified above, and any other Series will be issued in an initial aggregate principal amount specified in the applicable Indenture Supplement (for each Series, its "*Initial Series Balance*").

"*Series Balance*" with respect to any Series means, as of any date of determination, the outstanding principal balance of such Series on such date after giving effect to (a) any payments (including from the proceeds of any applicable Enhancement) made on or before such date for all or any portion of the principal of such Series and (b) the cancellation of all or any portion of the principal of such Series as a result of Alliance acquiring any interest therein and electing to have such principal amount canceled as specified in "Optional Redemption" below.

Denominations

The Offered Notes (or beneficial interests therein) will be offered for purchase in minimum authorized denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. Each other Series will be issued in the denominations specified in the applicable Indenture Supplement.

Originator of the Diversified Payment Rights

Alliance Bank JSC (*i.e.*, Alliance). Pursuant to an agreement, to be dated as of November 13, 2006 (*i.e.*, the Closing Date), between Alliance and the SPC (the "*Origination Agreement*"), Alliance will (a) acknowledge its sale to the SPC of all of the Diversified Payment Rights then existing or thereafter created (and all Collections with respect thereto) through and including the date on which all payment obligations of the SPC and Alliance under the Transaction Documents (including under any Enhancement Agreement but excluding the Originator Note) have been paid in full (including, if applicable, from any Sale Recision Payment and any payment of a Redemption Price made in connection with Alliance's request to the SPC to redeem a Series in full (see "Optional Redemption" below)) (the "*Sale Termination Date*"), such sale being effected by the execution and delivery on the Closing Date by Alliance of a bill of sale (the "*Bill of Sale*"), which Bill of Sale will be acknowledged by the SPC, (b) acknowledge its assignment to the SPC of all of the Collection Accounts (or rights therein) and (c) make any and all payments in respect of any optional redemption (see "Optional Redemption" below), Sale Recision Events (see "Sale Recision Events" below), Additional Amounts (see "Withholding Taxes" below), and certain costs, expenses and indemnities.

Issuer

The SPC will be neither owned nor controlled by the Lead Managers, Alliance or any of their respective affiliates. The business of the SPC will be limited to:

(a) the issuance and sale of the Offered Notes and other notes (collectively, with the Offered Notes, the "*Notes*") pursuant to an indenture, to be dated as of the Closing Date (the "*Indenture*"), between the SPC and the Indenture Trustee and supplements issued under the Indenture in connection with each issuance of a Series, including the supplement for the Series 2006A Notes (the "*Series 2006A Indenture Supplement*") and the Series 2006B Notes (the "*Series 2006B Indenture Supplement*" and, together with the Series 2006A Indenture Supplement and supplements for other Series, the "*Indenture Supplements*"), and the granting of a pledge of the Collateral pursuant to the Indenture for the purposes of securing its obligations to the Beneficiaries under the Transaction Documents,

(b) the use of the proceeds from the issuance of the initial Series issued on the Closing Date (*i.e.*, the Offered Notes) (the "*Initial Payment*") and later issuances of other Series (each an "*Additional Payment*") to make payment for its purchase of the Diversified Payment Rights (and Collections thereon) and the assignment of the Collection Accounts (or rights therein),

(c) the use of Collections on the Diversified Payment Rights (i) with any disbursements under any applicable Enhancements and, in certain instances described herein, funds provided by Alliance pursuant to the Origination Agreement to pay Interest and principal on the Notes and other payments under the Transaction Documents and (ii) to pay Alliance for the Diversified Payment Rights by making payments under a note (the "*Originator Note*") to be issued by the SPC to Alliance on the Closing Date pursuant to the Origination Agreement, and

(d) taking such other actions as are necessary or incidental to give effect to the foregoing, including entering into (and performing its obligations under) the Transaction Documents necessary or incidental to effect the foregoing.

The Originator Note is neither a loan from Alliance to the SPC nor a security and is merely evidence of the SPC's obligations under the other Transaction Documents to pay certain amounts to Alliance in the manner described herein (including pursuant to clause (xviii) of "Allocation of Amounts in the Concentration Accounts" below).

For purposes of this Overview of Terms, "*affiliate*" means, with respect to any specified person, any other person controlling or controlled by or under common control with such specified person. For the purposes of this definition, "*control*" when used with respect to any specified person means the right or power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing. For the purposes of this definition, no entity will be deemed an affiliate of the SPC solely because the administrator of the SPC or its affiliates serves as administrator and/or share trustee for such entity.

Joint Arrangers and Lead Managers Merrill Lynch International and HSBC Bank plc will be the joint arrangers and lead managers of the sale of the Offered Notes.

Use of Proceeds The proceeds from the sale of the Offered Notes will be used by the SPC to make the Initial Payment to Alliance for the Diversified Payment Rights (and Collections thereon) sold to the SPC under the Bill of Sale and the Collection Accounts assigned (or rights in which are assigned) to the SPC pursuant to the Account Agreements. Alliance will use such proceeds for general corporate purposes (including paying all arranger fees and other fees and expenses relating to the offering of the Offered Notes). No proceeds from the Initial Payment or any Additional Payment will be used by Alliance to make loans or otherwise provide funds (directly or, to its knowledge, indirectly) to countries (or any person or entity of such countries) or any other person or entity contrary to the Prohibited Nations Acts.

"*Prohibited Nations Acts*" means (a) The Trading with the Enemy Act of 1917, 50 U.S.C.A. app. §1 *et seq.*, of the United States of America, (b) the International Emergency Economic Powers Act, 50 U.S.C.A. §1701 *et seq.*, of the United States of America, (c) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("*USA PATRIOT Act*"), Pub. L. No. 107-56, 115 Stat. 272, of the United States of America, and (d) any similar acts, executive orders or similar governmental actions of the United States of America or Kazakhstan, in each case including regulations issued thereunder and as amended or supplemented from time to time.

Indenture Trustee

The Bank of New York, a New York banking corporation, not in its individual capacity but solely as trustee (in such capacity, the "*Indenture Trustee*"), will act as trustee under the Indenture.

Beneficiaries

"*Beneficiaries*" means each of the Indenture Trustee, the Investors, each Enhancer (if any), the Servicer, each counterparty under a Hedging Agreement and any other person entitled to payment under the Transaction Documents; *provided* that such term will not include (a) the SPC, Alliance or any of their respective affiliates other than to the extent that such person is an Investor, an Enhancer or a counterparty under a Hedging Agreement or (b) any person in a capacity unrelated to the transactions contemplated by the Transaction Documents.

"*Investor*" means each Noteholder, Certificateholder and Beneficial Owner. "*Noteholder*" means the registered owner of a Note (*e.g.*, a Series 2006A Noteholder or a Series 2006B Noteholder). "*Certificateholder*" means the registered owner of a Certificate. "*Beneficial Owner*" means each Certificate Owner and Note Owner. "*Certificate Owner*" means a holder of a beneficial interest in a Certificate. "*Certificate*" means any certificate issued by a trust that acquires one or more Note(s), as specified in the applicable Indenture Supplement, which certificate is intended to give the holder thereof a beneficial interest in such Note(s). "*Note Owner*" means a holder of a beneficial interest in a Note (*e.g.*, a Series 2006A Note Owner or a Series 2006B Note Owner).

Servicer

Alliance will be the initial Servicer. The SPC, the Servicer and the Indenture Trustee will enter into an agreement, to be dated as of the Closing Date (the "*Servicing Agreement*"), pursuant to which the Servicer will agree to process, and supervise the processing of, Diversified Payment Rights and perform reporting functions on behalf of the SPC. The Servicer generally may not resign but may be removed upon the occurrence of a Servicer Default as specified in "Servicer Defaults" below; *provided* that, if the Servicer is Alliance or any affiliate thereof, then the rights and obligations of the Servicer may, with the prior consent of the Majority Controlling Parties, be assigned to Alliance or any affiliate thereof; *and provided further* that no such consent from the Majority Controlling Parties will be required for an assignment to Alliance of such rights and obligations of the Servicer if Alliance had not earlier been removed as Servicer as a result of a Servicer Default. The Servicer will receive a fee determined on an arm's-length basis to provide such services in respect of the Diversified Payment Rights; *provided* that if Alliance or an affiliate thereof is the Servicer, then the Servicer will not be entitled to a servicing fee.

Successor Servicer

The Indenture Trustee will agree to perform certain limited reporting duties of the Servicer if the Servicer is removed and will use commercially reasonable efforts to appoint (with the approval of the Majority Controlling Parties) another person to act as the Servicer. To the extent that the Indenture Trustee reasonably requests, Alliance will cooperate with the Indenture Trustee on matters relating to the transfer of the servicing duties to the successor Servicer so appointed.

"*Majority Controlling Parties*" means, on any date of determination, the Controlling Parties representing more than 50% of the aggregate Unpaid Balances of all Series.

"*Unpaid Balance*" of a Series means, on any date of determination, the sum of (a) the Series Balance of such Series on such date *plus* (b) the amount of any principal payments made with respect to such Series by any Enhancer that are required to be reimbursed by the SPC and remain unreimbursed on such date.

"*Series*" means each series of Notes (which may be a single Note), whether a Senior Series or a Subordinated Series, issued under an Indenture Supplement. Each Series of Notes may have a corresponding series of Certificates issued by a Trust owning such Series of Notes, the rights of the Certificateholders under which will be solely as described in the applicable Trust Agreement. "*Trust*" means any trust formed pursuant to a Trust Agreement. "*Trust Agreement*" means, with respect to any Series, the agreement (if any) so identified in the Indenture Supplement for the Note(s) related to such Series and which agreement provides for the creation of a trust that would acquire and hold such Note(s) on behalf of Certificateholders holding Certificates issued by such Trust.

Enhancer

"*Enhancer*" means (a) with respect to the Series 2006A Notes, the Asian Development Bank (*i.e.,* the Series 2006A Enhancer), and (b) with respect to any other Series for which an Enhancement has been provided, any person (or account) identified as such in the applicable Indenture Supplement. There will be no Enhancer with respect to the Series 2006B Notes.

Enhancement

"*Enhancement*" means (a) with respect to the Series 2006A Notes, the Series 2006A Enhancement, and (b) with respect to any other Series, each financial guaranty, reserve account, letter of credit, guaranty or other form of enhancement (if any) for such Series as may be identified as such in the applicable Indenture Supplement. The Series 2006A Enhancement will guaranty the payment of the Quarterly Amortization Amounts and Guaranteed Interest with respect to the Series 2006A Notes, but not before the scheduled Payment Date therefor, and will not guaranty the payment of any other amounts (including, without limitation, Additional Amounts, accelerated principal or any Make-Whole Premium). There will be no Enhancement with respect to the Series 2006B Notes. See "The Series 2006A Enhancement" below.

Enhancement Agreement

"*Enhancement Agreement*" means (a) with respect to the Series 2006A Notes, the Guaranty and Reimbursement Agreement, to be dated as of the Offered Notes Issuance Date, among the Series 2006A Enhancer, Alliance and the SPC (the "*Series 2006A Enhancement Agreement*"), and (b) with respect to the Enhancement(s) for any other Series, any reimbursement or other agreement identified as such in the applicable Indenture Supplement. There will be no Enhancement Agreement with respect to the Series 2006B Notes.

Controlling Party

"*Controlling Party*" means (a) as of any date of determination, with respect to the Series 2006A Notes, the Series 2006A Enhancer; *provided* that if at such date any Enhancer Event exists with respect to the Series 2006A Enhancer, then Controlling Party means the Series 2006A Noteholders and (to the extent that the Series 2006A Enhancer has made any payment under the Series 2006A Enhancement with respect to principal for which it has not yet been reimbursed) the Series 2006A Enhancer that, in the aggregate, hold or (in the case of the Series 2006A Enhancer) have not been reimbursed for more than 50% of the Unpaid Balance of such Series on such date, (b) as of any date of determination, with respect to the Series 2006B Notes, the applicable Noteholders that, in the aggregate, hold more than 50% of the Unpaid Balance of such Series on such date (the "*Majority Series Noteholders*"); *provided* that the Majority Series Noteholders may notify the Indenture Trustee, the SPC and Alliance from time to time that the Controlling Party of such Series shall be such other person(s) designated as such (and certified by the Investors that, in the aggregate, hold more than 50% of the Unpaid Balance of such Series on such date as being provider(s) of credit enhancement in respect of such Series (or beneficial interests therein) owned by such Investors) in such notice; *it being understood* that (i) such designation will continue until such time as the Indenture Trustee receives notice to the contrary from the Majority Series Noteholders (which notice the Indenture Trustee will promptly forward to the SPC and Alliance); *it being understood* that such Investors will promptly deliver such notice with respect to any such person(s) after such designated person(s) cease(s) to be provider(s) of credit enhancement in respect of such Series (or beneficial interests therein) owned by such Investors, and (ii) at any time that the Majority Series Noteholders are not the Controlling Party of such Series, on each date on which a Servicing Report is delivered to the Noteholders, the Indenture Trustee will deliver to each Noteholder of such Series a notice confirming the identity of the Controlling Party of such Series as of such date, and (c) with respect to any other Series, the person(s) identified as such in the applicable Indenture Supplement.

With respect to any Series for which the Controlling Party is a person (or persons) other than all of the Investors of such Series, the vote of the Controlling Party relating to such Series will be deemed to represent (and replace) the vote of such Investors; *provided* that, with respect to certain waivers and amendments (including any that would reduce in any manner the amount of, or delay the timing of, any scheduled payments to Investors and/or Enhancers on such Series), the consent of certain or all of such Investors and/or the applicable Enhancer (as applicable) will also be required; *and provided further* that, if there are more than one outstanding Series, the Quarterly Amortization Amounts of any Series may not be amended unless the requirements of "Issuance of Additional Series by the SPC" below are satisfied as if such amendment resulted in the issuance of a new Series. The Series 2006A Enhancer, as the Enhancer of the Series 2006A Notes, will generally be the Controlling Party of such Series. For the purpose of clarification, the Controlling Party of a Series will always have the right (without the consent of the Investors or Enhancers, as applicable, of such Series if such is/are not the Controlling Party) to exercise any remedies with respect to and/or waive any Sale Recision Events and/or Early Amortization Events with respect to such Series.

"*Enhancer Event*" means, with respect to the Series 2006A Enhancer:

(a) the failure of the Series 2006A Enhancer to pay when, as and in the amounts required any amount payable under the Series 2006A Enhancement and the continuation of such failure unremedied for at least two Manila/New York Business Days, or

(b) the Series 2006A Enhancement shall cease (or the Series 2006A Enhancer shall claim in writing that it has ceased) to be in full force and effect.

Notwithstanding anything herein or in the Transaction Documents to the contrary, should any Notes or Certificates (or beneficial interests therein) be owned by the SPC, Alliance or any of their respective affiliates, then any vote participated in by Investors will exclude, and any determination of the "Controlling Party" or "Majority Controlling Parties" will exclude, the vote relating to (and principal amount of) the Notes or Certificates (or beneficial interests therein) of any such person; *provided* that if such persons own all of the Notes or Certificates (or beneficial interests therein) of the applicable Series, then such persons will not be excluded from any such vote or determination having to do exclusively with the applicable Series or other Series (if any) with respect to which such persons are the only Investors; *it being understood* that such exclusion from voting does not include circumstances where Alliance, any affiliate thereof or any affiliate of the SPC is the owner of any Notes or Certificates (or a beneficial interest therein) on behalf of another person who is not the SPC, Alliance, any successors of either thereof or any affiliates of any thereof. In addition, while any Senior Series remains outstanding, any vote participated in by the Controlling Party(ies) of the Senior Series and/or Enhancers thereof and/or Investors therein will exclude from such voting the vote relating to (and principal amount of) any Subordinated Series (and any Certificates relating thereto).

Diversified Payment Rights

"*Diversified Payment Rights*" means all right, title and interest (but none of the obligations) of Alliance in, to and under Dollar- and/or Euro-denominated Payment Orders received (or to be received) by Alliance (including its right to receive and/or retain for itself all payments made in connection with such Payment Orders), which Payment Orders (a) are sent or delivered by a Payor Bank to a branch, representative office or other office of Alliance in Kazakhstan and are not addressed to a Non-Kazakhstan Office of Alliance and (b) request that payment be made by Alliance to the applicable Payee within Kazakhstan (for example, through credit to the beneficiary's account maintained with Alliance in Kazakhstan), in each case the payment to Alliance with respect to which is to be made outside of Kazakhstan; *provided* that "Diversified Payment Rights" will not include any right, title or interest of Alliance in, to or under any payments to be received in connection with Western Union Payments, Credit Card Payments or Check Payments whether or not they would otherwise be considered a Diversified Payment Right.

For the purpose of clarification:

(a) rights relating to Payment Orders received by Alliance with respect to which (i) payment to Alliance is to be made within Kazakhstan, (ii) a Non-Kazakhstan Office of Alliance is the recipient (and/or addressee) thereof, (iii) payment is to be made to an account of a Non-Kazakhstan Office of Alliance and/or (iv) the Payor thereof is a Customer Payor are not included within Diversified Payment Rights,

(b) with respect to any Payment Order, Diversified Payment Rights include the gross (or "face") value of such Payment Order and not the "net" or other reduced amount (including any such reduction arising from any set-off relating to obligations payable by Alliance to the applicable Payor, which payment obligations are retained by Alliance and are to be paid to such Payor separately), and

(c) all of the Diversified Payment Rights (whether then existing or thereafter created through and including the Sale Termination Date) will be sold by Alliance to the SPC on the Closing Date and, thereafter through and including the Sale Termination Date, the Diversified Payment Rights will never be owned by Alliance and the SPC will (without any further action by any party) own any future-generated Diversified Payment Rights immediately and automatically upon their generation.

"*Western Union Payments*" means any payment to be received by Alliance from Western Union Financial Services, Inc., U.S.A. (and its successors and affiliates) under the "Western Union" money transfer program or any successor thereof.

"*Credit Card Payments*" means any payment to be received by Alliance from any credit card issuing bank or credit card organization (including MasterCard, Visa, American Express, Maestro, MasterCard Europe, Cirrus or Diners Club) relating to the use of credit cards within Kazakhstan (including in connection with Alliance's acquisition of any merchant vouchers).

"*Check Payments*" means any payment to be received by Alliance from any financial institution in connection with Alliance's cashing of a check issued by a customer of such financial institution (or issued by such financial institution itself).

Payment Orders

"*Payment Order*" means an electronic or other message to instruct Alliance to make a payment of a certain amount to a beneficiary other than Alliance (including through deposit into such beneficiary's account with Alliance), which message may be (a) an MT102, MT102+, MT103, MT103+, MT202 or any other MT100-category or MT200-category message under the Society for Worldwide Interbank Financial Telecommunication's ("*SWIFT*") message system, (b) any other type of message, including a message sent via telex or the internet or using an Alliance customer form, or (c) any information made available to Alliance by the applicable Payor in connection with a deposit of the applicable amounts into the applicable bank account so that Alliance will make a payment (including through deposit into such beneficiary's account at Alliance) of a certain amount to a beneficiary other than Alliance (in the case of each of clauses (a), (b) and (c), including any type of message, category of message or message system that may be in addition to, may replace or may be utilized in substitution for any of the foregoing); *it being understood* that "Payment Order" will include:

(i) any such message instructing that a payment be made to a beneficiary with respect to which payment Alliance has acquired from such beneficiary the right to receive and/or retain such payment in exchange for Alliance's prior financing of such beneficiary (for example, in connection with any pre-export loan or other export-related financing),

(ii) any such message that identifies Alliance as the named beneficiary but also refers (either in a "details" section or otherwise in the message, including in a transaction reference number) to a further beneficiary, and

(iii) any such message instructing Alliance to credit the applicable amount into a customer's loan account maintained with Alliance and to apply such amount to repay a loan provided to such customer by Alliance (the "*Loan Repayments*");

provided that, whether or not otherwise included within the above description (A) SWIFT MT400-category and MT700-category payment orders, advices and messages (and their respective successors) received by Alliance and (B) Foreign Book-Entry Payment Orders are not included in the definition of "Payment Order".

For the purpose of clarification, SWIFT MT200-category payment orders (and their respective successors) received by another financial institution for the benefit of Alliance are not included in the definition of "Payment Order" as Alliance is the beneficiary (and not the recipient) thereof (*it being understood* that such payment orders may be the manner whereby a Payor Bank makes payment for a Payment Order, which payment is thus included in the transaction) but SWIFT MT200-category payment orders (and their respective successors) received by Alliance for the benefit of another financial institution are included in the definition of "Payment Order".

"*Foreign Book-Entry Payment Order*" means a payment order received from a Customer Payor requesting that funds in an account of such Customer Payor maintained at a Non-Kazakhstan Office of Alliance be transferred to another account of such Customer Payor maintained at the same or another Non-

Kazakhstan Office of Alliance.

"*Non-Kazakhstan Office*" means, with respect to any bank or similar financial institution, a branch, representative office or other office of such bank or similar financial institution that is located outside of Kazakhstan.

Payors

"*Payor*" means a Payor Bank or a Customer Payor.

"*Payor Bank*" means, with respect to a Payment Order, a bank or other person (other than a Customer Payor or any branch or other office of Alliance) that sends or delivers such Payment Order to Alliance (including to any of its branches or other offices other than any of its Non-Kazakhstan Offices), the payment with respect to which Payment Order is to be made to Alliance through making (or causing to be made) a deposit into (or other credit to) an account maintained at a Depositary Bank (whether such payment is effected through (a) such Payor Bank crediting such payment to an account of Alliance (*i.e.*, such Payor Bank is a Depositary Bank), (b) such Payor Bank sending a SWIFT MT202 payment order or similar message to a Depositary Bank for the benefit of Alliance or (c) otherwise). For the purpose of clarification, a Payor Bank could be either outside of Kazakhstan (including a Non-Kazakhstan Office of a Kazakhstan Bank) or inside of Kazakhstan (including a Kazakhstan branch of a Non-Kazakhstan Bank).

"*Customer Payor*" means, with respect to a Payment Order, any person (including a customer of Alliance) that sends or delivers such Payment Order to Alliance (including to any of its branches or other offices, including any of its Non-Kazakhstan Offices), the payment with respect to which Payment Order is to be made to Alliance other than through making (or causing to be made) a deposit into (or other credit to) an account maintained at a Depositary Bank. For example, payment could be effected by such Customer Payor through a request that its account at any of Alliance's Non-Kazakhstan Offices be debited in the appropriate amount or by delivering cash to Alliance.

Depositary Banks

"*Depositary Bank*" means any correspondent bank of Alliance that maintains outside of Kazakhstan a Dollar and/or Euro account for Alliance (including for any of its branches or other offices other than any of its Non-Kazakhstan Offices). For the purpose of clarification, a Depositary Bank may include a subsidiary or other affiliate of Alliance.

Designated Depositary Banks

"*Designated Depositary Bank*" means a Depositary Bank with respect to which an Account Agreement is in full force and effect. The Designated Depositary Banks are expected to be initially The Bank of New York (New York), Deutsche Bank Trust Company Americas (New York) and American Express Bank Ltd. (New York).

Each Account Agreement will provide that neither Alliance nor the SPC may terminate such Account Agreement without the consent of the Indenture Trustee; *provided* that (a) if the amount of Collections processed by such Designated Depositary Bank were less than 2.5% of the total DDB Collections for each of the four most recent Quarterly Reporting Periods, then the Indenture Trustee will provide such consent for the immediate termination of such Account Agreement without confirmation from any other person, (b) if (i) an Early Amortization Event with respect to any Series (or any event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both) exists and/or (ii) an Early Amortization Event (including as described in clause (g) of the definition thereof or relating to any Debt Service Coverage Test) for any Series would have occurred had such Designated Depositary Bank not been such during the entire preceding Monthly Reporting Period and Quarterly Reporting Period, then the Indenture Trustee will not provide such consent, and (c) otherwise, the Indenture Trustee will provide such consent only at the instruction of the Majority Controlling Parties and such termination will then occur only after the earlier of the Sale Termination Date and the period established for termination in the applicable Account Agreement.

Collection Accounts

Each Designated Depositary Bank will be directed to (a) convert certain or all of Alliance's (including, in certain circumstances, certain of its branches' and other offices') existing Dollar and/or Euro-denominated *nostro* account(s) maintained with it into one or more account(s) (each a "*Collection Account*") in the name of Alliance, as the Servicer on behalf of the SPC and the Indenture Trustee (or, with respect to accounts maintained at a branch or other office of Alliance, in the name of the SPC), into which account such Designated Depositary Bank will agree, pursuant to its Account Agreement, to deposit all Collections received (or paid) by it in respect of any Diversified Payment Rights (such Collections received in the Collection Accounts at Designated Depositary Banks (i) that are both a licensed bank or similar financial institution qualified to perform its obligations as described in the applicable Account Agreement, (ii) to the extent necessary in order to perform its obligations under the applicable Account Agreement, that are members of SWIFT and/or a successor/replacement/ alternate system, and (iii) as set forth in the Series 2006A Indenture Supplement and applicable to calculations for such Series only (including calculations under the Indenture, the Servicing Agreement and/or the Origination Agreement that are not specific to such Series but are determined while the Series 2006A Indenture Supplement remains in effect), which have a long-term debt rating (as of the last day of the applicable period) of not less than "A-" by S&P and "A3" by Moody's, being referred to herein as "*DDB Collections*;" *it being understood* that, as such, DDB Collections include Collections deposited into Collection Accounts at subsidiaries and other affiliates of Alliance); *it being further understood* that, as the Designated Depositary Banks are not responsible for identifying any payments as being related to a Diversified Payment Right, any Collections that do not contain the account number and/or other identification of the applicable Collection Account might not be so deposited, and (b) establish one or more new account(s) to be owned and controlled by Alliance into which account(s) Alliance may direct any payments to it not related to the Diversified Payment Rights. The Indenture Trustee will control each Collection Account in the manner described in the applicable Account Agreement.

Notwithstanding the above, a Collection Account may also be (a) a joint account in the name of the Servicer (on behalf of the SPC) and the Indenture Trustee if necessary to clarify that the account is owned by the SPC and not Alliance, (b) a new account that replaces an existing Alliance *nostro* account (which account would be closed) and that is subject to an Account Agreement providing that all funds that are thereafter directed to the closed account are to be deposited into such replacement account, (c) an account in the name of the SPC or (d) any account with a similar structure; *provided* that in each case such account and/or all funds therein must be directly or indirectly owned by the SPC. In any event, an Account Agreement must provide for the applicable Collection Account (and/or all of the funds credited thereto) to be owned (directly or beneficially) by the SPC and that Alliance's interest (if any) in such account (including if it is the named accountholder) and/or funds credited thereto would be only as trustee or agent for the SPC or otherwise in a manner not inconsistent with the SPC's direct or beneficial ownership in such account and/or funds.

For the purpose of clarification (a) payment orders to Alliance's branches or other offices from Alliance's own branches or other offices (including from its Non-Kazakhstan Offices) do not result in Diversified Payment Rights and, as such, the related intra-company payments will not be deposited into any Collection Account (such branches or other offices to deposit such amounts in other accounts of Alliance maintained thereat); *it being understood* that such deposit will not be interpreted to avoid a breach of clause (k) or (n) of

"Covenants of Alliance" below or clause (g) of "Early Amortization Events" below, and (b) subject to clause (n) of "Covenants of Alliance" below, an Account Agreement may be signed with a Designated Depositary Bank to cover one or more of Alliance's accounts at such bank without covering all of Alliance's accounts at such bank.

Trapped Unsold Flows

Notwithstanding anything else herein to the contrary, at any time after a Payment Date (or Early Amortization Payment Date, if applicable) to and including the fifth Business Day after such Payment Date (or Early Amortization Payment Date, if applicable), Alliance may notify the Indenture Trustee of any amounts that do not relate to Diversified Payment Rights (such as payments related to SWIFT MT202 payment orders received by another financial institution for the benefit of Alliance and that do not provide for a payment to Alliance for a Payment Order) that were deposited into the Concentration Accounts during the period from the preceding Payment Date (or Early Amortization Payment Date, if applicable) to but excluding such Payment Date (or Early Amortization Payment Date, if applicable) (such period, the "*Return Period*"). As such amounts are not included in the sale of Diversified Payment Rights to the SPC, the Indenture Trustee (unless a Sale Recision Payment is then payable by Alliance) will (to the extent of amounts then available in the Concentration Accounts and Series Accounts) promptly (but, in any event, by no later than the later of such fifth Business Day and the second Business Day after the Indenture Trustee's receipt of such notice) after the end of such Return Period transfer to Alliance (to the account that Alliance notifies the Indenture Trustee) an amount equal to (a) the aggregate amount so notified by Alliance for such Return Period (*minus* any such amounts already paid to Alliance pursuant to the next paragraph with respect to such Return Period) (the "*Returnable Amount*") *minus* (b) the lesser of (i) the Returnable Amount and (ii) the aggregate amount of payments made under the Originator Note during such Return Period from funds in the Concentration Accounts (*it being understood* that the payments under the Originator Note during such Return Period will thereafter be deemed to have been reversed in an amount equal to the amount determined under clause (b) and all funds immediately thereafter remaining in the Concentration Accounts and Series Accounts will be allocated among the Concentration Accounts and Series Accounts pursuant to "Allocation of Amounts in the Concentration Accounts" below as if such funds were Collections on such date). Such payment will be considered to be a full return by the Indenture Trustee and the SPC to Alliance of such Returnable Amount for such Return Period and a full return by Alliance to the Indenture Trustee and the SPC of the amount determined under clause (b). With respect to any Returnable Amount for which Alliance does not deliver any such notice by the indicated date for any Return Period, any such claims that Alliance might have for such Returnable Amount will be considered to have been satisfied in full (including through the release to Alliance of Collections pursuant to "Allocation of Amounts in the Concentration Accounts" below during such Return Period). Notwithstanding the above, with respect to any such notice, the Indenture Trustee will withhold such Returnable Amount until it is reasonably satisfied that such deposits did not relate to Diversified Payment Rights.

Notwithstanding the preceding paragraph other than the last sentence thereof, on any Business Day during a Return Period that the Returnable Amount for such Return Period is U.S.$2,500,000 (including the Dollar equivalent of any Returnable Amounts denominated in Euro) or greater, Alliance may so notify the Indenture Trustee and the Indenture Trustee then will (to the extent of amounts then available in the Concentration Accounts and Series Accounts) promptly (but, in any event, on such Business Day (or, if such notice is received by the Indenture Trustee after 3:00 p.m. (New York City time) or in respect of any Returnable Amount in Euro, by no later than its Business Day after such Business Day)) transfer from the Concentration Accounts and Series Accounts to Alliance (to the account that Alliance notifies the Indenture

Trustee) an amount equal to (a) such Returnable Amount *minus* (b) the lesser of (i) such Returnable Amount and (ii) the aggregate amount of payments made to date under the Originator Note during such Return Period from funds in the Concentration Accounts (*it being understood* that the payments under the Originator Note will thereafter be deemed to have been reversed in an amount equal to the amount determined under clause (b) and all funds immediately thereafter remaining in the Concentration Accounts and Series Accounts will be allocated among the Concentration Accounts and Series Accounts pursuant to "Allocation of Amounts in the Concentration Accounts" below as if such funds were Collections on such date); *provided* that no such payment will be made if (A) a Sale Recision Payment is then payable by Alliance or (B) unless all of the Designated Depositary Banks are then transferring Collections to the Concentration Accounts, such Business Day is ten Business Days or fewer before the end of such Return Period. Such payment will be considered to be a full return by the Indenture Trustee and the SPC to Alliance of such Returnable Amount and a full return by Alliance to the Indenture Trustee and the SPC of the amount determined under clause (b).

If, after any payment to Alliance under the two preceding paragraphs, the Required Amount for the next Payment Date (or Early Amortization Payment Date, if applicable) is not on deposit in the Concentration Accounts and the Series Accounts (in the aggregate) (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below), then the Indenture Trustee will (a) if after the close of business of the Indenture Trustee's business on the 15th Business Day of any Interest Period, or on any Business Day if an Early Amortization Period with respect to any Series exists, promptly (and, in any event, by no later than its next Business Day) instruct each Designated Depositary Bank that is not then transferring Collections to the Concentration Accounts to, by no later than its business day after its receipt of such instruction (or such later time as may have been agreed in the applicable Account Agreement), begin transferring all amounts received in such bank's Collection Account(s) to the applicable Concentration Account(s) until such time as the Indenture Trustee notifies such Designated Depositary Bank otherwise, or (b) otherwise, ensure that each Primary Designated Depositary Bank continues to transfer Collections to the applicable Concentration Account(s) (or if it is not then doing so, instruct it to do so) until the Indenture Trustee notifies it otherwise; *it being understood* that if Alliance has requested any payment of a Returnable Amount and if (pursuant to the last sentence of the second paragraph above) the Indenture Trustee has not yet delivered any applicable amounts relating thereto to Alliance, for purposes of this paragraph such payment will be deemed to have been made on the date of the Indenture Trustee's receipt of such request from Alliance.

Any such amounts that the Indenture Trustee has available to it in cash and that, except for the existence of an obligation to pay a Sale Recision Payment, would otherwise have been transferred to Alliance pursuant to the above will be deemed to be, and applied as, a partial payment of the related Sale Recision Payment payable by Alliance to the Indenture Trustee (for the benefit of the SPC). For the purpose of clarification, the above will not be considered as a grant by Alliance to the SPC or the Indenture Trustee of a security interest in any such amounts; *it being understood* that if such amounts are not permitted to be so applied (whether due to another person's security interest or otherwise), then such amounts will not be deemed to have been so paid.

Origination Agreement

Pursuant to the Origination Agreement, Alliance will acknowledge its sale to the SPC on the Closing Date of all of its right, title and interest in, to and under all of the Diversified Payment Rights and Collections thereon and the assignment of the Collection Accounts (or rights therein) as described in "Originator of the Diversified Payment Rights" above. The sale of Diversified Payment Rights, which will be effected by the execution and delivery by

Alliance of the Bill of Sale on the Closing Date, will be without recourse to Alliance; *it being understood* that Alliance (a) will be required to make payments with respect to any Additional Amounts, (b) may be required to make a Sale Recision Payment (see "Sale Recision Events" below), (c) may elect to make a payment of a Redemption Price made in connection with Alliance's request to the SPC to redeem a Series (or portion thereof) (see "Optional Redemption" below) and (d) may be required to make payments under any Enhancement Agreement (which is the case for the Series 2006A Enhancement Agreement).

The purchase price for the Diversified Payment Rights (and Collections thereon) to be sold (and the Collection Accounts to be assigned (or rights in which are to be assigned)) by Alliance to the SPC will be equal to (a) the Initial Payment to be paid on the Closing Date from the proceeds of the issuance of the Offered Notes *plus* (b) the amount of all payments made under the Originator Note *plus* (c) any Additional Payments made in connection with any later issuances of a Series.

Indenture

Pursuant to the Indenture and the applicable Indenture Supplements, the SPC will issue the Offered Notes, which Notes, together with any other Notes issued by the SPC and any other liabilities of the SPC to the Beneficiaries under the Transaction Documents, will be secured (unless specifically indicated otherwise in the applicable Indenture Supplement) by all of the SPC's rights and other assets, including its right, title and interest in, to and under the following (collectively, the "*Collateral*"):

(a) all of the Diversified Payment Rights, whether existing on the Closing Date or thereafter generated, and all Collections in respect thereof,

(b) the Collection Accounts, the Concentration Accounts, the Coverage Reserve Account, the CRA Subaccounts and, with respect to each Series, the Series Account corresponding thereto, in each case including all amounts credited thereto or carried therein, any and all investments made with funds therein, any and all other financial assets credited thereto or carried therein and any and all security entitlements with respect to such financial assets,

(c) with respect to each Series: (i) any Enhancement(s), any Enhancement Agreement(s), the applicable Indenture Supplement, any Hedging Agreement(s) and any other Transaction Documents that relate only to such Series, and (ii) any other agreements (such as underwriting agreements) that relate only to such Series; provided that if any of such other agreements relate to more than one Series but not all Series, then such shall apply to each of the applicable Series,

(d) the Origination Agreement, the Bill of Sale, the Servicing Agreement, the Hedging Agreements, the Indenture Supplements, the Account Agreements, each of the other Transaction Documents and each other agreement to which the SPC is a party relating to the transactions contemplated by the Transaction Documents, together with all instruments, chattel paper or letters of credit evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of any amounts due and payable to (or for the benefit of) the SPC thereunder, including the right to require Alliance to make payments to the SPC after a Sale Recision Event; *it being understood that,* with respect to the agreements referred to in clause (c), the SPC's right, title and interest in, to and under such agreements will first act as collateral for the payments payable to Beneficiaries in connection with the applicable

Series

(e) all other assets of the SPC, including deposit and securities accounts and all funds and investments in each such account, and

(f) all proceeds, substitutions and replacements of any of the foregoing, including all accounts, instruments, chattel paper, general intangibles, investment property, goods, documents, letter-of-credit rights and money relating to or arising out of, or which are proceeds of, the collateral described above;

provided that the Collateral will not include the account(s) into which the proceeds of a transaction fee (if any) to be received by the SPC will be deposited on (or in relation to) each Issuance Date or the account in which the SPC's ordinary share capital is maintained, but in each case only to the extent of such amounts that remain in such account(s). For the purpose of clarification, the SPC does not have rights, title or interest in, to or under the Series 2006A Enhancement, which is provided to the Indenture Trustee for the benefit of the applicable Noteholders, and thus the Series 2006A Enhancement is not included within the Collateral.

Interest and principal payments on each Series will be funded from (a) the payments and/or other proceeds received by (or on behalf of) the SPC (whether through deposit into a Collection Account, deposit into a Concentration Account or otherwise, including all such amounts received and retained by Alliance (whether or not in accordance with the Transaction Documents)) in respect of the Diversified Payment Rights (the "*Collections*"), (b) amounts on deposit in the Coverage Reserve Account (if funded), (c) for any particular Series, in certain circumstances, from payments of any Sale Recision Payment or Redemption Price therefor and/or amounts available under any corresponding Enhancement(s), and (d) if the Servicer elects to (or to cause an affiliate to) pre-fund the Required Amount as described in "Pre-Funding of the Concentration Accounts" below, from such pre-funding advances, and will be paid to the applicable Noteholder(s) (or to the Indenture Trustee for their benefit) on each Payment Date (or, if applicable, Early Amortization Payment Date for any Series) as provided in the Transaction Documents.

The SPC's obligations with respect to the Offered Notes will be limited-recourse obligations secured solely by the grant by the SPC of a security interest in the Collateral pursuant to the Indenture.

Notwithstanding anything herein to the contrary, the Indenture Trustee might not have a security interest in any Collections that are deposited into an account that is not subject to an Account Agreement to the extent that such Collections are not identifiable cash proceeds of Diversified Payment Rights pursuant to the applicable Uniform Commercial Code (or similar law) and, in any event, will likely not have a perfected security interest in such account and Collections; *it being understood* that the fact that such Collections have been deposited into an account not subject to an Account Agreement (which account may include items other than Collections) will not be considered to be a breach of any representation or covenant or a Sale Recision Event, Early Amortization Event or Servicer Default, as applicable, unless (a) Alliance, the SPC or the Servicer, as applicable, has (i) taken any action to make such Collections non-identifiable, (ii) omitted to take any reasonable action that would make such Collections identifiable or (iii) caused or allowed such Collections to be so deposited in violation of any of its representations or covenants in the Transaction Documents (each, a "*Diversion Event*") or (b) any person other than the SPC or the Indenture Trustee has a lien of any kind thereon other than any right of setoff or similar banker's lien held by the Depositary Bank at which such account is maintained.

Business Day	"*Business Day*" means any day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York or Almaty, Kazakhstan are permitted or required by applicable law to remain closed; *provided* that, with respect to any actions taken or to be taken by the Indenture Trustee or a trustee acting as a Noteholder for the benefit of any related Certificateholders, such term means a day in the jurisdiction of such person other than a Saturday, Sunday or other day on which such person is not open for business. "*New York Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York are permitted or required by applicable law to remain closed.
Payment Date	"*Payment Date*" means February 15, 2007 and the 15th day of each February, May, August and November thereafter; *provided* that if any such date is not a New York Business Day, then such Payment Date will be the next New York Business Day unless such next New York Business Day would fall in another calendar month, in which case such Payment Date will be the preceding New York Business Day. The first Payment Date with respect to each Series of the Offered Notes will be the February 2007 Payment Date.
Interest	The amount of Interest payable on each Series will be determined pursuant to the applicable Indenture Supplement and may be determined based upon either a fixed or floating rate of interest. Interest on each Note will be paid on the applicable Payment Date (or, if applicable, Early Amortization Payment Date or Redemption Date for any Series) to the applicable Noteholder who is of record as of 5:00 p.m. (New York City time) on the last New York Business Day of the calendar month preceding such date of payment (the "*Record Date*"). Interest on the Series 2006A Notes will accrue for each Interest Period from and including the Offered Notes Issuance Date at the rate of 5.10% *per annum*; *provided* that, with respect to each Interest Period commencing on or after the Series 2006A Expected Final Payment Date, the Interest Rate for the Series 2006A Notes will be an additional 1% *per annum* above such rate (the "*Series 2006A Interest Rate*"). Interest on the Series 2006B Notes will accrue for each Interest Period from and including the Offered Notes Issuance Date at the rate of 2.00% *per annum* above Three-Month LIBOR as determined by the Indenture Trustee on the Determination Date before such Interest Period; *provided* that (a) Three-Month LIBOR used in determining the Interest Rate for the Series 2006B Notes for the first Interest Period will be based upon the linear interpolation of Three-Month LIBOR as of two London Business Days before the Offered Notes Issuance Date and (b) with respect to each Interest Period commencing on or after the Series 2006B Expected Final Payment Date, the Interest Rate for the Series 2006B Notes will be an additional 1% *per annum* above such rate (the "*Series 2006B Interest Rate*" and with the interest rates applicable to any other Series as specified in the applicable Indenture Supplement, including the Series 2006A Interest Rate, the "*Interest Rates*"). For the purpose of clarification, "Interest" with respect to any Series does not and will not include any amounts payable under any Hedging Agreement, including any net amounts that may be payable thereunder. Except to the extent provided otherwise in the applicable Indenture Supplement, the amount of interest on each Series required to be paid to the applicable Noteholder(s) on each Payment Date (or, if applicable, Early Amortization Payment Date or Redemption Date for such Series) (the "*Interest*") will equal the sum of:

(a) the product of (i) the applicable Interest Rate, (ii) the average daily Series Balance of such Series during the period from and including the preceding Payment Date (or, if applicable, Early Amortization Payment Date for such Series, or, in the case of the first Payment Date for such Series, the Issuance Date of such Series) (but not including any principal amount repaid on such beginning date) to but excluding such Payment Date (or, if applicable, such Early Amortization Payment Date or Redemption Date) and (iii) the actual number of days in the period described in clause (ii) (with respect to Series with a fixed Interest Rate, based upon a month of 30 days) *divided by* 360; *it being understood* that, if Interest is determined at any time before the average daily Series Balance of such Series is known (*e.g.*, when calculating the Required Amount as described in "Pre-Funding of the Concentration Accounts" below or at any time during the relevant period), then the average daily Series Balance described in clause (ii) will (A) if determined before the beginning of the relevant period, be deemed to be the Series Balance of such Series scheduled to be in effect on the first day of such period after giving effect to all payments of principal scheduled to be paid on or before the first day of such period, and (B) if determined during the relevant period, be determined by assuming that the Series Balance of such Series for the remainder of such period will be the Series Balance of such Series as of such date of determination,

(b) the amount of any Interest accrued and payable but not paid on any prior Payment Date or Early Amortization Payment Date (if applicable) in respect of such Series (*it being understood* that any payments of Interest made from the proceeds of a disbursement under any Enhancement will be considered to have been paid when paid from such proceeds), and

(c) to the extent permitted by applicable law, the product of (i) the applicable Interest Rate, (ii) the amount determined pursuant to clause (b) and (iii) the actual number of days in the related Interest Period (or, if applicable, since the most recent Early Amortization Payment Date in respect of such Series or Payment Date) (with respect to Series with a fixed Interest Rate, based upon a month of 30 days) *divided by* 360.

"*Interest Period*" means, for each Series (a) initially, the period from and including the Issuance Date for such Series to but excluding the first Payment Date (or if so indicated in the applicable Indenture Supplement, the second Payment Date) thereafter, and (b) thereafter, the period from the end of the preceding Interest Period to but excluding the next Payment Date.

"*Determination Date*" means, for any Interest Period (other than the first Interest Period for the Series 2006B Notes), the second London Business Day before the day on which such Interest Period commences; *provided* that if such second London Business Day is not a New York Business Day, then the Determination Date will be the preceding London Business Day that is also a New York Business Day.

"*London Business Day*" means a day (other than Saturday, Sunday or public holiday) on which transactions in Dollars are effected in the London interbank market.

"*Three-Month LIBOR*" means, as of any Determination Date:

(a) the rate for deposits in Dollars for a period equal (or substantially equal) to the relevant Interest Period that is announced by The British Bankers' Association and appears on page BBAM1 of the Bloomberg Professional service owned by Bloomberg LP (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) as of 11:00 a.m. (London time) on such Determination Date (or, if more than one such rate is quoted, the arithmetic mean (rounded upwards to the nearest 1/16th of 1%) of such quoted rates),

(b) if no such rate appears on the Bloomberg Professional service, then the rate for such Determination Date will be the rate for deposits in Dollars for a period equal (or substantially equal) to the relevant Interest Period that appears on page LIBOR01 of the Reuters Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices) as of 11:00 a.m. (London time) on such Determination Date (or, if more than one such rate is quoted, the arithmetic mean (rounded upwards to the nearest 1/16th of 1%) of such quoted rates), or

(c) if Three-Month LIBOR cannot be determined on such Determination Date using the foregoing methods, then the Three-Month LIBOR for the relevant Interest Period will be the Three-Month LIBOR as determined using the foregoing methods for the first day before such Determination Date on which Three-Month LIBOR can be so determined.

Investors in each Series (and any related Enhancer) will also be entitled to the payment of Additional Amounts (if any) to the extent described under "Withholding Taxes" below (except to the extent that such amounts are paid directly by Alliance to the applicable taxing authorities).

Interest-Only Period

No principal is scheduled to be paid in respect of the Series 2006A Notes during the period (the "*Series 2006A Interest-Only Period*") from and including the Offered Notes Issuance Date to but excluding the February 2009 Payment Date Principal on the Series 2006B Notes is scheduled to be paid from the first Payment Date after the Offered Notes Issuance Date (*i.e.*, February 2007). In either case, principal may be paid earlier on a Series of the Offered Notes on any of (a) on each Early Amortization Payment Date during an Early Amortization Period for such Series, (b) on the date of payment by Alliance of the Sale Recision Payment after a Sale Recision Event with respect to such Series and (c) on any date of payment by Alliance of a Redemption Price with respect to such Series as described in "Optional Redemption" below.

Any interest-only period (with the Series 2006A Interest-Only Period, each an "*Interest-Only Period*") with respect to any other Series will be as specified in the applicable Indenture Supplement.

Principal Payments; Scheduled Amortization Period

For each Series, on each Payment Date, commencing on the first Payment Date after the Interest-Only Period applicable thereto (or, if there is no Interest-Only Period applicable thereto, then the first (or, if so indicated in the applicable Indenture Supplement, the second) Payment Date after the Issuance Date thereof) and ending on the earlier of (a) the date on which such Series has been paid in full and (b) the first Early Amortization Payment Date after the date on which an Early Amortization Period for such Series shall have commenced (such period, the "*Scheduled Amortization Period*"), in addition to Interest and Additional Amounts (if any), the applicable Noteholder(s) will be entitled to receive a quarterly principal amortization amount specified in the applicable Indenture Supplement (for each Series, the "*Quarterly Amortization Amount*"). If the Scheduled Amortization Period for any Series terminates due to the existence of an Early Amortization Payment Date with respect thereto, then thereafter the principal amount payable on each Payment Date for such Series will continue to be the Quarterly Amortization Amount for such Series for such Payment Date; *it being understood* that such amounts may be reduced through pre-payments as a result of the existence of an Early Amortization Period as provided in "Allocation of Amounts in the Concentration Accounts" and "Distribution of Amounts in the Series Accounts" below. The Quarterly Amortization Amount for each Series of the Offered Notes will equal the amounts specified below (as such amounts may be reduced, on a *pro rata* basis, from time to time as described in "Distribution of Amounts in the Series Accounts," "Early Amortization Period" and "Optional Redemption" below or increased from time to time as described in "Issuance of Additional Notes of the Same Series as the Offered Notes" below):

Payment Date	*Series 2006A*	*Series 2006B*
February 2007	U.S.$0	U.S.$3,571,444
May 2007	U.S.$0	U.S.$3,571,428
August 2007	U.S.$0	U.S.$3,571,428
November 2007	U.S.$0	U.S.$3,571,428
February 2008	U.S.$0	U.S.$3,571,428
May 2008	U.S.$0	U.S.$3,571,428
August 2008	U.S.$0	U.S.$3,571,428
November 2008	U.S.$0	U.S.$3,571,428
February 2009	U.S.$5,000,000	U.S.$3,571,428
May 2009	U.S.$5,000,000	U.S.$3,571,428
August 2009	U.S.$5,000,000	U.S.$3,571,428
November 2009	U.S.$5,000,000	U.S.$3,571,428
February 2010	U.S.$5,000,000	U.S.$3,571,428
May 2010	U.S.$5,000,000	U.S.$3,571,428
August 2010	U.S.$5,000,000	U.S.$3,571,428
November 2010	U.S.$5,000,000	U.S.$3,571,428
February 2011	U.S.$5,000,000	U.S.$3,571,428
May 2011	U.S.$5,000,000	U.S.$3,571,428
August 2011	U.S.$5,000,000	U.S.$3,571,428
November 2011	U.S.$5,000,000	U.S.$3,571,428
February 2012	U.S.$5,000,000	U.S.$3,571,428
May 2012	U.S.$5,000,000	U.S.$3,571,428
August 2012	U.S.$5,000,000	U.S.$3,571,428
November 2012	U.S.$5,000,000	U.S.$3,571,428
February 2013	U.S.$5,000,000	U.S.$3,571,428
May 2013	U.S.$5,000,000	U.S.$3,571,428

	August 2013	U.S.$5,000,000	U.S.$3,571,428
	November 2013	U.S.$5,000,000	U.S.$3,571,428

Expected Final Payment Date Unless redeemed or otherwise paid in full prior thereto (a) the final payment on the Series 2006A Notes is expected to be made on the November 2013 Payment Date (*i.e.,* the Series 2006A Expected Final Payment Date) and (b) the final payment on the Series 2006B Notes is expected to be made on the November 2013 Payment Date (*i.e.,* the Series 2006B Expected Final Payment Date). With respect to any other Series, the expected final payment date (with the Series 2006A Expected Final Payment Date and the Series 2006B Expected Final Payment Date, each an "*Expected Final Payment Date*") will be as specified in the applicable Indenture Supplement.

Issuance of Additional Series by the SPC Alliance may, from time to time, without the consent of Investors, request the SPC to issue (either to a trust or one or more other Noteholder(s)) one or more additional Series that may be *pari passu* with (with the Offered Notes, the "*Senior Series*") or subordinated to (the "*Subordinated Series*") the Offered Notes; *provided* that (*inter alia*):

(a) as specified in the Indenture Supplement for each Series of the Offered Notes, so long as such Series remains outstanding and the full Redemption Price for the full redemption of such Series (including all amounts payable to the applicable Enhancer, if any) is not to be paid at the time of such issuance (including from the proceeds of the issuance of such additional Series), the average amount of DDB Collections during the four most recent full Quarterly Reporting Periods for which Servicing Reports have been delivered (*it being understood* that if the date of issuance is before the delivery of Servicing Reports for four full Quarterly Reporting Periods after the Closing Date, then such determination will be made as if the transactions contemplated by the Transaction Documents had been in effect during such earlier periods) was greater than 15:1x the Maximum Quarterly Debt Service that, after such issuance, would be scheduled to be paid on any Payment Date after such four Quarterly Reporting Periods (assuming for any Series issued or to be issued with a floating Interest Rate, an Interest Rate equal to the arithmetic average of all Interest Rates applied to such Series at any time since its Issuance Date or, if higher or if relating to the to-be-issued Series, the Interest Rate that would be in effect if such Series were to be issued on the date on which such calculation is made, in each case *plus* 2% *per annum*); *provided* that this test will (i) take into account Collections received at a Depositary Bank during such preceding Quarterly Reporting Period(s) if such Depositary Bank is a Designated Depositary Bank at the time of the issuance of such additional Series even though such Depositary Bank was not a Designated Depositary Bank during any portion of such preceding Quarterly Reporting Period(s) and to the extent that such payments were credited to the account(s) covered by the Account Agreement(s) with such Designated Depositary Bank and (ii) exclude DDB Collections credited to the Collection Account(s) at a bank during such preceding Quarterly Reporting Period(s) if such bank is no longer a Designated Depositary Bank or its Account Agreement(s) cease(s) to cover such Collection Account(s) (or is scheduled to terminate within 30 days) at the time of the issuance of such additional Series,

(b) (i) as specified in the Indenture Supplement for the Series 2006A Notes, so long as such Series remains outstanding and the full Redemption Price for the full redemption of such Series (including all amounts payable to the Series 2006A Enhancer, if any) is not to be paid at the time of such issuance (including from the proceeds of the issuance of such additional Series), each of the Rating Agencies rating the Series 2006A Notes shall have notified the Indenture Trustee in writing that the proposed issuance will not result in a withdrawal or reduction of its rating (without consideration of the Series 2006A Enhancement) of the Series 2006A Notes to below the then-current rating (without consideration of the Series 2006A Enhancement) on the Series 2006A Notes; *provided* that no new Series may be issued if such proposed issuance would result in the reduction of the then-current rating of the Series 2006A Notes (without consideration of the Series 2006A Enhancement) to below (or if such rating is already below) "BBB-" by Fitch or if such rating has already been withdrawn or would be withdrawn as a result of such issuance, and (ii) as specified in the Series 2006B Indenture Supplement, so long as such Series remains outstanding and the full Redemption Price for the full redemption of such Series is not to be paid at the time of such issuance (including from the proceeds of the issuance of such additional Series), each of the Rating Agencies rating the Series 2006B Notes shall have notified the Indenture Trustee in writing that the proposed issuance will not result in a withdrawal or reduction of its rating of the Series 2006B Notes to below the then-current rating on the Series 2006B Notes; *provided* that no new Series may be issued if such proposed issuance would result in the reduction of the then-current rating of the Series 2006B Notes to below (or if such rating is already below) "BBB-" by Fitch or if such rating has already been withdrawn or would be withdrawn as a result of such issuance,

(c) the Indenture Trustee shall have received an officer's certificate from each of Alliance and the SPC that no Early Amortization Event or Early Amortization Period with respect to any Series (or any event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both) shall exist, or could reasonably be expected to exist, immediately after giving effect to such proposed issuance,

(d) the scheduled payment dates with respect thereto shall be the Payment Dates, with the exception that the first payment date applicable thereto may be the second Payment Date after the Issuance Date of such additional Series, and

(e) the SPC complies with any additional requirements for the issuance of additional Series that are specified in the Indenture Supplements of Series for which the full Redemption Price for the full redemption thereof is not to be paid on the applicable Issuance Date (including from the proceeds of such additional Series).

The SPC may not issue an additional Series without receiving such request in writing from Alliance but may do so without the consent of Investors.

"*Reporting Period*" means each Monthly Reporting Period and each Quarterly Reporting Period.

"*Quarterly Reporting Period*" means (a) initially, the period commencing on December 1, 2006 and ending at the end of the last day of February 2007, and (b) thereafter, each successive period of three consecutive calendar months thereafter.

"*Monthly Reporting Period*" means (a) initially, the period commencing on December 1, 2006 and ending at the end of the last day of such month, and (b) thereafter, each calendar month thereafter.

Issuance of Additional Notes of the Same Series as the Offered Notes	The Indenture will provide that (with respect to any Series, except to the extent provided otherwise in the applicable Indenture Supplement) Alliance may, from time to time, without the consent of Investors, request the SPC to issue additional Notes of such Series; *provided* that: (a) the remaining Quarterly Amortization Amounts for such Series are increased on a *pro rata* basis to reflect such additional issuance, (b) any applicable Enhancer for such Series shall have consented in advance and in writing to such additional issuance in its sole discretion and any Enhancement for such Series is amended, amended and restated or otherwise revised or replaced to the extent necessary to increase the coverage thereunder accordingly, in each case with the consent of any such applicable Enhancer, (c) each of the Rating Agencies rating such Series shall have notified the Indenture Trustee in writing that the proposed issuance will not result in a withdrawal or reduction of its rating (both with and, if applicable, without consideration of any applicable Enhancement) of such Series to below the lower of (i) the then-current rating on such Series and (ii) the initial rating on such Series (or, if the Indenture Supplement for such Series requires a higher or lower rating for the issuance of an additional Series, such higher or lower rating), (d) the proceeds of such issuance are used by the SPC to make an Additional Payment to Alliance, (e) the requirements of "Issuance of Additional Series by the SPC" above are satisfied as if the proposed issuance were the issuance of a new Series, (f) if such Series is listed for trading on any securities exchange, then such additional Notes shall also be permitted to be traded thereon, and (g) such issuance does not otherwise alter the pricing, tenor or other terms of such Series. Each of the SPC, Alliance, the Indenture Trustee and any applicable Enhancer are (without the need for any approvals, consents or instructions from any Investors but in accordance with all other provisions applicable thereto) authorized (but, with respect to the Enhancers, not obligated) to join in the execution of any amendment (including amendment and restatement) or to execute any replacement of the applicable Indenture Supplement, any applicable Enhancement and any other applicable Transaction Documents to the extent required to provide for such additional issuance. Promptly after any such additional issuance, the Indenture Trustee will notify the Noteholders of the applicable Series.
Concentration Accounts	Within one of its business days of receipt, without setoff or counterclaim on account of claims against Alliance, the SPC, the Indenture Trustee or any other person, during each Interest Period each of two or more of the Designated Depositary Banks that are not affiliates of Alliance (any such banks (initially The Bank of New York and Deutsche Bank Trust Company Americas), each a "*Primary Designated Depositary Bank*") will transfer all amounts received in its Collection Account to a Dollar-denominated (with respect to Dollar amounts) or Euro-denominated (with respect to Euro amounts) segregated trust account maintained by and in the name of the Indenture Trustee (the "*Dollar Concentration Account*" and the "*Euro Concentration Account*", respectively; each a "*Concentration Account*"). Such transfers will be made by each Primary Designated Depositary Bank until such time as it receives a notice (a "*Change Notice*") from the Indenture

Trustee that, until and including the 14th day of the next February, May, August and November (as applicable) (or if such day is not a business day for the applicable Primary Designated Depositary Bank, its next business day) (unless instructed otherwise by the Indenture Trustee or to the extent provided otherwise in the applicable Account Agreement), it is thereafter to transfer all such amounts to Alliance's own account maintained at such Designated Depositary Bank (which transfer will be a payment to Alliance under the Originator Note). Each other Designated Depositary Bank, unless instructed otherwise by the Indenture Trustee, will transfer all amounts received in such bank's Collection Account(s) to Alliance's own account(s) at such Designated Depositary Bank (which transfer will be a payment to Alliance under the Originator Note). Alliance may identify additional Primary Designated Depositary Banks from time to time and (a) to the extent that such bank is already a Designated Depositary Bank, the SPC, the Indenture Trustee and Alliance will amend the applicable Account Agreement accordingly, or (b) otherwise, the Indenture Trustee, such bank, the SPC and Alliance will enter into a new Account Agreement covering the account(s) that is/are to become Collection Account(s).

On the Business Day on which any Change Notice is sent (or, if such notice is sent by the Indenture Trustee after 3:00 p.m. (New York City time), by no later than its next Business Day), the Indenture Trustee will transfer to Alliance (as a payment to it under the Originator Note) any amounts in the Concentration Accounts and the Series Accounts in excess of the portion of the Required Amount (*minus* any such amount already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below) required to be on deposit in any such account. The Indenture Trustee will revoke any such notice to the Primary Designated Depositary Banks, and will instruct each other Designated Depositary Bank to transfer all amounts received in its Collection Account(s) to the applicable Concentration Account(s), promptly (and, in any event, within one Business Day) after (a) its actual knowledge of the existence or commencement of an Early Amortization Period for any Series, (b) its actual knowledge that additional funds are needed for the Indenture Trustee to hold an amount equal to the Required Amount (in the aggregate) in the Concentration Accounts and the Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below) or (c) Alliance has elected to fund the Coverage Reserve Account. It is to be noted that the above description of the timing of payments may from time to time be off by a day or more due to there being different business days in the applicable jurisdictions.

If (a) by the close of the Indenture Trustee's business on the 15th Business Day of any Interest Period at least the Required Amount for the next Payment Date is not on deposit (in the aggregate) in the Concentration Accounts and the Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below), (b) an Early Amortization Period with respect to any Series exists or (c) as otherwise provided in any applicable Indenture Supplement, then the Indenture Trustee will promptly (and, in any event, by no later than the next Business Day) deliver notice thereof to each rating agency rating any Series and each Enhancer (if any) and instruct each Designated Depositary Bank that is not then transferring Collections to the Concentration Accounts to, by no later than its business day after its receipt of such notice (or such later time as may have been agreed in the applicable Account Agreement), begin transferring all amounts received in such bank's Collection Account(s) to the applicable Concentration Account(s) until such time as the Indenture Trustee notifies such Designated Depositary Bank otherwise (which the Indenture Trustee will do promptly after the Required Amount for the next Payment Date (or Early Amortization Payment Date, if applicable) is on deposit (in the aggregate) in the Concentration Accounts and the Series Accounts (or already sent to the

SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below).

As specified in the Indenture Supplement for each Series of the Offered Notes, if by the close of the Indenture Trustee's business on the 15th Business Day of any Interest Period (the "*Reference Interest Period*") the Required Amount for the next Payment Date (or Early Amortization Payment Date, if applicable) is not on deposit (in the aggregate) in the Concentration Accounts and the Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below), then with respect to the next Interest Period(s) each Designated Depositary Bank will be instructed by the Indenture Trustee to act as if it were a Primary Designated Depositary Bank *unless and until* the aggregate Collections deposited into the Collection Accounts of all of the Primary Designated Depositary Banks (including all Collections deposited into accounts at any additional Depositary Banks added as Primary Designated Depositary Banks before the first day of the next Interest Period, which accounts have been converted into Collection Accounts) during the first 15 Business Days of any Interest Period (including the Reference Interest Period) shall have been at least 1.3 times the Required Amount for the next Interest Period.

As specified in the Indenture Supplement for each Series of the Offered Notes (a) unless the most recently-delivered Quarterly Servicing Report indicates that more than 30% of Collections received during such Quarterly Reporting Period shall have been deposited by Payor Banks into the Collection Account(s) at Primary Designated Depositary Banks, then with respect to the next Interest Period(s) each Designated Depositary Bank will be instructed by the Indenture Trustee to act as if it were a Primary Designated Depositary Bank *unless and until* the Indenture Trustee shall have received a Quarterly Servicing Report indicating that at least 30% of Collections with respect to the applicable Quarterly Reporting Period shall have been deposited by Payor Banks into the Collection Account(s) at Primary Designated Depositary Banks, and (b) unless the most recently-delivered Quarterly Servicing Report indicates that more than 50% of Collections received during such Quarterly Reporting Period shall have been deposited by Payor Banks into the Collection Account(s) at Primary Designated Depositary Banks, then the Designated Depositary Bank (other than a Primary Designated Depositary Bank) the Collection Account(s) maintained at which received the greatest amount of Collections during such Quarterly Reporting Period (the "*Largest Supplemental Designated Depositary Bank*") will be instructed by the Indenture Trustee to act as if it were a Primary Designated Depositary Bank *unless and until* the Indenture Trustee shall have received a Quarterly Servicing Report indicating that at least 50% of Collections with respect to the applicable Quarterly Reporting Period shall have been deposited by Payor Banks into the Collection Account(s) at Primary Designated Depositary Banks (*it being understood* that, upon receipt of a Quarterly Servicing Report that evidences that a different Designated Depositary Bank was the Largest Supplemental Designated Depositary Bank during the applicable Quarterly Reporting Period (determined disregarding the fact that the existing Largest Supplemental Designated Depositary Bank is then acting as a Primary Designated Depositary Bank), then the existing Largest Supplemental Designated Depositary Bank will be instructed by the Indenture Trustee to cease to act as a Primary Designated Depositary Bank and such new Largest Supplemental Designated Depositary Bank will be instructed by the Indenture Trustee to replace such existing Largest Supplemental Designated Depositary Bank). With respect to such 30% and 50% tests noted above, these tests will (i) take into account Collections received at a Depositary Bank during such Quarterly Reporting Period (and, with respect to the first such test, until the Business Day before the next Interest Period) (the "*Signing Period*") if such Depositary Bank is a Primary Designated Depositary Bank as of the close of business on the last Business Day of such Signing Period even though such

Depositary Bank was not a Primary Designated Depositary Bank during any portion of the tested Quarterly Reporting Period and to the extent that such payments were credited to the account(s) covered by the Account Agreement(s) with such Primary Designated Depositary Bank and (ii) exclude Collections credited to the Collection Account(s) at a bank during the applicable tested Quarterly Reporting Period if such bank is no longer a Primary Designated Depositary Bank or its Account Agreement(s) cease(s) to cover such Collection Account(s) as of the close of business on the last Business Day of such Signing Period.

If the Required Amount is increased due to the proviso to the definition thereof, the occurrence of an Early Amortization Period, the SPC's entering into a Hedging Agreement or otherwise at any time during which the DDB Collections are not being transferred from the Collection Accounts to the Concentration Accounts, then the Indenture Trustee will (unless an amount at least equal to such increased Required Amount is collectively on deposit in the Concentration Accounts and Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below)) promptly instruct each Designated Depositary Bank to forward all Collections received in its Collection Account(s) to the applicable Concentration Account(s) until such time as the Indenture Trustee notifies it otherwise (which the Indenture Trustee will do promptly after such increased Required Amount is on deposit (in the aggregate) in the Concentration Accounts and the Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below)); *provided* that if such increase is due to the SPC's entering into a Hedging Agreement, and the Servicer pre-funded (or caused to be pre-funded) the Required Amount for the Payment Date thereafter in the manner described in "Pre-Funding of the Concentration Accounts" below, then the Indenture Trustee will not so notify the Designated Depositary Banks unless, by the Business Day after the SPC enters into the Hedging Agreement, the Servicer shall not have provided (or caused to be provided) an additional pre-funding in an amount sufficient to cover the increase in the Required Amount.

With respect to any amount payable under the Transaction Documents, upon deposit of Dollars or Euro into the applicable Series Account or retention in the applicable Concentration Account pursuant to "Allocation of Amounts in the Concentration Accounts" below, such Dollars or Euro will be as promptly as possible caused by the Indenture Trustee to be converted into such other currency as necessary (including, in the case of Dollars or Euro, if there are insufficient funds in such currency to satisfy the portion of the Required Amount denominated in such currency) and held by the Indenture Trustee in the applicable Series Account or Concentration Account (or a subaccount thereof) until the applicable date of payment of such amount. For example, if principal is payable with respect to a Note that is denominated in Yen, then upon deposit of the allocated amount into the applicable Series Account, such amount will be caused by the Indenture Trustee to be converted into Yen as promptly as possible after being deposited into such Series Account and will be held by the Indenture Trustee in such Series Account (or a subaccount thereof) until the next Payment Date (or Early Amortization Payment Date, as applicable). The Required Amount will not be deemed to have been satisfied until such time as the related payment obligations in all currencies have been provided for in full in the appropriate currencies.

Pending application in accordance with the Indenture, amounts in the Concentration Accounts will be invested by the Indenture Trustee (at the instruction of the Servicer, which may be a standing instruction) in Eligible Investments that are both denominated and payable in Dollars or Euro (as applicable); *provided* that no investment of such amounts may be made in any jurisdiction other than the United States unless an opinion of local counsel or accounting firm in such jurisdiction is given that confirms that either (a) any income/loss on such investment may be treated for tax purposes as income/loss of Alliance or (b) any income on such investment would not result in any taxes to the SPC greater than the amount of such income.

"*Eligible Investments*" means (with respect to each Series, unless otherwise specified in the applicable Indenture Supplement) any one or more of the following obligations or securities acquired at a purchase price of not greater than par (including any issued by the Indenture Trustee or any of its affiliates but excluding any obligations or securities of or issued by Alliance, the SPC or any affiliate of either thereof:

(a) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by (i) the United States or any agency or instrumentality of the United States the obligations of which are backed by the full faith and credit of the United States or (ii) so long as rated at least "Aa2" by Moody's and "AA" by each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("*S&P*"), and (if rated by Fitch) Fitch, Japan, the United Kingdom, Switzerland or any member of the Euro-zone,

(b) demand and time deposits in, certificates of deposit of, or bankers' acceptances issued by any commercial bank or other financial institution organized under the laws of the United States, Japan, the United Kingdom, Switzerland, any member of the Euro-zone or any political subdivision thereof, such bank or financial institution having at the time of such investment combined capital and surplus of not less than U.S.$100,000,000 (or its equivalent in any other currency) and having (or being a subsidiary of a bank holding company having) a short-term unsecured debt rating of not less than "A-1" and "P-1" at the time of such investment by each of S&P and Moody's, respectively,

(c) repurchase obligations with respect to any obligations described in clause (a) entered into with a commercial bank or other financial institution acting as principal meeting the requirements set forth in clause (b),

(d) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations) that is issued by any corporation or other entity organized under the laws of the United States, Japan, the United Kingdom, Switzerland, any member of the Euro-zone or any political subdivision thereof and having a short-term unsecured debt rating of not less than "A-1" and "P-1" at the time of such investment by each of S&P and Moody's, respectively, or

(e) money market funds having a rating in the highest investment category granted thereby by an internationally-recognized credit rating agency at the time of acquisition (and in particular, regarding S&P, such rating shall have a subscript of "m" to the extent applicable), including any fund for which the Indenture Trustee or an affiliate thereof serves as an investment advisor, administrator, shareholder, servicing agent, custodian or subcustodian, notwithstanding that (i) the Indenture Trustee or an affiliate thereof charges and collects fees and expenses from such funds for services rendered; *provided* that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length, and (ii) the Indenture Trustee charges and collects fees and expenses for services rendered pursuant to the Transaction Documents;

provided that:

(i) each Eligible Investment will be (A) evidenced by a negotiable certificate or instrument or issued in the name of the Indenture Trustee or its nominee (which may include the SPC but not Alliance or an affiliate thereof) or (B) in book-entry form in the name of the Indenture Trustee or its nominee (which may include the SPC but not Alliance or an affiliate thereof),

(ii) each Eligible Investment will mature not later than the New York Business Day before the next Payment Date (or Early Amortization Payment Date, if applicable), except overnight deposits (which may mature or be available on such Payment Date (or Early Amortization Payment Date, if applicable)); *it being understood* that the maturity date of any investment of advances made by Alliance (or any of its affiliates) before the beginning of the applicable Interest Period as described in "Pre-Funding of the Concentration Accounts" below will be not later than the New York Business Day before the Payment Date at the end of such applicable Interest Period, and

(iii) the preceding list of investments may be further limited by the SPC without the consent of any of the Noteholders or any Enhancer to the extent necessary to permit the issuance of the Series having a certain desired rating.

The Indenture Supplements for the Offered Notes will provide that any Eligible Investments described in clause (e) above that are in the Dollar Concentration Account and the Series Accounts for the applicable Series of the Offered Notes will be required to be United States money market funds and shall have a Moody's rating that is in the highest investment category for such type of investment granted by Moody's.

Pre-Funding of the Concentration Accounts

So long as the Servicer is Alliance or an affiliate thereof, the Servicer may (or may cause any of its affiliates to) (in either case, with notice to the Indenture Trustee and the SPC) make advances to the SPC from time to time before the beginning of an Interest Period for the purpose of pre-funding the Required Amount for the Payment Date at the end of such Interest Period. If, by no later than the second New York Business Day before the first day of an Interest Period (or, with respect to the first Interest Period, no later than such first day), the Servicer shall have advanced (or caused to be advanced) to the SPC (by deposit into the Concentration Accounts) an amount at least equal to the expected Required Amount (in the applicable currencies) (calculated, with respect to Series with a floating Interest Rate that has not yet been determined for such Interest Period, assuming a base interest rate (*i.e.*, the portion of the Interest Rate not represented by a certain margin over a floating base) at least equal to the amount of such base if it were to be determined on the date of the pre-funding *plus* 0.25% *per annum*) payable on the Payment Date after the end of such Interest Period (or during such Interest Period), then the Indenture Trustee will promptly (but in any event no later than its Business Day before the first day of such Interest Period) notify each Primary Designated Depositary Bank that (from the first day of such Interest Period) it shall thereafter (unless and until notified otherwise by the Indenture Trustee) transfer any funds in its Collection Account until but excluding the Payment Date after the end of such Interest Period to Alliance's account maintained with such Primary Designated Depositary Bank.

Any such amounts so pre-funded will not (unless an Early Amortization Period with respect to any Series exists and except with respect to any such pre-funding for the first Interest Period after the Closing Date) be paid on the Payment Date after such advance as provided in "Allocation of Amounts in the Concentration Accounts" below but will be retained in the Concentration Accounts until the first Business Day of the next Interest Period (at which point they will be allocated in the manner described in "Allocation of Amounts in the Concentration Accounts" below). Should any such advance for a Payment Date be effected before the actual Required Amount for such Payment Date is determined (including if such Required Amount changes during the applicable Interest Period), when the actual Required Amount for such Payment Date is determined (a) any excess amounts so advanced will be promptly delivered by the Indenture Trustee to the Servicer and (b) the amount of any shortfall will be promptly notified by the Indenture Trustee to the Servicer; *it being understood* that should an additional advance in at least such amount not be made by the Servicer (or an affiliate thereof) by the second Business Day after the Servicer's receipt of such notice by depositing such amount into the applicable Concentration Account(s), the Indenture Trustee will instruct the Designated Depositary Banks (or, if applicable, the Primary Designated Depositary Banks) to transfer funds in their Collection Accounts to the applicable Concentration Account(s) until such time as the Indenture Trustee gives them the notice described in the second paragraph of "Concentration Accounts" above.

In addition, so long as the Servicer is Alliance or an affiliate thereof, the Servicer may (or may cause any of its affiliates to) (in either case, with notice to the Indenture Trustee and the SPC) make advances to the SPC from time to time during an Interest Period. If the Servicer shall have advanced (or caused to be advanced) to the SPC (by deposit into the Concentration Accounts) an amount sufficient so that there is collectively on deposit in the Concentration Accounts and Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" below) an amount at least equal to the Required Amount (in the applicable currencies) payable on the Payment Date at the end of such Interest Period (or during such Interest Period), then the Indenture Trustee will promptly (but in any event no later than its next Business Day) notify each Designated Depositary Bank that is then transferring Collections to the Indenture Trustee that it shall thereafter (unless and until notified otherwise by the Indenture Trustee) (a) if such Designated Depositary Bank is not a Primary Designated Depositary Bank, transfer any funds in its Collection Account(s) to Alliance's account(s) maintained with such Designated Depositary Bank, or (b) if such Designated Depositary Bank is a Primary Designated Depositary Bank, transfer any funds in its Collection Account(s) to Alliance's account(s) maintained with such Primary Designated Depositary Bank until the last day of such Interest Period.

Upon its receipt of any pre-funding advance from the Servicer (or any of its affiliates), the SPC will be obligated to repay such advance solely in accordance with the priorities set forth in the waterfall in clause (xvii) of "Allocation of Amounts in the Concentration Accounts"; *it being understood* that no interest on such advance will accrue and the amount of such advance payable by the SPC will thus be the original nominal amount of such advance less any repayments thereof. The outstanding amount of such advances will (until such outstanding amount is zero) be reduced by (a) all amounts paid for such purpose pursuant to clause (xvii) of "Allocation of Amounts in the Concentration Accounts" below and (b) all transfers by Depositary Banks (including Designated Depositary Banks) to Alliance of Collections (including in the Collection Accounts); *it being understood* that Alliance will first apply such amounts to the payment of such outstanding advances solely in accordance with the priorities set forth in the waterfall in clause (xvii) of "Allocation of Amounts in the Concentration Accounts" (including, if one of its affiliates is the Servicer, by forwarding such amounts to such affiliate on behalf of the SPC; *it being understood* that such reduction in the outstanding amount of the advance applies whether or not Alliance is the Servicer and, if not, whether or not Alliance so forwards such amounts to the Servicer).

For the purpose of clarification (a) any such pre-funding will not preclude the occurrence of any Early Amortization Event with respect to any Series, including any based upon the failure to satisfy any Debt Service Coverage Test, and (b) any amounts due and payable from the SPC to a counterparty under a Hedging Agreement will be taken into account in determining the amount required to effect a pre-funding of the Required Amount; *it being understood* that any amount due and payable from a counterparty to the SPC will not be taken into account in connection with such determination.

Notwithstanding anything else herein to the contrary, the Servicer (or any of its affiliates) may, when making any such pre-funding, notify the Indenture Trustee and the SPC that such pre-funding is a purchase of the right to receive an equivalent amount of Collections in the priority established in "Allocation of Amounts in the Concentration Accounts" below instead of an advance of the type described above. Should such notification be made, then (with respect to such pre-funding) all references in the Transaction Documents to pre-funding advances and their repayment (including clause (xvii) of "Allocation of Amounts in the Concentration Accounts" below) will be deemed to be references to such purchases of Collections and the payment thereof to the Servicer (or such affiliate).

Allocation of Amounts in the Concentration Accounts

Amounts in each Concentration Account will (based upon information provided by the Servicer) be (a) deposited by the Indenture Trustee into an account maintained by (and in the name of) the Indenture Trustee for each Series (the "*Series Accounts*") or (b) retained in such Concentration Account, as applicable, for payment to the appropriate person(s), on each of the Indenture Trustee's Business Days in the following order of priority (for the purpose hereof, the phrase "Amounts in each Concentration Account" will include any amounts pre-funded for the applicable Interest Period (but not those amounts (if any) pre-funded for the next Interest Period) in the manner described in "Pre-Funding of the Concentration Accounts" above, any earnings on investments made with funds in the Concentration Accounts, any amounts paid to the SPC (or to the Indenture Trustee for the benefit of the SPC) under a Hedging Agreement and any other amounts deposited into a Concentration Account in accordance with the Transaction Documents):

(i) *first*, to the extent necessary to pay the Indenture Trustee (and, on a *pro rata* basis therewith, to any trustee acting as a Noteholder for the benefit of any related Certificateholders) in accordance with the respective amount of fees payable to them on or before the next Payment Date, such amounts will be retained in the applicable Concentration Account (or, to the extent necessary, funds in the other Concentration Account will be converted into the applicable currency and transferred to the applicable Concentration Account) and paid to such person(s) on the date(s) when due,

(ii) *second*, all remaining amounts in each Concentration Account will be retained in the applicable Concentration Account (or, to the extent necessary, funds in the other Concentration Account will be converted into the applicable currency and transferred to the applicable Concentration Account) to the extent necessary to pay the amount of servicing fees (if the Servicer is not Alliance or an affiliate thereof) payable on the next Payment Date, which amounts will be paid to the Servicer on such Payment Date,

(iii) *third*, all remaining amounts in each Concentration Account will be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable for each Senior Series on or before the next Payment Date, with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) (A) all premiums, guaranty fees and other fees relating to the Enhancement(s) (if any) in respect of the Senior Series that are due on or before the next Payment Date and remain unpaid (*plus* any interest payable to the applicable Enhancer in connection therewith), (B) any amounts in respect of Interest that were paid on any previous day from the proceeds of any disbursements under any Enhancement applicable to the Senior Series with respect to which the applicable Enhancer has a right to be reimbursed by the SPC and has not yet been so reimbursed (*plus* any interest payable to it in connection therewith) and (C) any Interest owing in respect of the Senior Series and payable on the next Payment Date (calculated as if no Early Amortization Period with respect to any Senior Series exists),

(iv) *fourth*, all remaining amounts in each Concentration Account will be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable for each Senior Series, with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) the Quarterly Amortization Amount (A) scheduled to be paid in respect of the Senior Series on the next Payment Date *plus* (B) scheduled to be paid in respect of the Senior Series on any previous Payment Date that has not yet been paid *plus* (C) that was paid on any previous day from the proceeds of any disbursements under any Enhancement applicable to the Senior Series with respect to which the applicable Enhancer has a right to be reimbursed by the SPC and has not yet been so reimbursed (*plus* any interest payable to it in connection therewith),

(v) *fifth*, if an Early Amortization Period exists with respect to any Senior Series, then (A) unless a Sale Recision Payment with respect to any Series has been required to be paid and has not yet been so paid (in which event only clause (B) will apply), 40% of all remaining amounts in each Concentration Account will be paid to Alliance as a payment under the Originator Note (unless the Controlling Parties representing a majority (or, with respect to an increase in such percentage, all) of the aggregate Series Balances of all Senior Series with respect to which an Early Amortization Period exists inform the Indenture Trustee in writing otherwise, in which event such other higher or lower percentage as shall be selected by such Controlling Parties will replace such percentage) and (B) the balance of all remaining amounts in each Concentration Account will be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the outstanding Series Balance for each Senior Series with respect to which an Early Amortization Period exists, with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis; *provided* that once an amount equal to the outstanding Series Balance of any such Series has been so allocated to the applicable Series Account, then it will not be included in any such allocation calculation) the aggregate outstanding Series Balance of all such Senior Series (after giving effect to any amounts already allocated to the payment thereof pursuant to clauses (iv)(A) and (B)),

(vi) *sixth*, all remaining amounts in each Concentration Account will be paid (on a *pro rata* basis based upon the following amounts due and payable on or before the next Payment Date (whether or not an Early Amortization Period with respect to any Series exists), with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) to each person (other than Alliance, the SPC, any affiliate of either thereof and any other person to the extent that such other person's involvement in the transaction relates to a Subordinated Series) to whom (A) any other amount under the Transaction Documents (other than the Hedging Agreements and other than any amount by which the Required Amount has been increased due to clause (a) of the proviso to the definition of "Required Amount") is then due and payable by the SPC and (B) any Additional Amounts are payable but have not yet been paid by Alliance (any such allocation under this clause (B) to constitute a payment under the Originator Note),

(vii) *seventh*, except with respect to any Senior Series the Series Balance of which has been reduced to zero (or with respect to which funds shall have been allocated for such purpose pursuant to clauses (iv) and/or (v)), during any period during which the Required Amount for any Senior Series has been increased due to clause (a) of the proviso to the definition of "Required Amount", all remaining amounts in each Concentration Account will be deposited (on a *pro rata* basis based upon the respective Series Balances of each such Senior Series (after subtracting the amount of any funds allocated to the payment thereof pursuant to clauses (iv) and (v)), with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) into the applicable Series Account(s) up to an amount equal to the increase in the Required Amounts allocated to each Senior Series caused by such proviso,

(viii) *eighth*, all remaining amounts in each Concentration Account will be retained therein (or, to the extent necessary, funds in the other Concentration Account will be converted into the applicable currency and transferred to the applicable Concentration Account) to the extent necessary to pay (on a *pro rata* basis) the amounts (whether scheduled payments, collateral-funding requirements, breakage costs or otherwise) due and payable on or before the next Payment Date to any counterparty under any Hedging Agreement entered into by the SPC with respect to a Senior Series, which amounts will be paid to such counterparty(ies) on the date(s) when due,

(ix) *ninth*, all remaining amounts in each Concentration Account will be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable for each Subordinated Series on or before the next Payment Date, with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) (A) all premiums, guaranty fees and other fees relating to the Enhancement(s) (if any) in respect of the Subordinated Series that are due on or before the next Payment Date and remain unpaid (*plus* any interest payable to the applicable Enhancer in connection therewith), (B) any amounts in respect of Interest that were paid on any previous day from the proceeds of any disbursements under any Enhancement applicable to the Subordinated Series with respect to which the applicable Enhancer has a right to be reimbursed by the SPC and has not yet been so reimbursed (*plus* any interest payable to it in connection therewith) and (C) any Interest owing in respect of the Subordinated Series and payable on the next Payment Date (whether or not an Early Amortization Period with respect to any Subordinated Series exists),

(x) *tenth*, all remaining amounts in each Concentration Account will be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable for each Subordinated Series, with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) the Quarterly Amortization Amount (A) scheduled to be paid in respect of the Subordinated Series on the next Payment Date *plus* (B) scheduled to be paid in respect of the Subordinated Series on any previous Payment Date that has not yet been paid *plus* (C) that was paid on any previous day from the proceeds of any disbursements under any Enhancement applicable to the Subordinated Series with respect to which the applicable Enhancer has a right to be reimbursed by the SPC and has not yet been so reimbursed (*plus* any interest payable to it in connection therewith),

(xi) *eleventh*, if an Early Amortization Period exists with respect to any Subordinated Series, then (A) unless a payment has already been made to Alliance on such Business Day under clause (v)(A) or a Sale Recision Payment with respect to any Series has been required to be paid and has not yet been so paid (in which event only clause (B) will apply), 40% of all remaining amounts in each Concentration Account will be paid to Alliance as a payment under the Originator Note (unless the Controlling Parties representing a majority (or, with respect to an increase in such percentage, all) of the aggregate Series Balances of all Subordinated Series with respect to which an Early Amortization Period exists inform the Indenture Trustee in writing otherwise, in which event such other higher or lower percentage as shall be selected by such Controlling Parties will replace such percentage) and (B) the balance of all remaining amounts in each Concentration Account will be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the outstanding Series Balance for each Subordinated Series with respect to which an Early Amortization Period exists, with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis; *provided* that once an amount equal to the outstanding Series Balance of any such Series has been so allocated to the applicable Series Account, then it will not be included in any such allocation calculation) the aggregate outstanding Series Balance of all such Subordinated Series (after giving effect to any amounts already allocated to the payment thereof pursuant to clauses (x)(A) and (B)),

(xii) *twelfth*, all remaining amounts in each Concentration Account will be paid (on a *pro rata* basis based upon the following amounts due and payable on or before the next Payment Date (whether or not an Early Amortization Period with respect to any Series exists), with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) to each person (other than Alliance, the SPC or any affiliate of either thereof) to whom (A) any other amount under the Transaction Documents (other than the Hedging Agreements and other than any amount by which the Required Amount has been increased due to clause (a) of the proviso to the definition of "Required Amount") is then due and payable by the SPC and (B) any Additional Amounts are payable but have not yet been paid by Alliance (any such allocation under this clause (B) to constitute a payment under the Originator Note),

(xiii) *thirteenth*, except with respect to any Subordinated Series the Series Balance of which has been reduced to zero (or with respect to which funds shall have been allocated for such purpose pursuant to clauses (x) and/or (xi)), during any period during which the Required Amount for any Subordinated Series has been increased due to clause (a) of the proviso to the definition of "Required Amount", all remaining amounts in each Concentration Account will be deposited (on a *pro rata* basis based upon the respective Series Balances of each such Subordinated Series (after subtracting the amount of any funds allocated to the payment thereof pursuant to clauses (x) and (xi)), with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) into the applicable Series Account(s) up to an amount equal to the increase in the Required Amounts allocated to each Subordinated Series caused by such proviso,

(xiv) *fourteenth*, all remaining amounts in each Concentration Account will be retained therein (or, to the extent necessary, funds in the other Concentration Account will be converted into the applicable currency and transferred to the applicable Concentration Account) to the extent necessary to pay (on a *pro rata* basis) the amounts (whether scheduled payments, collateral-funding requirements, breakage costs or otherwise) due and payable on or before the next Payment Date to any counterparty under any Hedging Agreement entered into by the SPC with respect to a Subordinated Series, which amounts will be paid to such counterparty(ies) on the date(s) when due,

(xv) *fifteenth*, all remaining amounts in each Concentration Account will be paid (using, to the extent necessary, funds in the other Concentration Account that will be converted into the applicable currency and transferred to the applicable Concentration Account) to the SPC to the extent necessary to pay any administrative costs of the SPC (including legal fees and disbursements, fees, indemnities and other payments to underwriters or similar placement agents for the Notes, registered office fees, companies registry fees and taxes) that are due and payable on or before the next Payment Date, which amounts will be used by the SPC to pay such administrative costs as such costs are required to be paid; *it being understood* that the Indenture Trustee will only distribute such amounts to the SPC with respect to a particular Payment Date (and the Interest Period then ended) to the extent notified thereof not later than two Business Days before the preceding Payment Date,

(xvi) *sixteenth*, all remaining amounts in each Concentration Account will be paid (on a *pro rata* basis based upon the following amounts due and payable on or before the next Payment Date (whether or not an Early Amortization Period with respect to any Series exists), with the amounts in each Concentration Account being converted into other currencies to the extent necessary so that such allocations are applied on such *pro rata* basis) to Alliance, the SPC or any affiliate of either thereof to whom any other amount under the Transaction Documents is then due and payable by the SPC other than any payments described in clauses (xvii) and (xviii) (*it being understood* that such amounts will be retained in the applicable Concentration Account and paid to such person(s) on the date(s) when due),

(xvii) *seventeenth*, all remaining amounts in each Concentration Account will be retained therein (or, to the extent necessary, funds in the other Concentration Account will be converted into the applicable currency and transferred to the applicable Concentration Account) to the extent necessary to reimburse the Servicer (or an affiliate thereof) for any advances made by it as described in "Pre-Funding of the Concentration Accounts" above that have not yet been reimbursed, which amounts will be paid to the Servicer on such Business Day; *it being understood* that, if any Depositary Bank (including any Designated Depositary Bank) is then transferring or otherwise delivering any Collections directly to Alliance, then Alliance will first apply such Collections to the payment of such amounts (including, if one of its affiliates is the Servicer, by forwarding such amounts to such affiliate on behalf of the SPC), and

(xviii) *eighteenth*, all remaining amounts in each Concentration Account will be paid to Alliance; *provided* that if any amounts payable by Alliance under the Transaction Documents are then due and unpaid, then any remaining funds will first be applied by the Indenture Trustee (on behalf of Alliance) to pay such amounts on such Business Day (all payments under this paragraph to constitute a payment under the Originator Note);

provided that if the Indenture Trustee has been notified by Alliance, the Servicer (including in a Servicing Report), the SPC or any Beneficiary that the breach of any Debt Service Coverage Test(s) for any outstanding Series for which the Controlling Party is not an Enhancer has (at any time, whether or not since cured) resulted in an Early Amortization Event for such Series but not (or, if still existing, not yet) an Early Amortization Period for such Series (and a Release Date has not yet occurred with respect to such Early Amortization Event), then:

(i) for each of the Indenture Trustee's first ten Business Days after its receipt of such notice (the eleventh Business Day after the Indenture Trustee's receipt of such notice, the "*Retention Commencement Date*"), the allocations pursuant to clauses (xvii) and (xviii) will be made as if this proviso did not exist, and

(ii) on the Retention Commencement Date, the Indenture Trustee will promptly notify each of the Designated Depositary Banks that are not then sending Collections in their Collection Account(s) to the applicable Concentration Account(s) to do so until notified otherwise by the Indenture Trustee, and

(A) *first*, any allocations to Alliance or an affiliate thereof pursuant to clauses (xvii) and (xviii) will not be made,

(B) *second*, with respect to each Series for which such an Early Amortization Event has occurred, until the earlier of (1) the Indenture Trustee's receipt of notice from the Controlling Party of such Series that this proviso shall no longer apply with respect to such Early Amortization Event and (2) the date at least one month after the Monthly Reporting Period for which such Debt Service Coverage Test had been breached on which the Indenture Trustee receives a Servicing Report evidencing that the average of the Debt Service Coverage Ratios for the three most recently-reported Monthly Reporting Periods is at least equal to the test level from the relevant quarterly Debt Service Coverage Test (or as otherwise provided in the applicable Indenture Supplement) for such Series (such earlier date, the "*Release Date*", and the period from the Retention Commencement Date through the Release Date being the "*Retention Period*"), the Retained Amount for such Series will be transferred to and retained in the applicable Series Account; thereafter (x) if the Retention Period for such Series terminates before an Early Amortization Period with respect to such Series commences, then all such amounts in the applicable Series Account will be released from such Series Account and will be allocated to Alliance and its affiliates in the manner provided for in clauses (xvii) and (xviii), and (y) if an Early Amortization Period with respect to such Series commences before the Retention Period for such Series terminates, then all such amounts will be retained in such Series Account as if they were an allocation to such Series Account under clause (v)(B) or clause (xi)(B) (as applicable) and will be applied pursuant to the applicable Indenture Supplement on the next Early Amortization Payment Date, and

(C) *third*, all remaining amounts in the Concentration Accounts in excess of what is required to fund the Retained Amounts for all such Series will be allocated in the manner provided for in clauses (xvii) and (xviii) as if this proviso did not exist.

"*Retained Amount*" with respect to a Series means, for each date of determination, an amount equal to such Series' *pro rata* share (based upon the outstanding Series Balance of each Series for which a Retention Period is in effect on such date and for which the effect of the proviso below does not yet apply) of (a) the amount that would have been allocated on such date in the manner provided for in clauses (xvii) and (xviii) in the absence of the Retention Period for any Series *minus* (b) unless a payment has already been made to Alliance on such date under clause (v)(A) or (xi)(A), such portion of such amounts that would be sent to Alliance on such date pursuant to clause (xi)(A) if an Early Amortization Period with respect to a Subordinated Series were to exist; *provided* that the aggregate Retained Amount for any Series at any time on deposit in its Series Account (*plus* all amounts already on deposit therein for the payment of principal pursuant to clauses (iv), (v) and (vii) (with respect to Senior Series) and clauses (x), (xi) and (xiii) (with respect to Subordinated Series)) will not exceed its outstanding Series Balance.

As provided in "Concentration Accounts" above, all such amounts that are to be deposited into a Series Account will (to the extent not already in the applicable currency) be caused by the Indenture Trustee to be converted into such currency as promptly as possible after being deposited into such Series Account. For the purpose of calculating the allocations among the Series pursuant to the above, the *pro rata* portion of the principal, Interest or other amount(s) payable with respect to any Series that is payable in a currency other than Dollars generally will be determined by the Indenture Trustee by notionally converting such amount into Dollars using the exchange rate (except with respect to Euro, taking into consideration any exchange fees or other charges) that will be (or, as closely as possible, is expected to be) used to convert Dollar Collections into such other currency.

The "*Required Amount*" for each Payment Date (and the Interest Period then ended) and each Early Amortization Payment Date (if applicable) means the amount necessary to allocate or pay in full all amounts that (were there unlimited funds in the Concentration Accounts) would be allocated or paid with respect to such date (and the Interest Period or, with respect to an Early Amortization Payment Date, shorter period then ending) pursuant to clauses (i) through (xvi) above; *provided* that (a) for any Series, the Required Amount for any Payment Date may be increased to the extent provided in the applicable Indenture Supplement (*it being understood* that the aggregate amount necessary to reflect all increases caused by any such revisions will be the Required Amount), and (b) with respect to any Hedging Agreements, the amount to be included in such determination will be the net amount (if any) that would be payable by the SPC for such Payment Date (and the Interest Period then ended) under such Hedging Agreement as of the date of determination. Any amounts paid in respect of principal as a result of the preceding proviso that would not have been paid but for the application of such proviso will be applied to reduce the Quarterly Amortization Amounts of each applicable Series scheduled to be paid on the remaining Payment Dates on a *pro rata* basis or such other manner as may be set forth in the corresponding Indenture Supplement.

As permitted by the proviso in the definition of "Required Amount", the Required Amount for each Series of the Offered Notes will be increased as follows: for so long as Fitch has an outstanding rating on such Series (for the Series 2006A Notes, without consideration of the Series 2006A Enhancement) of "BB+" or lower, or such rating is withdrawn, the Required Amount for such Series, with respect to any Payment Date for such Series, will mean the Required Amount as calculated without reference to this paragraph *plus* an additional amount equal to the Required Series Amount (*it being understood* that, in order to avoid duplication, such is determined without consideration of any increase in the Required Amount pursuant hereto) for such Series; *it being understood* that (a) all such additional Required Amounts will be deposited into the applicable Series Account for application only pursuant to the applicable Indenture Supplement, (b) in no circumstance will the increased Required Amount so allocated to the applicable Series Account exceed the total amount actually necessary to pre-pay such Series (and all other related payments to the applicable Enhancer or other persons) in full and (c) if the applicable Interest-Only Period is in effect, then such calculation will be made assuming that the Quarterly Amortization Amount for the applicable Series is equal to the first scheduled Quarterly Amortization Amount for such Series.

Distribution of Amounts in the Series Accounts

Each Series Account, including the Series Accounts for the Offered Notes, will be maintained by the Indenture Trustee in the United States (or, with respect to any Series denominated in a currency other than Dollars, in any other country specified in the applicable Indenture Supplement or, if not so specified, in a country in which such currency is the national currency). All amounts on deposit in a Series Account will be paid in the manner specified in the corresponding Indenture Supplement; *it being understood* that payments of principal and Interest will only be payable (a) on a Payment Date, (b) during an Early Amortization Period with respect to the corresponding Series, on an Early Amortization Payment Date, (c) on a Redemption Date for such Series or (d) on the date described in "Sale Recision Events" below, as a result of the payment of a Sale Recision Payment for such Series. If (i) a Payment Date, an Early Amortization Payment Date or a Redemption Date is not a Business Day for the Indenture Trustee, then it will arrange for the corresponding payments to be made on such day as if it were a Business Day for the Indenture Trustee, (ii) a payment is required to be made on a day on which settlement in the applicable currency cannot be made (for example, a payment in Euro that cannot be made on a Payment Date as it is not a business day for transactions in Europe), then the Indenture Trustee will make such payment on its next Business Day on which such payment can be made; *it being understood* that no interest or other additional payment with respect to such delay will be paid, and (iii) a Concentration Account, Series Account or other transaction account from which payment is required to be made on a particular day is maintained in a jurisdiction in which such day is not a business day (*e.g.*, if a Series Account for a Dollar-denominated Series is maintained in London and a Payment Date on which a payment is to be made therefrom is not a business day in London) and such payment cannot be made from such transaction account on such day, then the Indenture Trustee will arrange for such payment to be made from a different account on the applicable day of payment (*e.g.*, by, before such date of payment, transferring the applicable funds in such account to another account from which such payment may be made on the applicable date of payment).

All amounts on deposit in the Series 2006A Series Account will be allocated or paid by the Indenture Trustee (based upon information furnished to it by the Servicer) on each of its Business Days in the following order of priority:

(a) *first*, the amount necessary to pay all Guaranteed Interest payable in respect of the Series 2006A Notes on the next Payment Date (whether or not an Early Amortization Period with respect to such Series exists) will be retained in the applicable Series Account and will be paid (on a *pro rata* basis to the applicable Guaranteed Noteholders of record as of the most recent Record Date) on such next Payment Date (or, to the extent accrued, Early Amortization Payment Date); *provided* that (i) any Additional Amount deposited into the applicable Series Account by Alliance will first be paid (on a *pro rata* basis based upon the amount thereof so owed) to the recipient(s) thereof and (ii) if an Early Amortization Period with respect to such Series exists, if the applicable Series would not be repaid in full on such Early Amortization Payment Date, then the amount necessary to pay all Guaranteed Interest in respect of such Series on the next Payment Date (such amount to be determined as if no Early Amortization Period with respect to the Series 2006A Notes were to exist but giving effect to any payment of principal made on such Early Amortization Payment Date) will be retained in the applicable Series Account for allocation to the payment of Guaranteed Interest on the next Payment Date (or Early Amortization Payment Date, if applicable),

(b) *second,* all remaining amounts to the extent necessary to pay the Quarterly Amortization Amount (if any) scheduled to be paid on the next Payment Date (or scheduled to be paid on any previous Payment Date but that has not yet been paid) in respect of the Series 2006A Notes will be retained in the applicable Series Account and paid (on a *pro rata* basis to the applicable Noteholders of record as of the most recent Record Date) on such next Payment Date (or, if applicable, on the next Early Amortization Payment Date with respect to such Series; *it being understood* that the Quarterly Amortization Amount for such Series for the next Payment Date will be reduced by the amount of any such payments on an Early Amortization Payment Date),

(c) *third*, all remaining amounts will be paid to the Series 2006A Enhancer to the extent necessary to (i) reimburse the Series 2006A Enhancer for any amounts disbursed under the Series 2006A Enhancement to pay Guaranteed Interest on the Series 2006A Notes and not yet reimbursed to the Series 2006A Enhancer and (ii) pay interest thereon to the extent required in the Series 2006A Enhancement Agreement,

(d) *fourth*, all remaining amounts will be paid to the Series 2006A Enhancer to the extent necessary to (i) reimburse the Series 2006A Enhancer for any amounts disbursed under the Series 2006A Enhancement to pay principal on the Series 2006A Notes and not yet reimbursed to the Series 2006A Enhancer and (ii) pay interest thereon to the extent required in the Series 2006A Enhancement Agreement,

(e) *fifth*, all remaining amounts to the extent necessary to pay all guaranty fees relating to the Series 2006A Enhancement to be paid on or before the next Payment Date (*plus* any interest payable to the Series 2006A Enhancer in connection therewith) will be retained in the applicable Series Account and paid to the Series 2006A Enhancer on such due date,

(f) *sixth*, the amount necessary to pay all Interest (other than Guaranteed Interest) payable in respect of the Series 2006A Notes on the next Payment Date (whether or not an Early Amortization Period with respect to the Series 2006A Notes exists) will be retained in the applicable Series Account and will be paid (on a *pro rata* basis to the applicable Noteholders of record as of the most recent Record Date) on such next Payment Date (or, to the extent accrued, Early Amortization Payment Date),

(g) *seventh*, if an Early Amortization Period with respect to the Series 2006A Notes exists (or if funds were allocated to the applicable Series Account as a result of the existence of an Early Amortization Period with respect to such Series that has since ended), then all remaining amounts (up to an amount equal to the aggregate amount deposited into the applicable Series Account pursuant to clause (v) of "Allocation of Amounts in the Concentration Accounts" above as a result of the existence of such Early Amortization Period, excluding any such amounts already paid to the applicable Noteholders on any earlier Early Amortization Payment Date) will be retained in the applicable Series Account and paid (on a *pro rata* basis to the applicable Noteholders of record on the most recent Record Date) on the next Early Amortization Payment Date (if the Early Amortization Period for such Series has ended, determined as if such Early Amortization Period still existed); *it being understood* that if such payment results in a partial redemption of the Series 2006A Notes, then such redemption will be applied to reduce each remaining scheduled Quarterly Amortization Amount of such Series on a *pro rata* basis,

(h) *eighth*, all remaining amounts will be applied up to the amount of the aggregate of any additional amounts allocated to the Series 2006A Notes pursuant to clause (vii) of "Allocation of Amounts in the Concentration Accounts" above (excluding any such amounts already distributed to the applicable Noteholders), which amounts will be (i) retained in the applicable Series Account and paid (on a *pro rata* basis to the applicable Noteholders of record as of the most recent Record Date) on the next Payment Date (or, if applicable, the next Early Amortization Payment Date with respect to such Series), and (ii) if such payment results in a partial prepayment of the applicable Series, then such prepayment will be applied to reduce each remaining Quarterly Amortization Amount of the applicable Series on a *pro rata* basis, and

(i) *ninth*, all remaining amounts will be deposited into the Dollar Concentration Account.

All amounts on deposit in the Series 2006B Series Account will be allocated or paid by the Indenture Trustee (based upon information furnished to it by the Servicer) on each of its Business Days in the following order of priority:

(a) *first*, the amount necessary to pay all Interest payable in respect of the Series 2006B Notes on the next Payment Date (whether or not an Early Amortization Period with respect to such Series exists) will be retained in the applicable Series Account and will be paid (on a *pro rata* basis to the applicable Noteholders of record as of the most recent Record Date) on such next Payment Date (or, to the extent accrued, Early Amortization Payment Date); *provided* that (i) any Additional Amount deposited into the applicable Series Account by Alliance will first be paid (on a *pro rata* basis based upon the amount thereof so owed) to the recipient(s) thereof and (ii) if an Early

Amortization Period with respect to such Series exists, if the applicable Series would not be repaid in full on such Early Amortization Payment Date, then the amount necessary to pay all Interest in respect of such Series on the next Payment Date (such amount to be determined as if no Early Amortization Period with respect to the Series 2006A Notes were to exist but giving effect to any payment of principal made on such Early Amortization Payment Date) will be retained in the applicable Series Account for allocation to the payment of Interest on the next Payment Date (or Early Amortization Payment Date, if applicable),

(b) *second,* all remaining amounts to the extent necessary to pay the Quarterly Amortization Amount (if any) scheduled to be paid on the next Payment Date (or scheduled to be paid on any previous Payment Date but that has not yet been paid) in respect of the Series 2006B Notes will be retained in the applicable Series Account and paid (on a *pro rata* basis to the applicable Noteholders of record as of the most recent Record Date) on such next Payment Date (or, if applicable, on the next Early Amortization Payment Date with respect to such Series; *it being understood* that the Quarterly Amortization Amount for such Series for the next Payment Date will be reduced by the amount of any such payments on an Early Amortization Payment Date),

(c) *third*, if an Early Amortization Period with respect to the Series 2006B Notes exists (or if funds were allocated to the applicable Series Account as a result of the existence of an Early Amortization Period with respect to such Series that has since ended), then all remaining amounts (up to an amount equal to the aggregate amount deposited into the applicable Series Account pursuant to clause (v) of "Allocation of Amounts in the Concentration Accounts" above as a result of the existence of such Early Amortization Period, excluding any such amounts already paid to the applicable Noteholders on any earlier Early Amortization Payment Date) will be retained in the applicable Series Account and paid (on a *pro rata* basis to the applicable Noteholders of record on the most recent Record Date) on the next Early Amortization Payment Date (if the Early Amortization Period for such Series has ended, determined as if such Early Amortization Period still existed); *it being understood* that if such payment results in a partial redemption of the Series 2006B Notes, then such redemption will be applied to reduce each remaining scheduled Quarterly Amortization Amount of such Series on a *pro rata* basis,

(d) *fourth*, all remaining amounts will be applied up to the amount of the aggregate of any additional amounts allocated to the Series 2006B Notes pursuant to clause (vii) of "Allocation of Amounts in the Concentration Accounts" above (excluding any such amounts already distributed to the applicable Noteholders), which amounts will be (i) retained in the applicable Series Account and paid (on a *pro rata* basis to the applicable Noteholders of record as of the most recent Record Date) on the next Payment Date (or, if applicable, the next Early Amortization Payment Date with respect to such Series), and (ii) if such payment results in a partial prepayment of the applicable Series, then such prepayment will be applied to reduce each remaining Quarterly Amortization Amount of the applicable Series on a *pro rata* basis, and

(e) *fifth*, all remaining amounts will be deposited into the Dollar Concentration Account.

The "*Required Series Amount*" with respect to each Payment Date or Early Amortization Payment Date with respect to (a) the Series 2006A Notes will equal the sum of the amounts that (were there unlimited funds in the applicable Series Account) are required to be paid on or before such date pursuant to clauses (a) through (h) in its Series Account waterfall above, (b) the Series 2006B Notes will equal the sum of the amounts that (were there unlimited funds in the applicable Series Account) are required to be paid on or before such date pursuant to clauses (a) through (d) in its Series Account waterfall above, and (c) any other Series will be as specified in the applicable Indenture Supplement.

Pending application in accordance with the Indenture and the applicable Indenture Supplement(s), amounts in the Series Accounts will be invested by the Indenture Trustee (at the instruction of the Servicer, which may be a standing instruction) in Eligible Investments that are both denominated and payable in the applicable currency; *provided* that no investment of such amounts may be made in any jurisdiction other than the United States unless an opinion of local counsel or accounting firm in such jurisdiction is given that confirms that either (a) any income/loss on such investment may be treated for tax purposes as income/loss of Alliance or (b) any income on such investment would not result in any taxes to the SPC greater than the amount of such income.

Draws on the Series 2006A Enhancement

If, as of the close of the Indenture Trustee's business on the seventh Manila/New York Business Day preceding any Payment Date, there is a Shortfall with respect to payments of the Quarterly Amortization Amount (if any) and Guaranteed Interest payable on the Series 2006A Notes on such Payment Date, then the Indenture Trustee will promptly (and, in any event, by no later than its next Business Day) draw upon the Series 2006A Enhancement in an amount equal to such Shortfall. Amounts so drawn under the Series 2006A Enhancement will be deposited into the applicable Series Account for application solely to the scheduled Quarterly Amortization Amount and Guaranteed Interest due on the applicable Payment Date in accordance with "Distribution of Amounts in the Series Accounts" above. To the extent any of the SPC's obligations under the Series 2006A Notes are paid by the Series 2006A Enhancer pursuant to the Series 2006A Enhancement, such amounts will be reimbursed to the Series 2006A Enhancer in the manner described in "Distribution of Amounts in the Series Accounts" above. Notwithstanding anything herein to the contrary, all amounts drawn under the Series 2006A Enhancement will be for the benefit of, and applied to the payment to, only those Series 2006A Noteholders that are also Guaranteed Noteholders.

"*Guaranteed Interest*" means, with respect to the Series 2006A Notes and each Payment Date, an amount equal to the product of (a) the Interest Rate corresponding to such Series (without giving effect to clause (b) of the proviso to the definition of such Interest Rate), (b) the average daily Series Balance of such Series during the period from and including the preceding Payment Date (or, if applicable, Early Amortization Payment Date or Redemption Date, or, in the case of the first Payment Date for such Series, the Issuance Date of such Series) (as reduced by any principal amount repaid on such beginning date) to but excluding such Payment Date and (c) the actual number of days in the period described in clause (b) divided by 360; *it being understood* that any payments of principal or interest made from the proceeds of a disbursement under the Series 2006A Enhancement will be construed to have been paid for purposes of such Enhancement when received by the Indenture Trustee. As noted in "Enhancement" above, the Guaranteed Interest will not include any Additional Amounts.

Any of the SPC's obligations under the Notes that are paid on its behalf under a financial guaranty or similar guaranty (including the Series 2006A

Enhancement) may result in a corresponding obligation payable by the SPC and Alliance to the corresponding Enhancer or Enhancement as reimbursement for such payment. Such is the case for the Series 2006A Notes, which reimbursement obligations with respect to the Series 2006A Enhancement will be paid to the Series 2006A Enhancer in the manner described in "Distribution of Amounts in the Series Accounts" above.

For additional information with respect to the Series 2006A Enhancement, including the possible reduction of the Shortfall should additional funds become available to the Indenture Trustee between the time of any claim on the Series 2006A Enhancer and the applicable Payment Date, see "The Series 2006A Enhancement" below.

"*Shortfall*" means, in respect of each Payment Date, the amount, if any, by which:

(a) the Quarterly Amortization Amount of the Series 2006A Notes scheduled to be paid to the Guaranteed Noteholders on such Payment Date and the amount of any accrued and unpaid Guaranteed Interest in respect of the Series 2006A Notes scheduled to be paid to the Guaranteed Noteholders on such Payment Date (in accordance with the original terms and conditions of the Indenture, the Series 2006A Indenture Supplement and the Series 2006A Notes as in effect on the Offered Notes Issuance Date without giving effect to any amendment, supplement, waiver or any other modification to any thereof made after the Offered Notes Issuance Date unless such amendment, supplement, waiver or modification is approved in writing by the Series 2006A Enhancer), in each case, without duplication of any such amounts in respect of which a claim has previously been made under the Series 2006A Enhancement and remains unpaid and in full force and effect (collectively, a "*Scheduled Payment*"), exceeds

(b) the sum of all amounts allocated, allocable or otherwise available for payment to the Guaranteed Noteholders of such Scheduled Payment (including, without limitation (i) those amounts credited to the applicable Series Account, (ii) those amounts credited to the Concentration Accounts and/or the Coverage Reserve Account (including all subaccounts thereof), in each case allocable in respect of the Series 2006A Notes, that have not been transferred or credited to the applicable Series Account by the Indenture Trustee, in each of clauses (i) and (ii) including the proceeds of the Eligible Investments in respect of such accounts allocable in respect of the Series 2006A Notes), and those amounts, if any and without duplication of any other amounts described in this clause (b), otherwise deemed to have been paid to any Guaranteed Noteholder);

it being understood that "Scheduled Payments" does not include, and thus no coverage will be provided under the Series 2006A Enhancement in respect of (x) any make-whole, non-utilization, prepayment, redemption or call premium, fee or penalty payable in respect of the Series 2006A Notes, (y) any amounts due in respect of the Series 2006A Notes attributable to any increase in Interest Rate, any penalty, any amounts in respect of indemnification or any other sums payable by reason of any default, any Early Amortization Event, any Sale Recision Event, any deterioration of the creditworthiness or reduction in or withdrawal of any ratings of the SPC, Alliance or the Series 2006A Enhancer, any default or failure to pay under any Hedging Agreement or any other reason or (z) any Additional Amounts or any taxes or other charges imposed by any governmental authority (including interest and/or penalties in respect of such charges or taxes), whether in respect of payments under the Series 2006A Notes or under the Series 2006A Enhancement.

"*Guaranteed Noteholders*" means each registered holder of a Series 2006A Note as indicated on the Register; *provided* that "Guaranteed Noteholder" will not include (a) Alliance, the SPC, any successors of either thereof or any affiliates of any thereof (an "*Affiliated Investor*") that are such registered holders and (b) a registered holder to the extent that an Affiliated Investor is a beneficial owner (*i.e.*, a Note Owner) with respect to the Series 2006A Notes held by such registered holder; *and provided further* that, notwithstanding clauses (a) and (b), an Affiliated Investor will be a Guaranteed Noteholder to the extent that it holds the Series 2006A Note (or a beneficial interest therein) in the ordinary course of its business and: (i) its interest in a Series 2006A Note is held on behalf of one or more non-Affiliated Investors and/or (ii) it is an affiliate of Alliance that is not consolidated into Alliance for IFRS financial reporting purposes.

"*Manila/New York Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in New York City, New York are permitted or required by applicable law to remain closed; *provided* that a Manila/New York Business Day must be a day on which commercial banks and foreign exchange markets settle payments and are open for general banking business (including dealing in foreign exchange and foreign currency deposits) in Makati City, Metro Manila, The Philippines. The Series 2006A Enhancement will provide that the Series 2006A Enhancer will (at the request of the Indenture Trustee) notify the Indenture Trustee of each day (other than a Saturday or Sunday) that is not a day on which commercial banks and foreign exchange markets settle payments and are open for general banking business (including dealing in foreign exchange and foreign currency deposits) in Makati City, Metro Manila, The Philippines during the following 12 months; *provided* that the Indenture Trustee will be deemed to have notice that December 25 in any year is such a day and the Series 2006A Enhancer need not so notify the Indenture Trustee with respect to such day; provided that the Series 2006A Enhancer will promptly advise the Indenture Trustee of any changes to such day that may occur. The Series 2006A Indenture Supplement will provide that the Indenture Trustee shall request such information from the Series 2006A Enhancer on the Offered Notes Issuance Date and thereafter at least once per calendar year.

Covenants of the SPC

Pursuant to the Indenture, the SPC will agree to, among other covenants, certain negative covenants relating to the conduct of its business, including agreements not to:

(a) create, assume or otherwise incur indebtedness (including any contingent obligations) or any other obligations or liabilities other than the Notes, the Originator Note, any obligations under Enhancement Agreements, any other obligations under or contemplated by the Transaction Documents (including under Hedging Agreements) and normal course obligations relating to the maintenance of its existence (including the payment of taxes, registration fees, accounting expenses and similar costs),

(b) create or suffer to exist any liens on the Collateral or any of its other properties other than liens created for the benefit of the Indenture Trustee pursuant to the Transaction Documents and liens for taxes, assessments and other governmental charges payable by the SPC and not yet due,

(c) (i) create or acquire any subsidiaries or (ii) other than as specifically contemplated by the Transaction Documents, make any investment; *it being understood* that the SPC may not acquire any Notes (or beneficial interests therein) other than in connection with any prepayment thereof permitted by the Transaction Documents, at which time such Notes (or beneficial interests therein) must be cancelled,

(d) pay any dividends or make any other distribution to its equityholder(s) other than to declare and pay a dividend in the amount of up to the amount of the SPC's transaction fees described in the proviso to the definition of "Collateral" above on or promptly after each Issuance Date,

(e) consolidate or merge with or into any other person or (except pursuant to the Transaction Documents) sell, assign, lease, transfer or otherwise dispose of (or purport to sell, assign, lease, transfer or otherwise dispose of), directly or indirectly, all or any part of its properties to any other person,

(f) engage in any business activity other than as required or contemplated under the Transaction Documents,

(g) take, or (where it has the power to prevent the relevant action) knowingly permit to be taken, any action that would pre-maturely terminate, or discharge or prejudice the validity or effectiveness of, any of the Transaction Documents or the validity, effectiveness or priority of the liens created thereby, or

(h) make, or cause or permit to be made on its behalf, any payment, monetary transfer or deposit other than as specifically contemplated by the Transaction Documents, as required by applicable law or payments on obligations permitted by clauses (a) and (d).

The Indenture provides that, notwithstanding anything else in the Transaction Documents, including the covenants above, the SPC may relocate to, reorganize in and/or combine with another entity organized in another jurisdiction (the "*SPC Movement*") so long as (a) the Majority Controlling Parties (and, to the extent not included therein (i) each Enhancer who is a Controlling Party of any Series and (ii) each Enhancer who has ceased to be a Controlling Party of its Series solely due to an Enhancer Event resulting from its Enhancement ceasing to be in full force and effect) have so consented in their sole discretion, (b) each Rating Agency then rating any Series shall have confirmed to the Indenture Trustee that its rating of each Series then rated by it will not (as a result of the SPC Movement) be withdrawn or reduced to below the lower of (i) its then-current rating on such Series and (ii) its initial rating on such Series (in each case, without consideration of any Enhancement that is a financial guaranty or similar guaranty), and (c) Alliance shall have requested the SPC to effect the SPC Movement. Each of the SPC, Alliance, the Indenture Trustee and any applicable Enhancer are (without the need for any approvals, consents or instructions from any Investors, but in accordance with all other provisions applicable thereto) authorized (but not obligated) to join in the execution of any amendment (including amendment and restatement) or to execute any replacement of the applicable Indenture Supplement, any applicable Enhancement and any other applicable Transaction Documents to the extent required to provide for the SPC Movement. Promptly after any SPC Movement, the Indenture Trustee will so notify all of the Noteholders and Enhancers.

"*Hedging Agreement*" means an interest rate agreement or any currency swap, cap or collar agreement or similar arrangement entered into by the SPC providing for the transfer or mitigation of interest rate or currency risks either generally or under specific contingencies; *it being understood* that (a) such agreement will specifically provide that the counterparty thereto will only receive payment in the manner described in "Allocation of Amounts in the Concentration Accounts" above and contain "no petition" language similar to that set forth in the Indenture, (b) the SPC will deliver a copy of each such agreement (including any swap confirmations relating thereto) to the

Indenture Trustee promptly after the execution thereof; *it being understood* that no Hedging Agreement may be entered into except in writing (*i.e.*, any undocumented swap will not be considered to be a Hedging Agreement), (c) the SPC will enter into any Hedging Agreement only at the request of Alliance, (d) any payments to the SPC thereunder will be made to the Indenture Trustee for deposit into the applicable Concentration Account, (e) such agreement will specifically provide that payments thereunder are due and payable on a net basis, (f) such agreement will hedge interest rate and/or foreign exchange exposure relating to either a Senior Series or a Subordinated Series and (g) such agreement will contain the acknowledgment and agreement of the counterparty that the SPC's right, title and interest in, to and under such agreement have been pledged to the Indenture Trustee. Any Hedging Agreement may be guaranteed by any person (including Alliance) and/or may be secured by other collateral.

Pursuant to the Origination Agreement, the SPC will agree, when requested by Alliance, to provide Alliance with its latest Financial Statements. "*Financial Statements*" means, with respect to any person, the unaudited (with respect to a fiscal quarter) or audited (with respect to a fiscal year) balance sheets and statements of income of such person.

Covenants of Alliance

Alliance will agree in the Origination Agreement, among other things:

(a) not to take any action (including through any of its branches or other offices) to reduce or terminate, or sell, assign or otherwise dispose of, its Payment Order business (including by transferring or intentionally redirecting all or a portion of such business to any of its subsidiaries or other affiliates or by terminating (or taking or refraining from taking any action that would cause the termination of) its membership in the SWIFT or any other Payment Order system), whether in a single transaction or a series of related transactions, or make any other change in such business, in each case that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect; *it being understood* that administrative and operational matters relating to Alliance's Payment Order business may, as permitted in the Servicing Agreement, be handled by third parties (including Alliance's subsidiaries and other affiliates),

(b) not to (including through any of its branches or other offices) (i) purport to create, incur or suffer to exist any lien on the Diversified Payment Rights or other Collateral other than (A) liens created pursuant to the Transaction Documents, (B) liens for taxes, assessments and other governmental charges payable by the SPC and not yet due and (C) any right of setoff or similar banker's lien held by a Depositary Bank on an account of Alliance that is not a Collection Account, (ii) purport to sell, assign, transfer or otherwise dispose of any of the Diversified Payment Rights or other Collateral to any person other than to the SPC pursuant to the Transaction Documents, (iii) sell, assign, transfer or otherwise dispose of, or create, incur or suffer to exist any lien (other than liens for taxes, assessments and other governmental charges payable by Alliance but that are not yet due) on, the Originator Note or (iv) enter into any agreement with any Payor Bank that Payment Orders from such Payor Bank to Alliance will be governed by any law other than Kazakhstan law,

(c) not to close any merger with or into, consolidation with or sale, assignment or other conveyance (directly or indirectly) of all or substantially all of its property (whether in a single transaction or a series of related transactions) to, any person unless:

(i) (A) with respect to any merger or consolidation, Alliance is the surviving entity, or (B) such person assumes in writing all of Alliance's rights and obligations under the Transaction Documents (both individually and, if it is then acting as the Servicer, as the Servicer) and Alliance (or such person) delivers to the Indenture Trustee one or more opinion(s) of counsel in form and substance reasonably satisfactory to the Indenture Trustee to the effect that (1) such assumption is sufficient for each such Transaction Document to constitute a legal, valid and binding obligation of such person, enforceable against it (subject, except with respect to the Bill of Sale, to customary bankruptcy and similar exceptions) in accordance with its terms, (2) following such assumption, the SPC will continue to have absolute ownership of all right, title and interest in the Diversified Payment Rights and the Collections thereon in the manner contemplated in the Origination Agreement and the Bill of Sale and in the Collection Accounts in the manner contemplated in the Account Agreements, and (3) immediately after such assumption, such person has in full force and effect its legal existence and rights, licenses, consents, approvals, franchises and privileges in the jurisdictions necessary (x) for the continued generation of Diversified Payment Rights, (y) for the performance of its obligations (individually and as the Servicer) under the Transaction Documents and (z) in the normal conduct of its business (including its Payment Order business) (except, in each case, to the extent that any failure to have such rights, licenses, consents, approvals, franchises and privileges could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect),

(ii) each Rating Agency shall have notified the Indenture Trustee in writing that such merger, consolidation, sale, assignment or conveyance will not result in such Rating Agency withdrawing or reducing its rating(s) with respect to any Series (determined without consideration of any applicable Enhancement that is a financial guaranty or similar guaranty with respect to such Series but after giving effect to such merger, consolidation, sale, assignment or conveyance) to below the lower of (A) one ratings level below its initial rating on such Series (*e.g.*, if the initial rating from Moody's is "Baa1," then "Baa2") and (B) its then-current rating on such Series; *provided* that in no event shall Alliance close any such merger, consolidation, sale, assignment or convergence if such rating would be reduced to below (or if such ratings would remain below) "BBB-" by S&P or Fitch or "Baa3" by Moody's (as applicable), and

(iii) no Early Amortization Event with respect to any Series (or any event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both) shall be expected to exist immediately after giving effect to such proposed merger, consolidation, sale, assignment or conveyance,

(d) except to the extent required by applicable law (including by any governmental authority) (i) not to take any action (or refrain from taking any action) that would impair in any respect the rights and interests of the SPC, the Indenture Trustee and/or any other

Beneficiary under the transactions effected by the Transaction Documents (including by causing any payment obligation that would otherwise be a Diversified Payment Right not to fall within the definition thereof) and (ii) to continue in all respects to service and administer its Payment Order business, for so long as any Series remains outstanding, as in effect on its Issuance Date, in each case except to the extent that any failure to do so could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect; *it being understood* that Alliance may continue to provide alternative payment-related services (such as those relating to letter of credit/documentary credit/MT700-type transactions and cash against documents/collections/MT400-type transactions) to the extent that such services are not provided for the purpose of causing a Material Adverse Effect,

(e) (i) to cause to be filed in the appropriate jurisdictions in the United States all Uniform Commercial Code financing statements, and any continuation statements with respect thereto, necessary in order to reflect the sale of the Diversified Payment Rights and the Collections thereon to the SPC and promptly to provide the SPC, each Enhancer (if any) and the Indenture Trustee with confirmation of all such filings, (ii) to send the application for filing the Bill of Sale and the Origination Agreement (as described in clause (b) of "Representations and Warranties of Alliance" below) and (iii) reasonably promptly to execute and deliver all further documents, and take all further action, that may be necessary or desirable that the SPC, any Enhancer or the Indenture Trustee may reasonably request in order to effect more fully the purposes of the Bill of Sale and the other Transaction Documents and the sale of the Diversified Payment Rights (and the Collections thereon) thereunder, to protect or more fully evidence the SPC's right, title and interest in the Diversified Payment Rights and the Collections thereon or to enable the SPC, each Enhancer (if any) or the Indenture Trustee to exercise or enforce any of their respective rights in respect thereof,

(f) to have at least (i) two Primary Designated Depositary Banks, at least one of which is not affiliated with Alliance and (ii) one Collection Account with respect to Dollars,

(g) as of the end of each calendar month, not to permit any of its capital adequacy ratios to fall below the higher of (i) the minimum capital adequacy ratios required by the National Bank and/or the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organizations (Агентство Республики Казахстан по регулированию и надзору финансового рынка и финансовых организаций) ("*FMSA*") (or other applicable Kazakhstan governmental authority responsible for setting and/or supervising capital adequacy requirements for financial institutions) and (ii) with respect to "Tier I" capital, 6%, and with respect to all capital (including "Tier II" capital), 12%,

(h) subject to clause (c), to maintain, renew and keep in full force and effect its legal existence and rights, licenses, permissions, consents, approvals, franchises and privileges in the jurisdictions necessary (i) for the continued generation of Diversified Payment Rights, (ii) for the performance of its obligations (individually and as the Servicer) under the Transaction Documents and (iii) in the normal conduct of its business (including its Payment Order business) (except, in each case, to the extent that any failure to have such rights, licenses, consents, approvals, franchises and privileges could not reasonably be expected, alone or in the aggregate, to have a

Material Adverse Effect),

(i) to comply at all times in all respects with (i) all applicable laws of Kazakhstan (including regulations imposed by the FMSA, the National Bank and any applicable tax laws or regulations) and, only to the extent that they apply to or in any way affect the generation, transfer and/or servicing of the Diversified Payment Rights and the Collections thereon, the assignment of the Collection Accounts and/or the other transactions contemplated by the Transaction Documents (including the performance of its obligations thereunder), all applicable laws of the United States and all other jurisdictions (including to ensure compliance with (A) any applicable laws relating to the collection of export-related payments (such as Kazakhstan's currency control laws) and (B) the Prohibited Nations Acts (including the requirement of the USA Patriot Act to maintain a process agent in the United States to accept service of process from the Secretary of the Treasury or the Attorney General of the United States pursuant to 31 U.S.C.A. §5318(k))), and (ii) all of its obligations under the SWIFT and other Payment Order systems, in both of clauses (i) and (ii) except where non-compliance therewith could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(j) to (i) pay any monitoring fees of the Rating Agencies in respect of each Series and (ii) provide the Rating Agencies (at Alliance's sole expense) such reports, records and documents as each shall reasonably request to monitor or affirm the rating(s) assigned by it to each outstanding Series (determined either with or without giving consideration to any applicable Enhancement that is a financial guaranty or similar guaranty of such Series); *it being understood* that neither Alliance nor the SPC will request that any Rating Agency stop rating any Series rated by such Rating Agency without the prior consent of each of the Investors and Enhancers (if any) of such Series,

(k) (i) to notify the Indenture Trustee by no later than ten days (*provided* that it will use reasonable efforts to provide such notice within five days) after its opening of any new correspondent banking account into which Collections may be deposited and (ii) that any Collections that it (or any other person on its behalf) receives (for any reason whatsoever) in respect of Diversified Payment Rights will be (A) if received or held by Alliance, held by it in trust and deposited into the applicable Concentration Account or any Collection Account, and (B) if received by another person on behalf of Alliance (including any Depositary Bank for which an Account Agreement is not in effect), instructed to be so deposited, in each case promptly (but in any event within two Business Days after Alliance obtains actual knowledge of its (or such other person's) receipt thereof); *provided* that (1) except at any time during which it has elected to fund the Coverage Reserve Account in order to avoid the occurrence of an Early Amortization Event with respect to any Series, if (y) an amount at least equal to the Required Amount for the next Payment Date (or Early Amortization Payment Date, if applicable) is collectively on deposit in the Concentration Accounts and Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Allocation of Amounts in the Concentration Accounts" above) (excluding any such amounts received as a pre-funding in respect of the next Interest Period in the manner described in "Pre-Funding of the Concentration Accounts" above) or (z) no Early Amortization Period with respect to any Series exists, then Alliance may retain all such Collections as a payment to it under the Originator Note, and (2) any amounts that it receives as a payment to it under the Originator Note may be retained by it (*for the purpose of clarification*, any reduction in a payment made by a Payor or otherwise on a Diversified Payment Right (whether arising from any set-off relating to obligations payable by Alliance to the applicable Payor or otherwise) will be considered for the purpose of this paragraph as Collections received by Alliance),

(l) to (i) cause all electronic and printed reports generated by its computer system(s) for disclosure to (or use by) parties other than Alliance that relate to any material portion of the Diversified Payment Rights to reflect that the Diversified Payment Rights (and the Collections thereon) are subject to the transactions effected by the Transaction Documents and (ii) deliver notice to each of its Dollar and Euro correspondent banks (whether through a broadcast SWIFT message or otherwise) notifying them that the right to receive payments on Diversified Payment Rights has been sold to the SPC, who has pledged such right to the Indenture Trustee (such notice (A) with respect to existing correspondent banks, to be delivered on or as promptly as reasonably possible after the Closing Date, and (B) with respect to future correspondent banks, to be delivered as promptly as reasonably possible after becoming a correspondent thereof),

(m) to reflect on its financial statements (which may be accomplished by indicating such sale in any notes thereto) (i) that the Diversified Payment Rights have been sold to the SPC and thus are not assets of Alliance and (ii) the aggregate Unpaid Balances of all Series remaining outstanding,

(n) (i) by the Closing Date, to sign Account Agreements covering accounts with Depositary Banks that in the aggregate have received at least 70% of the collections with respect to payment rights that would have been Diversified Payment Rights had the Transaction Documents been in effect during the 12 calendar months ended September 30, 2006, (ii) within 40 Business Days after any Quarterly Reporting Period (or, if earlier, within 30 Business Days after the date on which the Servicing Report for such Quarterly Reporting Period has been delivered to the Indenture Trustee), to sign Account Agreements with each of its affiliates that received into its accounts (whether or not already subject to an Account Agreement) at least 10% (in the aggregate for all such accounts at the applicable affiliate) of all Collections during each of two consecutive Quarterly Reporting Periods (*it being understood* that "received" means the actual receipt by such person as opposed to indirect receipt through a correspondent bank or otherwise), which Account Agreements will cover all accounts thereat that receive Collections, (iii) use commercially reasonable efforts to sign Account Agreements with additional Depositary Banks (other than those referred to in clause (ii)) thereafter; *provided* that with respect to any Depositary Bank (including all branches and other offices thereof) that shall have received Collections into one or more of its account(s) (whether or not already subject to an Account Agreement), which Collections in such account(s) represent at least 10% (in the aggregate for all such accounts at such Depositary Bank) of the Collections received during each of the preceding two consecutive Quarterly Reporting Periods, then Alliance will, by the end of the Quarterly Reporting Period after such two consecutive Quarterly Reporting Periods (or, if such event is a result of a merger between Depositary Banks, by 180 days after the completion of such merger), either (A) close each of its Dollar- and Euro-denominated account(s) with such Depositary Bank that are not subject to an Account Agreement (additional

Dollar- and Euro-denominated accounts with which banks may not, for one year after such closure, be opened unless such bank shall have signed an Account Agreement covering such accounts) or (B) sign one or more Account Agreements with such Depositary Bank covering such account(s) as provided in each of the following:

(1) if such Depositary Bank (whether or not it is a Designated Depositary Bank) has only one branch or other office at which such account(s) is/are maintained, then such Depositary Bank will enter into an Account Agreement with respect to all applicable accounts at such Depositary Bank, or

(2) if such Depositary Bank (whether or not it is a Designated Depositary Bank) has more than one branch or other office at which such account(s) is/are maintained, then such Depositary Bank will enter into one or more Account Agreement(s) with respect to accounts at such branches or other offices that, in the aggregate, represent at least 90% of all Collections received (whether at accounts already subject to an Account Agreement or otherwise) during such period by such Depositary Bank (including all branches thereof), and

(iv) to irrevocably instruct and to cause the banks holding all Dollar- and Euro-denominated "*loro*" or similar accounts for Alliance promptly to deliver all Collections in such accounts to the applicable Concentration Account(s),

(o) at any time during normal business hours, upon at least ten Business Days' prior notice (except during the existence of an Early Amortization Event with respect to any Series, in which event such notice will not be required), to (except during the existence of an Early Amortization Event with respect to any Series, no more than once per calendar year and at the cost and expense of the person(s) conducting such review) permit (and, where applicable, to cause each of its subsidiaries to permit) each of (i) the SPC (or the Servicer on its behalf), (ii) the Indenture Trustee, (iii) any Rating Agency and/or (iv) any Enhancer that is a Controlling Party (in each case, and/or their respective agents) to conduct a review of Alliance's (or such subsidiaries') books, records, accounts and systems relating to the Payment Order business wherever such books, records, accounts and systems are located and, (except during the existence of an Early Amortization Event with respect to any Series) so long as such person has provided at least ten Business Days' advance notice (or such longer period as may be reasonably necessary), discuss Alliance's Payment Order business with its officers and other employees involved in such business (*it being understood* that such persons will (A) except during the existence of an Early Amortization Event with respect to any Series, use reasonable efforts to provide Alliance with a detailed request of information desired to be reviewed as soon as reasonably practical before such review, (B) use reasonable efforts to coordinate such reviews and (C) with respect to any information obtained in connection with such reviews, maintain the confidentiality thereof in accordance with all applicable laws and use the same caution that the applicable such person uses with respect to its own confidential information); *provided* that applicable law may prohibit Alliance and/or such subsidiaries from disclosing certain information (including any specific information relating to Alliance's customers, including the names, account numbers and other information relating to Payees) without the consent of the applicable customer(s), a ruling of an appropriate court or other applicable exceptions to such applicable laws (and Alliance and such subsidiaries are permitted to comply with any such applicable laws),

(p) not to (and not to permit any of its subsidiaries to) service any Dollar- or Euro-denominated payment orders or payment rights related thereto owned by any other person (including any of its affiliates) *unless* (i) such servicing and the related transactions are in material compliance with all applicable laws and all necessary approvals from governmental authorities shall have been obtained to ensure such compliance (including, to the extent applicable, compliance with Kazakhstan's currency control laws and any other applicable laws relating to the collection of export-related payments and the Prohibited Nations Acts), (ii) Alliance (and/or such subsidiaries) shall have put in place sufficient servicing procedures to ensure either that (A) the books, accounts and records relating to such payment orders and payment rights shall at all times be distinct from (and not confused with) the books, accounts and records for the Diversified Payment Rights and the related Payment Orders or (B) if the same books, accounts and records, that such books, accounts and records clearly distinguish between the Diversified Payment Rights and the related Payment Orders, on the one hand, and such other payment rights and payment orders, on the other hand, and (iii) the payors of all such payment rights will make payments thereunder to an account not in the name of Alliance except in its capacity as a servicer on behalf of such other person; *for the purpose of clarification*, Alliance's subsidiaries that are banks may engage in the payment order business on their own behalf (including securitizing their rights related thereto) so long as they are in compliance with clauses (i), (ii) and (iii),

(q) within 90 days after the end of each of the first three fiscal quarters of each fiscal year and 120 days after the end of each fiscal year of Alliance, to provide to the SPC, the Indenture Trustee (for further delivery to each Noteholder), each Enhancer (if any) and each Rating Agency copies of its unaudited consolidated IFRS (with respect to a fiscal quarter) or audited consolidated IFRS (with respect to a fiscal year) balance sheet and statements of income, accompanied by:

   (i) an audit/review report of an independent auditor, which report does not have a qualification that identifies an occurrence or circumstance that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect, and

   (ii) an officer's certificate stating that no Early Amortization Event with respect to any Series (or any event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both) has occurred during such period or, if one or more has/have occurred, specifying each such event and what actions have been taken and/or will be taken with respect to each such event;

provided that any such financial statement will be deemed to have been delivered on the date on which Alliance has posted such financial statement in English on its website on the internet (*it being understood* that Alliance will promptly notify the SPC, the Indenture Trustee, each Enhancer (if any) and each Rating Agency that Alliance has posted such financial statement on such website); *and* *provided further* that Alliance will promptly provide such other information as the Indenture Trustee, any Enhancer and/or any such Rating Agency may reasonably request (and that Alliance may provide without violating any applicable law),

(r) to make (or make available) the appropriate payment relating to each Diversified Payment Right to the identified payee (each a "*Payee*") within the framework of its customary business practices (and in accordance with applicable law),

(s) to cause all of its properties used in or useful for the conduct of its Payment Order business to be maintained in good repair, and to cause to be made any repairs, replacements and/or improvements thereto as may be necessary for it to conduct its Payment Order business, in each case except where the failure to do so could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(t) promptly (and in any event within five days with respect to clauses (i) and (iii) below and ten days with respect to clause (ii) below, in each case after Alliance obtains actual knowledge of such event) to provide the SPC, the Indenture Trustee (for further delivery to each applicable Noteholder), each applicable Rating Agency and each applicable Enhancer (if any) (i) notification of an Early Amortization Event with respect to any Series or an event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both, (ii) if one or more of such events described in clause (i) of this paragraph has/have actually occurred (including events that have since been cured), notice specifying all such events and what actions have been taken and/or will be taken with respect to such events, and (iii) notice of any lien asserted or claim made against any Diversified Payment Right, Collections and/or Collection Accounts (other than under the Transaction Documents),

(u) during any period in which it is neither subject to Section 13 or 15(d) under the Exchange Act nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, to make available to any Investor, or to a prospective Investor who is a qualified institutional buyer as defined for purposes of Rule 144A ("*Rule 144A*") under the Securities Act, in connection with any sale (or proposed sale) of a Note or Certificate (or beneficial interest therein), in each case at such Investor's or prospective Investor's request to Alliance, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act, and

(v) so long as Alliance is the Servicer (and, if no longer the Servicer, with respect to all periods from the Closing Date until Alliance ceases to be the Servicer), to maintain its back-up computer system(s) with respect to the servicing of Diversified Payment Rights and the related Payment Orders in such a manner so that such system(s) is/are capable of providing Alliance with at least a similar level of performance and information in all material respects as Alliance's back-up computer system(s) (if any) is/are capable of providing on, for each Series, the applicable Issuance Date.

"*Material Adverse Effect*" means (a) with respect to Alliance (i) a material adverse effect on Alliance's Dollar- and/or Euro-denominated Payment Order business or the Diversified Payment Rights taken as a whole, (ii) a material impairment of the ability of Alliance (either individually or as the Servicer) to perform its obligations under the Transaction Documents to which it is a party, (iii) a material adverse effect on the transactions contemplated by the

Transaction Documents, including (A) on the validity or enforceability against Alliance, either individually or as the Servicer, of any of the Transaction Documents to which it is a party or (B) with respect to the valid transfer of ownership of the Diversified Payment Rights and the Collections thereon, or the assignment of the Collection Accounts (or interests therein), to the SPC or the lien of the Beneficiaries over the Collateral, or (iv) a material adverse effect on the Collateral (including the volume and/or collectability of the Diversified Payment Rights), and (b) with respect to the SPC (i) a material impairment of the ability of the SPC to perform its obligations under the Transaction Documents to which it is a party, (ii) a material impairment of the validity or enforceability against the SPC of any of the Transaction Documents to which it is a party, (iii) a material adverse effect on the Collateral (including the volume and/or collectability of the Diversified Payment Rights) or (iv) a material adverse effect on the rights of the Beneficiaries in the Collateral.

Covenants of the Servicer

The Servicer will agree in the Servicing Agreement, among other things:

(a) at its own expense, to process and supervise the processing of the Diversified Payment Rights (and the related Payment Orders) and oversee compliance with the Account Agreements in accordance with the Transaction Documents,

(b) at any time during normal business hours, upon at least ten Business Days' prior notice (except during the existence of a Servicer Default, in which event such notice will not be required), to (except during the existence of a Servicer Default, no more than once per calendar year and at the cost and expense of the person(s) conducting such review) permit (and to cause each subservicer (if any) to permit) each of (i) the SPC, (ii) the Indenture Trustee, (iii) any Rating Agency and/or (iv) any Enhancer that is a Controlling Party (in each case, and/or their respective agents) to conduct a review of the Servicer's (or such subservicer's) books, records, accounts and systems relating to the Diversified Payment Rights wherever such books, records, accounts and systems are located and, (except during the existence of a Servicer Default) so long as such person has provided at least ten Business Days' advance notice (or such longer period as may be reasonably necessary), discuss its servicing of the Diversified Payment Rights with the Servicer's officers and other employees involved in such business (*it being understood* that such persons will (A) except during the existence of a Servicer Default, use reasonable efforts to provide the Servicer with a detailed request of information desired to be reviewed as soon as reasonably practical before such review, (B) use reasonable efforts to coordinate such reviews and (C) with respect to any information obtained in connection with such reviews, maintain the confidentiality thereof in accordance with all applicable laws and use the same caution that the applicable such person uses with respect to its own confidential information); *provided* that applicable law may prohibit the Servicer and/or such subservicers from disclosing certain information (including any specific information relating to Alliance's customers, including the names, account numbers and other information relating to Payees) without the consent of the applicable customer(s), a ruling of an appropriate court or other applicable exceptions to such applicable laws (and the Servicer and such subservicers are permitted to comply with any such applicable laws),

(c) to comply with all applicable laws to which the Servicer and/or the Diversified Payment Rights are subject (including (i) to ensure compliance with any laws relating to the collection of export-related payments (including Kazakhstan's currency control laws) and the

Prohibited Nations Acts and (ii) to maintain, renew and keep in full force and effect its rights, licenses, consents, approvals, franchises and privileges in the jurisdictions necessary for the performance of its obligations as the Servicer under the Transaction Documents) and to comply with its constitutive documents, the failure to comply with any of which could reasonably be expected, alone or in the aggregate, to have a material adverse effect on the Collateral (including the volume and/or collectability of the Diversified Payment Rights), the ability of the Servicer to perform its obligations under the Transaction Documents to which it is a party and/or the validity or enforceability against it of the Transaction Documents to which it is a party,

(d) if Alliance is not the Servicer, then the Servicer will maintain its computer system(s), with respect to the servicing of Diversified Payment Rights, in such a manner so that such system(s) is/are capable of providing the Servicer with at least a similar level of performance and information in all material respects as Alliance's computer system(s) is/are capable of providing on, for each Series, the applicable Issuance Date,

(e) (i) not to purport to sell any of the Diversified Payment Rights or any interest therein to any person, or create, incur, assume or suffer to exist any lien upon any of the Collateral or any interest therein, (ii) to defend the SPC's ownership interests in, and the Indenture Trustee's security interest in, the Collateral against, and take such other actions as are necessary to remove any lien on (or claim or right in, to or under), the Collateral and (iii) to defend the right, title and interest of the SPC and the Indenture Trustee in, to and under the Collateral against the claims and demands of all persons whomsoever, in each case other than (A) liens created pursuant to the Transaction Documents, (B) liens for taxes, assessments and other governmental charges payable by the SPC and not yet due and (C) any right of setoff or similar banker's lien held by a Depositary Bank on an account of Alliance that is not a Collection Account,

(f) to hold in trust any Collections that it receives (for any reason whatsoever) in respect of the Diversified Payment Rights through and including the Sale Termination Date and either to (i) if the Servicer is not Alliance, deposit such Collections into either a Collection Account of the corresponding currency or the applicable Concentration Account promptly (but in any event within two Business Days after the Servicer obtains actual knowledge of its receipt thereof), or (ii) if Alliance is the Servicer, comply with its agreement specified in clause (k)(ii) of "Covenants of Alliance" above, and

(g) not later than the tenth Business Day after the completion of each Reporting Period, to provide to Alliance (if no longer the Servicer), the SPC, the Indenture Trustee (for further delivery to each Noteholder), each Enhancer (if any) and each Rating Agency (i) a report (a "*Servicing Report*") containing (A) the applicable information relating to the Collections (including those corresponding to the Collection Accounts with each Designated Depositary Bank) received during the preceding monthly or quarterly, as applicable, Reporting Period, (B) any necessary calculations relating to the Debt Service Coverage Tests and (C) such other information as the SPC, the Indenture Trustee, any Enhancer and/or any Rating Agency may reasonably request and that the Servicer may reasonably provide in accordance with applicable law and (ii) an officer's certificate addressed to the Indenture Trustee verifying the accuracy of such report and, if Alliance is the Servicer, stating that no Early Amortization Event with respect to any Series (or any event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both) occurred during the Reporting Period or, if one or more occurred, specifying each such event and what actions have been taken and/or will be taken with respect to each such event.

Representations and Warranties of Alliance

As of the Closing Date and (except as set forth in the applicable Indenture Supplement) each date of any issuance of a Series (the date of each issuance, including the Offered Notes Issuance Date, an "*Issuance Date*"), Alliance will make certain representations and warranties in the Origination Agreement to the effect that (among other things):

(a) it is duly licensed and qualified to do business as a commercial bank in accordance with the laws of Kazakhstan, it has been duly organized and it (i) is validly existing and in good standing as a joint stock company under the laws of Kazakhstan, with full corporate power and authority (including all licenses and authorizations) to own or lease its property and to conduct its business as presently conducted and to execute, deliver and perform its obligations under each Transaction Document to which it is a party (either individually or as the Servicer) and to consummate the transactions contemplated thereby, and (ii) is duly qualified as a foreign corporation and is in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, in each case except to the extent that any failure thereof could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(b) its execution and delivery of the Transaction Documents to which it is a party, and its performance thereunder (including the sale of the Diversified Payment Rights and the Collections thereon, and the assignment of the Collection Accounts, to the SPC) (in each case individually and/or as the Servicer) (i) have been duly authorized by all necessary corporate action (including any necessary shareholder or similar action), (ii) require no governmental authorization, license, consent, registration, approval or other action by or in respect of, or filing with, any governmental authority (including action by the FMSA and the National Bank), except such as have been taken or made on or before the Closing Date (or such Issuance Date) and remain in full force and effect; *it being understood* that certain Uniform Commercial Code financing statements (and similar filings) that have been delivered to the Indenture Trustee on or before the Closing Date may be filed by (or on behalf of) the Indenture Trustee with the appropriate registries promptly after the Closing Date and the notification to the National Bank of the execution of the Origination Agreement and Bill of Sale will be sent by November 22, 2006, (iii) will not contravene any applicable law except to the extent that the failure to comply therewith could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect, (iv) will not contravene or constitute a default under any contractual obligation, judgment, injunction, order, writ or decree binding upon it or any of its properties except to the extent that such contravention or default could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect and (v) will not result in the creation or imposition of any lien on any of its properties,

(c) each of the Transaction Documents to which it is a party (individually and/or as the Servicer) has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms (except with respect to the Bill of Sale and the sale of the Diversified Payment Rights and Collections thereon as effected thereby and the assignment of the Collection Accounts as effected by the Account Agreements, subject to customary bankruptcy and similar exceptions),

(d) it is in compliance with all applicable laws (including the Prohibited Nations Acts and Kazakhstan's currency control laws) and contractual obligations except to the extent that the failure to comply therewith could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(e) on each Issuance Date (i) except with respect to any outstanding Series for which the full Redemption Price for the full redemption thereof is to be paid (including from the proceeds of the issuance of the Series to be issued) on such Issuance Date (and other Series for which a Sale Recision Event or an Early Amortization Event only exists due to a cross-trigger to such redeemed Series), there exists no Sale Recision Event or Early Amortization Event with respect to any Series and no event the existence of which would be a Sale Recision Event or Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both, and (ii) except with respect to any outstanding Series for which the full Redemption Price for the full redemption thereof is to be paid (including from the proceeds of the issuance of the Series to be issued) on such Issuance Date, there exists no Early Amortization Period and no Sale Recision Payment is then payable by Alliance,

(f) it (i) is solvent, (ii) will not be rendered insolvent under Kazakhstan law by virtue of the transactions effected by the Transaction Documents, (iii) is not entering into the Transaction Documents with the actual intent to hinder, delay or defraud its present or future creditors or evading performance of obligations or responsibility to a third party or Kazakhstan and (iv) is receiving reasonably equivalent value for its sale of the Diversified Payment Rights and the Collections thereon and assignment of the Collection Accounts (or rights therein),

(g) there is no litigation, arbitration, tax or labor claim or other similar action or proceeding of or before any arbitrator or governmental authority pending or (to its knowledge) threatened against it or any of its properties that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(h) its financial statements most recently delivered in accordance with "Covenants of Alliance" above (or on the Closing Date) are complete and correct in all material respects and fairly present its financial condition on the dates and for the periods involved (subject, with respect to interim unaudited periods, to applicable audit adjustments), and have been prepared in accordance with the indicated accounting standards, which (except as explicitly described therein) have been consistently applied,

(i) from the date of its most recent audited financial statements until the Closing Date (or applicable Issuance Date), there has not been any material adverse change in, or any development that could reasonably be expected to materially adversely affect, its business, properties, financial condition and/or operations except as disclosed in the relevant offering documents and/or Indenture Supplement,

(j) it has filed all tax returns and reports that are required by applicable law to have been filed by it and has paid all taxes thereby shown to be owing (including with respect to the transactions effected by the Transaction Documents), in each case except for any taxes that are immaterial, are not yet due or are being contested in good faith,

(k) it is not an "investment company" or a company directly or indirectly controlled by an "investment company" within the meaning of the United States Investment Company Act of 1940 (the "*Investment Company Act*"),

(l) it (i) is subject to civil and commercial law with respect to its obligations (individually and/or as the Servicer) under the Transaction Documents to which it is a party and its execution, delivery and performance thereof and thereunder constitute private and commercial acts rather than public or governmental acts, (ii) is not entitled to any sovereign or other immunity from the jurisdiction of any court or from any action, suit or proceeding, or from set-off or service of process in connection therewith, and (except to the extent that Alliance's obligations to make payment under the Transaction Documents are subordinated to certain statutory obligations to make payments to privileged creditors in the case of a bankruptcy proceeding) none of its properties is immune from attachment (before or after judgment) or execution and (iii) has made in the Transaction Documents to which it is a party a valid waiver of any right it may have to sovereign immunity,

(m) (i) the sale of the Diversified Payment Rights (and the Collections thereon) and the assignment of the Collection Accounts by it to the SPC on the Closing Date (or, with respect to a Collection Account, on the date of the applicable Account Agreement) constitutes a valid transfer of ownership of the Diversified Payment Rights, the Collections thereon and the Collection Accounts to the SPC free and clear of any liens of any person (including any Depositary Bank, any Payor Bank and/or any Payee) and the SPC has good title to the Diversified Payment Rights immediately and automatically upon their creation, (ii) the Diversified Payment Rights, whether existing on the Closing Date or thereafter generated through and including the Sale Termination Date, the Collections thereon and the Collection Accounts do not and will not constitute its property and will not be available to pay any of its creditors, (iii) the sale of the Diversified Payment Rights (and the Collections thereon) and the assignment of the Collection Accounts to the SPC will not be capable of being set aside or invalidated by (or at the instigation of) Alliance, any of its creditors or any other person (including any liquidator, trustee, receiver or similar official with respect to Alliance), including such persons seeking to take such actions under any applicable reorganization, bankruptcy, insolvency or similar laws in effect in Kazakhstan, (iv) Alliance does not have any rights to effect any set-offs against either (A) any Collections for any amounts owed to it or any of its affiliates from any Payee or any other person or (B) any Diversified Payment Rights for any amounts owed by it or any of its affiliates to any Depositary Bank, any Payor Bank or any other person, (v) no consent of, notice to or filing with any Payor Bank, Payee, Depositary Bank, governmental authority or other person is required in connection therewith or to protect the SPC's right, title and interest in the Diversified Payment Rights, the Collections thereon and (other than the Account Agreements) the Collection Accounts against Alliance, and (vi) upon execution and delivery of the Bill of Sale, the SPC's delivery to Alliance of the Initial Payment and Originator Note and the filing of the Uniform Commercial Code financing statements referenced in clause (b)(ii), no other action will be required under Kazakhstan, Cayman Islands, New York or any other applicable law to provide for, effect and/or perfect the sale of the Diversified Payment Rights (whether existing on the Closing Date or thereafter generated), the Collections thereon or (upon execution of the applicable Account Agreement) the assignment of each Collection Account (or rights therein) to the SPC, and

(n) it is a member of SWIFT and has the right to send and receive Payment Orders via SWIFT's electronic message system, it has not received or issued any notice of termination of its membership in SWIFT and it has no knowledge of any existing circumstance(s) that would, whether now or with the passage of time, the delivery of notice or both, result in such a termination.

Representations and Warranties of the SPC

As of the Closing Date and (except as may be set forth in the applicable Indenture Supplement) each Issuance Date, including the Offered Notes Issuance Date, the SPC will make certain representations and warranties in the Indenture to the effect that (among other things):

(a) it has been duly incorporated, is validly existing and in good standing and has full power and authority, and all governmental licenses, authorizations, consents and approvals, to execute and deliver the Transaction Documents to which it is a party and, except where any failure thereof could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect, to perform its obligations thereunder,

(b) its execution and delivery of the Transaction Documents to which it is a party, and its performance thereunder (i) have been duly authorized by all necessary corporate action (including any necessary shareholder or similar action), (ii) require no action by or in respect of, or filing with, any governmental authority, except such as have been taken or made on or before the Closing Date (or such Issuance Date) and remain in full force and effect; *it being understood* that certain Uniform Commercial Code financing statements (and similar filings) that have been delivered to the Indenture Trustee on or before the Closing Date may be filed by (or on behalf of) the Indenture Trustee with the appropriate registries promptly after the Closing Date, (iii) will not contravene any applicable law in any manner that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect, (iv) will not contravene or constitute a default under any contractual obligation, judgment, injunction, order or decree binding upon it or its properties and (v) except pursuant to the Transaction Documents, will not result in the creation or imposition of any lien on any of its properties,

(c) each of the Transaction Documents to which it is a party has been duly executed and delivered by it and (with respect to any Note, upon its initial authentication and delivery by the Indenture Trustee) constitutes its legal, valid and binding obligation, enforceable against it (subject to customary bankruptcy and similar exceptions) in accordance with its terms,

(d) it is in compliance with all applicable laws (including the Prohibited Nations Acts) except to the extent that the failure to comply therewith could not reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(e) it has not engaged in any activities (including the incurrence of any indebtedness) since its incorporation other than those incidental to its incorporation and other appropriate corporate steps (including the issuance of shares or other equity interests and arrangements for the payment of administrative fees) and the purchase of the Diversified Payment Rights and the Collections thereon, the authorization and the issuance of the Notes, the execution of the Transaction Documents to which it is a party and the performance of the activities referred to in or contemplated by the Transaction Documents,

(f) on each Issuance Date (i) except with respect to any outstanding Series for which the full Redemption Price for the full redemption thereof is to be paid (including from the proceeds of the issuance of the Series to be issued) on such Issuance Date (and other Series for which an Early Amortization Event only exists due to a cross-trigger to such redeemed Series), there exists no Early Amortization Event with respect to any Series and no event the existence of which would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, the delivery of notice or both, and (ii) except with respect to any outstanding Series for which the full Redemption Price for the full redemption thereof is to be paid (including from the proceeds of the issuance of the Series to be issued) on such Issuance Date, there exists no Early Amortization Period and no Sale Recision Payment is then payable by Alliance,

(g) upon the execution and delivery of the Bill of Sale on the Closing Date, it has good title to the Diversified Payment Rights and the Collections thereon immediately and automatically upon their creation, free and clear of all liens other than the lien of the Indenture Trustee and liens for taxes, assessments and other governmental charges payable by the SPC and not yet due,

(h) the Origination Agreement and Bill of Sale create for the SPC the enforceable right to require Alliance to deliver the Collections to (or on behalf of) the SPC to the extent provided therein,

(i) the Indenture Trustee has a first priority perfected security interest in the Collateral under Cayman Islands and New York law for the benefit of the Beneficiaries (subject only to (i) any liens for taxes, assessments and other governmental charges payable by the SPC and not yet due, (ii) the fact that the Indenture Trustee may not have a security interest in any Collections that are deposited into an account that is not subject to an Account Agreement to the extent that such Collections are not identifiable cash proceeds of Diversified Payment Rights, (iii) the fact that the Indenture Trustee's security interest may not be perfected with respect to any Collections that are deposited into an account that is not subject to an Account Agreement and that the Depositary Bank at which such account is maintained may hold a right of setoff or similar banker's lien on such account and (iv) with respect to the Closing Date, the fact that the appropriate Uniform Commercial Code financing statement(s) have been delivered to the Indenture Trustee but may not yet have been filed by the appropriate recorder),

(j) there is no litigation, arbitration, tax or labor claim or other similar action or proceeding of or before any arbitrator or governmental authority pending or (to its knowledge) threatened against it or any of its properties that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(k) it is not required to register as an "investment company" under the Investment Company Act, and

(l) it (i) is solvent, (ii) will not be rendered insolvent under Cayman Islands law by virtue of the transactions effected by the Transaction

Documents, and (iii) is not entering into the Transaction Documents with the actual intent to hinder, delay or defraud its present or future creditors.

Early Amortization Period

During the period (the "*Early Amortization Period*") beginning on the day on which an Early Amortization Period is declared to have commenced or automatically commences with respect to a Series pursuant to the provisions under "Early Amortization Events" below, and continuing to and including the date on which the Redemption Price for such Series (including all principal of and Interest on such Series, and all other amounts (including any amounts payable to each Enhancer providing an Enhancement related thereto and any Additional Amounts) due to Beneficiaries under the Transaction Documents in connection with such Series) has been paid in full (or such earlier date as the Controlling Party of such Series so determines), Collections allocated to the Series Account for such Series will, on the 15th day of each calendar month (or if such day is not a New York Business Day, then on the next New York Business Day) (each an "*Early Amortization Payment Date*") beginning with the first such day after the start of the Early Amortization Period with respect to such Series and ending at the end of such Early Amortization Period, be applied as described in "Distribution of Amounts in the Series Accounts" above. Except to the extent provided otherwise in the applicable Indenture Supplement, amounts thus distributed and applied to reduce the payment of principal of such Series will result in a *pro rata* reduction of the remaining Quarterly Amortization Amounts for such Series. See "Distribution of Amounts in the Series Accounts" above.

In addition to the above, if on any New York Business Day during an Early Amortization Period with respect to any Series (other than any such day that is within five New York Business Days of the next Early Amortization Payment Date) the aggregate amount on deposit in the corresponding Series Account is sufficient to pay in full the portion of the Redemption Price payable to the applicable Noteholders and Enhancer(s) (if any) for the corresponding Series on the fifth New York Business Day after such New York Business Day, then the Indenture Trustee will promptly so notify the Noteholders and Enhancer(s) (if any) of the applicable Series and will pay such amount to the Noteholders, the Enhancer(s) (if any) and other recipients, in each case on such fifth New York Business Day.

Early Amortization Events

The "*Early Amortization Events*" for each Series will be specified in the applicable Indenture Supplement. The following will be designated as Early Amortization Events for each Series of the Offered Notes:

(a) the SPC shall have failed to make any payment, monetary transfer or deposit required to be made by it under the Transaction Documents and, except with respect to payments of (i) principal or Interest due with respect to the applicable Series of the Offered Notes on the date when due, (ii) with respect to the Series 2006A Notes, guaranty fees payable to the Series 2006A Enhancer relating to the applicable Enhancement on the date when due, or (iii) any other payments due with respect to the applicable Series of the Offered Notes on the applicable Expected Final Payment Date (for each of which no grace period applies), such failure shall have continued unremedied for at least two Business Days after the date such payment, monetary transfer or deposit is required to be made; *it being understood* that any draws made from the Coverage Reserve Account or, with respect to the Series 2006A Notes, any draws made under the Series 2006A Enhancement for purposes of making a payment on the Series 2006A Notes will constitute such a failure by the SPC,

(b) any representation or warranty made by the SPC in any Transaction Document shall be untrue or incorrect in any respect as of the time it was made or deemed made and such untruth or incorrect statement (or the actual circumstances that caused such statement to be untrue or incorrect), alone or in the aggregate, shall have already had, or could reasonably be expected to have, a Material Adverse Effect,

(c) any court, other governmental authority or arbitrator shall enter against the SPC (i) a final non-payment judgment, decree, order or tax claim or (ii) a final judgment, decree or order for the payment of money in an amount that, when aggregated with the amount of all other unsatisfied final judgments, decrees, orders or tax claims against the SPC, exceeds U.S.$75,000 (or its equivalent in any other currency), and

(A) any such event (1) could reasonably be expected to have a Material Adverse Effect or (2) shall have already had a Material Adverse Effect, and

(B) either (1) such judgment, decree or order is not discharged within 60 days after entry thereof or (2) there shall be any period of at least 60 consecutive days during which a stay of enforcement of such judgment, decree or order shall not be in effect,

(d) with respect to the SPC, either (i) it shall commence a voluntary case, proceeding or other action (A) under any applicable law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, suspension of payments or relief of debtors seeking to have an order for relief entered with respect to it or seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, liquidator, administrator, custodian, conservator or other similar official of it or for any substantial part of its property, (ii) an involuntary case, proceeding or other action of a nature referred to in clause (i) shall be commenced against it that (A) shall result in the entry of an order for relief or of an order granting or approving such adjudication or appointment referred to in clause (i) or (B) shall remain undismissed, undischarged or unstayed for a period of at least 60 days after the SPC's actual knowledge of such action, (iii) an involuntary case, proceeding or other action shall be commenced against it that seeks issuance of a warrant of attachment, execution, distraint or similar process against any substantial part of its property that shall result in the entry of an order for any such relief and shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof, (iv) there shall be commenced against it any extra-judicial liquidation proceedings under any applicable insolvency laws or rules of any jurisdiction, (v) it shall admit in writing its inability to pay its debts as they become due, (vi) it shall make a general assignment for the benefit of creditors or (vii) it shall take any corporate (or similar) (or its board, shareholders or similar persons shall take any) action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the foregoing acts,

(e) any authorization, license, consent, registration or approval required under or by the applicable laws of Kazakhstan, the Cayman Islands, the United States or any other applicable jurisdiction to enable the SPC to perform its obligations under the Transaction Documents to which it is a party shall cease to be in full force and effect (or it otherwise becomes illegal for the SPC to perform any of such obligations) and such situation shall have already had a Material

Adverse Effect or could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect and, if such situation can be cured, shall continue for a period of at least 30 days after an authorized officer of the SPC obtains actual knowledge of such situation,

(f) except as specifically provided in clause (a), the SPC shall have failed to perform any of its covenants under the Transaction Documents in any respect and such failure (i) shall have already had a Material Adverse Effect or could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect and (ii) except for clauses (a), (b), (c)(i), (e), (f), (g) and (h) of "Covenants of the SPC" above (for which no grace period will apply), shall have continued unremedied for at least 15 days after an authorized officer of the SPC obtains actual knowledge of such failure,

(g) for both (i) any Quarterly Reporting Period and (ii) the last two calendar months of such Quarterly Reporting Period and the first calendar month thereafter (in the aggregate), less than 60% of Collections received during such three month period shall have been deposited by Payor Banks into the Collection Accounts at Designated Depositary Banks; *provided* that this test will (A) take into account Collections received at a Depositary Bank during such three month period if such Depositary Bank is a Designated Depositary Bank as of the close of business on the last Business Day of such three month period even though such Depositary Bank was not a Designated Depositary Bank during any portion of such three month period and to the extent that such payments were credited to the account(s) covered by the Account Agreement(s) with such Designated Depositary Bank and (B) exclude Collections credited to the Collection Account(s) at a bank during such three month period if such bank is no longer a Designated Depositary Bank or its Account Agreement(s) cease(s) to cover such Collection Account(s) as of the close of business on the last Business Day of such three month period; *and provided further* that, for purposes of this paragraph, DDB Collections will not include any Collections through a Collection Account the Account Agreement with respect to which is, pursuant to its terms (including at the request of any of the parties thereto), to cease to be effective within 30 days after the last day of the applicable three month period,

(h) a Sale Recision Event shall have occurred with respect to the applicable Series of the Offered Notes,

(i) subject to Alliance's right to cause the Coverage Reserve Account to be funded in accordance with "Coverage Reserve Account" below (i) for any Quarterly Reporting Period, the Debt Service Coverage Ratio shall be less than 9:1x, or (ii) for any Monthly Reporting Period, the Debt Service Coverage Ratio shall be less than 7:1x (collectively, with respect to the Series 2006A Notes, the "*Series 2006A Debt Service Coverage Tests*" and, with the comparable tests for any other Series as specified in the applicable Indenture Supplement, each a "*Debt Service Coverage Test*"),

(j) during any Quarterly Reporting Period, any Designated Depositary Bank shall set-off a claim against any of the SPC, Alliance, the Indenture Trustee or any affiliate of any thereof against Collections and the aggregate amount of all unremedied set-off claims shall exceed U.S.$2,500,000 (or its equivalent in any other currency) for at least five Business Days after an authorized officer of Alliance obtains actual knowledge thereof,

(k) except with respect to obligations and/or Transaction Documents that have terminated by their own terms, the SPC shall allege in writing that any of its obligations under the Transaction Documents fails for any reason to be in full force and effect; *provided* that any such event with respect to a Transaction Document that does not relate to the applicable Series of the Offered Notes (such as any Indenture Supplement for another Series) will not be an Early Amortization Event for such Series,

(l) any litigation, administrative proceeding, arbitration, case or other action (excluding an involuntary case, proceeding or other action of a nature referred to in clause (d)(ii), provisions for which actions are addressed in such clause) is instituted against the SPC that (i) shall remain undismissed, undischarged, unstayed or unbonded for a period of at least 60 days after the SPC's knowledge of such litigation, proceeding, arbitration, case or other action and (ii) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect,

(m) the SPC shall become subject to regulation as an "investment company" under the Investment Company Act,

(n) for any period of three consecutive calendar months, the amount of Collections is less than 50% of such flows for the comparable period in the prior year; *provided* that each single Diversified Payment Right equal to or greater than U.S.$30,000,000 (or its equivalent in Euro) will not be taken into account in any such calculations,

(o) an Early Amortization Period is declared (or is automatically deemed) to commence for any other Series,

(p) for each of two consecutive Quarterly Reporting Periods (i) the amount of Collections (other than Loan Repayments) from Payor Bank(s) that are affiliates of Alliance (except direct or indirect shareholders of Alliance that are located in OECD countries and such shareholders' direct or indirect subsidiaries that are also located in OECD countries, other than Alliance and its own subsidiaries) is greater than 20% of the total Collections (other than Loan Repayments) during such periods and (ii) the Debt Service Coverage Ratio (calculated as if the Collections from such affiliated Payor Banks did not exist) for each such Quarterly Reporting Period is less than 15:1x; *it being understood* that if (A) any Payor Bank becomes an affiliate of Alliance during such periods, then the Collections received from such Payor Bank during all of such periods (including the time before it was an affiliate of Alliance) will be considered to be affiliate-related Collections and (B) any Payor Bank ceases to be an affiliate of Alliance during such periods, then the Collections received from such Payor Bank during all of such periods (including the time while it was an affiliate of Alliance) will not be considered to be affiliate-related Collections,

(q) either (i) as of the end of any calendar month, any of Alliance's capital adequacy ratios (as calculated in accordance with the requirements of the National Bank and/or the FMSA (or other applicable Kazakhstan governmental authority responsible for setting and/or supervising capital adequacy requirements for financial institutions)) falls below the minimum ratio required thereby (or, if higher than such minimum ratios, with respect to "Tier I" capital, 6%, or with respect to all capital (including "Tier II" capital), 12%) and either (A) for the Monthly Reporting Period ending as of the end of such calendar month, the Debt Service Coverage Ratio shall be less than 8:1x, or (B) for the three calendar months ending as of the end of such calendar month (determined as if such three calendar months were a Quarterly Reporting Period), the Debt Service Coverage Ratio shall be less than 10:1x, or (ii) as of the end of each of any two consecutive calendar months, Alliance's any of capital adequacy ratios (as calculated in accordance with the requirements of the National Bank and/or the FMSA (or other applicable Kazakhstan governmental authority responsible for setting and/or supervising capital adequacy requirements for financial institutions)) falls below the minimum ratio required thereby,

(r) any event occurs that would be grounds for suspension or revocation of Alliance's licenses to conduct banking business listed in Article 48 of the Kazakhstan law on banks and banking activities (dated August 31, 1995, as amended),

(s) except to the extent that such event is already addressed in another Early Amortization Event and/or Sale Recision Event for the applicable Series of the Offered Notes, any event or circumstance occurs that has a Material Adverse Effect,

(t) Alliance's Non-performing Loan Ratio shall: (i) before the first anniversary of the Offered Notes Issuance Date, exceed 7%, (ii) on or after such first anniversary but before the second anniversary of the Offered Notes Issuance Date, exceed 6%, or (iii) on or after such second anniversary, exceed 5%;

(u) subject to Alliance's right to cause the Coverage Reserve Account to be funded in accordance with "Coverage Reserve Account" below, Alliance's Liquidity Ratio: (i) as of the last day of any March, June, September or December shall be less than 1.5x or (ii) as of the last day of any other calendar month shall be less than 1.2x,

(v) subject to Alliance's right to cause the Coverage Reserve Account to be funded in accordance with "Coverage Reserve Account" below, for any Quarterly Reporting Period the Debt Service Coverage Ratio shall be less than 15:1x.

Notwithstanding the foregoing, an event referred to in clause (f) with respect to certain reporting requirements in the Indenture for a period of up to seven days after the applicable grace period will not constitute an Early Amortization Event for the Offered Notes if such delay or failure could not have been prevented by the exercise of reasonable diligence by the SPC and such delay or failure was caused by an earthquake or other natural disaster. The preceding sentence does not, however, relieve the SPC from using commercially reasonable efforts to perform its obligations in a timely manner in accordance with the Transaction Documents.

Upon the occurrence of an Early Amortization Event for either Series of the Offered Notes other than as described in clause (a) (with respect to the applicable Expected Final Payment Date) or clause (d), the Controlling Party of such Series, by notice then given in writing to the SPC, the Servicer, Alliance and the Indenture Trustee, may declare that the Early Amortization Period with respect to such Series has commenced; *provided* that, upon the occurrence of any Sale Recision Event for which a Sale Recision Payment has been required to be paid with respect to such Series, the Early Amortization Period with respect to such Series will be deemed automatically to have commenced without any notice or other action on the part of the Indenture Trustee, the Controlling Party of such Series or any other person. Upon the occurrence of an Early Amortization Event for either Series of the Offered Notes as described in clause (a) (with respect to the applicable Expected Final Payment Date) or clause (d), an Early Amortization Period with respect to such Series will be deemed automatically to have commenced without any notice or other action on the part of the Indenture Trustee, the Controlling Party of such Series or any other person. The commencement of an Early Amortization Period for any other Series will occur in the manner provided for in the applicable Indenture Supplement.

"*Liquidity Ratio*" means, as of the last day of any calendar month, the ratio calculated by dividing (all such amounts determined on an unconsolidated basis applying generally accepted accounting principles as such are applicable in Kazakhstan to Kazakhstan banks): (a) the sum of: (i) all deposits with the National Bank on such day plus (ii) the average value of the investment portfolio securities on a mark-to-market basis for the applicable monthly or quarterly (as applicable) period ending on such day plus (iii) the amount of cash on such day plus (iv) the aggregate amount of demand deposits in other banks on such day plus (v) the aggregate amount of time deposits maturing in less than one month deposited with other banks on such day by (b) the sum of: (i) the aggregate amount on deposit in the CRA Subaccounts for the Offered Notes on such day plus (ii) 20% of the aggregate amount of demand deposit liabilities on such day plus (iii) the aggregate amount of time deposit liabilities maturing in less than 30 days after such day plus (iv) the aggregate amount of other liabilities maturing in less than 30 days after such day.

"*Non-performing Loan Ratio*" means the ratio expressed as a percentage calculated by dividing: (a) the total principal balance, accrued interest and fees on all Financial Indebtedness owed to Alliance (without double counting) any part of which is due and payable but remains unpaid for a period longer than 90 days, less amounts being held by Alliance as reserves under the National Bank's rules in respect of such Financial Indebtedness, by (b) the total principal balance, accrued interest and fees on all Financial Indebtedness owed to Alliance (without double counting).

"*Financial Indebtedness*" means (without double-counting) any indebtedness for or in respect of: (a) moneys borrowed, (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent, (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, (d) the amount of any liability in respect of any lease or hire purchase contract that would in accordance with IFRS be treated as a finance or capital lease, (e) receivables sold, assigned or discounted, (f) any amount raised under any other transaction (including any forward sale or purchase agreement and any off balance sheet transactions) having the commercial effect of a borrowing, (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value will be taken into account), (h) the acquisition cost of any asset to the extent payable before or after the time of acquisition and possession by the party liable therefore where the advance or deferred payment is arranged primarily as a method of raising finance or of financing the acquisition of that asset, (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, (j) any shares that are expressed to be redeemable, and (k) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in clauses (a) through (j).

Debt Service Coverage Ratio

The "*Debt Service Coverage Ratio*" means (a) with respect to any Monthly Reporting Period, the ratio of (i) the aggregate amount of DDB Collections during such Monthly Reporting Period to (ii) one-third of the Maximum Quarterly Debt Service determined as of the end of such Monthly Reporting Period (with respect to Debt Service Coverage Tests applicable to Senior Series, calculated as if no Subordinated Series were outstanding), (b) with respect to any Quarterly Reporting Period, the ratio of (i) the aggregate amount of DDB Collections during such Quarterly Reporting Period to (ii) the

Maximum Quarterly Debt Service determined as of the end of such Quarterly Reporting Period (with respect to Debt Service Coverage Tests applicable to Senior Series, calculated as if no Subordinated Series were outstanding), or (c) with respect to any Series, such other formulation as shall be specified in the applicable Indenture Supplement.

"*Kazakhstan Flows*" means, with respect to any period, the aggregate Collections during such period with respect to which the initiating bank of the applicable Payment Order is a Kazakhstan National, including (without limitation) Collections with respect to which (a) a Kazakhstan National is itself the Payor Bank and (b) a Kazakhstan National is not the Payor Bank but initiates a Payment Order through one or more other banks.

"*Kazakhstan National*" means either (a) a branch or other office of a bank or similar financial institution, which branch or other office is located in Kazakhstan, or (b) a Non-Kazakhstan Office of a Kazakhstan Bank. For the purpose of clarification, a Kazakhstan National does not include a non-Kazakhstan subsidiary or other non-Kazakhstan affiliate of a Kazakhstan Bank.

"*Kazakhstan Bank*" means a bank or similar financial institution that is either organized under the laws of or has its main office in Kazakhstan.

"*Non-Kazakhstan Bank*" means a bank or similar financial institution other than a Kazakhstan Bank.

"*Non-Kazakhstan Flows*" means, with respect to any period, the Collections during such period *minus* the Kazakhstan Flows during such period.

"*Maximum Quarterly Debt Service*" means, as of any date of determination, the highest amount among the results derived from the following calculation made in respect of each Payment Date scheduled to occur on or after such date of determination:

(a) the aggregate amount of principal on all Series (based upon the Quarterly Amortization Amount for each Series) scheduled to be paid on such Payment Date, *plus*

(b) the aggregate amount of Interest scheduled to be paid on all Series on such Payment Date (calculated for each Series as the product of (i) the Interest Rate corresponding to such Series (or, for any Series issued with a floating Interest Rate, an Interest Rate equal to the arithmetic average of all Interest Rates applied to such Series at any time since its Issuance Date or, if higher, the Interest Rate that would be in effect if such Series were to be issued on such determination date, in each case *plus* 1% *per annum*), (ii) the Series Balance for such Series scheduled to be in effect on such Payment Date immediately before the payment of principal scheduled to be paid on such Payment Date and (iii) the number of days in the applicable Interest Period (with respect to fixed Interest Rates, based upon a month of 30 days) *divided by* 360), *plus*

(c) the aggregate amount of all premiums, guaranty fees or other fees payable by the SPC with respect to any Enhancements on such Payment Date and during the Interest Period then ended.

Coverage Reserve Account

If a Debt Service Coverage Test (as reported in a Servicing Report) or (to the extent specified in the applicable Indenture Supplement) any other Early Amortization Event (collectively, a "*Permitted Coverage Reserve EAE*") is determined to not have been satisfied with respect to any Senior Series (with respect to a Debt Service Coverage Test, so long as such ratio was at least 1:1x), then Alliance will (except, with respect to any Series, as provided in the applicable Indenture Supplement) have the option immediately to direct (by a notice in writing to the SPC, each applicable Enhancer (if any) and the Indenture Trustee delivered with the notice evidencing such event) that all amounts on deposit in the Concentration Accounts (or from other funds of the SPC, including in the Collection Accounts) that would otherwise be payable to Alliance (or any of its affiliates acting as the Servicer or making a pre-funding as described in "Pre-Funding of the Concentration Accounts" above) (a) in respect of the Originator Note (other than such amounts that would be payable to it even during an Early Amortization Period pursuant to clause (v)(A) of "Allocation of Amounts in the Concentration Accounts" above as if the Controlling Parties had not elected otherwise and all such Collections had been deposited into the Concentration Accounts, which amounts will be paid to and retained by Alliance notwithstanding such event) and (b) for acting as the Servicer (including for any advances described in "Pre-Funding of the Concentration Accounts" above) be delivered to (or retained by) the Indenture Trustee for deposit into a segregated trust account maintained by the Indenture Trustee (the "*Coverage Reserve Account*"). The Indenture Trustee will also establish and maintain a separate subaccount of the Coverage Reserve Account for each Series (each, a "*CRA Subaccount*"). If Alliance elects to exercise such option and causes the Coverage Reserve Account to be so funded, then (notwithstanding anything to the contrary described herein) any Early Amortization Event related to the failure to satisfy any Debt Service Coverage Test(s) (or to otherwise comply with such specified Early Amortization Events) with respect to such Series will be deemed not to have occurred; *provided* that (except to the extent specified otherwise in the applicable Indenture Supplement) an Early Amortization Event with respect to any Senior Series relating to any such Permitted Coverage Reserve EAE will occur if such Permitted Coverage Reserve EAE also fails to be satisfied with respect to (or as of the last day of) the next Quarterly Reporting Period the last day of which is at least three full calendar months after the month with respect to (or during) which such Permitted Coverage Reserve EAE was initially failed.

Any amounts deposited into the Coverage Reserve Account will be allocated by the Indenture Trustee on each of its Business Days to the applicable CRA Subaccounts on a *pro rata* basis based upon the Required CRA Amounts due as of such date; *provided* that should both Senior Series and Subordinated Series be outstanding, then such amounts will first be allocated to the Senior Series as if no Subordinated Series existed and then, to the extent that the Required CRA Amounts for each Senior Series has been so allocated, to the Subordinated Series as if no Senior Series then existed. Once all CRA Subaccounts have balances therein equal to the applicable Required CRA Amount Caps, then the Indenture Trustee will notify Alliance and the Servicer (if Alliance is not the Servicer) that no additional amounts will be required to be deposited into the Coverage Reserve Account unless notified otherwise by the Indenture Trustee. All amounts on deposit in the CRA Subaccounts will be allocated by the Indenture Trustee as follows:

(a) on each Payment Date (including the Expected Final Payment Date with respect to any Series) occurring after the exercise by Alliance of its option to fund the Coverage Reserve Account, if amounts on deposit in the Series Account(s) for any Series on such Payment Date are less than the related Required Series Amount for such Series on such date, then (i) the amount of such shortfall(s) will (to the extent available) be transferred from the applicable CRA Subaccount to the related Series Account and then paid to the applicable Noteholders and other parties entitled to such amounts as provided in the applicable Indenture Supplement and (ii) if such Payment Date is also an Early Amortization Payment Date for such Series or the Expected Final Payment Date for such Series, then any remaining amounts in the applicable CRA Subaccount will be transferred to the

Coverage Reserve Account for allocation in the manner provided for other funds transferred thereto (or, if no Series would then be allocated any funds from the Coverage Reserve Account to its CRA Subaccount, then such amounts will be allocated in the manner provided in clause (d)(i) (if no Early Amortization Period then exists with respect to any Series) or clause (d)(ii) (if an Early Amortization Period then exists with respect to any Series)),

(b) on each Early Amortization Payment Date (other than a Payment Date) with respect to any Series occurring after the exercise by Alliance of its option to fund the Coverage Reserve Account, if amounts on deposit in the Series Account for any Series on such Early Amortization Payment Date are less than the related Required Series Amount for such Series on such date, then (i) the amount of such shortfall will (to the extent available) be transferred from the applicable CRA Subaccount to the related Series Account and then paid to the applicable Noteholders and other parties entitled to such amounts as provided in the applicable Indenture Supplement and (ii) any remaining amounts in the applicable CRA Subaccount will be transferred to the Coverage Reserve Account for allocation in the manner provided for other funds transferred thereto (or, if no Series would then be allocated any funds from the Coverage Reserve Account to its CRA Subaccount, then such amounts will be allocated in the manner provided in clause (d)(i) (if no Early Amortization Period then exists with respect to any Series) or clause (d)(ii) (if an Early Amortization Period then exists with respect to any Series)), and

(c) on each of the Indenture Trustee's Business Days, if the amount on deposit in a CRA Subaccount is greater than the Required CRA Amount Cap for such CRA Subaccount as of such Business Day, then any remaining amounts in the applicable CRA Subaccount will be transferred to the Coverage Reserve Account for allocation in the manner provided for other funds transferred thereto (or, if no Series would then be allocated any funds from the Coverage Reserve Account to its CRA Subaccount, then such amounts will be allocated in the manner provided in clause (d)(i) (if no Early Amortization Period then exists with respect to any Series) or clause (d)(ii) (if an Early Amortization Period then exists with respect to any Series)), and

(d) subject to any allocations to be made pursuant to clauses (a), (b) and (c), on each of the Indenture Trustee's Business Days, if the Permitted Coverage Reserve EAE(s) for a Series is/are complied with with respect to (or as of the last day of) any Quarterly Reporting Period the last day of which is at least three full calendar months after the month with respect to which such Permitted Coverage Reserve EAE was initially failed (with respect to Debt Service Coverage Tests) or as otherwise cured as provided in the applicable Indenture Supplement (with respect to any other Permitted Coverage Reserve EAE):

    (i) if there is no Early Amortization Period with respect to any Series, then (A) the balance of funds on deposit in the applicable CRA Subaccount will be paid (1) first in respect of any servicing fees payable to Alliance (or any of its affiliates), (2) second to reimburse Alliance (or any of its affiliates) for any advances made by it as described in "Pre-Funding of the Concentration Accounts" above that have not yet been reimbursed and (3) once all such amounts have been paid in full, to Alliance under the Originator Note,

(B) the breached Permitted Coverage Reserve EAE(s) for such Series will be deemed to have been cured for such period(s) and (C) additional funds need no longer be deposited into the applicable CRA Subaccount unless and until Alliance exercises such option again, and

(ii) if there is an Early Amortization Period with respect to any Series, then the balance of funds on deposit in the applicable CRA Subaccount will be transferred to the applicable Concentration Account (or, if such funds are not in Dollars or Euro, converted by the Indenture Trustee into Dollars and transferred to the Dollar Concentration Account) and allocated on such date in the manner provided under "Allocation of Amounts in the Concentration Accounts" above; it being understood that no such amounts will be payable to Alliance pursuant to clauses (v)(A) and (xi)(A) of "Allocation of Amounts in the Concentration Accounts" above.

If a balance remains in any CRA Subaccount after all of the Notes of the applicable Series (and all amounts payable by the SPC to any Enhancers with respect thereto) have been paid in full, then such balance will be allocated as provided in clause (c); *provided* that if there is then in existence an Early Amortization Period with respect to any Subordinated Series, then all such amounts will be transferred to the Coverage Reserve Account for allocation in the manner provided for other funds transferred thereto (or, if no Series would then be allocated any funds from the Coverage Reserve Account to its CRA Subaccount, such amounts will be allocated in the manner provided in clause (d)(i) (if no Early Amortization Period then exists with respect to any Series) or clause (d)(ii) (if an Early Amortization Period then exists with respect to any Series)).

If Alliance has elected to fund the Coverage Reserve Account in the manner described above, then the Indenture Trustee will promptly (and, in any event, by no later than its next Business Day) instruct each Designated Depositary Bank that is not then transferring Collections to the Concentration Accounts to, by no later than its business day after its receipt of such instruction (or such later time as may have been agreed in the applicable Account Agreement), begin transferring all amounts received in such bank's Collection Account(s) to the applicable Concentration Account(s) until such time as the Indenture Trustee notifies such Designated Depositary Bank otherwise (which the Indenture Trustee will do promptly after its actual knowledge that no funds are required to be retained and/or collected in any CRA Subaccount with respect to any continuing Permitted Coverage Reserve EAE(s)).

As specified in the Indenture Supplements for each Series of the Offered Notes, so long as such Series remains outstanding (and/or with respect to the Series 2006A Notes any amounts remain unpaid to the Series 2006A Enhancer) (a) in addition to the Debt Service Coverage Tests for the Offered Notes, clauses (u) and (v) of "Early Amortization Events" above will be a Permitted Coverage Reserve EAE with respect to such Series (and (i) for clause (u), such event will be deemed cured once the Liquidity Ratio as of the end of any calendar month thereafter is at least 1.2x (or, if such date is also the last day of any March, June, September or December, 1.5x), and (ii) for clause (v), such event will be deemed cured once the Debt Service Coverage Ratio for any Quarterly Reporting Period shall exceed 15:1x), and (b) Alliance may not exercise its right to have funds deposited into the Coverage Reserve Account to avoid the occurrence of an Early Amortization Event due to the breach of any Permitted Coverage Reserve EAE relating to a Debt Service Coverage Test with respect to such Series (i) more than one time during any consecutive 12 calendar month period or (ii) more than three times through the applicable Expected Final Payment Date, *it being understood* that, with respect to the Permitted Coverage Reserve EAEs which are clauses (u) and (v) of "Early Amortization Events", (x) no such limitation applies with respect to Alliance's right to avoid the occurrence of an Early Amortization Event due to the breach thereof and (y) notwithstanding the proviso to the first paragraph of this section, such will never result in an Early Amortization Event with respect to any Series to the extent that Alliance has elected to fund the Coverage Reserve Account with respect thereto.

Any amounts to be deposited into the Coverage Reserve Account will be deposited either in Dollars or Euro, as applicable; *it being understood* that the Indenture Trustee will maintain (or cause to be maintained) separate subaccounts of the Coverage Reserve Account and each CRA Subaccount for each of such currencies. To the extent that any amounts are required to be withdrawn from the Coverage Reserve Account or any CRA Subaccount, the Indenture Trustee will (to the extent possible) first withdraw such amounts from the subaccount of the currency corresponding to the obligation(s) to which such withdrawn amounts are to be applied and then, to the extent that additional funds are necessary, convert the amounts in the other subaccounts into the applicable currency(ies). For the purpose of calculating the allocations from the Coverage Reserve Account and the CRA Subaccounts pursuant to the above, the *pro rata* portion of any amounts in a currency other than Dollars will be determined by the Indenture Trustee by notionally converting such amount into Dollars using the exchange rate (except with respect to Euro, taking into consideration any exchange fees or other charges) that will be (or, as closely as possible, is expected to be) used to convert Dollars into such other currency.

Pending application in accordance with the Indenture, amounts in the CRA Subaccounts will be invested by the Indenture Trustee (at the instruction of the Servicer, which may be a standing instruction) in Eligible Investments that are both denominated and payable in the applicable currency; provided that no investment of such amounts may be made in any jurisdiction other than the United States unless an opinion of local counsel or accounting firm in such jurisdiction is given that confirms that either: (a) any income/loss on such investment may be treated for tax purposes as income/loss of Alliance or (b) any income on such investment would not result in any taxes to the SPC greater than the amount of such income.

"*Required CRA Amount*" means, with respect to any CRA Subaccount, the Required CRA Amount Cap for such CRA Subaccount minus all amounts on deposit in such CRA Subaccount on such date of determination.

"*Required CRA Amount Cap*" means, with respect to any CRA Subaccount as of any date of determination: (a) with respect to the Offered Notes: (i) in the case of a Permitted Coverage Reserve EAE related to clauses (u) or (v) of "Early Amortization Events" above, an amount equal to 20% of the Series Balance of the applicable Series as of such date, and (ii) in the case of a Permitted Coverage Reserve Account related to a Debt Service Coverage Test, an amount equal to the Redemption Price of such Series as of such date (with respect to Interest and, with respect to the Series 2006A Notes, guaranty fees payable to the Series 2006A Enhancer, determined as if such date were the next Payment Date), and (b) with respect to any other Series, such amount identified as such in the applicable Indenture Supplement.

Servicer Defaults

Pursuant to the Servicing Agreement, "*Servicer Default*" means the occurrence of any of the following events:

(a) the Servicer shall fail to deliver any required report (including a Servicing Report), certificate or material notice within five Business Days of the due date thereof,

(b) any representation, warranty or certification made by the Servicer in the Servicing Agreement or in any document delivered pursuant thereto shall prove to have been untrue or incorrect in any respect as of the time it was made (or deemed made) and such untruth or incorrect statement (or the actual circumstances that caused such statement to be untrue or incorrect), alone or in the aggregate, shall already have had, or could reasonably be expected to have, a material adverse effect on the Collateral (including the volume and/or collectability of the Diversified Payment Rights), the ability of the Servicer to perform its obligations under the Transaction Documents to which it is a party and/or the validity or enforceability against it of any of the Transaction Documents to which it is a party,

(c) the Servicer shall have failed to make any payment, monetary transfer or deposit required to be made by it under the Transaction Documents and such failure shall have continued unremedied for at least two Business Days after the date such payment, monetary transfer or deposit is required to be made,

(d) except for payment, monetary transfer or deposit obligations and the delivery of reports (including a Servicing Report), certificates or material notices, the Servicer shall default in any respect in the observance or performance of any other covenant or agreement in the Servicing Agreement, and (except with respect to clause (e)(i) of "Covenants of the Servicer" above) such default (i)(A) could reasonably be expected, alone or in the aggregate, to have a material adverse effect on the Collateral (including the volume and/or collectability of the Diversified Payment Rights or the Beneficiaries' security interest therein), the ability of the Servicer to perform its obligations under the Transaction Documents to which it is a party and/or the validity or enforceability against it of the Transaction Documents to which it is a party, and (B) shall continue unremedied for at least 15 Business Days after an authorized officer of the Servicer obtains actual knowledge thereof, or (ii) shall have had a material adverse effect on the Collateral (including the volume and/or collectability of the Diversified Payment Rights or the Beneficiaries' security interest therein), the ability of the Servicer to perform its obligations under the Transaction Documents to which it is a party and/or the validity or enforceability against it of the Transaction Documents to which it is a party,

(e) either individually or as the Servicer (i) the Servicer shall commence a voluntary case, proceeding or other action (A) under any applicable law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, suspension of payments or relief of debtors seeking to have an order for relief entered with respect to it or seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, liquidator, administrator, custodian, conservator or other similar official of it or for any substantial part of its property, (ii) an involuntary case, proceeding or other action of a nature referred to in clause (i) shall be commenced against the Servicer that (A) shall result in the entry of an order for relief or of an order granting or approving such adjudication or appointment or (B) shall remain unstayed, undismissed or undischarged for a period of at least 60 days after the Servicer's actual knowledge of such action, (iii) an involuntary case, proceeding or other action shall be commenced against the Servicer that seeks issuance of a warrant of attachment, execution, distraint or similar process against any substantial part of the Servicer's property that shall result in the entry of an order for any such relief and shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof, (iv) there shall be commenced against the Servicer any intervention proceedings to take control of the Servicer (including by the National Bank) under any applicable bank regulatory, bankruptcy or insolvency laws or rules of any jurisdiction (other than the appointment of a temporary administrator with respect to the Servicer (or where the Servicer shall request such an appointment) by the FMSA) or otherwise under the laws of Kazakhstan, (v) there shall be commenced against the Servicer any extra-judicial liquidation proceedings under any applicable insolvency laws or rules of any jurisdiction, (vi) the Servicer shall admit in writing its inability to pay its debts as they become due, (vii) the Servicer shall make a general assignment for the benefit of its creditors, (viii) the Servicer shall take any corporate (or similar) (or its board, shareholders or similar persons shall take any) action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the foregoing acts, or (ix) there shall be appointed a temporary administrator with respect to the Servicer (or the Servicer shall request such an appointment) by the FMSA or otherwise under the laws of Kazakhstan, or

(f) any court, other governmental authority or arbitrator shall enter against the Servicer (i) a final non-payment judgment, decree, order or tax claim or (ii) a final judgment, decree, order or tax claim for the payment of money in an amount that, when aggregated with the amount of all other unsatisfied final judgments, decrees, orders or tax claims against the Servicer, exceeds U.S.$7,500,000 (or its equivalent in any other currency), and

(A) any such event (1) could reasonably be expected, alone or in the aggregate, to have a material adverse effect on the Collateral (including the Diversified Payment Rights), the ability of the Servicer to perform its obligations under the Transaction Documents to which it is a party and/or the validity or enforceability against it of any of the Transaction Documents to which it is a party or (2) shall have already had any such material adverse effect, and

(B) either (1) such judgment, decree or order is not stayed or discharged within 60 days after entry thereof or (2) there shall be any period of at least 60 consecutive days during which a stay of enforcement of such judgment or order shall not be in effect.

After the occurrence of a Servicer Default (or, if the Servicer is not Alliance or one of its subsidiaries or other affiliates, at any time, with or without cause), the SPC may or (upon the instruction of the Majority Controlling Parties) the Indenture Trustee will, by notice given in writing to the Servicer (with a copy to each Noteholder, each Enhancer (if any) and each Rating Agency), terminate any or all of the rights and obligations of the Servicer under the Servicing Agreement.

Sale Recision Events

The "*Sale Recision Events*" for each Series will be specified in the Origination Agreement and, to the extent applicable only to (or to be altered with respect to) one or more Series, in the applicable Indenture Supplement(s) (to which Alliance would then be a party in order to acknowledge such additional or altered Sale Recision Event(s)).

Upon the occurrence of a Sale Recision Event applicable to any Series, such Series may be subject to mandatory redemption, in whole but not in part, from funds received in respect of the Sale Recision Payment that would be payable by Alliance to the SPC. From the Sale Recision Payment, the applicable Noteholders (or Note Owners) will be entitled to receive from the SPC an amount in the applicable currency equal to the sum of (a) the Series Balance of such Series, (b) all accrued and unpaid Interest (if any) on such redeemed principal amount to but excluding the date of redemption (the "*Redemption Date*"), (c) all unpaid Additional Amounts with respect to such Series and (d) all other amounts (if any) then due and payable to such Noteholders (or Note Owners) under the Transaction Documents in connection with such Series.

The Origination Agreement will provide that (except to the extent altered or supplemented in the applicable Indenture Supplement) the following are Sale Recision Events with respect to each Series, including the Offered Notes (*provided* that, as indicated below, certain events will be provided in the Indenture Supplements for each Series of the Offered Notes and will be a Sale Recision Event with respect to such Series only unless other Indenture Supplements similarly incorporate such event as an additional Sale Recision Event for such Series):

(a) any representation or warranty made by Alliance (except in its role as Servicer) in any Transaction Document to which it is a party shall have been untrue or incorrect in any respect at the time when it was made and such untruth or incorrect statement (or the actual circumstances that caused such statement to be untrue or incorrect), alone or in the aggregate, shall have already had, or could reasonably be expected to have, a Material Adverse Effect,

(b) except as specifically provided in another Sale Recision Event:

(i) Alliance shall have failed to observe or perform any of its covenants specified in clauses (a), (b), (c), (d), (e)(i), (h), (i) (other than with respect to its compliance with capital adequacy ratio requirements imposed by the FMSA or otherwise under Kazakhstan applicable law, compliance with which is covered separately in clause (q) of "Early Amortization Events" above and clause (b)(v) below), (m), (n), (o), (p) and (t) of "Covenants of Alliance" above,

(ii) Alliance shall have failed to observe or perform any of its covenants specified in clauses (e)(ii), (f) and (s) of "Covenants of Alliance" above and such failure (A) alone or in the aggregate, shall have already had, or could reasonably be expected to have, a Material Adverse Effect, and (B) shall continue unremedied for at least 30 days after an authorized officer of Alliance obtains actual knowledge of such failure,

(iii) Alliance shall have failed to observe or perform any of its covenants specified in clauses (j), (k)(i), (l), (v) and (q) of "Covenants of Alliance" above and such failure shall continue unremedied for at least 30 days after an authorized officer of Alliance obtains actual knowledge of such failure,

(iv) Alliance shall have failed to observe or perform its covenant specified in clause (g)(i) of "Covenants of Alliance" as of the end of each of any three consecutive calendar months, or

(v) Alliance (except in its role as Servicer) shall have failed to observe or perform any other covenant(s) or other agreements specified in the Transaction Documents and such failure, alone or in the aggregate, shall have already had, or could reasonably be expected to have, a Material

Adverse Effect,

(c) Alliance (except in its role as the Servicer) shall have failed to make any payment, monetary transfer or deposit required to be made by it under the Transaction Documents (including pursuant to clause (k)(ii) of "Covenants of Alliance" above), which failure shall have continued unremedied for at least two Business Days after the date such payment, monetary transfer or deposit is required to be made,

(d) so long as Alliance or an affiliate thereof is the Servicer, a Servicer Default shall have occurred that (i) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect, (ii) shall have already had a Material Adverse Effect or (iii) could reasonably be expected to (or shall have already had) a material adverse effect on the Beneficiaries, including on their rights in the Collateral or otherwise under the Transaction Documents,

(e) the SPC shall fail to have a valid ownership interest under any applicable law in the Diversified Payment Rights, the Collections thereon and/or the Collection Accounts, subject only to the lien of the Indenture Trustee, liens for taxes, assessments and other governmental charges payable by the SPC and not yet due and (with respect to Collections in accounts not subject to an Account Agreement) any right of setoff or similar banker's lien held by the Depositary Bank at which such account is maintained,

(f) subject to clause (i) of "Representations and Warranties of the SPC," the Indenture Trustee shall fail to have (i) a first priority security interest in all or any part of the Collateral or (ii) a first priority perfected security interest under New York or Cayman Islands law in all or any part of the Collateral,

(g) any governmental authorization, license, consent, registration or approval required in or by the applicable laws of Kazakhstan or any other applicable jurisdiction (i) to enable Alliance (individually and/or as the Servicer) lawfully to enter into and perform its obligations under the Transaction Documents to which it is a party, (ii) to enable Alliance to operate as a bank and/or generate Diversified Payment Rights and/or process Payment Orders, (iii) to enable the SPC to exercise the rights expressed to be granted to the SPC in the Origination Agreement and/or the Bill of Sale and/or (iv) to ensure the legality, validity, enforceability and/or admissibility in evidence in Kazakhstan of the Origination Agreement and/or the Bill of Sale shall cease to be in full force and effect in any respect, the effect of any of which (A) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect or (B) shall have already had a Material Adverse Effect; *it being understood* in respect of each of the foregoing clauses that such clause does not cover notarizations, certified translations, registrations or any other normal-course formality for admissibility in evidence in Kazakhstan of the Transaction Documents (except those expressly covenanted to be obtained, made or caused by Alliance or the SPC),

(h) for any Quarterly Reporting Period, less than 50% of Collections received during such Quarterly Reporting Period shall have been deposited by Payor Banks into the Collection Accounts at Designated Depositary Banks; *provided* that this test will (i) take into account Collections received at a Depositary Bank during such Quarterly Reporting Period if such Depositary Bank is a Designated Depositary Bank as of the close of business on the last Business Day of such Quarterly Reporting Period even though such Depositary Bank was not a Designated Depositary Bank during any portion of such Quarterly Reporting Period and to the extent that such payments were credited to the account(s) covered by the Account Agreement(s) with such Designated Depositary Bank and (ii) exclude Collections credited to the Collection Account(s) at a bank during such Quarterly Reporting Period if such bank is no longer a Designated Depositary Bank or its Account Agreement(s) cease(s) to cover such Collection Account(s) as of the close of business on the last Business Day of such Quarterly Reporting Period; *and provided further* that, for purposes of this paragraph, Collections will not include any Collections through a Collection Account the Account Agreement with respect to which is, pursuant to its terms (including at the request of any of the parties thereto), to cease to be effective within 30 days after the last day of the applicable Quarterly Reporting Period,

(i) Alliance (or its successor to the extent permitted by clause (c) of "Covenants of Alliance" above) ceases to be duly authorized under the laws of Kazakhstan as a bank permitted to carry on a general commercial banking business or the business of generating Diversified Payment Rights and/or processing Payment Orders,

(j) other than with respect to payments under the Transaction Documents (i) Alliance shall default (as principal or guarantor or other surety) in the payment of any principal of, interest on, or premium, guaranty fees or other fees payable with respect to any credit-enhancement for, any indebtedness (or any similar obligation, such as relating to any securitization), which indebtedness (or obligation) is outstanding in the principal amount of at least U.S.$7,500,000 in the aggregate (or its equivalent in any other currency), and such default shall have continued for more than any applicable period of grace (or, if less, 30 days), or (ii) any other event shall occur or condition shall exist in respect of any such indebtedness (or obligation) referred to in clause (i) that results in the applicable creditor's (or other controlling party's) acceleration of Alliance's obligation to pay such indebtedness (or obligation),

(k) with respect to Alliance, either (i) it shall commence a voluntary case, proceeding or other action (A) under any applicable law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, suspension of payments or relief of debtors seeking to have an order for relief entered with respect to it or seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, liquidator, administrator, custodian, conservator or other similar official of it or for any substantial part of its property, (ii) an involuntary case, proceeding or other action of a nature referred to in clause (i) shall be commenced against it that (A) shall result in the entry of an order for relief or of an order granting or approving such adjudication or appointment or (B) shall remain unstayed, undismissed or undischarged for a period of at least 60 days after its actual knowledge of such action, (iii) an involuntary case, proceeding or other action shall be commenced against it that seeks issuance of a warrant of attachment, execution, distraint or similar process against any substantial part of its property that shall result in the entry of an order for any such relief and shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof, (iv) there shall be commenced against it any intervention proceedings (other than the appointment of a temporary administrator with respect to Alliance (or where Alliance shall request such an appointment) by the FMSA or otherwise under the laws of Kazakhstan) to take control of Alliance under any applicable bank regulatory or insolvency laws or rules of any jurisdiction (including by the National Bank), (v) there shall be commenced against it any extra-judicial liquidation proceedings under any applicable insolvency laws or rules of any jurisdiction, (vi) it shall admit in writing its inability to pay its debts as they become due, (vii) it shall make a general assignment for the benefit of creditors, (viii) it shall take any corporate (or similar) (or its board, shareholders or similar persons shall take any) action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the foregoing acts or (ix) there shall be appointed a temporary administrator with respect to Alliance (or Alliance shall request such an appointment) by the FMSA or otherwise under the laws of Kazakhstan,

(l) any court, other governmental authority or arbitrator shall enter against Alliance (i) a final non-payment judgment, decree or order or (ii) a final judgment, decree, order or tax claim for the payment of money in an amount that, when aggregated with the amount of all other unsatisfied final judgments, decrees, orders or tax claims against Alliance, exceeds U.S.$7,500,000 (or its equivalent in any other currency), and

(A) any such event (1) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect or (2) shall have already had a Material Adverse Effect, and

(B) either (1) such judgment, decree or order is not stayed or discharged within 60 days after entry thereof or (2) there shall be any period of at least 60 consecutive days during which a stay of enforcement of such judgment or order shall not be in effect,

(m) except with respect to obligations and/or Transaction Documents that have terminated by their own terms, either (i) any of the Transaction Documents shall fail for any reason to be in full force and effect, which failure (A) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect or (B) shall have already had a Material Adverse Effect, or (ii) any of Alliance, the Servicer or, with respect to any Enhancement, the applicable Enhancer shall allege that any of its obligations under any of the Transaction Documents shall fail for any reason to be in full force and effect; *provided* that, with respect to clause (i) or any such allegation by an Enhancer pursuant to clause (ii), any such event with respect to a Transaction Document that relates only to one or more Series (such as any Enhancement for such Series) will be a Sale Recision Event with respect to such Series only,

(n) any interference by the governments of Kazakhstan, the Cayman Islands (including a banking or debt repayment moratorium) or any other jurisdiction shall occur in connection with, or any Kazakhstan, Cayman Islands or other jurisdiction's legislative, judicial, regulatory or other governmental action is taken that interferes with, the Transaction Documents or the conduct of the Payment Order business by Alliance (including the routing of Collections and/or causing any payment obligation that would otherwise be a Diversified Payment Right not to fall within the definition thereof), and such interference or other action (i) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect or (ii) shall have already had a Material Adverse Effect,

(o) any litigation, administrative proceeding, arbitration, case or other action (excluding an involuntary case, proceeding or other action of a nature referred to in clause (k)(ii), provisions for which actions are addressed in such clause) is instituted against Alliance that (i) shall remain undismissed, undischarged, unstayed or unbonded for a period of at least 60 days after Alliance's actual knowledge of such litigation, proceeding, arbitration, case or other action and (ii)(A) could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect or (B) shall have already had a Material Adverse Effect,

(p) any governmental authority (including the National Bank or another banking authority) shall condemn, seize, compulsorily purchase, nationalize or expropriate all or a substantial part of the capital stock, property or business of Alliance,

(q) as specified in the Indenture Supplement for each Series of the Offered Notes, a Sale Recision Payment shall be payable by Alliance with respect to any other Series,

(r) as specified in the Indenture Supplement for each Series of the Offered Notes, a Change of Control shall occur unless (within 30 days after such Change of Control) the Rating Agency rating such Series shall have notified the Indenture Trustee in writing that such Change of Control (i) will not result in a withdrawal or reduction of its rating on such Series (for the Series 2006A Notes, without consideration of the Series 2006A Enhancement) to below "BBB-" and (ii) will not result in a withdrawal or reduction of its long-term foreign currency rating on Alliance,

(s) as specified in the Series 2006A Indenture Supplement, any claim for payment shall be made under the Series 2006A Enhancement; *provided* that such claim is not caused directly or indirectly by any default(s) by any of the Payor Banks in relation to the Diversified Payment Rights (in which case, this clause will not result in a Sale Recision Event),

(t) as stated in the Series 2006A Indenture Supplement, any Enhancement Agreement Default (as defined in the Series 2006A Enhancement Agreement) shall have occurred with respect to which the Series 2006A Enhancer (in its capacity as the Controlling Party of the Series 2006A Notes) shall have notified the Indenture Trustee of its election to require the payment of a Sale Recision Payment related thereto,

(u) any Diversion Event shall occur, or

(v) for any Series, any other event specified as a "Sale Recision Event" in the Indenture Supplement for such Series.

Upon the occurrence of any Sale Recision Event (a) included in the Origination Agreement, other than as described in clause (k) above, the Controlling Party of any Series, by notice then given in writing to the SPC, the Servicer, Alliance and the Indenture Trustee, may require the SPC immediately to request a Sale Recision Payment from Alliance with respect to such Series, and (b) contained in the Indenture Supplement for any Series (with respect to the Series 2006A Notes, other than clause (t) above to the extent resulting from an Early Amortization Event under clause (d) of the definition thereof), the Controlling Party of such Series, by notice then given in writing to the SPC, the Servicer, Alliance and the Indenture Trustee, may require the SPC immediately to request a Sale Recision Payment from Alliance with respect to such Series. Any Sale Recision Event described in clause (k) above (or, with respect to the Series 2006A Notes, clause (t) above to the extent resulting from an Early Amortization Event under clause (d) of the definition thereof) will automatically be deemed to have resulted in an immediate request from the SPC to Alliance for the payment of the Sale Recision Payment for the applicable Series of the Offered Notes. Upon a request (or deemed request) to Alliance for such payment, Alliance will promptly (but in any event no more than two Business Days thereafter) pay to the Indenture Trustee (on behalf of the SPC) an amount equal to such Sale Recision Payment; *provided* that if such date of payment is not a New York Business Day, then the Sale Recision Payment will be determined as if such date of payment were the next New York Business Day. In each case, if such payment is made by Alliance, then the SPC will pay the Redemption Price for such Series to the Indenture Trustee for further payment to the applicable Beneficiaries in accordance with the applicable Indenture Supplement; *it being understood* that such proceeds will not be used by the SPC to make any other payments notwithstanding the allocations in "Allocation of Amounts in the Concentration Accounts" or otherwise; *provided* that, should a Sale Recision Payment be required to be paid with respect to more than one Series and Alliance has not paid all such amounts in full, all such payments made by Alliance will first be allocated among the Series with respect to which a Sale Recision Payment is required to be paid on a *pro rata* basis based upon the respective amounts of the Sale Recision Payment then payable to each such Series.

The "*Sale Recision Payment*" with respect to any Series means, as of any date of payment, the Redemption Price for such Series on such date. Such payment and the related mandatory redemption of the applicable Series will occur on the dates specified in the Transaction Documents. If the Sale Recision Payment is not paid in full by the time required, then the SPC and the Indenture Trustee will have a direct cause of action against Alliance to collect such amount.

The "*Redemption Price*" for each Series means, as of any date of determination, an amount in the applicable currency equal to the sum of (a) the Series Balance of such Series (or, in the case of a partial redemption, the portion thereof to be redeemed), (b) all accrued and unpaid Interest (if any) on such redeemed principal amount to but excluding the Redemption Date, (c) all unpaid Additional Amounts with respect to such Series, (d) the Make-Whole Premium (if any) for such Series (or, in the case of a partial redemption, the portion thereof to be redeemed) to but excluding the Redemption Date, which amount will be paid to the applicable Noteholders, (e) to the extent required to be paid by the SPC, any unreimbursed amounts disbursed under any Enhancement for such Series (*plus* any applicable interest thereon) *plus* such Series' *pro rata* share (based upon the Series Balance on such Redemption Date of each Series covered by such Enhancement) of any premium, fees or other amounts owing to any Enhancer for any Enhancement(s) relating to such Series, (f) any amounts payable by the SPC to a counterparty under any Hedging Agreement relating to such Series (including any amounts payable as a result of the termination thereof due to the redemption) and (g) all other amounts then due and payable to Beneficiaries by the SPC and/or Alliance under the Transaction Documents in connection with such Series (including any such amounts so identified in the applicable Indenture Supplement to be included in the Redemption Price with respect to such Series, such as any prepayment premium or fees payable to any applicable Enhancer pursuant to the applicable Enhancement Agreement), in each case less the available funds (if any) in the Concentration Accounts and/or the applicable Series Account that are to be applied by the Indenture Trustee towards the payment of the components of such Redemption Price or Sale Recision Payment.

The Series 2006A Enhancement Agreement will (subject to the parties' later agreement otherwise) provide that a prepayment fee will be payable by the SPC and Alliance to the Series 2006A Enhancer if Alliance elects to cause the SPC to redeem the Offered Notes (or portions thereof) before the second anniversary of the Offered Notes Issuance Date, in each case less the available funds (if any) in the Collection Account and/or the applicable Series Account that are to be applied by the Indenture Trustee towards the payment of such amounts.

"*Change of Control*" means that any person or group (within the meaning of the United States Securities Exchange Act of 1934 and the rules of the United States Securities and Exchange Commission thereunder) either (a) owns more than 50% of any series of the voting stock of Alliance or (b) otherwise exercises Control over Alliance, in either case other than the Seimar Investment Group. "*Control*" of a person means the power, directly or indirectly, to direct, determine, manage, control or cause the direction of the management, business, operations, activities, investments or policies of such person, whether through the ownership of any interest in such person, by contract or otherwise.

"*Seimar Investment Group*" means Seimar Investment Group LLC, an investment company controlled and directly and/or indirectly wholly-owned by Mr. Margulan Seisembayev, Mr. Erlan Seisembayev and Mr. Askar Galin, which company (as of the Offered Notes Issuance Date) is the registered shareholder of 72.8% of each series of the capital stock of Alliance.

The "*Make-Whole Premium*" will (a) with respect to the Series 2006A Notes, as of any date of determination, equal the difference (but not less than zero) between (i) the present value (compounded on a quarterly basis) to such date of the expected future principal and interest cash flows from the Series 2006A Notes (or portion thereof) being redeemed (or prepaid as a result of an Early Amortization Event) discounted at a *per annum* rate equal to the then-bid side yield (as most recently published in the New York edition of *The Wall Street Journal*) on the U.S. Treasury Note or Bill having a maturity date closest to the remaining weighted average life on the Series 2006A Notes calculated at the time of redemption (or prepayment), *plus* 0.20% *per annum*, and (ii) the Series Balance of the Series 2006A Notes (or portion thereof) being redeemed (or prepaid as a result of an Early Amortization Event), (b) with respect to the Series 2006B Notes, mean U.S.$0, and (c) with respect to any other Series, have the meaning (if any) specified in the applicable Indenture Supplement.

Optional Redemption

So long as no Early Amortization Period exists with respect to any Series (other than the Series to be so redeemed (if to be redeemed in full) and other Series that have an Early Amortization Period resulting only from a cross-trigger to an Early Amortization Event under the Series to be so redeemed), at any time (or with respect to any Series, as provided in the applicable Indenture Supplement), Alliance or its designee may, by payment to the SPC of the Redemption Price for each Series (or a portion thereof) that it wishes to have redeemed, require that the SPC redeem any Series (or a portion thereof) on a selected Redemption Date; *it being understood* that such day must be a New York Business Day. Except with respect to the full redemption of a Series with respect to which an Early Amortization Period exists (for which no notice is required), Alliance or its designee will give the SPC, the applicable Enhancer (if any) and the Indenture Trustee an irrevocable notice of its request to have redeemed all or any portion of a Series not less than ten days nor more than 60 days before the proposed Redemption Date relating thereto.

The SPC will use the proceeds of any such payment of a Redemption Price to redeem all or the applicable portion of the Note(s) to be redeemed and to make all other payments included in the Redemption Price; *it being understood* that such proceeds will not be used by the SPC to make any other payments notwithstanding the allocations in "Allocation of Amounts in the Concentration Accounts" or otherwise. Any partial redemption of any Series pursuant to an optional redemption will (with respect to any Series, except as otherwise provided in the applicable Indenture Supplement) result in a *pro rata* reduction in the Quarterly Amortization Amounts remaining to be paid for such Series.

Following receipt by the SPC of the Redemption Price in connection with an optional redemption of a Series (in whole or in part), the applicable Noteholders (or Note Owners) will be entitled to receive from the SPC an amount in the applicable currency equal to the sum of (a) the Series Balance of such Series (or, in the case of a partial redemption, the portion thereof to be redeemed), (b) all accrued and unpaid Interest (if any) on such redeemed principal amount to but excluding the Redemption Date, (c) all unpaid Additional Amounts with respect to such Series and (d) all other amounts (if any) then due and payable to such Noteholders (or Note Owners) under the Transaction Documents in connection with such Series.

Upon its receipt from Alliance of any such Redemption Price, the SPC will immediately deliver such amounts to the Indenture Trustee. As promptly as possible (and, in any event, by no later than its next Business Day) after its receipt from (or on behalf of) Alliance and/or the SPC of the Redemption Price for any Series (or portion thereof) (whether as a result of the payment of a Sale Recision Payment by Alliance as described in "Sale Recision Events" above or an optional redemption as described in this paragraph), the Indenture Trustee (on behalf of the SPC) will use the proceeds of any such Redemption Price to redeem all or the applicable portion of the Notes(s) of the Series to be redeemed and to make all other payments included in the Redemption Price; *it being understood* that such payments to the applicable Noteholder(s) and other recipients of a portion of the Redemption Price thus might not occur until the Indenture Trustee's Business Day after the Redemption Date.

Should any Redemption Price for any Series not be paid in full on the applicable Redemption Date, then the Indenture Trustee will (a) first allocate such partial payment to each Series for which a Redemption Price was payable on such Redemption Date on a *pro rata* basis based upon the applicable Redemption Prices of such Series, (b) for each Series, use such allocated amount to make all payments included in the Redemption Price for such Series in the manner set forth in the applicable Indenture Supplement, and (c) seek instruction from the Controlling Party of such Series with respect to the amount of any such shortfall owed by Alliance. As set forth in the Series 2006A Indenture Supplement, such allocations for such Series will be made in the following order (a) Indenture Trustee fees, (b) Guaranteed Interest, (c) scheduled principal and scheduled but not paid when due principal, (d) guaranty fees payable to the Series 2006A Enhancer, (e) reimbursements to the Series 2006A Enhancer for any unreimbursed payments of Guaranteed Interest and principal on the Series 2006A Notes, (f) any additional Interest, (g) any remaining principal, (h) Additional Amounts, (i) on a *pro rata* basis, other amounts due under the Transaction Documents to parties other than Alliance, the SPC and any affiliates thereof, (j) on a *pro rata* basis, any amounts payable by the SPC to a counterparty under any Hedging Agreement, and (k) on a *pro rata* basis, other amounts due under the Transaction Documents to Alliance, the SPC and any affiliates thereof. As set forth in the Series 2006B Indenture Supplement, such allocations for such Series will be made in the following order (a) Indenture Trustee fees, (b) Interest, (c) scheduled principal and scheduled but not paid when due principal, (d) any remaining principal, (e) Additional Amounts, (f) on a *pro rata* basis, other amounts due under the Transaction Documents to parties other than Alliance, the SPC and any affiliates thereof, (g) on a *pro rata* basis, any amounts payable by the SPC to a counterparty under any Hedging Agreement, and (h) on a *pro rata* basis, other amounts due under the

Transaction Documents to Alliance, the SPC and any affiliates thereof.

No redemption premium will be payable to the Noteholders in the event of any redemption (whether optional or not) of the Offered Notes; *provided* that, with respect to the Series 2006A Notes, the applicable Indenture Supplement will provide that the Make-Whole Premium will be included in the event of any optional prepayment.

In addition to the above, any Notes or Certificates (or beneficial interests therein) that are acquired by Alliance may be canceled upon the election of Alliance to do so. In order to effect such cancellation, Alliance must send to the applicable issuer thereof (*e.g.*, the SPC with respect to the Notes) and the Indenture Trustee a notice that it owns a Note or Certificate (or beneficial interest therein) and wishes to have the indicated principal amount thereof canceled (which ownership Alliance must evidence to the satisfaction of the Indenture Trustee). Upon receipt of any such notice and satisfactory evidence, such issuer and/or the Indenture Trustee will promptly cause such principal amount to be canceled (including, if applicable, to notify the Common Depositary and/or any other applicable securities depository). Upon any such cancellation, the remaining scheduled Quarterly Amortization Amounts of the applicable Series will be reduced on a *pro rata* basis and the calculation of Interest (and other calculations under the Transaction Documents) will take into effect such cancellation.

Transfer Restrictions

The Offered Notes will not be registered under the Securities Act or the securities laws of any jurisdiction and will be offered solely outside the United States to non-U.S. persons in reliance upon Regulation S. The Offered Notes (and beneficial interests therein) will be subject to certain restrictions on transfer as specified in the Transaction Documents. See "Notice to Investors".

Form and Delivery

Each Series of the Offered Notes will be represented by beneficial interests in the applicable Global Note. Each Note will be in registered form.

The Global Notes for the Offered Notes will be deposited on or about the Offered Notes Issuance Date with, and registered in the name of, the Common Depositary for and in respect of interests held through Euroclear and Clearstream.

Kazakhstan Tax Treatment

White & Case LLP, as Kazakhstan counsel to Alliance, is of the opinion that, subject to certain assumptions and qualifications, no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes (except for corporate or income tax imposed upon Alliance, if any, and withholding tax imposed on payments of fees, premiums or other income from Alliance to the SPC, any Enhancer or the Indenture Trustee) are payable to Kazakhstan or any governmental authority thereof (a) in connection with the execution, delivery and/or performance of the Transaction Documents or the enforcement of any thereof; *provided* that in the case of any such Transaction Documents being entered into evidence in Kazakhstan, Kazakhstan state duty may be required to be paid, (b) in connection with the sale by Alliance of the Diversified Payment Rights and the Collections thereon to the SPC and the assignment of the Collection Accounts to the SPC, (c) by or on behalf of the Lead Managers or the SPC in connection with the offering, sale and/or delivery of the Offered Notes (or beneficial interests therein) to the Lead Managers or by the Lead Managers to the initial purchasers therefrom, in each case so long as neither the Lead Managers nor such initial purchasers, as the case may be (i) has an enterprise that is carried on through a permanent establishment in Kazakhstan and to which enterprise the investment in the Offered Notes is attributable and (ii) is a citizen of or individual resident in Kazakhstan for tax purposes or an entity organized pursuant to Kazakhstan law or an entity that has its actual governing body (place of effective management) in Kazakhstan, (d) by or on behalf of the Series 2006A Enhancer in connection with its issuance of the Series 2006A Enhancement or

	the making of any payments thereunder or (e) with respect to any principal, Interest, premium, fees or other amounts paid by the SPC (including any Interest on the Offered Notes) under the Transaction Documents so long as no Noteholder or Enhancer (i) has an enterprise that is carried on through a permanent establishment in Kazakhstan and to which enterprise the investment in the Offered Notes is attributable and (ii) is a citizen of or individual resident in Kazakhstan for tax purposes or an entity organized pursuant to Kazakhstan law or an entity that has its actual governing body (place of effective management) in Kazakhstan. See "Taxation - Certain Kazakhstan Tax Considerations".
Cayman Islands Tax Treatment	Maples and Calder, special Cayman Islands counsel to the SPC, is of the opinion that, subject to certain assumptions and qualifications (a) no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable to the Cayman Islands or any governmental authority thereof (i) in connection with the execution, delivery and/or performance of the Transaction Documents or the enforcement of any thereof, (ii) by or on behalf of the SPC and/or the Lead Managers in connection with the offering, sale and/or delivery of the Offered Notes (or beneficial interests therein) by the SPC to the Lead Managers or by the Lead Managers to the initial purchasers therefrom, (iii) by or on behalf of the Series 2006A Enhancer in connection with its issuance of the Series 2006A Enhancement or the making of any payments thereunder or (iv) with respect to any principal, Interest, premium, fees or other amounts paid by the SPC (including any Interest on the Offered Notes) under the Transaction Documents, and (b) the SPC is not subject to any withholding or other tax imposed by the Cayman Islands, except that the Offered Notes or any of the Transaction Documents may bear Cayman Islands stamp duty if executed (and, in the case of the Offered Notes, authenticated) in or brought into the Cayman Islands. See "Taxation - Certain Cayman Islands Tax Considerations".
Withholding Taxes	Subject to certain limited exceptions, all payments in respect of the Offered Notes and all other payments to Beneficiaries (and, with respect to payments by Alliance, to the SPC) under the Transaction Documents, whether in respect of principal, Interest, premiums, fees or otherwise, will be made without deduction or withholding for any current or future taxes, duties, assessments or governmental charges of whatever nature (collectively, "*Taxes*") imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority unless such Taxes are required by any applicable law to be deducted or withheld. If any such Taxes are required by applicable law to be deducted or withheld, then Alliance, subject to certain customary exceptions, will pay to the Indenture Trustee (for the benefit of the applicable recipient(s) of such payment) such additional amounts ("*Additional Amounts*") as may be necessary so that the recipient(s) thereof will receive the full amount otherwise payable in respect of such payments had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld. The SPC will not be responsible for the payment of any Additional Amounts. See "Description of the Offered Notes and the Other Transaction Documents - Offered Notes and the Related Indenture Supplements -Additional Amounts".
Certain ERISA Considerations	Employee benefit plans and accounts may generally purchase an Offered Note (or beneficial interests therein) subject to the considerations described herein. If an Investor is an employee benefit plan or account fiduciary considering purchase of the Offered Notes (or beneficial interests therein), then it is, among other things, encouraged to consult with its counsel in determining whether all required conditions have been satisfied. See "Certain ERISA Considerations".

Rating Agency

"*Rating Agency*" means, with respect to any Series, each rating agency rating such Series and so identified in the applicable Indenture Supplement. For the Offered Notes, the Rating Agency is Fitch.

Required Ratings

It is a condition to the issuance of the Offered Notes that (a) with respect to the Series 2006A Notes (i) without consideration of the Series 2006A Enhancement, they be rated at least "BBB-" by Fitch and (ii) with consideration of the Series 2006A Enhancement, they be rated "AAA" by Fitch, and (b) with respect to the Series 2006B Notes, they be rated at least "BBB-" by Fitch. The ratings address the likelihood of timely payment of Interest at the Interest Rate corresponding to the Offered Notes on each Payment Date and the timely payment of the Quarterly Amortization Amounts for the Offered Notes on each Payment Date after the applicable Interest-Only Period. The ratings do not address the likelihood of payment of Additional Amounts or any other amounts. A rating is not a recommendation to buy, sell or hold an Offered Note (or a beneficial interest therein) and is subject to revision or withdrawal in the future by the Rating Agencies.

Listing

The SPC has made an application to have the Offered Notes listed on the Luxembourg Stock Exchange; *however* no assurance can be provided that such listing application will be accepted.

So long as the Offered Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require:

(a) Alliance will give notice to the Luxembourg Stock Exchange, the Luxembourg Agent, the Luxembourg Agent and the applicable Noteholders by the morning of the first day of each Interest Period of the Interest Rate for such Interest Period, the Payment Date for such Interest Period, the amount of interest to be paid on such Payment Date and the amount of principal outstanding during such period,

(b) Alliance will provide notice of (i) any issuance of an additional Series, (ii) any changes in the rights attached to the Offered Notes and (iii) any changes in the terms of the Offered Notes to the applicable Noteholders and the Luxembourg Stock Exchange,

(c) if full payment on such Series will not occur on the applicable Expected Final Payment Date, then Alliance will provide notice of such non-payment to the applicable Noteholders and the Luxembourg Stock Exchange on or before such Expected Final Payment Date,

(d) Alliance will provide notice to the applicable Noteholders and the Luxembourg Stock Exchange of the occurrence of a Sale Recision Event within five Business Days of becoming aware thereof,

(e) the SPC will provide to the Luxembourg Agent documentation satisfactory to it evidencing the payment of Taxes in respect of which the SPC has paid any Additional Amounts (to the extent applicable to a Noteholder or a Note Owner, copies of such documentation will be made available to such Noteholder or Note Owner upon written request therefore to the Luxembourg Agent),

(f) any replacement of a lost, stolen or destroyed Offered Note also may be made by the Luxembourg Agent,

(g) payment of such Series may be made through the Luxembourg Agent,

(h) the Luxembourg Agent will be a co-transfer agent for such Series, and

(i) if the SPC should publish any financial statements, then it will deliver such financial statements to the Luxembourg Agent and such financial statements will be made available to Investors in the Offered Notes at the offices of the Luxembourg Agent.

Any notice or communication to the applicable Noteholders will be delivered by publication of such notice in English in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourger d'Wort*) not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed in the Indenture (or the applicable Indenture Supplement) for the giving of such notice or communication.

In the Indenture Supplement for each Series of the Offered Notes, each of Alliance and the SPC will agree (a) if such Series is accepted for listing on the Luxembourg Stock Exchange, to use commercially reasonable efforts to maintain the listing of such Series on the Luxembourg Stock Exchange, and (b) if such Series is at any time not listed on any internationally recognized exchange, to use commercially reasonable efforts to list such Series for trading on an internationally recognized exchange.

Alliance and the SPC will initially appoint The Bank of New York (Luxembourg) SA, as the Luxembourg Agent (the "*Luxembourg Agent*"), who shall perform the duties described herein.

Governing Law

The Notes, the Indenture, the Indenture Supplements, the Origination Agreement, the Servicing Agreement, the Series 2006A Enhancement, and the Series 2006A Enhancement Agreement will be governed by and construed in accordance with the internal law of the State of New York. The Bill of Sale will be governed by Kazakhstan law. The Account Agreements will be governed by, and construed in accordance with, the internal law of the country/state where the account held by the applicable Designated Depositary Bank is located. Certain matters relating to the SPC will be governed by Cayman Islands law. All parties to the foregoing agreements (other than the Designated Depositary Banks) will submit to the jurisdiction of specified courts in the City and State of New York in connection with the Transaction Documents.

Arbitration

In lieu of the preceding submission to the jurisdiction of New York courts, any party (other than Alliance) to any Transaction Document to which Alliance is a party may elect (in its sole discretion) that any dispute arising out of or in connection with the Transaction Documents (other than disputes involving a Designated Depositary Bank, the dispute resolution agreements with respect to which will be as agreed with the applicable Designated Depositary Bank in its Account Agreement), including any question regarding their existence, validity or termination, will be referred to and finally resolved by arbitration under the International Arbitration Rules of the American Arbitration Association (the "*AAA*") as such rules are in effect at the time of arbitration (such rules the "*AAA Rules*"), which AAA Rules will be deemed to be incorporated by reference into the applicable Transaction Documents.

Notice of the request for arbitration will be served upon the party against whom the demand is made reasonably simultaneously with the time that such demand is filed with the AAA. The number of arbitrators will be three. Each of Alliance, on the one hand, and the other disputants (other than the SPC, unless the SPC is the only other disputant), on the other hand, will nominate one arbitrator, obtain its nominee's acceptance of such appointment promptly and, in any event, within 30 days of such nomination deliver written notice of such appointment to the AAA and the other party promptly and, in any event, within 30 days of the date of the nomination. If a party fails to make an appointment within the 30 day time limit, then the AAA will make the appointment for such party. The seat, or legal place, of arbitration will be New York City, New York. The language to be used in the arbitral proceedings will be English. The arbitral panel will determine the rights and obligations of the parties in accordance with the substantive laws of the applicable Transaction Document(s). The award will be in writing and state the reasons upon which it is based. Any monetary award will be made in the currency required to be paid under the applicable Transaction Document(s). The award may include interest from the date of any breach or violation of the applicable Transaction Document(s) as determined by the arbitral award until paid in full, at the interest rate established in the award. Interest may be compounded at the discretion of the arbitral panel.

SUMMARY FINANCIAL INFORMATION

The summary financial information presented below as at and for the years ended December 31, 2005, 2004 and 2003 and for the six months ended June 30, 2006 and 2005 has been derived from, should be read in conjunction with and is qualified in its entirety by the Consolidated Financial Statements, including the notes thereto, contained elsewhere in this Prospectus. Investors should not rely on interim results as being indicative of results Alliance Bank may expect for the full year.

The Audited Consolidated Financial Statements were audited by LLP Deloitte Kazakhstan, whose audit report is included elsewhere in this Prospectus. The Unaudited Consolidated Financial Statements were reviewed by LLP Deloitte Kazakhstan.

The Consolidated Financial Statements have been prepared in accordance with IFRS.

Prospective Investors should read the following summary financial information in conjunction with the information contained in "Risk Factors", "Capitalization", "Managements Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements, including the notes thereto, and the other financial data contained elsewhere in this Prospectus.

Consolidated Profit and Loss Account

	For the six months ended June 30			For the years ended December 31			
	2006		2005	2005	2005	2004	2003
	(U.S.$ thousands)[1]	*(KZT millions)*	*(KZT millions)*	*(U.S.$ thousands)*[2]	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Interest income	195,184	24,808	5,730	132,184	17,562	6,973	4,292
Interest expense	(112,714)	(14,326)	(4,194)	(88,642)	(11,777)	(4,205)	(2,611)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	82,470	10,482	1,536	43,542	5,785	2,768	1,681
Provision for impairment losses on interest bearing assets	(53,084)	(6,747)	(1,282)	(37,039)	(4,921)	(1,305)	(1,088)
NET INTEREST INCOME	29,386	3,735	254	6,503	864	1,463	593
Net gain on assets held-for- trading	(2,124)	(270)	375	2,092	278	129	141
Net gain on foreign exchange operations	3,336	424	111	4,667	620	46	235
Fee and commission income	21,849	2,777	1,314	25,674	3,411	1,380	616
Fee and commission expense	(3,816)	(485)	(110)	(3,312)	(440)	(113)	(62)
Net loss on derecognition of investments available-for- sale	-	-	(45)	(6)	(1)	-	
Other income	1,416	180	133	6,322	840	246	182
NET NON-INTEREST INCOME	20,661	2,626	1,823	35,398	4,703	1,687	1,112
OPERATING INCOME	50,047	6,361	2,077	41,901	5,567	3,150	1,705
OPERATING EXPENSES	(29,496)	(3,749)	(1,485)	(31,522)	(4,188)	(2,261)	(1,464)
OPERATING PROFIT	20,551	2,612	592	10,379	1,379	889	241
OTHER PROVISIONS	(1,786)	(227)	(16)	(1,046)	(139)	(28)	(6)
Share of results of associates	-	-	-	-	-	-	2
PROFIT BEFORE INCOME TAX	18,765	2,385	576	9,333	1,240	861	237
Income tax (expense)/ Benefit	(5,870)	(746)	(62)	2,680	356	-	(29)
NET PROFIT	12,895	1,639	514	12,013	1,596	861	208

Notes:

(1) Translated at the average U.S. Dollar exchange rate for the six months ended June 30, 2006, as reported by the NBK, of KZT 127.10 = U.S.$1.00.

(2) Translated at the average U.S. Dollar exchange rate for the year ended December 31, 2005, as reported by the NBK, of KZT 132.86 = U.S.$1.00.

Consolidated Balance Sheet

	As at June 30		As at December 31			
	2006		2005		2004	2003
	(U.S.$ thousands)[(1)] *(unaudited)*	*(KZT millions)* *(unaudited)*	*(U.S.$ thousands)*[(2)] *(unaudited)*	*(KZT millions)* *(audited)*	*(KZT millions)* *(audited)*	*(KZT millions)* *(audited)*
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan...	214,492	25,458	316,416	42,327	19,631	2,378
Precious metals..................................	34	4	22	3	2	1
Assets held-for-trading	959,853	113,925	592,681	79,283	31,324	1,564
Loans and advances to banks, less allowance for impairment losses.........	171,135	20,312	76,116	10,182	892	2,242
Securities purchased under agreements to resell...	13,708	1,627	30,186	4,038	6,421	401
Loans and advances to customers, less allowance for impairment losses.........	2,840,922	337,189	1,346,318	180,097	53,309	30,670
Investments available-for-sale	93,243	11,067	83,046	11,109	5,467	4,904
Investments held-to-maturity.............	3,758	446	3,461	463	1,260	6,884
Investment in associated companies ...	-	-	-	-	-	50
Fixed and intangible assets, less accumulated depreciation and amortization..	27,542	3,269	16,304	2,181	1,036	748
Derivative financial instruments.........	7,001	831	-	-	-	-
Income tax assets................................	-	-	4,179	559	116	43
Other assets, less allowance for impairment losses...............................	46,516	5,521	18,808	2,516	402	389
TOTAL ASSETS	4,378,204	519,649	2,487,537	332,758	119,860	50,274
LIABILITIES AND EQUITY						
LIABILITIES:						
Due to the budget of the Republic of Kazakhstan...	573	68	964	129	284	538
Deposit from the National Bank of the Republic of Kazakhstan......................	50,552	6,000	44,853	6,000	4,000	1,000
Loans and advances from banks	1,539,582	182,733	707,603	94,656	9,463	3,931
Securities sold under agreements to repurchase	186,283	22,110	46,804	6,261	16,592	1,131
Customer accounts	1,380,243	163,821	1,031,278	137,954	67,454	36,885
Debt securities issued	696,436	82,660	399,850	53,488	1,999	296
Dividend on preference shares............	211	25	366	49	60	-
Derivative financial instruments.........	177	21	-	-	-	-
Income tax liability..	185	22	-	-	-	-
Other liabilities...................................	21,206	2,517	6,279	840	147	76
Subordinated debt..............................	221,232	26,258	39,987	5,349	3,873	2,687
TOTAL LIABILITIES	4,096,680	486,235	2,277,984	304,726	103,872	46,544
EQUITY:						
Share capital.......................................	231,696	27,500	186,140	24,900	14,989	3,575
Share premium	10,313	1,224	30	4	5	-
Fixed assets revaluation reserve..........	4,137	491	3,670	491	73	76
Investments available-for-sale fair value reserve......................................	1,070	127	1,525	204	38	-
Retained earnings	34,308	4,072	18,188	2,433	883	79
Total equity	281,524	33,414	209,553	28,032	15,988	3,730
TOTAL LIABILITIES AND EQUITY	4,378,204	519,649	2,487,537	332,758	119,860	50,274

Notes:

(1) Translated at the U.S. Dollar exchange rate as at June 30, 2006, as reported by the NBK, of KZT 118.69 = U.S.$1.00.

(2) Translated at the U.S. Dollar exchange rate as at December 31, 2005, as reported by the NBK, of KZT 133.77 = U.S.$1.00.

	As at June 30	As at or for the years ended December 31		
	2006	2005	2004	2003
			(% unless otherwise noted)	
	(unaudited)		*(audited)*	
Combined Key Ratios:				
Return on equity[(1)]	10.7	7.3	8.7	7.4
Net earnings per common share (in KZT)	614.0	903.7	1,716.0	635.3
Operating expenses/operating income before provisions for impairment losses	28.6	39.9	50.8	52.4
Operating expenses/operating income after provisions for impairment losses	58.9	75.2	71.8	85.9
Effective provisioning rate on customer loans (excluding accrued interest income)	4.0	4.1	4.8	5.2
Profitability Ratios[(2)]				
Net interest margin (*i.e.*, net interest income before provisions for impairment losses as a percentage of average interest-earning assets)	5.9	3.7	4.6	4.8
Net interest income as a percentage of average interest- earning assets	2.1	0.5	2.3	1.7
Operating expenses as a percentage of net interest income before provisions for impairment losses	35.8	72.4	81.7	87.1
Operating expense as a percentage of average total assets	2.1	2.4	3.4	4.1
Profit after taxation as a percentage of average total assets	0.9	0.9	1.3	0.6
Profit after taxation as a percentage of average equity	10.3	8.2	15.0	7.4
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	31.5	41.5	56.3	73.4
Total net loans to customers as a percentage of total assets	64.9	54.1	44.5	61.0
Total equity as a percentage of total assets	6.4	8.4	13.3	7.4
Liquid assets as a percentage of customer accounts[(3)]	98.2	98.1	86.4	17.4
Liquid assets as a percentage of liabilities of up to one month	188.3	215.6	136.7	62.2
Capital Adequacy Ratios[(4)]:				
Total capital	14.4	13.3	27.1	14.8
Tier 1 capital	10.0	11.1	21.7	10.2
Asset Quality Ratios[(5)]:				
Non-performing loans as a percentage of total loans	2.3	1.8	2.9	4.0
Non-performing loans as a percentage of total loans and guarantees	1.7	1.5	2.7	3.8
Provisions for impairment losses as a percentage of non- performing loans	173.2	222.2	161.2	127.6
Exchange Rates used in financial statements of Alliance Bank[(6)]:				
Period end	118.7	133.8	130.0	144.2
Average for the period[(7)]	127.1	132.9	136.0	149.6
Macroeconomic Data:				
Consumer Price Inflation (for the twelve months then ended)	4.8	7.6	6.7	6.8
Real GDP (change during the year)	9.3	9.4	9.4	9.2

Notes:

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

(2) Averages are based upon average daily balances.

(3) Liquid assets include cash and balances with NBK, precious metals, loans and advances to banks (with a maturity of less than one month), assets held-for-trading and securities sold under agreements to resell.

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

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

(6) KZT/U.S.$1.00

(7) The average monthly rate is the average of Alliance Bank's daily rates for the month. The average rates for a period is the average of the monthly average rates during that period.

RISK FACTORS

The following section does not describe all of the risks of an investment in the Offered Notes. Before making any investment decision, prospective Investors should carefully read this Prospectus in its entirety, including the risk factors set forth below. For additional information concerning the Kazakhstan, New York and Cayman Islands legal and regulatory environments of this transaction, see "Certain Legal Aspects Relating to the Diversified Payment Rights under Kazakhstan, New York and Cayman Islands Law".

Risk Factors Relating to the Series 2006A Enhancer

Decline in the Financial Condition of the Series 2006A Enhancer

The "AAA" rating of the Series 2006A Notes by Fitch, is based primarily on the existence of the Series 2006A Enhancer's guarantee in accordance with the terms thereof of the timely payment of Guaranteed Interest and the timely payment of the Quarterly Amortization Amounts due on each Payment Date. Any decline in the financial condition of the Series 2006A Enhancer may result in the downgrade of the foregoing rating of the Series 2006A Notes, and may impair the ability of the Series 2006A Enhancer to make any required payments to the Guaranteed Noteholders pursuant to the Series 2006A Enhancement. For financial information concerning the Series 2006A Enhancer, see "The Series 2006A Enhancer".

Limits on Coverage of the Series 2006A Enhancement

The Series 2006A Enhancement does not guarantee the repayment of principal on the Series 2006A Notes prior to the scheduled Quarterly Amortization Amounts in respect of the Series 2006A Notes due on each Payment Date. Claims under the Series 2006A Enhancement may only be made in respect of scheduled Quarterly Amortization Amounts and Guaranteed Interest due and unpaid on a particular Payment Date. The Series 2006A Enhancement will not cover, among other things, the payment of Additional Amounts, if any, any accelerated principal (whether or not as the result of the occurrence of an Early Amortization Event, a Sale Recision Event, an increase in the Required Amount as described in clause (a) in the definition thereof or otherwise) or the payment of any default or overdue interest. For limits on coverage, see "The Series 2006A Enhancement".

No accelerated payments of any Guaranteed Interest or Quarterly Amortization Amounts will be required to be made under the Series 2006A Enhancement (including in relation to any Avoided Payments) regardless of any acceleration of amounts payable under the Series 2006A Notes (whether as a result of any optional or mandatory redemption, Early Amortization Event, Sale Recision Event, increase in the Required Amount as described in clause (a) in the definition thereof or otherwise). The Series 2006A Enhancer shall be entitled to pay in its sole discretion under the Series 2006A Enhancement any amount of Guaranteed Interest or Quarterly Amortization Amount on an accelerated basis at any time or from time to time, in whole or in part, prior to the scheduled date of payment thereof, whether or not any Notice with respect thereto shall have been received by the Series 2006A Enhancer. Payments of Quarterly Amortization Amounts paid under the Series 2006A Enhancement on an accelerated basis shall not include interest accruing after the date of such payment of principal.

Series 2006A Enhancer as Controlling Party of the Series 2006A Notes

Upon the issuance of the Series 2006A Enhancement, the Series 2006A Enhancer will be the Controlling Party with respect to the Series 2006A Notes with all rights to control the exercise of most of the rights, remedies, votes and decisions relating to the Series 2006A Notes, unless an Enhancer Event is continuing with respect to the Series 2006A Enhancer. If an Enhancer Event exists with respect to the Series 2006A Enhancer, then the Controlling Party will be the Series 2006A Noteholders and (to the extent that the Series 2006A Enhancer has made any payment with respect to principal for which it has not yet been reimbursed) the Series 2006A Enhancer, that together, in the aggregate, hold or (in the case of the Series 2006A Enhancer) have not been reimbursed for more than 50% of the Unpaid Balance of such Series on such date.

During such time as the Series 2006A Enhancer is the Controlling Party with respect to the Series 2006A Notes, no Series 2006A Noteholder will have any rights whatsoever to exercise remedies against Alliance Bank, including, without limitation, to cause the SPC to demand Alliance Bank to pay the Sale Recision Payment, and the Series 2006A Enhancer, as Controlling Party, will have the exclusive right insofar as the Series 2006A Noteholders are concerned to waive any remedy that may exist against the SPC, Alliance Bank or any other person under the Transaction Documents. The Series 2006A Enhancer will not be liable to the Indenture Trustee or any Series 2006A Noteholder for any loss or damage resulting from the exercise or failure to exercise, in its sole discretion, any of such rights (including voting rights) or remedies that it may have as Controlling Party.

Risk Factors Relating to the Offered Notes

Diversified Payment Rights Must be Generated in the Future in Order for the Offered Notes to be Paid

Since cash flows from Collections are the primary source of funds to repay the Offered Notes and any additional Series, repayment of the Offered Notes and any additional Series will largely depend upon the ability of Alliance Bank to continue to generate Diversified Payment Rights. If the Diversified Payment Rights are not generated and collected in sufficient quantity, then the SPC may not have sufficient resources to make all required payments under the Transaction Documents (including on the Offered Notes). The Series 2006A Enhancement is intended to cover such risk solely with respect to the payment of Guaranteed Interest and scheduled Quarterly Amortization Amounts, subject to the terms of the Series 2006A Enhancement. See "Risk Factors Relating to the Series 2006A Enhancer" above.

This necessity that a future flow of Diversified Payment Rights be generated in order for the SPC to have adequate assets from which to pay the Offered Notes is in contrast to asset-backed securitizations in which rights to assets owned by the relevant special purpose issuer and in existence as of the closing date - or, in the case of revolving asset securitizations, as of the closing date and at each point in time thereafter - are structured, at any given time, to exceed the amount of the aggregate debt then outstanding. Thus, in those securitizations, in order for the amount of collateral to fall below the amount of issued debt (with Investors suffering losses as a result) there typically must be defaults on, or dilution of the anticipated value of, the existing collateral. In addition, in a revolving asset securitization that begins with an asset pool that exceeds issued debt, failure to reinvest in new assets at an adequate level will typically trigger a prepayment to Investors. In contrast, in this transaction and similarly structured future flow transactions, in the event Alliance Bank does not generate sufficient Diversified Payment Rights in the future, the SPC will not have sufficient assets from which to pay the Offered Notes. In the Origination Agreement, however, Alliance Bank will agree not to take any action to reduce or terminate its Diversified Payment Rights business in any manner that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect. In addition, numerous economic incentives exist for Alliance Bank to continue to generate Diversified Payment Rights, including the importance of the services giving rise to the Diversified Payment Rights to customers of Alliance Bank who also engage in other profitable transactions with Alliance Bank and the fact that, absent an Early Amortization Period, the transaction is structured on the basis that Alliance Bank will receive the great majority of Collections from Diversified Payment Rights on a subordinated basis through payments in respect of the Originator Note.

Limited Security for Repayment and Limited Recourse Obligations

The Offered Notes will be limited recourse obligations of the SPC, with recourse being limited to the Collateral.

The Series 2006A Enhancer will guaranty, in accordance with the terms of the Series 2006A Enhancement, the timely payment of quarterly accrued and unpaid Guaranteed Interest and the timely payment of scheduled Quarterly Amortization Amounts in respect of the Series 2006A Notes due on each Payment Date, subject to the terms of the Series 2006A Enhancement. Except to the extent of the Series 2006A Enhancement, the Series 2006A Notes will not be an obligation or responsibility of, or guaranteed by, any other person or entity. None of the members, officers, directors or incorporators of the SPC, Alliance Bank, the Servicer, the Indenture Trustee, any of their respective affiliates or any other person or entity will be obligated to make payments on the Series 2006A Notes.

The SPC will have no material assets available for payments on the Offered Notes other than the assets comprising the Collateral. There can be no assurance that the distributions on the Collateral will be sufficient to make payments on the Offered Notes. Consequently, and subject to the coverage provided to the Series 2006A Noteholders by the Series 2006A Enhancement, the Investors (as holders of Offered Notes or beneficial interests therein) must rely solely upon amounts received in respect of the Collateral for the payment of principal and Interest on the Offered Notes. After the Collateral has been fully realized and exhausted, the Indenture will provide that all sums due but still unpaid in respect of the SPC's obligations under the Offered Notes and the other Transaction Documents will be extinguished. However, in such a case, the Series 2006A Enhancement will remain in place according to its terms.

Alliance Bank's management expects that the volume of Diversified Payment Rights will be sufficient to make the scheduled payments of principal and Interest on the Offered Notes. In the twelve months ended December 31, 2005, the total volume of Collections (assuming that the transaction was in effect) generated by

Alliance Bank was approximately U.S.$717 million and Euro 9 million, and in the six months ended June 2006, such volume was approximately U.S.$515 million and Euro 15 million. However, there can be no assurance that a significant decline in the volume of Diversified Payment Rights will not result in a shortfall in the amounts available to pay principal and Interest owing in respect of the Offered Notes. If such a shortfall were to occur, then the Coverage Reserve Account, if funded, would be drawn upon to the extent of available funds to cover any such shortfall and similar shortfalls for other Series. Unless a Sale Recision Event exists with respect to the Offered Notes, however, Alliance Bank will not be obligated to make payments to the SPC to cover such shortfall with respect to such Series and the Investors in such Series will bear the risks associated with the resulting delay in the payment or the non-payment of the Offered Notes (to the extent that any principal or Interest is not paid pursuant to the Series 2006A Enhancement as a result of such not being Guaranteed Interest or Quarterly Amortization Amounts).

Unsecured Claims Against Alliance Bank

Any claims against Alliance Bank pursuant to the Transaction Documents (including claims for payments of any Sale Recision Payment, Redemption Price, Additional Amounts or Make-Whole Premium) will be unsecured claims against Alliance Bank. In the event of any such claim, although the SPC would continue to have a right to the Diversified Payment Rights sold to it under the Bill of Sale, none of the Investors in the Offered Notes, the Indenture Trustee or the SPC would have any right, title or interest in, lien or encumbrance over or preference, privilege or priority whatsoever with respect to any assets of Alliance Bank generally. See "Certain Legal Aspects Relating to the Diversified Payment Rights under Kazakhstan, New York and Cayman Islands Law".

Offered Notes Ratings

It is a condition to the issuance of the Offered Notes that (a) they be rated at least "BBB-" by Fitch, without consideration of the Series 2006A Enhancement, and (b) the Series 2006A Notes be rated at least "AAA" by Fitch, with consideration of the Series 2006A Enhancement. The ratings address the likelihood of timely payment of Interest (or Guaranteed Interest with consideration of the Series 2006A Enhancement) at the applicable Interest Rate on each Payment Date and the timely payment of Quarterly Amortization Amounts for the Offered Notes on each indicated Payment Date after the applicable Interest-Only Period. A rating is not a recommendation to buy, sell or hold the Offered Notes (or beneficial interests therein) inasmuch as such rating does not comment on the market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that it will not be lowered or withdrawn by a Rating Agency if, in its judgment, circumstances so warrant. A rating on the Offered Notes does not address the possibility of the occurrence of a Sale Recision Event or any other Early Amortization Event or the likelihood of payment by Alliance Bank of any Sale Recision Payment, Redemption Price, Additional Amounts or any other payments under the Transaction Documents.

Limited Liquidity; Absence of Trading Market

The Offered Notes constitute a new issue of securities for which there is no existing market, and there can be no assurance regarding the future development of a market for the Offered Notes, the ability of the Investors in the Offered Notes to sell their Offered Notes (or beneficial interests therein) or the price at which such Offered Notes (or beneficial interests therein) may be sold. Application has been made to the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange. There can be no assurance that such listing will be obtained or, if such listing is obtained, that an active trading market will develop or be sustained. 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.

The Lead Managers are not obligated to facilitate trading in the Offered Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Lead Managers do not facilitate trading in the Offered Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so. In addition, trading or resale of the Offered Notes (or beneficial interests therein) may be negatively affected by other factors described in this Prospectus arising from this transaction or the market for securities of Kazakhstan issuers generally.

Risk Factors Relating to the Diversified Payment Rights

Payment Order Generation Risk

The number (and value) of transactions resulting in the creation of Diversified Payment Rights will be a function of a number of factors, including exchange rates, the level of Kazakhstan exports and other economic, political and social factors. Primary components of the Diversified Payment Rights are export-related payments and foreign direct investments ("*FDI*"). In recent years, the export markets for Kazakhstan products and FDI have grown significantly. However, there can be no assurance that the number or value of such transactions will not decline depending upon the global economic circumstances.

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

Adverse economic conditions in developed countries that import significant amounts of Kazakhstan products may, by decreasing the aggregate level of demand in general, have an adverse impact on Kazakhstan exports. The economic situation in many developing nations also may have a negative effect on Kazakhstan exports. Such nations, which may be less able to consume their own production and/or are more in need of foreign currency than more developed states, may attempt to increase their export levels, thus increasing competition among exporting nations and putting downward pressure on prices. Similarly, a devaluation of such countries' currencies could make their exporters' products relatively more competitive.

The volume of Diversified Payment Rights is dependent upon numerous other factors in addition to the export market for Kazakhstan goods and services and FDI. For example, certain Diversified Payment Rights have seasonal increases and declines and Diversified Payment Rights relating to transport are dependent upon the volume of foreign trade. While the diversity of the pool of Diversified Payment Rights acts to balance out some of such variability, these factors can negatively impact the volume of the Diversified Payment Rights generated.

Possible Discontinuation or Reduction of Diversified Payment Rights Business

The capacity of Alliance Bank's Diversified Payment Rights to support payment on the Offered Notes will depend upon Alliance Bank's ability to continue to operate its Diversified Payment Rights business successfully. Although Alliance Bank will agree in the Origination Agreement not to reduce or terminate such business in a manner that could reasonably be expected, alone or in the aggregate, to have a Material Adverse Effect, its continued ability to operate such business successfully may depend upon its financial condition and results of operations and on other influences beyond its control (such as governmental regulation).

Alliance Bank has not made any guarantees that its generation of Diversified Payment Rights will be sufficient to support payment under the Transaction Documents (including on the Offered Notes) at any time. As a result, any reduction by Alliance Bank of its Diversified Payment Rights business would reduce the level of Diversified Payment Rights available to generate Collections used to pay such amounts. As Alliance Bank's Diversified Payment Rights business provides a number of additional benefits to Alliance Bank, including being a significant source of foreign exchange and deposits and a core product for customers, Alliance Bank's management has no intention to terminate or otherwise limit its Diversified Payment Rights business and expects that it will continue to seek to increase this business. Should Alliance Bank breach its obligations under the Origination Agreement to continue its Diversified Payment Rights business, a Sale Recision Event would occur under the Transaction Documents and Alliance Bank would be liable to pay a Sale Recision Payment for the Offered Notes.

Collections arise from Future Flows

This transaction (as with similarly structured transactions premised on a future flow of assets) has been structured with a Debt Service Coverage Ratio whereby for any Interest Period the flow of assets available to the SPC is expected to greatly exceed the scheduled payments due on the Offered Notes during such Interest Period and the Payment Date thereafter. For this reason, the risk of Payor defaults on the Diversified Payment Rights is less relevant in this transaction than such risk is in other types of transactions where payment is due on a pre-existing financial asset and the flows of the existing pool of assets may not be sufficient to pay Investors. However, in this transaction (and similarly structured future-flow transactions), although the expected amount of flows in any given Interest Period is structured so as to exceed the payments scheduled to be paid by the SPC during such Interest Period and for the Payment Date thereafter, at any given point existing financial assets are anticipated to be much less than the aggregate amount of the Notes and other amounts payable by the SPC under the Transaction Documents. Thus, although the amount of existing and future Diversified Payment Rights is expected to be sufficient to cover all amounts owed by the SPC on the Offered Notes, in contrast to existing asset securitizations, Investors will be dependent upon Alliance Bank's continuing ability to generate Diversified Payment Rights in order for the SPC to make such payments. See "Risk Factors Relating to the Offered Notes - Diversified Payment Rights Must be Generated in the Future in Order for the Offered Notes to be Paid".

Competition

The ability of Alliance Bank to continue to generate Diversified Payment Rights at sufficient volume levels is dependent, in part, upon its ability to attract and maintain customers, its ability to provide such customers with competitive levels of service in the processing of payments and, importantly, its ability to provide such customers with a broad range of product and payment outlets in Kazakhstan. A number of Kazakhstan banks actively compete in this market in Kazakhstan. Bank TuranAlem, Kazkommertsbank and HSBK are significant competitors in this business. Though current competitors may make efforts to increase their share of the market, for example by reducing prices or developing additional products, and new competitors (such as foreign banks) may attempt to enter the market, Alliance Bank's management believes that it is well positioned to continue to be a strong competitor in this area.

Alliance Bank's management believes that its relationships, customer service, cost of funds and automated systems provide an important competitive advantage, as do the name recognition, infrastructure, necessary licenses and processes that Alliance Bank has developed. As a result of these factors, it would be difficult and/or costly for a new entrant to replicate Alliance Bank's business before the Expected Final Payment Dates for the Offered Notes. Alliance Bank also believes that its widespread Kazakhstan branch network gives it a broad distribution system, allowing it to reach most of the potential Payees in Kazakhstan and thereby providing another significant competitive advantage. Notwithstanding Alliance Bank's current competitive advantages, there can be no assurance that other competitors will not be successful in eroding Alliance Bank's market share in the future.

In addition to Kazakhstan competitors, foreign banks may become greater competitors in the Diversified Payment Rights business by either increasing their existing presence in Kazakhstan or by acquiring an existing Kazakhstan bank.

Alternate Methods of Remitting Funds

Effectively all of the Diversified Payment Rights to be purchased by the SPC are expected to arise under U.S. Dollar and Euro Payment Orders sent as MT102, MT102+ MT103, MT103+, MT202 or other MT100-category or MT200-category messages under the Society for Worldwide Interbank Financial Telecommunications message system. Sending payment orders via SWIFT MT100-category messages is currently the most common method for importers outside Kazakhstan to cause payment to be made to Kazakhstan exporters and for other senders to cause payments to be made to other Payees in Kazakhstan. There are a number of alternatives that could be envisioned to replace correspondent bank communications via SWIFT in the future, such as the use of the Internet/e-mail to send payment orders. However, these have not yet progressed to such a degree as to give the banking community comfort with respect to their security and cost. In any event, in order to anticipate these changes, the definition of Payment Orders includes SWIFT messages and current (*e.g.*, telex and the Internet) and future alternatives to sending these messages.

The SWIFT system itself has instituted more sophisticated types of messages that are more useful to the users (such as the MT102, MT102+, MT103 and MT103+ that replaced the phased-out MT100). These newer message types permit the sender to include more complete information, and in more logical formats, than the MT100. As with any software-based system, SWIFT is also constantly upgrading its software to improve security. None of this is expected to have any negative impact on the Diversified Payment Rights themselves, but may result in alterations in certain mechanical elements of how the related Payment Orders are transmitted and/or received.

Increases in the use of one or more alternative payment mechanisms that do(es) not result in the generation of Payment Orders (*e.g.*, paper checks or the use of national central banks as clearing houses) may result in a decline in the volume of Diversified Payment Rights. Nevertheless, Alliance Bank's management believes that currently SWIFT MT100-category and MT200-category messages generally offer the most affordable, rapid and secure method of causing payments to be made to Payees in Kazakhstan and are also the most appealing method for sending and receiving banks due to their important contribution to the bilateral correspondent banking relationship. In order for any alternative system to become material, it would need to offer at least the same security and cost benefits. Accordingly, in the view of Alliance Bank's management, even if a viable alternative payment mechanism were to be introduced or market preferences were to trend to other alternatives, it would likely take many years for this to develop and/or to become so widely accepted or utilized as to alter significantly the volume of Diversified Payment Rights, with the result that any material negative impact on payments to Investors would likely not result until after the Expected Final Payment Dates of the Offered Notes.

Liquidity

Alliance Bank's customers and the Payors expect Alliance Bank to comply with its obligations under the Payment Orders in a timely manner. Should Alliance Bank face a time of illiquidity during which it is unable to make payments to the applicable Payees, it is likely that these parties will discontinue using Alliance Bank. Alliance Bank has always had sufficient liquidity to make payments to the identified Payees of Payment Orders and Alliance Bank's management has every expectation that (even with the portion of Collections applied by the SPC to make payments under the Transaction Documents) it will continue to have more than sufficient liquidity to satisfy its obligations under the Payment Orders.

Diversion Risk

If Alliance Bank (either independently or at the direction of the Kazakhstan government) were to attempt to divert Collections (including funds deposited into the Collection Accounts) in a manner contrary to its obligations under the Transaction Documents, then payments to the SPC (and thus to Investors) could be delayed, reduced or not made. For example, with respect to export-related flows, Alliance Bank has some ability to direct the exporters to whom it lends to have payments (such as payments from the exporters' own customers to the exporters) sent in a manner that would not result in the creation of a Diversified Payment Right or that would make it more difficult for the SPC to obtain the related Collection. However, the risk of diversion is mitigated by a number of legal, economic and practical factors.

Among the legal factors, the first is that any diversion attempt would constitute a Sale Recision Event under the Transaction Documents and Alliance Bank would be liable to pay the Sale Recision Payment for each Series (including the Offered Notes).

Second, any such Sale Recision Event could trigger cross-defaults under debt and other contractual obligations of Alliance Bank, thus increasing the disadvantages to Alliance Bank of attempting such diversion.

Third, in the view of White & Case, Kazakhstan counsel to Alliance Bank, subject to certain customary qualifications and assumptions (including the qualification that the Kazakhstan courts have had limited, if any, experience with the practice of securitization, thereby providing no guidance as to how Kazakhstan courts would interpret the Transaction Documents, including the Bill of Sale, if they were required to do so), by execution of the Bill of Sale, Alliance Bank will have effected a true sale of the Diversified Payment Rights to the SPC under Kazakhstan law and, in the view of Mayer, Brown, Rowe & Maw LLP, United States counsel to the Lead Managers, subject to certain customary qualifications and assumptions, in an action among Alliance Bank, the SPC and/or the Indenture Trustee, the application of Kazakhstan law to the determination of whether a true sale of the Diversified Payment Rights had occurred under the Bill of Sale will be respected by New York courts, absent fraud or violation of public policy.

The SPC and Alliance Bank have agreed in the Transaction Documents that disputes arising thereunder are subject to the jurisdiction of New York courts or, at the election of the Indenture Trustee (at the direction of the Controlling Party) or, in certain circumstances, other parties, to arbitration in New York City, New York.

As a result of the foregoing legal factors, the SPC and the Indenture Trustee would be entitled to seek legal relief against any attempt to divert Diversified Payment Rights and the related Collections. Nonetheless, there can be no assurance that the SPC or the Indenture Trustee would be successful in the foregoing or other actions in all circumstances.

As an economic matter, any diversion attempt by Alliance Bank, whether or not compelled by the Kazakhstan government, could engender negative publicity and possible disruption of Alliance Bank's Diversified Payment Rights business, which could lead to loss of its market share in the Diversified Payment Rights business in

Kazakhstan. Alliance Bank relies upon the Diversified Payment Rights flows as a stable, relatively low-cost source of foreign currency funding and as an important component of its offerings for its customers. Further, recent historical annual Collections are greatly in excess of anticipated aggregate annual debt service for the Offered Notes. Such excess Collections are paid to Alliance Bank under the Originator Note (except during the existence of an Early Amortization Period, where most or even all of the available Collections may be used to accelerate principal repayment of the Notes), thereby generally reducing any economic incentive to divert such Collections. Even if the level of Collections were to decline to the minimum levels required under the Transaction Documents (*i.e.*, the Debt Service Coverage Tests for the Offered Notes), the over-collateralization levels required thereby would still operate to reduce the economic incentive to divert such cash flows.

For 2005, 93.2% of the Diversified Payment Rights in U.S. Dollars and 1.5% in Euro (and 91.3% of the Diversified Payment Rights in U.S. Dollars and 2.4% in Euro for the first eight months of 2006) were deposited with banks that are expected to be the initial Designated Depositary Banks. Diversion of Collections deposited into the Collection Accounts at such banks would be both difficult and impractical because the Indenture Trustee will have control over the Collection Accounts. Pursuant to the Account Agreements, the Designated Depositary Banks can only take instructions from the Indenture Trustee with respect to the Collections in their respective Collection Accounts.

Alliance Bank's management is unaware of any instance in which the Kazakhstan government has sought to interfere with a cross-border structured bond, but there can be no assurance that the Kazakhstan government will not elect to interfere (or attempt to interfere) with the Transaction Documents or divert (or attempt to divert) Collections. See "Certain Legal Aspects Relating to the Diversified Payment Rights under Kazakhstan, New York and Cayman Islands Law".

In the event that, contrary to the terms of the Transaction Documents, payments received with respect to Diversified Payment Rights are diverted or otherwise routed to accounts other than the Collection Accounts or the Concentration Accounts, it is possible that the respective interests of the SPC and the Indenture Trustee therein could be unperfected. In such event, other creditors of Alliance Bank (including the bank at which such amounts may have been deposited) may in certain circumstances be able to assert an interest in the proceeds of such payments that is equal or greater to that of the SPC or the Indenture Trustee (*e.g.*, the applicable Depositary Bank's set-off rights).

Currency of Diversified Payment Rights

Alliance Bank also generates Payment Orders in currencies other than U.S. Dollars and Euro (including Russian Rubles and Sterling). These comprised 5.3% for 2005 and 6.3% for the first eight months of 2006 by value of the total Payment Orders that Alliance Bank processed. While Alliance Bank's management does not believe that U.S. Dollars and Euro will cease to be a material component of international payments, it cannot be guaranteed that the proportion of the flows in other currencies will not increase and that such will not result in reductions in the value of Diversified Payment Rights. Alliance Bank monitors the risk of mismatches between currencies of assets and liabilities on a regular basis and enables Alliance Bank to enter into different hedging arrangements.

Servicing Disruption

Both natural and man made disasters are risks inherent to the continued generation and servicing of Diversified Payment Rights. For example, earthquakes, floods, fires, other acts of nature, civil unrest, war, terrorist acts, strikes and computer system failures could significantly affect Alliance Bank's ability to generate Diversified Payment Rights and/or service Payment Orders.

Alliance Bank periodically conducts drills of its ability to operate from Data Center, including the processing of its Payment Orders. Alliance Bank's management believes that it would be able quickly to recommence operations if a disaster were to occur at its primary facilities within one to ten days.

While Alliance Bank's management believes that it has put in place sufficient disaster recovery plans, there can be no assurance that any future disaster will not adversely affect the generation and/or processing of Diversified Payment Rights. Alliance Bank's management believes that its disaster recovery plans meet international standards and are among the best in Kazakhstan, and expects to continue to monitor its disaster recovery programs carefully.

Backup and further storage of critical information are carried out in conformity with specificity of each information system. Tape storages and failure-resistant disk subsystems are applied for backup and storage of information. Periodicities of backup, periods of information storage are developed by systems administrators.

The structure of some information systems except for the basic server consists of one or more standby servers geographically divided and installed in different premises. Such solutions allow organizing failure-resistant logic structures where failure of one of the components does not influence on the working capacity of system as a whole.

Kazakhstan Flows

Many payments through the Kazakhstan banking system are denominated in U.S. Dollars, Euro or other stable currencies. The majority of transactions carried out within Kazakhstan are denominated in KZT, however many transactions within Kazakhstan are also denominated and/or payable in U.S. Dollars and other historically more stable currencies. Under Kazakhstan law, Kazakhstan entities that generate export proceeds in foreign currencies are permitted to keep such foreign currency payments in the same foreign currency denomination without conversion into KZT. Such foreign currency amounts would typically be used by a Kazakhstan entity within Kazakhstan to (a) make a foreign currency payment to a person outside of Kazakhstan or (b) pay to another Kazakhstan bank for the purpose of repaying a loan or making a deposit.

In a typical payment transaction, a Kazakhstan bank (whether through a branch or other office located inside or outside of Kazakhstan and following an instruction from a client) will initiate a payment order that is either directly or ultimately sent to another Kazakhstan bank with an instruction to make a corresponding payment to the identified Payee. In its most direct form, this would include the Kazakhstan bank sending a U.S. Dollar-denominated MT103+ payment order to the other Kazakhstan bank directly. In order to "settle" such a payment order, the first Kazakhstan bank would then send a separate message (often an MT202 payment instruction) to a U.S. bank with a request that the indicated amount be withdrawn from its account with such U.S. bank and be transferred to the account of the second Kazakhstan bank at such U.S. bank. To complete the transaction, the U.S. bank will send a notice (but not a payment order) to the second Kazakhstan bank to inform it of this deposit into its account, at which point the second Kazakhstan bank will have received both the payment order from the first Kazakhstan bank and the corresponding evidence of credit to its account at the U.S. bank. Kazakhstan Flows also include Payment Orders with respect to which the originating Kazakhstan bank is not the Payor Bank but rather initiates the Payment Order through one or more other banks. Kazakhstan Flows (assuming that the transactions contemplated by this Prospectus had been in effect) accounted for approximately 19% of the Collections in U.S. Dollars and 9.8% in Euro in 2005, and 23.5% of the Collections in U.S. Dollars and 4.4% in Euro in the first eight months of 2006.

The Kazakhstan Flows are included within the Diversified Payment Rights as they result from Payment Orders received by Alliance Bank for a payment to a third-party Payee in Kazakhstan of a U.S. Dollar or Euro amount. As these Payment Orders are initiated by Kazakhstan banks, it is possible that the Kazakhstan government could either formally or informally cause Kazakhstan banks to start sending (or causing to be sent) these Payment Orders to a Kazakhstan bank other than Alliance Bank and, as such, reduce or eliminate these flows from the total received by the SPC. To date there has been no known incidence of such sovereign interference from the Kazakhstan government.

In addition, these Kazakhstan Flows could be reduced significantly if there are changes in Kazakhstan's economy, imposition of prohibitive foreign exchange controls by the Kazakhstan government or other events of general applicability that result in fewer U.S. Dollar and/or Euro payments being made between parties in Kazakhstan.

FMSA appointment of a Temporary Administrator for the conservation of a bank

FMSA has the power to appoint a temporary administrator to a bank. Such temporary administration must be conducted under the NBK Rules on Conservation of Banks in the Republic of Kazakhstan (the "*Rules*"). The Rules stipulate that the main objective of the temporary administrator during the temporary administration is to improve a bank's financial state and to improve the quality of a bank's operations. In addition, the Rules further state that the temporary administrator must seek to restore the ability of a bank to meet its obligations, eliminate violations of legislation, protect the interests of consumers of a bank's services and improve the risk management and internal control systems of a bank. If deemed the best course of action to ensure the survival of a bank, a temporary administrator is obliged to identify a buyer (or buyers) for the relevant bank and is obliged to ensure that any sale is made at the maximum net purchase price possible and with the minimum possible losses.

Kazakhstan counsel has advised that, under Kazakhstan law, a temporary administrator of Alliance Bank would not have the power to set aside executed (*i.e.*, performed) contracts of Alliance Bank (for example, the Bill of Sale) but would have the power (without the need for prior Kazakhstan court approval) to set aside (partially or fully) executory (*i.e.*, where performance is ongoing) contracts of Alliance Bank (for example, the Origination Agreement or, except for the transfer of the Collection Accounts therein, the Account Agreements). Any such action could be challenged by Alliance Bank's contractual counterparty(ies) in the Kazakhstan courts. In addition, since Kazakhstan court judgments are not generally enforced by foreign courts (including New York courts), a temporary administrator would have to obtain an appropriate foreign court judgment if it wished to compel a non-Kazakhstan contractual counterparty of Alliance Bank to cease performing under an executory contract.

Alliance Bank considers that there are several factors that would make it unlikely that any temporary administrator of Alliance Bank would seek to set aside (partially or fully) executory contracts of Alliance Bank (for example, the Origination Agreement) relating to or connected with the Offered Notes: (a) the time, expense and uncertain outcome of any attempt to obtain an enforceable judgment against a foreign contractual counterparty of Alliance Bank in a non-Kazakhstan court; (b) any attempt to interfere with the cash flows from the Diversified Payment Rights would probably jeopardize additional purchase price cash flows back to Alliance Bank under the Originator Note and (c) the risk of material reputational damage for the Kazakhstan banking industry and for Alliance Bank (with a particular impact on the ability of Kazakhstan banks (as a whole) to raise international debt).

Enforcement in Kazakhstan

Kazakhstan's courts will not enforce a 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 States of America.

Kazakhstan is, however, party to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (the "*Convention"*), pursuant to which Kazakhstan courts are obligated, subject to a limited number of conditions, to recognize as binding and to enforce arbitral awards made in the territory of any country other than Kazakhstan, including arbitral awards made in New York City, New York. In addition, on December 28, 2004, Kazakhstan passed the Law on International Commercial Arbitration, which also provides, subject to similar conditions, for the recognition as binding and the enforcement of arbitral awards outside Kazakhstan, including those made in New York City, New York. See also "Enforcement of Foreign Judgments".

Risks Relating to Kazakhstan

Any claims against Alliance Bank pursuant to the Transaction Documents (including for payments of any Sale Recision Payment, Redemption Price, Make-Whole Premium or Additional Amounts) would be unsecured claims. The ability of Alliance Bank to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (among other things) the circumstances described below.

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

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

Political and Regional Considerations

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

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

Kazakhstan depends on neighboring states to access world markets for a number of its major exports, including oil, steel, copper, ferro-alloys, iron ore, aluminum, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbors to ensure its ability to export. In addition to taking various steps to promote regional economic integration among neighboring countries, Kazakhstan signed an agreement in September 2003 with Ukraine, Russia and Belarus for the creation of a single economic zone, which is expected to result in common economic policies, harmonization 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 labor. The member countries also intend to co-ordinate their fiscal, credit and currency policies and government policies, both in Kazakhstan and in the region, appear to support further economic integration within the CIS, one of the aims of which is to assure continued access to export routes. However, should access to these routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in the regional markets may adversely impact Kazakhstan's economy.

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

Macroeconomic Considerations and Exchange Rate Policies

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

The Government of Kazakhstan began implementing market-based economic reforms in 1992, including the implementation of a significant privatization program, the promotion of high levels of foreign direct investment, particularly in the oil and gas sectors, and the introduction of an extensive legal framework. Despite uneven progress in this regard, Kazakhstan has experienced extensive economic transformation over the last 12 years. Since mid-1994, the Government of Kazakhstan has adhered to a macroeconomic stabilization program aimed at curtailing inflation, reducing the fiscal deficit and boosting international currency reserves. According to figures compiled by the NSA, gross domestic product ("*GDP"*) has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, increasing by 13.5% in 2001, 9.8% in 2002, 9.2% in 2003, 9.6% in 2004 and 9.4% in 2005. However, there can be no assurance that GDP will continue to grow and any decrease in GDP or in the rate of GDP growth in subsequent years could adversely affect Kazakhstan's development.

The Tenge is convertible for current account transactions, although it is not a fully convertible currency outside Kazakhstan. Between 1991, when Kazakhstan began its transition to a market-based economy, and April 1999, the NBK maintained a managed exchange rate policy that, although permitting the general trend in the exchange rate to reflect market conditions, involved official intervention aimed at limiting fluctuations. Depressed export markets in 1998 and early 1999, however, caused considerable pressure on Kazakhstan's managed exchange rate and resulting official intervention in the foreign exchange markets led to losses on foreign currency reserves. In response to these pressures, the authorities instituted a number of expenditure cuts and took revenue increasing measures and, in April 1999, the NBK floated the Tenge. The Tenge fell by 64.6% against the U.S. Dollar in the year ended December 31, 1999, compared to a depreciation of 10.7% in the year ended December 31, 1998. Following the adoption of a floating exchange rate policy in 1999, the Tenge continued to depreciate in value against the U.S. Dollar, although at a much slower rate, depreciating by 4.6% in 2000, by 3.8% in 2001 and by 3.3% in 2002. The Tenge subsequently appreciated against the U.S. Dollar by 7.3% during 2003, and by a further 9.9% during 2004 before depreciating against the U.S. Dollar by 2.9% in 2005 to KZT 133.77 per U.S.$1.00 as at December 31, 2005. As at June 30, 2006, the KZT/U.S. Dollar exchange rate reported by the NBK was KZT 118.69 per U.S.$1.00.

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

Implementation of Further Market-Based Economic Reforms

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

Underdevelopment and Evolution of Legislative, Tax and Regulatory Framework

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

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

The Government of Kazakhstan has stated that it believes in continued reform of corporate governance processes and will ensure discipline and transparency in the corporate sector to promote growth and stability. However, the Government of Kazakhstan may not continue such policy in the future or such policy, if continued, may not ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on Alliance Bank's business and prospects. It is expected that the legislation in Kazakhstan will become more sophisticated and that there will be additional revenue raising measures that may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on Alliance Bank's business and financial condition and on the results its operations as well as those of its customers.

Less Developed Securities Markets

Although an organized securities market was established in Kazakhstan in the 1990s, procedures for settlement, clearing and registration of securities transactions may be subject to legal uncertainties, technical difficulties and delays and, despite significant developments having occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are less well developed in Kazakhstan, and less strictly enforced, than in the United States and Western European countries and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement. In addition, less information relating to Kazakhstan entities, such as Alliance Bank, may be publicly available to investors in securities issued or guaranteed by such entities than are available to investors in entities organized in the United States or Western European countries. Investors in emerging markets such as Kazakhstan should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and prospective Investors must consult with their own legal and financial advisors before making an investment in the Offered Notes.

Risks Relating to Alliance Bank

Growth Management

Alliance Bank's gross loans and advances (before allowances for impairment losses) have increased rapidly in recent years, growing by 105% in 2003 to KZT 32,301 million, by 73% in 2004 to KZT 55,915 million, by 236% in 2005 to KZT 187,652 million and by a further 87% as at June 30, 2006 to KZT 351,119 million. The growth in the gross loan portfolio over the period was attributable to substantial increase in the lending activity of Alliance Bank, especially to SMEs and, more recently, retail customers (which collectively comprised 37.6% of the total loan portfolio as at June 30, 2006 compared to 10% in 2003). Classified loans, being loans classified by Alliance Bank in accordance with risk assessment methodology of Alliance Bank as unsatisfactory, doubtful and loss, as a percentage of gross loans, decreased from 9% as of the end of 2003 to 6% as of the end of 2004, to 4.2% in 2005, and then decreased to 4% as at June 30, 2006.

The significant increase in the loan portfolio size, the increase in commission based distribution through third parties and the increase in unsecured loans and loans made on an automated basis have increased Alliance Bank's credit exposure and will require continued monitoring by Alliance Bank's management of credit quality and the adequacy of its impairment assessment and continued improvement in Alliance Bank's credit risk management program.

In particular, Alliance Bank's strategy of further diversifying its customer base, including through increased lending to retail customers and SMEs, may also increase further the credit risk exposure in Alliance Bank's loan portfolio. SMEs and retail customers typically have limited financial resources and negative developments in the Kazakhstan economy could affect these borrowers more significantly than larger borrowers. Alliance Bank is also targeting customers in the mass retail market and providing "express" uncollateralized loans to them. The credit decision on these loans is made on the basis of an automated scoring system that is dependent on the quality of the information provided, and the lack of collateral makes it more difficult to recover in the event of a default. Approximately 18% of Alliance Bank's loans to customers were uncollateralized as at June 30, 2006, compared to 8.8% as at December 31, 2005 and 2% as at December 31, 2004. In addition, there is generally limited financial information available about smaller companies and retail customers. As a result, Alliance Bank may need to change its estimates of impairment and implement additional credit risk management policies and procedures. Failure to manage growth and development successfully and to maintain the quality of its assets could have a material adverse effect on Alliance Bank's results of operations and financial condition.

Growth rates such as those recently experienced by Alliance Bank also require Alliance Bank to attract and retain a significant number of qualified personnel and to train new personnel appropriately, not only to monitor asset quality but also to handle collection procedures. Furthermore, the development of relatively new products, such as new mortgage products and financing products for SMEs and retail borrowers, requires not only credit assessment skills and personnel, but also risk management experience and systems, some of which are not currently in place at Alliance Bank. As the average maturity of Alliance Bank's loan portfolio increases, it will need to introduce more sophisticated techniques to manage related liquidity and interest rate risks. There can be no assurance that Alliance Bank will obtain the necessary skills and systems to manage these risks in a timely manner, if at all. Failure to manage growth and development successfully and to maintain the quality of its assets and/or manage these risks could have a material adverse effect on Alliance Bank's results of operations and financial condition.

Concentration of Lending and Deposit Base

As at June 30, 2006, Alliance Bank's ten largest borrowers accounted for 15% of gross commercial loans and advances, compared to 18% as at December 31, 2005, 18.5% as at December 31, 2004 and 23.7% as at December 31, 2003. Alliance Bank will have to continue to place emphasis on credit quality and to further develop financial and management controls to monitor this credit exposure and a failure to achieve this could have a material adverse effect on Alliance Bank's results of operations and financial condition.

As at June 30, 2006, Alliance Bank's ten largest corporate depositors accounted for 7.5% of total liabilities, compared to 16% as at December 31, 2005, 21% as of December 31, 2004 and 29% as at December 31, 2003. Alliance Bank intends to continue to reduce the concentration in its deposit base by attracting SME and retail depositors. Failure to reduce such concentration could, however, expose Alliance Bank to increased liquidity risk and have a material adverse effect on Alliance Bank's results of operations and financial condition.

Retail Strategy

In February 2006, Management of Alliance Bank decided to focus its growth strategy primarily on providing lending services to mass retail customers in Kazakhstan through various distribution channels. Currently, no other bank in the country has sought aggressively to target this market. The success of the strategy is highly dependent on the effectiveness of Alliance Bank's automated credit assessment processes. The lack of financial information available about such borrowers, the susceptibility of such borrowers to economic and other factors, low collateralization of the loan portfolio in this sector, the lack of adherence to strict credit risk assessments of such loans, deficiencies in the management and monitoring of such loans and the difficulty of enforcement against defaulters could have a material adverse effect on Alliance Bank's results of operations and financial condition.

In addition, while the yield on Alliance Bank's portfolio in this sector is substantial, if competition were to develop in the sector, Alliance Bank may need to reduce its charges for these products, thereby putting pressure on Alliance Bank's profitability.

Capitalization

Although Alliance Bank has maintained relatively high capitalization levels in recent years due to successive capital injections from its shareholders, if Alliance Bank's loan portfolio continues to increase as rapidly as it has in previous years, capital will be required in the medium-term to strengthen further Alliance Bank's capital base. In addition, the increased use of commercial loans and the international capital markets as sources of funding and changes in the FMSA's regulations in relation to this will also require Alliance Bank to raise additional capital in order to meet required capital adequacy levels. No assurance can be given that if Alliance Bank requires a capital increase Alliance Bank's shareholders will procure the subscription for any new shares or otherwise provide financing to Alliance Bank. Any failure to maintain adequate levels of capital in the future could substantially limit Alliance Bank's ability to continue to increase the size of its loan portfolio while complying with applicable regulatory guidelines and covenants imposing certain minimum capital adequacy requirements on Alliance Bank, which could, in turn, have a material adverse effect on Alliance Bank's results of operations and financial condition.

Reform of the International Capital Adequacy Framework

In 2001, the Basel Committee on Banking Regulations and Supervisory Practices issued a proposal for a new capital adequacy framework to replace the current Capital Accord issued in 1988. With regard to the risk weightings to be applied to exposures to sovereign states, the Basel Committee on Banking Regulations and

Supervisory Practices proposes replacing the existing approach with a system that would use both external and internal credit assessments for determining risk weightings. It is intended that such an approach will also apply, either directly or indirectly and to varying degrees, to the risk weighting of exposures to banks, securities firms and corporates. If adopted, the new framework could require financial institutions lending to Kazakhstan banks to be subject to higher capital requirements as a result of the credit rating of Kazakhstan, possibly resulting in a higher cost of borrowing for Kazakhstan banks, including Alliance Bank.

Liquidity Risk

Alliance Bank, like other commercial banks in Kazakhstan and elsewhere, is exposed to liquidity risk due to maturity mismatches between its assets and liabilities. As at June 30, 2006, Alliance Bank had a negative liquidity gap of KZT 14,566 million, KZT 88,339 million and KZT 10,264 million for maturities of between one month and three months, three months and one year and over five years, respectively. Although Alliance Bank believes that its level of access to domestic and international inter-bank markets and its liquidity risk management policy, which includes maintaining liquidity reserves sufficient to meet Alliance Bank's liquidity needs for a certain period, allow and will continue to allow Alliance Bank to meet its short-term and long-term liquidity needs, any maturity mismatches between Alliance Bank's assets and liabilities (including by reason of the withdrawal of large deposits) may have a material adverse effect on Alliance Bank's results of operations and financial condition.

Interest Rate Risk

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

Foreign Currency Risks

Alliance Bank is exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. Although Alliance Bank is subject to limits on its open currency positions pursuant to NBK and FMSA regulations and Alliance Bank's internal policies, future changes in currency exchange rates and the volatility of the Tenge may adversely affect Alliance Bank's foreign currency positions. Although Alliance Bank uses a limited, albeit increasing (following the increase in its U.S. Dollar exposure on loans borrowed in 2005) number of currency hedging arrangements, no assurance can be given that such hedging arrangements will be available or sufficient for Alliance Bank's future operations due to underdevelopment of the currency hedging market in Kazakhstan.

Risk Management Systems

Management of Alliance Bank's business risks requires substantial resources. Although Management believes that Alliance Bank's information technology and management information systems, policies and procedures are adequate for the purposes of measuring, monitoring and managing Alliance Bank's exposure to liquidity, interest rate, foreign exchange and other market risks in the context of its existing business, as Alliance Bank's business continues to grow and develop, Alliance Bank's risk profiles are likely to change, particularly as growth in the loan portfolio is focused on retail and SME borrowers. Management continually assesses its risk management resources and Alliance Bank has made considerable investments in information technology over the last three years as well as engaging LLP Deloitte Kazakhstan to provide a review of its risk management functions based on NBK requirements. However, if Alliance Bank's risk management systems are not developed in line with the growth in Alliance Bank's business and related shifts in its risk exposures, this could have a material adverse effect on Alliance Bank's results of operations and financial condition.

Lack of Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to its economy generally or specific economic sectors within it or corporate or financial information relating to companies and other economic enterprises is not as comprehensive as that found in many countries with established market economies. Thus, the statistical, corporate and financial information, including audited financial statements and recognized debt rating reports, available to Alliance Bank relating to its prospective corporate borrowers or retail clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although Alliance Bank ordinarily makes an estimation of the net realizable value of collateral on the basis of which it determines applicable impairment assessment and collateralization requirements, the absence of additional statistical, corporate and financial information may decrease the accuracy of Alliance Bank's assessments of credit risk, thereby increasing the risk of under-provisioning and decreasing the likelihood that Alliance Bank would be able to enforce any security in respect of the corresponding loan or that the relevant collateral will have a value commensurate to the loan secured on it.

Concentration of Securities Portfolio

Historically, Alliance Bank has had a significant concentration in securities issued by the Ministry of Finance of the Republic of Kazakhstan and the NBK (93.4% of assets held-for-trading as at December 31, 2004), exposing Alliance Bank to significant additional risk to the value of its assets in the event of either economic or political events affecting the region. In 2005, Alliance Bank restructured its securities portfolio to mitigate this risk by diversifying into securities issued by foreign issuers (in particular US Treasury bills, which comprised 47% of assets held-for-trading at December 31, 2005 and 50% at June 30, 2006) and local corporates. However, if the composition of its portfolio changes in the future leading to further concentration, no assurance can be given that a default or economic or political circumstances affecting the relevant issuers will not have an adverse impact on the value of its securities portfolio, which, in turn, would adversely affect Alliance Bank's results of operations or financial condition.

Competition

Alliance Bank is subject to competition from both domestic and foreign banks. As at June 30, 2006, there were 33 commercial banks licensed in Kazakhstan, excluding the ZhilStroySberBank (the Housing Construction Savings Bank) and JSC Development Bank of Kazakhstan (the "*DBK"*), 14 of which were banks with foreign ownership, including nine subsidiaries of foreign banks. According to the NBK, as at June 30, 2006, the three largest banks in Kazakhstan, JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank, held approximately 58.7% of total loans and 55.8% of total bank assets in Kazakhstan. Moreover, although foreign-owned banks do not currently provide significant domestic competition, these institutions have significantly greater resources and cheaper funding bases than Alliance Bank. Foreign banks also have greater international experience, allowing them to target the best domestic corporate customers, as well as foreign companies operating in Kazakhstan. Accordingly, these entities are likely to become competitive with Alliance Bank in the corporate banking sector in the longer-term. Alliance Bank also expects that the DBK, established in 2001, while not licensed to accept deposits or provide corporate settlement services, may become an important competitor in the corporate lending sector and that Alliance Bank currently faces increased competition from the larger commercial banks as they seek to expand in the SME and retail sectors. See "Description of Business - Competition and Pricing".

Dependence on Key Personnel

Alliance Bank's success in growing its business will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel. Alliance Bank relies on its senior management for the implementation of its strategy and its day-to-day operations. As competition for skilled personnel, especially at the senior management level, is intense, Alliance Bank seeks further to develop its remuneration levels and to take other measures to attract and motivate skilled personnel. If Alliance Bank is unable to retain key members of its senior management and cannot hire new qualified personnel in a timely manner, its business and results of operations could be adversely affected. Competition in Kazakhstan for personnel with relevant expertise is intense due to a disproportionately low number of available qualified and/or experienced individuals compared to demand for such individuals. Alliance Bank's failure to manage successfully its personnel needs could adversely affect Alliance Bank's business and results of operations.

Less Developed Banking Regulations

In September 1995, the NBK introduced strict rules and prudential requirements for the operations and the capital adequacy of banks. In addition, the NBK has adopted an institutional development plan for leading Kazakhstan banks, including Alliance Bank. According to the plan, banks are required to prepare their accounts in accordance with IFRS and to start to apply the principals of the Basel Accord within a period determined by the NBK on a case-by-case basis. Banks are also required to join a bank-funded deposit insurance scheme and be audited annually by a qualified accounting firm. Following legislative changes in July 2003, the FMSA was formed and as from January 1, 2004 took responsibility for most of the supervisory and regulatory functions in the financial sector, which had previously been performed by the NBK. The FMSA's main task is to regulate and supervise the financial markets and financial institutions. See "The Banking Sector in Kazakhstan". Alliance Bank faces the risk of changes in legislation and regulation that may have an adverse effect on its business, results of its operations or the liquidity) and market value of the Offered Notes. However, in most cases changes in relation to the banking sector are only made after preliminary discussion and consideration of the comments made by the Kazakhstan Financier's Association. The Kazakhstan Financier's Association is a trade representative of second tier banks and other financial institutions. In addition, the Government of Kazakhstan may implement additional regulations or policies, including with respect to taxation, interest rates, inflation or exchange controls, or may otherwise take action that could have a material adverse effect on Alliance Bank's financial condition or results of operations or that could adversely affect the market price and liquidity of the Offered Notes.

Notwithstanding current regulatory standards in Kazakhstan, which are high relative to other CIS countries, prospective Investors should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the regulators may differ from those applicable to banking operations in countries with more highly developed regulatory regimes. As a result, Investors may not have the benefit of all of the protections available in such other countries.

Controlling Shareholder

The Seimar Investment Group as of June 30, 2006 owns 72.8% of the common shares of Alliance Bank. In addition, certain of the shareholders of Alliance Bank have entered into agreements related to their common understanding as to the strategy of Alliance Bank, although as far as Management is aware, these agreements do not amount to accord on voting arrangements. In February 2006, the FMSA approved Seimar Investment Group as a bank holding company, and in March 2006 Seimar Investment Group exercised certain options it had acquired the previous year and obtained a controlling interest in Alliance Bank. Thus, if circumstances arose where Seimar Investment Group's interests conflicted with the interests of Investors, Investors could be disadvantaged as a result of this control. For example, as Seimar Investment Group has a controlling interest, it would have the ability to exercise significant control over Alliance Bank's pursuit of acquisitions, divestitures, financings or other transactions that could enhance the value of its assets without necessarily benefiting the interests of Investors. For a description of the ownership structure of Alliance Bank, see "Principal Shareholders". Further, a number of the distribution channels being used by Alliance Bank to sell its retail finance products are owned by Seimar Investment Group but are not controlled by Alliance Bank and Alliance Bank is therefore at risk of Seimar Investment Group deciding to use those channels to develop its own consumer finance business to the prejudice of Alliance Bank's own retail business.

Recent Regulatory Changes

Recent changes to NBK minimum reserve requirements and potential restrictions imposed by the FMSA on attracting short-term Indebtedness may affect Alliance Bank's ability to attract foreign and short-term funding. In July 2006, the NBK introduced new reserve requirements in an effort to limit borrowings, including foreign borrowings, as a result of concerns about excessive money supply in the economy predominantly resulting from foreign borrowings. The new rules will increase reserve requirements for borrowings from non-residents and borrowings through the issuance of notes and subordinated debt instruments (regardless of residence) to 8% from 6%, although domestic borrowings from residents except as mentioned above will remain at 6% In common with a number of other banks in the country, a significant portion of Alliance Bank's funding is in Dollars from the syndicated loan and capital markets. Thus, the new minimum reserve requirements may have an impact on Alliance Bank's profitability.

In addition, the FMSA has recently implemented new measures that, among other things, limit a bank's outstanding external short-term financings to an amount equal to its own capital. These rules, among others, may prevent Alliance Bank from extending some of its short-term facilities and require it to find longer-term financings or customer deposits, neither of which may be available in sufficient quantities to replace short-term facilities. A failure to replace these facilities could lead to an increase in Alliance Bank's funding costs, an increase in its liquidity and interest rate risk, or both.

To address concerns about currency mismatches and more precisely manage a bank's liquidity, the FMSA has also tightened requirements on open/net currency positions and introduced various limits of currency liquidity.

Certain Other Risk Factors

SPC's Financial Reporting to Noteholders

The SPC does not intend to provide to any Investor in the Offered Notes any financial information, including any that has been examined and reported upon, with an opinion expressed, by an independent public accountant. However, the Servicer will prepare periodic reports relating to the amount of Collections received during the preceding Monthly Reporting Period or Quarterly Reporting Period, as the case may be, and certain other information will be sent to the Indenture Trustee for further delivery to the Noteholders.

Issuance of Additional Series and Additional Offered Notes by the SPC

The SPC may issue additional Series in any currency, subject to the hedging requirements where the relevant Series is not denominated in U.S. dollars, as set forth in "Overview of Terms - Issuance of Additional Series by the SPC" above. The terms of any such additional Series will not be subject to the prior review or consent of the Investors in the Offered Notes; however, the issuance of any additional Series by the SPC may not amend the terms of the Offered Notes and is subject to the satisfaction of certain conditions precedent, including that the Rating Agencies of the Offered Notes confirm that such issuance will not result in a withdrawal or reduction of its rating of the Offered Notes below the level described in "Overview of Terms - Issuance of Additional Series by the SPC". There can be no assurance, however, that the principal terms of any additional Series issued by the SPC or any variations in exchange rates among the currencies in which Series of Senior Notes (as defined herein) are denominated might not have an impact on the timing and amount of payments received on the Offered Notes because holders of any such additional Series of Senior Notes and the Offered Notes would share the Collateral on a *pari passu* basis.

As noted in "Description of the Offered Notes and the other Transaction Documents", Alliance Bank may request the SPC to issue additional Notes of any Series (unless provided otherwise in the applicable Indenture Supplement).

Avoided Payments

Should any payment that has been made under a Series be thereafter avoided as a result of a bankruptcy of Alliance Bank or otherwise, then the obligations of the SPC with respect thereto will likely be reinstated. Any such event would result in such Series thereafter receiving a greater share of the Collections than would have been the case before such avoidance, would result in past calculations of the Debt Service Coverage Tests being correspondingly overstated and would otherwise negatively affect Investors in other Series.

Taxation

Payments of fees or other income from Alliance Bank to the SPC or the Indenture Trustee might be subject to withholding of Kazakhstan tax at a rate of up to 20%, unless reduced by an applicable double taxation treaty. Alliance Bank will agree in the Origination Agreement to pay Additional Amounts in respect of any such withholding. It should be noted that under Kazakhstan laws, any provision of any document that has or purports to have the purpose or effect of imposing on a person any obligation to pay (or indemnify against) any tax or similar payment or fee of another person may not be valid. Kazakhstan counsel has advised that, so far as it is aware, there has been no case in Kazakhstan in which a tax gross-up provision has been considered by the Kazakhstan courts. In addition, Kazakhstan counsel is of the view that the provisions of the Origination Agreement are not such as to fall within these restrictions because the Origination Agreement imposes a contractual obligation on Alliance Bank to make additional payments to, among others, the SPC in certain circumstances and does not constitute an obligation to pay taxes imposed on, among others, the SPC.

For a discussion of certain Kazakhstan and Cayman Islands tax considerations with respect to purchasing or holding the Offered Notes (or beneficial interests therein), see "Taxation".

THE SPC

The SPC was incorporated under the laws of the Cayman Islands on October 4, 2006, and is neither owned nor controlled by Alliance Bank. The registered office and telephone number of the SPC is: P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands; Telephone: +1 345 945 7099. The SPC's company registration number is 175412. So long as the Offered Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, a copy of the Articles of Association of the SPC will be available for inspection through the Luxembourg Listing and Paying Agent, with whom the Articles of Association will be deposited in both electronic and hardcopy form.

Capitalization

The authorized share capital of the SPC is U.S.$250 divided into 250 ordinary voting shares of U.S.$1.00 each (all of which have been issued). All of the issued ordinary voting shares (the *"Shares"*) are fully-paid and are held by Maples Finance Limited as share trustee (the *"Share Trustee"*) under the terms of a declaration of trust (the *"Declaration of Trust"*) dated October 30, 2006 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Declaration of Trust) and may only dispose or otherwise deal with the Shares with the approval of the Indenture Trustee for so long as the Notes are outstanding. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power, with the consent of the Indenture Trustee, to benefit the "Beneficiaries" or "Qualified Charities" (both as defined in the Declaration of Trust). It is not anticipated that any distribution will be made while any Note is outstanding. Following the Termination Date, the Share Trustee will wind-up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares. Maples Finance Limited is a Cayman Islands company duly licensed to carry on business as a trust company in the Cayman Islands.

On the Offered Notes Issuance Date, the capitalization of the SPC, after giving effect to the issuance of the Offered Notes, will be as follows:

Equity:	Issued and fully paid 250 ordinary shares of U.S.$1.00 each	U.S.$250
	Total equity	U.S.$250
Debt:	Series 2006A Notes	U.S.$100,000,000
	Series 2006B Notes	U.S.$100,000,000
	Total Capitalization	U.S.$200,000,250

Business

The SPC has no subsidiaries and has no employees. The SPC was incorporated for the sole purpose of entering into the transactions contemplated hereby. The only business of the SPC is and will be as set forth in "Overview of Terms - Issuer" above. The SPC's objects of activity are set forth in its Memorandum and Articles of Association. Since the date of its incorporation, the SPC has not commenced operations and no financial statements for the SPC have been made-up as at the date of this Prospectus.

The SPC will have no material assets other than the proceeds of the issuance of its share capital, any transaction fees earned, the Diversified Payment Rights, Collections related thereto and rights under the Transaction Documents and, after the Offered Notes Issuance Date, is not expected to have any material liabilities other than those directly related to the issuance of the Series 2006A Notes, Series 2006B Notes, the Offered Notes, any additional Series, the Originator Note and the other Transaction Documents. There will be no recourse against Alliance Bank for the SPC's obligations; however, Alliance Bank will be obligated to pay certain amounts, including any Additional Amounts, certain administrative expenses, any Sale Recision Payment, any Redemption Price and any Make-Whole Premium.

Management

Pursuant to an agreement (the "*Administration Agreement*"), dated as of November 7, 2006 between Maples Finance Limited (as the administrator) (the "*Administrator*") and the SPC, the Administrator performs various management functions on behalf of the SPC, including communications with shareholders and the general public, and provides certain clerical, administrative and other services for the SPC. In addition, directors, officers and/or affiliates of the Administrator will form the SPC's board of directors. The SPC's board of directors is currently comprised of Helen Allen (a Senior Vice-President of Maples Finance Limited) and Christopher Watler (a Vice-President of Maples Finance Limited). The Administrator is entitled to certain fees and the reimbursement of expenses as provided in the Administration Agreement. The Administrator is incorporated in the Cayman Islands and its registered office is: P.O. Box 1093GT, Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

Separate Company

As noted above, the SPC will be neither owned nor controlled by Alliance Bank; however, it is created for the sole purpose of facilitating the transactions contemplated hereby. As such, its activities are constrained by the restrictions contained in its own constitutive documents and in the Transaction Documents. The restrictions in the Transaction Documents generally may not be amended without the consent of the parties thereto (which will usually include, at least, the Indenture Trustee and Alliance Bank). Similarly, many of its activities (such as issuing additional Series, entering into Hedging Agreements and making an optional prepayment of a Series) are done solely upon the request of Alliance Bank. The assets of the SPC will not be part of Alliance Bank's bankruptcy estate under Kazakhstan law in the manner described in "Certain Legal Aspects Relating to the Diversified Payment Rights under Kazakhstan, New York and Cayman Islands Law - Sale of Diversified Payment Rights - Kazakhstan Law". Nevertheless the SPC will be consolidated with Alliance Bank for purposes of IFRS accounting requirements.

ALLIANCE BANK'S DIVERSIFIED PAYMENT RIGHTS BUSINESS

The Diversified Payment Rights

General

The Diversified Payment Rights to be sold by Alliance Bank to the SPC relate to U.S. Dollar and Euro-denominated Payment Orders to be received by Alliance Bank. Alliance Bank generates Diversified Payment Rights by acting as a recipient of Payment Orders, which arise through a variety of transactions, including from merchants inside Kazakhstan ("*Exporters*" and each an "*Exporter*") exporting goods or services to their customers outside of Kazakhstan (each an "*Importer*"), FDI, Kazakhstan Flows, overseas transportation and personal remittances. The Payment Orders under which Diversified Payment Rights arise are Payment Orders that: (a) are sent or delivered by a Payor Bank to a branch, representative office or other office of Alliance Bank in Kazakhstan (and are not addressed to any Non-Kazakhstan Office of Alliance Bank), (b) request that payment be made by Alliance Bank to the applicable Payee within Kazakhstan (for example, through credit to the Payee's account maintained with Alliance Bank in Kazakhstan) and (c) where payment to Alliance Bank is to be made outside of Kazakhstan.

Kazakhstan banks are the recipients of payment flows from a variety of sources, both international and domestic. The international sources include, but are not limited to, revenues from exporting goods and FDI. A large portion of these payments are initiated by the foreign payor via a bank in its jurisdiction, which bank either: (a) if it has a correspondent bank in Kazakhstan, may cause an equivalent payment to be made to the Kazakhstan Payee through such correspondent bank, or (b) remits an equivalent payment to another bank (generally in the same foreign jurisdiction) that does have a correspondent bank in Kazakhstan, which bank then causes an equivalent payment to be made to the Kazakhstan Payee through such correspondent bank.

Payments made under the Diversified Payment Rights are typically governed by: (a) the conventions applicable to members of the SWIFT system, which conventions are not binding governmental regulations but each member of SWIFT has agreed to be bound by such conventions, and (b) the laws of the jurisdiction(s) of one or both parties to a payment order transaction. For example, Article 4A of the New York Uniform Commercial Code provides that the governing law of a payment order from a New York bank to a foreign bank would (absent the parties' agreement otherwise) be governed by the law of the recipient's jurisdiction (*e.g.*, under New York law, Kazakhstan law would govern Payment Orders received by Alliance Bank from a New York bank).

Because the activity of processing Payment Orders is a basic banking business in Kazakhstan, all major Kazakhstan banks, as well as all foreign banks with local branches and subsidiaries in Kazakhstan, offer this service. For Alliance Bank, it is not only an integral banking product and service, but also a business that offers significant benefits such as the ability to: (a) further strengthen correspondent banking relationships and obtain favorable terms on other banking products and businesses from its correspondent banks, (b) attract new clients in those cases where Payment Orders are the initial contact the client has with Alliance Bank, (c) monitor Alliance Bank's borrowers cash flows, (d) provide high-quality clearing services to its clientele in Kazakhstan, (e) generate foreign currency, (f) expand treasury activity and (g) improve liquidity.

Kazakhstan foreign exchange currency control legislation requires Exporters to repatriate foreign currency proceeds into their accounts in authorized Kazakhstan banks, unless: (a) the export proceeds are credited to an account in a foreign bank for the purposes of securing loans granted by a non-resident (it is unclear whether a license from the NBK is required where the export proceeds are used by the Exporter to secure the obligations of a third party), (b) certain types of set-off are applied, (c) the Exporter assigns to a third party its claims against the relevant non-resident, (d) the Exporter receives insurance payments under an insurance contract covering non-fulfillment by a non-resident of its payment obligations or (e) if so provided in a license granted by the National Bank. The requirement of repatriation of foreign currency proceeds into accounts in authorized Kazakhstan banks is satisfied once the Kazakhstan bank credits the account of the Exporter with the amount due. It should be noted that a Kazakhstan bank is not entitled to credit an Exporter's account and must hold funds in an escrow account until all the documents required for currency control purposes are presented by the Exporter to the bank. If the currency control documents are not presented within 180 days after the bank's receipt of such funds, then the bank is obliged to return the funds to the sender.

Certain payment rights relating to Payment Orders received by Alliance Bank with respect to which payment to Alliance Bank is to be made within Kazakhstan (including a Payment Order from a Customer Payor who instructs that the related payment to Alliance Bank be made through a debit to such Customer Payor's account maintained in Kazakhstan with Alliance Bank) are not included within Diversified Payment Rights. Furthermore, "Diversified Payment Rights" will not include any right, title or interest of Alliance Bank in, to or under any payments to be received in connection with Western Union Payments, Credit Card Payments or Check Payments whether or not they would otherwise be considered a Diversified Payment Right.

The definition of "*Diversified Payment Rights*" also does not include payment rights relating to Payment Orders received by Alliance Bank with respect to which: (a) payment to Alliance Bank is to be made within Kazakhstan, (b) a Non-Kazakhstan Office of Alliance Bank is the recipient (and/or addressee) thereof, (c) payment is to be made to an account of a Non-Kazakhstan Office of Alliance Bank and/or (d) the Payor thereof is a Customer Payor.

The following payment orders are, whether or not otherwise included within the general definition of "Payment Orders", specifically identified as not being "Payment Orders" for the purposes of this transaction and, consequently, they would not result in "Diversified Payment Rights" for the purposes of this transaction:

(a) Foreign Book-Entry Payment Orders (to the extent that they might otherwise be included); and

(b) SWIFT MT400-category and MT700-category payment orders, advices and messages (and their respective successors) received by Alliance Bank.

Typically, SWIFT MT400-category and MT700-category payment orders relate to Alliance Bank's letter of credit payments, "cash against documents" payments for its Exporter clients.

Kazakhstan Flows

Pursuant to current Kazakhstan currency regulation, a Kazakhstan resident cannot make a foreign currency-denominated payment in favor of another Kazakhstan resident; however, they may transfer their own funds from an account with one Kazakhstan bank in favor of another account held with another Kazakhstan bank. Such Payment Order could be settled outside Kazakhstan.

Kazakhstan Flows are Collections that arise when a Kazakhstan bank (whether through a branch, representative office or other office located inside or outside of Kazakhstan) or a foreign bank's Kazakhstan branch or other office has initiated a Payment Order (either by itself being the Payor Bank or by initiating a Payment Order through one or more other banks). Kazakhstan Flows are often the result of Kazakhstan companies moving their own U.S. Dollar and Euro funds.

In the case of Alliance Bank, the proportion of Collections in U.S. Dollars that were Kazakhstan Flows (assuming that the transaction was in effect at such time) was 10% in 2004 and 19% in 2005 and 23.5% in the first eight months of 2006. The increase of Kazakhstan Flows in U.S. Dollars reflected an increase in the volume of transactions conducted in U.S. Dollars and an increase in the number of clients base. The proportion of Collections in Euro that were Kazakhstan Flows was 58.6% in 2004, 9.8% in 2005 and 4.4% in the first eight months of 2006. The decrease of Kazakhstan Flows in Euro reflected a decrease in the volume of transactions conducted in Euro and significant dollarization of the Kazakh economy.

The following table shows Alliance Bank's annual Collections for the indicated periods.

Breakdown of Collections: Kazakhstan Flows and non-Kazakhstan Flows (U.S. Dollars)[(1)]

	2004	2005	Eight-month period ended August 31, 2006
Kazakhstan Flows	30,702,879	135,393,117	185,452,748
Non-Kazakhstan Flows	277,708,385	576,382,047	605,200,390
Total	**308,411,264**	**711,775,164**	**790,653,138**

(1) This table was primarily calculated on the basis of "field 52" in the SWIFT messages received by Alliance Bank, which field contains the SWIFT code of the bank that initiated the payment. However, not all SWIFT messages received by Alliance Bank contain this information (*e.g.*, field 52 may be empty or may contain the name of the bank that initiated the payment, the name of its country, etc. rather than its SWIFT code). As such, for any SWIFT messages for which SWIFT code was not available in "field 52," Alliance Bank used the country of the Payor Bank. While Alliance Bank believes that there should be a very high degree of similarity, there can be no certainty that such two calculations methodologies would not result in different results.

Breakdown of Collections: Kazakhstan Flows and non-Kazakhstan Flows (Euro)[(1)]

	2004	2005	Eight-month period ended August 31, 2006
Kazakhstan Flows	8,823,494	879,796	743,369
Non-Kazakhstan Flows	6,226,289	8,140,541	16,121,765
Total	**15,049,783**	**9,020,337**	**16,865,134**

(1) This table was primarily calculated on the basis of "field 52" in the SWIFT messages received by Alliance Bank, which field contains the SWIFT code of the bank that initiated the payment. However, not all SWIFT messages received by Alliance Bank contain this information (*e.g.*, field 52 may be empty or may contain the name of the bank that initiated the payment, the name of its country, etc. rather than its SWIFT code). As such, for any SWIFT messages for which SWIFT code was not available in "field 52," Alliance Bank used the country of the Payor Bank. While Alliance Bank believes that there should be a very high degree of similarity, there can be no certainty that such two calculations methodologies would not result in different results.

In this section and unless otherwise indicated: (a) all references to "flows" will refer to Collections, (b) all references to Collections for periods before the Closing Date will assume that the transaction was in effect during such periods and (c) all Collections exclude any Loan Repayments (*i.e.*, any payment made pursuant to any Payment Order instructing Alliance Bank to credit the applicable amount into a customer's loan account maintained with Alliance Bank and to be applied to repay a loan provided to such customer by Alliance Bank).

To illustrate the strength of Alliance Bank's Payment Order business, the tables below show average monthly, average quarterly and total annual amounts of Collections in U.S. Dollars and Euros and the number of Payment Orders resulting in Diversified Payment Rights handled by Alliance Bank for the indicated periods, during which time such Payment Orders have grown in both value and numbers.

Value of Payment Orders Resulting in Diversified Payment Rights (U.S. Dollar)

	2003	2004	2005	Eight-month period ended August 31, 2006
		U.S. Dollars		
Average Monthly	15,634,106	25,700,939	59,314,597	98,831,642
Average Quarterly[(1)]	46,902,319	77,102,816	177,943,791	257,911,706

(1) Average Quarterly data for 2006 includes the period from January to June 2006.

Value of Payment Orders Resulting in Diversified Payment Rights (Euro)

	2003	2004	2005	Eight-month period ended August 31, 2006
		Euro		
Average Monthly	69,801	1,254,149	751,695	2,108,142
Average Quarterly[(1)]	209,404	3,762,446	2,255,084	7,584,213

(1) Average Quarterly data for 2006 includes the period from January to June 2006.

Average Number of Payment Orders Resulting in Diversified Payment Rights (U.S. Dollar)

	2003	2004	2005	Eight-month period ended August 31, 2006
Average Monthly	124	178	314	436
Average Quarterly[(1)]	371	533	942	1,265

(1) Average Quarterly data for 2006 includes the period from January to June 2006.

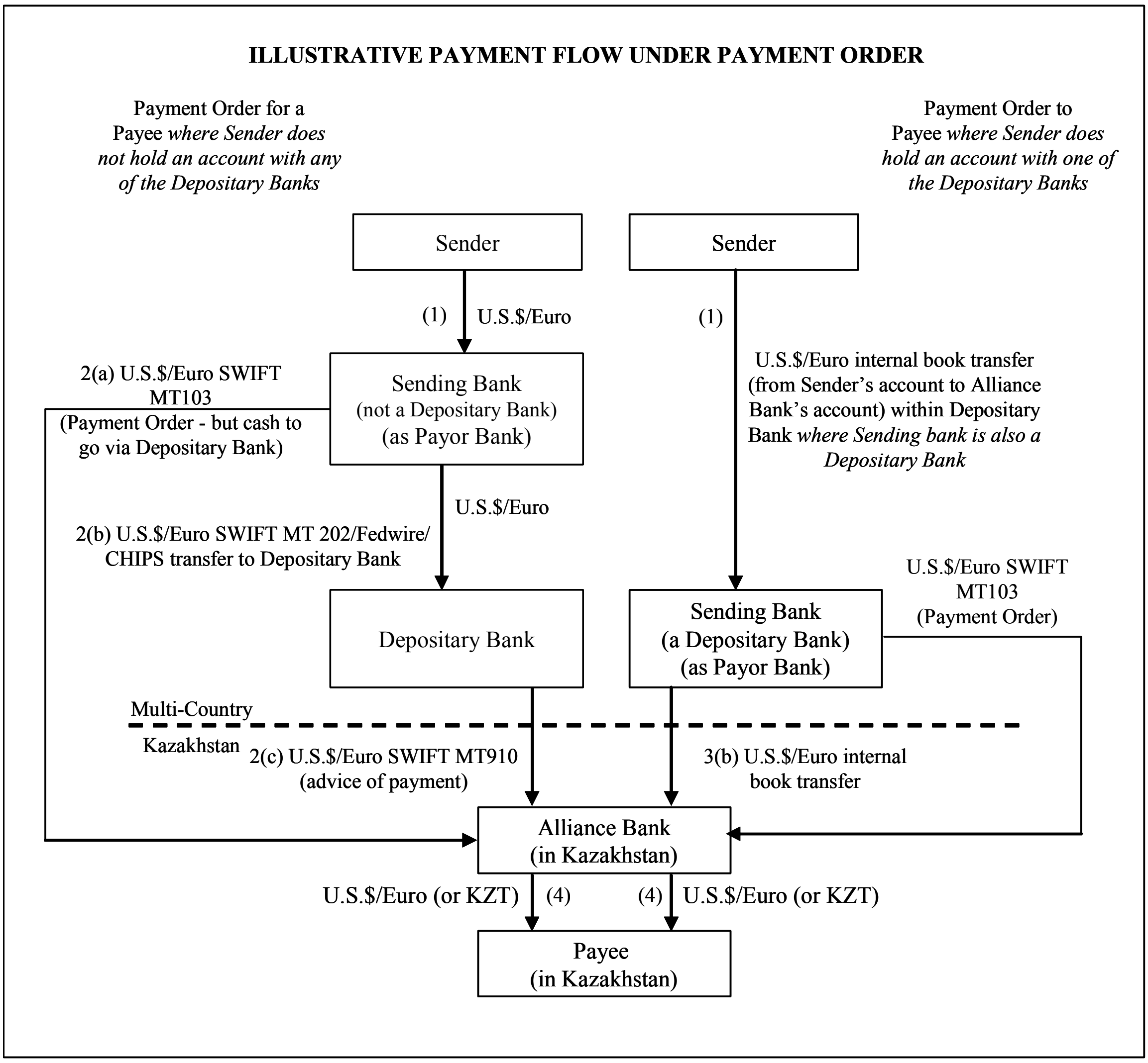
Average number of Payment Orders Resulting in Diversified Payment Rights (Euro)

	2003	2004	2005	Eight-month period ended August 31, 2006
Average Monthly	17	36	45	50
Average Quarterly[(1)]	52	108	135	152

(1) Average Quarterly data for 2006 includes the period from January to June 2006.

Flow of Payments

On a simplified basis, an example of a common type of Payment Order for Alliance Bank from which Diversified Payment Rights arise is illustrated in the following diagram:



Where:

A "*Sender*" is the individual, government or company that requests its bank to initiate the payment order process.

A "*Payee*" is the identified payee in the relevant Payment Order (*i.e.*, the individual, government or company (generally in Kazakhstan) to whom the payment is ultimately to be made).

A "*Sending Bank*" is the financial institution (generally a Payor Bank) that initially receives instructions from the Sender to initiate the payment order process.

1. The Sender decides to make an electronic transfer of funds to a Payee in Kazakhstan, and to make this payment through Alliance Bank. The Sender presents a payment request to its bank. The Sending Bank will debit the Sender's account (or otherwise receive payment from the Sender) for the amount of such payment (along with any related fees).

2. If the Sending Bank *is not* a Depositary Bank then:

   (a) it will send a Payment Order directly to Alliance Bank in Kazakhstan (or any of its branches or offices in Kazakhstan) (generally by means of a SWIFT MT103 message) or request that the relevant Depositary Bank itself send a Payment Order to Alliance Bank in Kazakhstan (or any of its branches or offices in Kazakhstan) (generally by means of a SWIFT MT103 message);

   (b) it will also transfer an equivalent amount of funds (other than fees retained by the Sending Bank) to the account of the relevant Depositary Bank (generally by means of a Fedwire or CHIPS (in the United States) or SWIFT MT202 message); and

   (c) the relevant Depositary Bank will advise Alliance Bank of payment received from the Sending Bank (often by means of a SWIFT MT910 message).

3. If the Sending Bank *is* a Depositary Bank then:

   (a) it will send its own Payment Order to Alliance Bank in Kazakhstan (or any of its branches or offices in Kazakhstan) (generally by means of a SWIFT MT103 message); and

   (b) it will then credit the amount debited from the Sender's account (at the Depositary Bank) to Alliance Bank's account at the Depositary Bank (such credit can be made by internal book transfer).

4. Each SWIFT MT103 message will instruct Alliance Bank's head office in Kazakhstan (or relevant branch or other office in Kazakhstan) to make a payment in a corresponding amount to the Payee. Each SWIFT MT103 message also informs Alliance Bank at which Depositary Bank the funds will be or have been deposited. At the end of every business day, each Depositary Bank generally sends a SWIFT MT950 statement to Alliance Bank identifying, among other things, the cash funds under Payment Orders that have been deposited into Alliance Bank's account at such Depositary Bank. Alliance Bank verifies the accuracy of the information contained in each Payment Order received. Once verified, Alliance Bank will notify the Payee of such Payment Order and request that the Payee provide any documents required for currency control purposes.

Alliance Bank's head office in Almaty processes all Payment Orders for all of its branches and offices in Kazakhstan, while the foreign exchange currency control procedures are undertaken at the relevant branch where the Payee holds its account.

It is important to emphasize that the above is simply one form of Alliance Bank's Payment Orders; however, Payment Orders can (among others) also: (a) be Kazakhstan Flows or (b) be originated by means other than SWIFT messages (such as telex or the internet, although this is not common).

Depositary Banks

The Collections on Diversified Payment Rights are remitted through one of Alliance Bank's Depositary Banks. Alliance Bank receives Collections on Diversified Payment Rights at 10 Depositary Banks in four countries. The banks that are expected to be the initial Designated Depositary Banks (which banks have been chosen by Alliance Bank due to their existing relationship with Alliance Bank, their credit quality, their experience with Payment Orders and other criteria) are:

- The Bank of New York (New York)
- American Express Bank Ltd. (New York)
- Deutsche Bank Trust Company Americas (New York)

Pursuant to the Account Agreements, the Designated Depositary Banks will be obligated to deposit all funds received (or paid) by them in respect of any Diversified Payment Rights into a Collection Account maintained with each such Designated Depositary Bank. Such funds in the Collection Accounts are then transferred by the

Primary Designated Depositary Bank(s) (or, in certain circumstances, all Designated Depositary Banks) to the Dollar Concentration Account (in the case of Dollar amounts) or the Euro Concentration Account (in the case of Euro amounts) until the Required Amount for the next Payment Date (or Early Amortization Payment Date, if applicable) is on deposit (in the aggregate) in the Concentration Accounts and the Series Accounts (or already sent to the SPC pursuant to clause (xv) of "Overview of Terms - Allocation of Amounts in the Concentration Accounts" above for the purpose of paying administrative costs of the SPC on the next Payment Date). Upon its notice thereof by the Indenture Trustee, each Primary Designated Depositary Bank (or, in certain circumstances, each Designated Depositary Bank) will, pursuant to its Account Agreement, commence transferring any additional funds in its Collection Account(s) until the 14th day of the next February, May, August and November (as applicable) (or if such day is not a business day for the applicable Designated Depository Bank) to Alliance Bank's own account at such Designated Depositary Bank. The Bank of New York, American Express Bank Ltd. (New York) and Deutsche Bank Trust Company Americas are expected to be the initial Primary Designated Depositary Banks.

An "*Account Agreement*" means an agreement among Alliance Bank, the SPC, the Indenture Trustee and a Depositary Bank (which, upon its signature to an Account Agreement, will become a Designated Depositary Bank) pursuant to which: (a) such Depositary Bank agrees to convert each of one or more of Alliance Bank's existing deposit account(s) into a Collection Account, (b) such Depositary Bank agrees to establish one or more new deposit account(s) in the name of and for the benefit of Alliance Bank, to be identified by a SWIFT identification code distinct from the SWIFT identification code for the corresponding Collection Account, for the receipt of flows not part of this transaction, (c) except as otherwise provided herein, such Depositary Bank agrees to make daily transfers from its Collection Account(s) to the applicable Concentration Account(s), and (d) such Depositary Bank agrees that the Indenture Trustee's instructions will control the related Collection Account(s). Under certain circumstances described in "Overview of Terms - Collection Accounts" above, an Account Agreement may provide for an alternative account structure.

Payments on the Diversified Payment Rights are made by various banking organizations throughout the world. The following table presents Alliance Bank's Collections by Depositary Bank for 2003, 2004, 2005 and the first eight months of 2006:

Collections by Top Depositary Banks
(U.S. Dollar)

Depository Bank	2003	%	2004	%	2005	%	Eight-month period ended August 31, 2006	%
The Bank of New York	209,732	0.11	153,640,576	49.82	291,386,986	40.94	436,803,301	55.25
Deutsche Bank Trust Co, Americas	179,678,537	95.77	146,897,966	47.63	260,215,208	36.56	279,721,573	35.38
Citibank	2,017,937	1.08	2,577,281	0.84	24,971,546	3.51	4,317,003	0.55
American Express Bank, Ltd	*	0.00	2,001,797	0.65	21,206,566	2.98	30,554,715	3.86
Wachovia Bank	**	0.00	**	0.00	63,828	0.01	1,448,192	0.18
Top 5 Depository Banks	**181,906,206**	**96.96**	**305,117,620**	**98.94**	**597,844,134**	**84.00**	**752,844,784**	**95.22**
Others	5,703,069	3.04	3,293,644	1.06	113,931,030	16.00	37,808,354	4.78
Total	**187,609,275**	**100.00**	**308,411,264**	**100.00**	**711,775,164**	**100.00**	**790,653,138**	**100.00**

* This nostro account was opened in 2004.

** This nostro account was opened in 2005.

Collections by Top Depositary Banks
(Euro)

Depository Bank	2003	%	2004	%	2005	%	Eight-month period ended August 31, 2006	%
Deutsche Bank AG	719,974	85.95	14,391,705	95.62	5,865,220	65.02	12,831,144	76.08
Commerz Bank	33,749	4.03	284,509	1.89	2,180,876	24.18	2,858,209	16.95
Top 2 Depository Banks	**753,723**	89.98	**14,676,214**	**97.51**	**8,046,096**	**89.20**	**15,689,353**	**93.03**
Others	83,895	10.02	373,569	2.49	974,241	10.80	1,175,781	6.97
Total	**837,618**	**100.00**	**15,049,783**	**100.00**	**9,020,337**	**100.00**	**16,865,134**	**100.00**

Top 5 U.S. Dollar Depositary Banks and Top 2 Euro Depositary Banks and their Ratings[(1)]

Depositary Bank	Country	Bank Ratings		Country Ratings	
		S&P	Moody's	S&P	Moody's
The Bank of New York	U.S.	AA-	Aa2	AAA	Aaa
Deutsche Bank Trust Company Americas	U.S.	A+	A1	AAA	Aaa
Citibank N.A.	U.S.	AA	Aa1	AAA	Aaa
American Express Bank Ltd.	U.S.	A+	A2	AAA	Aaa
Wachovia Bank N.A.........................	U.S.	AA-	Aa2	AAA	Aaa
Deutsche Bank..................................	Germany	AA-	Aa3	AAA	Aaa
Commerzbank	Germany	AA-	Aa3	AAA	AAA

(1) Ratings represent the ratings on each bank's unsecured senior debt or equivalent and each country's unsupported sovereign foreign currency debt obligations from S&P as of February 1, 2006 and Moody's as of June 8, 2006.

Designated Depositary Banks and their related volumes of Diversified Payment Rights for recent periods are as follows:

Collections by Designated Depositary Banks
(U.S. Dollar)

Designated Depository Banks	2003	%	2004	%	2005	%	Eight-month period ended August 31, 2006	%
The Bank of New York ..	209,732	0.11	153,640,576	49.82	291,386,986	40.94	436,803,301	55.25
Deutsche Bank Trust Co, Americas	179,678,537	95.77	146,897,966	47.63	260,215,208	36.56	279,721,573	35.38
Citibank..........................	2,017,937	1.08	2,577,281	0.84	24,971,546	3.51	4,317,003	0.55
American Express Bank, Ltd	-	-	2,001,797	0.65	21,206,566	2.98	30,554,715	3.86
Wachovia Bank	-	-	-	-	63,828	0.01	1,448,192	0.18
Total Designated Depository Banks.............................	**181,906,206**	**96.96**	**305,117,620**	**98.94**	**597,844,134**	**84.00**	**752,844,784**	**95.22**
Other	5,703,069	3.04	3,293,644	1.06	113,931,030	16.00	37,808,354	4.78
Total	187,609,275	100.00	308,411,264	100.00	711,775,164	100.00	790,653,138	100.00

Collections by Designated Depositary Banks
(Euro)

Designated Depository Bank	2003	%	2004	%	2005	%	Eight-month period ended August 31, 2006	%
Deutsche Bank AG........	719,974	85.95	14,391,705	95.63	5,865,220	65.02	12,831,144	76.08
Commerz Bank.............	33,749	4.03	284,509	1.89	2,180,876	24.18	2,858,209	16.95
Total Designated Depository Banks............................	**753,723**	**89.98**	**14,676,214**	**97.52**	**8,046,096**	**89.20**	**15,689,353**	**93.03**
Other	83,895	10.02	373,569	2.48	974,241	10.80	1,175,781	6.97
Total	837,618	100.00	15,049,783	100.00	9,020,337	100.00	16,865,134	100.00

MT102/102+/103/103+/202, SWIFT and Correspondent Banks

The SWIFT System

Alliance Bank maintained correspondent banking relationships with approximately 250 banks around the world through the SWIFT system as of July 1, 2006. Alliance Bank selects correspondent banks based upon the business volume between Kazakhstan and the country in which the bank is located, the foreign bank's location, market participation and the actual or potential lines of credit available to Kazakhstan by such bank. There is no written contract necessary to establish a correspondent banking relationship, which may be established merely by a communication between two banks via SWIFT in which the correspondent relationship is requested by the sender or initiator of such communication and the SWIFT "authentication keys" (which permit the two banks to send information to each other through the SWIFT network) of each bank are exchanged. Changes in Alliance Bank's correspondent bank group are generally additions to support the strategic decisions of Alliance Bank's local and international business. It is uncommon to formally end a correspondent bank relationship, although this can occur (among other reasons) if a bank files for bankruptcy or reorganization or is involved in a merger or acquisition.

Within the international banking system, banks generally use the SWIFT electronic (inter-bank) transfer messaging system, which is an international, standardized, high-speed telecommunications network, to send and receive messages related to financial transactions. SWIFT was established in 1973 by 239 banks from 15 countries and Alliance Bank became a SWIFT member in 2003. SWIFT's yearly traffic reached the 2.5 billion FIN message mark in December 2005, and average daily traffic exceeds 10 million messages. FIN is SWIFT's core store-and-forward messaging service permitting around 7,600 financial institutions in approximately 200 countries to exchange financial data securely, cost effectively and reliably. Alliance Bank became an indirect member of the SWIFT system via the Kazakhstan Interbank Settlement Centre of the National Bank ("*KISC*"), which provides Alliance Bank with access to the SWIFT Service Bureau. The SWIFT Service Bureau represents a program and technical complex realized on a cluster of two RS/6000 servers with AIX operational system and a SWIFT Alliance Access interface. Main functions of the SWIFT Service Bureau are:

1. Maintenance and service of the required infrastructure of central SWIFT interface in conformity with SWIFT criteria. This infrastructure includes communication lines to users (such as Alliance Bank), modems, cryptographic equipment and other peripheral devices.

2. Installation of software, realization of testing and equipment adjustment for all users (on a turn key basis).

3. Granting of all software releases in proper time.

4. Necessary training of the personnel to work with the local terminal and communication means.

5. Online support on all questions concerning work with SWIFT; rendering of technical and operational consultations; resolution of problems connected with the analysis and investigation of concrete cases, granting of interim decisions during required time.

6. Work with SWIFT Help Desk on behalf of KISC users.

7. Rendering of help during filing registration documents.

The scheme of user connection to SWIFT via KISC

At connection of users via Service Bureau the SWIFT standard technology "Shared Connection" and standard software SWIFT Alliance Workstation are used.

Alliance Bank can send payment instructions directly to the SWIFT Service Bureau using dedicated terminals of KISC. Payment orders are sent to the SWIFT Service Bureau by means of electronic SWIFT message types MT102/103. Alliance Bank can access the KISC through several kinds of network connections, which include dial-up, dedicated lines and the internet.

Advantages of Alliance Bank's Shared Connection via SWIFT Service Bureau

1. All functions can be provided by minimizing expenses.

2. Service Bureau staff will efficiently carry out complex administrative tasks.

3. No additional premises required to house hardware and software associated with SWIFT.

4. The SWIFT Service Bureau has higher technical and functional recourse in comparison to a standard configuration terminal.

5. Fewer financial expenses are incurred with implementation of new SWIFT concepts as the Service Bureau will bear such costs.

6. Alliance's purchase of their own complex would be unprofitable if less than 200 messages were sent each day.

In general, SWIFT is the preferred message communication method due to the speed, reliability, low cost and security it provides. Using SWIFT, a message can be transmitted and delivered to the receiver within

30 seconds from the time of dispatch and the paperless communication enables the receiving bank to process the information immediately and, as the SWIFT message formats are standardized and the information can be easily read by computers, automatically. The standardized message structure minimizes security problems resulting from faulty transmission lines, misinterpretation and/or forgery. With respect to security, only member banks have access to the SWIFT network through the use of secure log-on keys. More importantly, the cost to a bank of processing a SWIFT message is generally much lower than the cost of a telex or other available means of sending a payment order. The average cost charged by SWIFT to a bank for sending a SWIFT message is €0.30.

Communications between SWIFT Member Banks

Access to the SWIFT network is limited to SWIFT member banks. The codes of all banks (each bank has a unique code, or address, to which messages to it are sent) participating in the SWIFT system can be found in a directory (the SWIFT Bank Identifier Code ("*BIC*") Directory or International Bank Identifier Code Directory) issued periodically by SWIFT.

Any bank that is a member of SWIFT can send information-only messages to any other SWIFT member bank, whether or not the two banks are correspondent banks (*i.e.*, whether or not they have exchanged "authentication codes" as described above). Messages sent between two banks that have not yet exchanged SWIFT authentication keys are known as "unauthenticated messages," are merely informational and do not cause any financial transaction to occur.

The primary aspect of a correspondent banking relationship is the ability to exchange specific types of messages known as "authenticated messages" that lead to the performance of financial transactions. Authenticated messages can be sent between two banks only after the banks have previously exchanged their SWIFT authentication keys. Examples of authenticated messages are MT102, MT102+, MT103, MT103+ and MT202 messages, each of which is a payment order that contains information requesting that a payment be made (or be caused to be made) by the recipient of such message to the identified Payee. If a bank tries to send an authenticated message to another bank with which it has not exchanged authentication codes, then the SWIFT system will automatically indicate to the sending bank that such message cannot be transferred.

SWIFT Message Types

MT102, MT102+, MT103 and MT103+ messages (collectively referred to as an "*MT102/103*") are the standard message types for Payment Orders relating to payments from senders to Payees who are individuals, companies (other than financial institutions) or governments through various banks. Each is used to extend an offer for a contract between the two banks whereby the receiving institution would (as a service to the sending bank) agree to pay (or cause to be paid) the beneficiary. The current MT102/103 message types are:

Message	**Nature and Status**
MT102	The MT102 is principally a set of bulked customer transfers that meet certain criteria (*e.g.*, common correspondent banks, common currency or common value date).
MT102+	This message type is based upon the MT102 core, with standard requirements designed to improve straight-through processing, to reduce processing cost and to enable reduced fees for cross-border transactions.
MT103	The MT103 is a customer transfer wherein either the sending party or the Payee (or both) is not a financial institution. The MT103 is a more structured version of the now discontinued MT100 messages. It allows for indication of both the original ordered amount and the inter-bank settled amount, full transparency of charges, the ordering customer's account as well as extra space for extended payment information. In addition, the sender can indicate the agreed service level.
MT103+	This message type is based upon the MT103 core, with standard requirements designed to improve straight-through processing, to reduce processing cost and to enable reduced fees for cross-border transactions.

For Payment Orders relating to payments from senders to Payees who are financial institutions, a MT202 message is the standard message type for communications between banks in different jurisdictions and, in some cases, even banks in the same jurisdiction.

Pricing and Profitability

Alliance Bank does not charge fees on incoming Payment Orders (though commission is charged on outgoing payments). On the expense side, the cost charged by SWIFT per SWIFT message is €0.30 and is typically paid by the institution that sends the SWIFT message. The fixed monthly fees for Alliance Bank for the use of the services of the SWIFT Service Bureau is Euro 1,350. The average cost is charged by the SWIFT Service Bureau for monthly traffic via SWIFT is Euro 1,300.

As of July 1, 2006 Alliance Bank maintained a staff of 16 full time employees working in its Correspondent Accounts and SWIFT Units responsible for all foreign trade and similar payment transactions (including the processing of incoming and outgoing payment orders). This central operation is in Almaty and processes all payment orders on behalf of Alliance Bank's various branches. This staff is fully dedicated to processing and investigating electronic remittances and does not focus on other activities, such as cross-selling Alliance Bank's products or generating additional business from the customer base.

Market Share and Competitive Strengths

SWIFT does not report the total volume of payment orders sent via SWIFT so there is no formal publication of rankings for the market share of payment orders. As precise data on payment orders in Kazakhstan are unavailable, market share figures described here and elsewhere in this Prospectus are Alliance Bank's estimates based upon its business, the total amount of Kazakhstan exports and similar factors.

Operational Procedures

Computer Systems

Alliance Bank's software, New Afina, was installed and put into operation by two suppliers Diasoft and Programbank in 2002. All Alliance Bank branches are integrated with the New Afina system since 2002, which allows all of the branches to use a common data base. Among other functions, this system is used for the processing of incoming and outgoing payment orders.

Alliance Bank uses retail lending software, which was designed within Alliance Bank based on Lotus Notes/Domino. This system is fully automated and integrated with the central banking system through open standards of application architecture, and is written using WEB-client. The system can process 15,000 loan applications per day without upgrade of the server infrastructure. Currently the system processes 10,000-11,000 credit applications per day. The average time for credit application processing is about 20 minutes.

Alliance Bank's computer systems are located in premises equipped with UPS (uninterruptible power supply) and a diesel power generator, an advanced security system and limited access with 24-hour video monitoring. The premises also benefit from network monitoring, fire fighting equipment and Quick Replacement equipment.

The current information goal of Alliance Bank is to increase memory storage and operation capacities of the servers at least for a year ahead.

Alliance Bank's Data Center is equipped with Fujitsu-Siemens PrimePower 850, PrimePower 650, PrimePower 450, data storage network (DSN) is based on EMC CX-series and NetworkAplliance equipment, with commutation via Brocade 200E and Brocade 4100. Application servers consist of Fujitsu-Siemens BX600 blade-servers and the main communication equipment is manufactured by CISCO and D-Link.

Alliance Bank's strategy plans include installation of modern software for universal bank (Finacle), designed by one of the largest outsourcing companies (InfoSys), which will replace many functions of the existing bank system. Alliance Bank plans to install the integration platform PIE in order to integrate interfaces of the existing and future systems.

Alliance Bank's management believes that Alliance Bank has all of the technical capacities required to meet its current customer's needs and to provide them with a high quality service.

The system of backup and storage of information of Alliance Bank is a complicated and complex set of various hardware-software, organizational and other means applied depending on specificity of each information system.

Approval/Acceptance Process

As Payment Orders often are not known to Alliance Bank until at (and, in many cases, even after) the time that payment is made to Alliance Bank, there are no formal approval/acceptance mechanisms relating thereto.

Historical Volumes

Growth of Diversified Payment Rights Business

Payment Orders of Alliance Bank were transacted through telex systems before 2003. Alliance Bank processed some of its payment orders through the software named Micro Cash Connector, which was installed for Alliance Bank exclusively by Bankers' Trust Bank in 2003. Alliance Bank has been a member of SWIFT since 2003, and has consistently experienced growth in the number of Payment Orders processed as reflected in the tables above. In 2005, the total number of U.S. Dollar - and Euro - denominated Payment Orders was more than twice the number in 2004.

Alliance Bank's Diversified Payment Rights business shares a similarity with Kazakhstan's export industry as Alliance Bank's Diversified Payment Rights include those that relate to exports to various countries, of which the most common have been Switzerland, Russia, China, Italy and France. Diversified Payment Right volumes also tend to reflect Kazakhstan's economic growth patterns. During 2001-2005 Kazakhstan experienced a significant growth in GDP of 10.3% per annum on average, with exports having increased as a percentage of GDP from 5% as of December 31, 2000 to approximately 50% as of December 31, 2005.

The following table illustrates the growth in Alliance Bank's total Collections for the periods indicated.

Monthly Collections on Diversified Payment Rights
(U.S. Dollar)

	2003	2004	2005	Eight-month period ended August 31, 2006
January	9,142,093	7,725,359	28,850,264	40,938,504
February	15,498,615	8,783,108	30,724,725	75,659,525
March	5,705,205	13,180,204	46,737,582	77,132,341
April	14,135,340	10,714,357	47,201,351	95,382,589
May	6,239,424	20,190,423	108,989,595	89,714,330
June	16,102,779	22,032,318	42,421,696	136,996,122
July	29,060,492	21,339,746	44,942,091	129,490,338
August	18,334,872	11,605,827	44,551,849	145,339,389
September	14,030,291	13,180,007	67,218,064	0
October	27,062,126	134,758,154	74,438,014	0
November	10,838,233	12,262,040	114,687,383	0
December	21,459,805	32,639,721	61,012,550	0
Total	**187,609,275**	**308,411,264**	**711,775,164**	**790,653,138**

Monthly Collections on Diversified Payment Rights
(Euro)

	2003	2004	2005	Eight-month period ended August 31, 2006
January	87,900	174,991	820,009	749,234
February	10,104	5,409,231	262,988	1,315,170
March	176,748	1,015,957	2,071,413	937,199
April	45,333	3,299,854	1,187,716	700,361
May	34,070	529,922	1,663,610	2,149,972
June	148,148	363,336	446,614	9,316,489
July	35,790	690,533	373,138	329,071
August	37,012	233,625	225,676	1,367,638
September	42,759	143,745	371,465	-
October	30,153	224,440	289,454	-
November	106,921	380,806	454,616	-
December	82,680	2,583,343	853,638	-
Total	**837,618**	**15,049,783**	**9,020,337**	**16,865,134**

Seasonality

Alliance Bank's pool of Diversified Payment Right flows as a whole is not subject to any significant seasonality, although year-end volumes do tend to be higher than the yearly average. Alliance Bank believes that such increases are a typical year-end phenomenon, whereby companies wish to have all trades settled for the end of the financial year. Moreover, the greater number of public holidays in the first half of the calendar year tends to result in a decrease in payments as compared to the second half of the calendar year. Finally, the trend of greater volume growth in the second half of the year due to Alliance Bank's growing business also adds to the increase of flows from the first to the second halves of the year.

Geographical Concentration

Alliance Bank's portfolio of flows in U.S. Dollars is largely originated (*i.e.*, the location of Payor Banks) in key Western countries, like Switzerland, Latvia, the United States, the United Kingdom, Cyprus and Austria being the largest countries, with more than 60% of Collections in 2005, whilst Euro flows are originated in Switzerland, Latvia and Germany with more than 17% of Collections in 2005. These countries are rated both "Aaa" by Moody's and "AAA" by Standard & Poor's.

The following table sets forth the countries of the Payor Banks sending Payment Orders that generated Diversified Payment Rights during the indicated periods; *it being understood* that the following table reflects only the jurisdiction of the Payor Bank and not the sender, who could be in any other jurisdiction and merely is a customer of a bank (or a customer of a correspondent bank of a bank) in the indicated country (*e.g.*, an Italian corporation with a German bank account).

Collections by Country of Sending Bank
(U.S. Dollar)

Country	2004	%	2005	%	Eight-month period ended August 31, 2006	%
Switzerland	140,628,063	45.60	81,026,523	11.38	255,086,930	32.26
Latvia	76,134,067	24.69	167,323,012	23.51	54,619,150	6.91
USA	19,901,770	6.45	62,852,756	8.83	90,129,741	11.40
China	10,524,583	3.41	10,059,898	1.41	7,907,469	1.00
Russia	5,071,139	1.64	15,814,766	2.22	18,371,669	2.32
Austria	4,444,007	1.44	58,021,338	8.15	39,394,787	4.98
Cyprus	3,120,515	1.01	26,027,367	3.66	14,373,436	1.82
Germany	1,855,991	0.60	4,879,076	0.69	4,657,967	0.59
Great Britain	2,379,410	0.77	29,196,830	4.10	12,718,319	1.61
United Arab Emirates	2,137,164	0.69	1,734,200	0.24	8,349,070	1.06
Turkey	1,435,887	0.47	893,390	0.13	1,280,027	0.16
Sweden	1,275,826	0.41	536,116	0.08	22,988	0.00
Ukraine	669,391	0.22	3,736,402	0.52	4,515,382	0.57
Canada	278,472	0.09	303,501	0.04	1,488,689	0.19
Hong Kong	273,640	0.09	4,371,035	0.61	10,992,953	1.39
Other Countries	7,578,460	2.46	109,605,837	15.41	81,291,813	10.28
Total From Countries Other than Kazakhstan	**277,708,385**	**90.04**	**576,382,047**	**80.98**	**605,200,390**	**76.54**
Kazakhstan	30,702,879	9.96	135,393,117	19.02	185,452,748	23.46
Total	**308,411,264**	**100.00**	**711,775,164**	**100.00**	**790,653,138**	**100.00**

Collections by Country of Sending Bank
(Euro)

Country	2004	%	2005	%	Eight-month period ended August 31, 2006	%
Switzerland	188,001	1.25	903,643	10.02	616,747	3.66
Latvia	2,679,094	17.80	3,888,594	43.10	1,849,583	10.97
USA	0	0.00	17,643	0.20	0	0.00
China	0	0.00	5,320	0.06	0	0.00
Russia	46,664	0.31	51,440	0.57	32,979	0.20
Austria	281,851	1.87	136,270	1.51	152,103	0.90
Cyprus	499,950	3.32	0	0.00	0	0.00
Germany	1,319,566	8.77	1,645,854	18.25	10,410,532	61.72
Great Britain	508,275	3.38	29,345	0.33	1,814	0.01
United Arab Emirates	0	0.00	0	0.00	211,194	1.25
Turkey	0	0.00	293,023	3.25	49,488	0.29
Sweden	19,979	0.13	120	0.00	1,480	0.01
Ukraine	0	0.00	1,020	0.01	0	0.00
Canada	0	0.00	20,452	0.23	0	0.00
Hong Kong	0	0.00	19,952	0.22	105,876	0.63
Other Countries	682,909	4.54	1,127,865	12.50	2,689,969	15.95
Total From Countries Other than Kazakhstan	**6,226,289**	**41.37**	**8,140,541**	**90.25**	**16,121,765**	**95.59**
Kazakhstan	8,823,494	58.63	879,796	9.75	743,369	4.41
Total	**15,049,783**	**100.00**	**9,020,337**	**100.00**	**16,865,134**	**100.00**

Currency Breakdown

Consistent with Kazakhstan's export portfolio, Alliance Bank's Payment Orders are denominated in various currencies, the most common of which have historically been U.S. Dollars, Rubles and Euro.

Breakdown of Collections on Diversified Payment Rights
and Other (non-KZT) Currency Payment Orders
(U.S. Dollar)

	2003	2004	2005	Eight-month period ended August 31, 2006
U.S. Dollar (sold)	187,609,275	308,411,264	711,775,164	790,653,138
Rouble (non-sold)	6,204,932	12,263,918	40,110,286	54,631,382
Euro (non-sold)	947,535	19,005,444	11,429,061	21,186,033
Total	**194,761,742**	**339,680,626**	**763,314,511**	**866,470,553**
% of non-sold to Total	3.67%	9.21%	6.75%	8.75%

Breakdown of Collections on Diversified Payment Rights
and Other (non-KZT) Currency Payment Orders
(Euro)

	2003	2004	2005	Eight-month period ended August 31, 2006
Euro (sold)	837,618	15,049,783	9,020,337	16,865,134
Rouble (non-sold)	5,470,268	10,629,507	32,308,496	43,789,960
U.S. Dollar (non-sold)	164,937,148	247,425,906	576,870,515	633,745,466
Total	**171,245,034**	**273,105,196**	**618,199,348**	**694,400,560**
% of non-sold to Total	99.51%	94.49%	98.54%	97.57%

Breakdown by Size

The table below shows the distribution of Collections by size for the first eight months of 2006.

Distribution of Collections by Size for the eight-month Period ended August 31, 2006
(U.S. Dollar)

	Eight-month period ended August 31, 2006			
	U.S. Dollars	*%*	*Number*	*%*
Less than $1,000	172,003	0.02	320	9.18
Between $1,000 and $100,000	62,722,645	7.93	2,422	69.46
Between $100,000 and $1,000,000	219,225,623	27.73	609	17.46
Between $1,000,000 and $10,000,000	369,770,945	46.77	129	3.70
Equal to or greater than $10,000,000	138,761,922	17.55	7	0.20
Total	**790,653,138**	**100.00**	**3,487**	**100.00**

Distribution of Collections by Size for the eight-month Period ended August 31, 2006
(Euro)

	Eight-month period ended August 31, 2006			
	Euro	*%*	*Number*	*%*
Less than €1,000	64,453	0.38	162	40.20
Between €1,000 and €100,000	3,530,476	20.93	228	56.58
Between €100,000 and €1,000,000	2,680,205	15.89	10	2.48
Between €1,000,000 and €10,000,000	10,590,000	62.80	3	0.74
Equal to or greater than €10,000,000				0.00
Total	**16,865,134**	**100.00**	**403**	**100.00**

Breakdown by Branches and Other Offices

The table below shows the distribution of Collections by branches and other offices of Alliance Bank for the first eight months of 2006.

Distribution of Collections by Branches or Other Offices of Alliance Bank
(U.S. Dollar)

	2005		Eight-month period ended August 31, 2006	
	U.S. Dollars	*%*	*U.S. Dollars*	*%*
City / Branch				
Almaty Head Office	38,311,257	5.38	14,609,038	1.85
Almaty	558,388,757	78.45	673,826,871	85.22
Astana	46,475,744	6.53	10,581,701	1.34
Ust-Kamenogorsk	15,561,199	2.19	10,530,384	1.33
Semipalatinsk	2,946,451	0.41	4,239,063	0.54
Ekibastuz	1,111,293	0.16	3,022,641	0.38
Pavlodar	1,417,705	0.20	986,488	0.12
Petropavlovsk	1,392,796	0.20	1,431,612	0.18
Karaganda	4,171,536	0.59	2,098,541	0.27
Atyrau	41,245,675	5.79	52,337,959	6.62
Aktau	145,627	0.02	11,360,150	1.44
Kostanay	510,004	0.07	3,249,744	0.41
Shimkent	97,120	0.01	2,296,018	0.29
Zheskazgan	0	0.00	55,980	0.01
Uralsk	0	0.00	19,973	0.00
Aktobe	0	0.00	6,975	0.00
Total	**711,775,164**	**100.00**	**790,653,138**	**100.00**

Distribution of Collections by Branches or Other Offices of Alliance Bank
(Euro)

	2005		Eight-month period ended August 31, 2006	
	Euro	*%*	*Euro*	*%*
City / Branch				
Almaty Head Office	3,639	0.04	1,906,320	11.32
Almaty	5,093,356	56.47	5,811,781	34.46
Astana	706,963	7.84	8,095,883	48.00
Ust-Kamenogorsk	520,611	5.77	90,203	0.53
Semipalatinsk	26,177	0.29	24,662	0.15
Ekibastuz	17,711	0.20	23,198	0.14
Pavlodar	111,191	1.23	23,657	0.14
Petropavlovsk	148,509	1.65	22,456	0.13
Karaganda	25,207	0.28	187,975	1.11
Atyrau	2,364,486	26.21	613,000	3.63
Aktau	340	0.00	8,550	0.05
Kostanay	2,147	0.02	9,990	0.06
Shimkent	-	-	4,459	0.03
Zheskazgan	-	-	-	0.00
Uralsk	-	-	43,000	0.25
Total	**9,020,337**	**100.00**	**16,865,134**	**100.00**

Factors Affecting the Volume of Diversified Payment Rights

The volume of Diversified Payment Rights generated is (among other things) a function of the level of Kazakhstan exports, Alliance Bank's pre-export finance and other lending business (which can vary for many reasons), FDI, Alliance Bank's correspondent bank network and Alliance Bank's on-going efforts to generate Diversified Payment Rights transactions through its retail, corporate and SME banking activities, such as expanding its branch network, expanding regionally and growing its mid-size corporate market.

Growth of Kazakhstan's Economy

During the 2001-2005 period Kazakhstan experienced significant growth in GDP averaging 10.3% per annum. GDP growth reached 9.4% in 2005 and is estimated (by the Statistics Agency) to grow to U.S.$65.3 billion in 2006 and U.S.$84.8 billion in 2008.

As of July 1, 2006, the GDP growth rate in Kazakhstan was 9.1%. The growth of Kazakhstan's economy is partly linked to high commodity prices on international markets. The management of Alliance Bank believes that Kazakhstan, as one of the richest countries in oil and gas deposits and mineral resources, pursues a prudent macroeconomic policy and has a favorable legislative regime.

During the period of 2000-2004, in order to develop new high technology industries and accelerate the modernization of Kazakhstan's infrastructure, the Development Bank of Kazakhstan, the National Innovation Fund, the Investment Fund of Kazakhstan, the State Export Credit and Insurance Corporation, the Centre of Analytical and Marketing Research and the Centre of Engineering and Technology Transfer were established in order to avoid the occurrence of "Dutch Disease" (when the discovery of an important natural resource raises the value of that nation's currency, making its manufactured goods less competitive with other nations, increasing imports and decreasing exports).

The new cluster policy, which is aimed at identifying and mobilizing those industries or clusters that could lead to the diversification of the Kazakhstan economy outside the oil sector, is highly promoted by the Government of Kazakhstan in order to strengthen the priority market segments such as tourism, agriculture, food, oil and gas machinery building, textile, transportation and logistical support, metallurgy and production of construction materials.

Kazakhstan aims to finalize the negotiations on membership in the World Trade Organization by the end of 2007.

Exports

Kazakhstan became independent in the early 1990s and major foreign investments have since been made in the national economy, particularly in the Caspian region with respect to the oil sector. Oil development has brought rapid economic growth. Since 1993, Kazakhstan's economy has grown sharply, aided by increased prices on world markets for its leading exports (oil, gas, metals, grain).

Despite the Russian financial crisis that occurred in 1998, Kazakhstan continued to have a strong budget position and high export earnings and quickly recovered from devaluation in 1999. In 2000, Kazakhstan exported 28.9 million tons of oil and gas condensate, up 38.8% from 20.8 million tons in 1999. In 2001, production grew at roughly 20%, in line with a target to meet the government's forecast of 40 to 42 million tons of oil. Growing demand in post-financial crisis East Asia helped the minerals sector to recover. Kazakhstan exports significant amounts of non-precious metals and base metals goods, mainly to China, Iran, Russia and EU countries. Kazakhstan has become a major regional grain exporter, supplying markets in Russia, Iran, China and other Central Asian countries. In 2004, Kazakhstan exported approximately 1.7 million tons of grain. The following table presents the composition of commodity exports for the indicated period:

Composition of Kazakhstan's Commodity Exports

	2003	2004	2005	1H2006
Mineral resources	65%	68%	74%	74.0%
Non-precious metals and base metal goods	20%	19%	16%	15.0%
Grocery products and raw materials for their production	6%	4%	3%	2.2%
Chemical products, plastics and caoutchouc	4%	3%	3%	3.9%
Machinery and equipment, transport vehicles, and devices	2%	2%	1%	1.6%
Other products	3%	4%	3%	3.5%

Source: The NSA.

From 2000 to 2004, exports increased as a percentage of GDP from 5% to approximately 50%. During this period the composition of exports changed as well: for example, in 2001 mineral resources (as categorized by the Agency of Statistics of the Republic of Kazakhstan) accounted for approximately 57% of the value of total exports, and for 2005 (as well as for the first half of 2006) they accounted for approximately 74%.

Kazakhstan's export markets are highly diversified. The largest export markets for Kazakhstan's products are Switzerland (for example in 2005 Kazakhstan's exports to Switzerland amounted to U.S.$5.5 billion with a share of 19.8% of Kazakhstan's total exports), Italy and Russia. China has rapidly become a very important export partner and in the near future it might become the largest. During the first half of 2006, there were no significant changes observed and the three largest export markets were still Switzerland (19.9% of total exports), Italy (16.3% of total exports) and Russia (10.1% of total exports).

The following table presents Kazakhstan's exports by region for the periods indicated:

Exports by Region

	2001	2002	2003	2004	2005	1H2006
			(U.S.$ millions)			
CIS Countries	2,644.6	2,194.4	2,954.2	4,097.2	4,066.8	2,499.2
Other Countries	5,994.5	7,475.9	9,946.2	15,999.0	23,782.2	14,836.7
Total Exports	8,639.1	9,670.3	12,900.4	20,096.2	27,849.0	17,335.9

Source: The NSA.

The following table presents Kazakhstan's exports to its most important trading partners:

Countries	2004	%	2005	%	1H2006	%
			(*U.S.$ millions*)			
Switzerland	3,759.8	18.7	5,509.5	19.8	3,452.0	19.9
Italy	3,109.0	15.5	4,190.5	15.0	2,824.3	16.3
Russia	2,838.1	14.1	2,927.2	10.5	1,755.9	10.1
France	1,468.2	7.3	2,665.1	9.6	1,575.1	9.1
China	1,967.0	9.8	2,423.9	8.7	1,524.4	8.8
Netherlands	464.6	2.3	877.8	3.1	826.2	4.8
U.S.	273.9	1.4	666.0	2.4	250.4	1.4
Germany	212.8	1.1	408.9	1.5	260.9	1.5
Great Britain	240.0	1.2	320.5	1.2	336.0	1.9
Ukraine	277.8	1.4	200.4	0.7	237.0	1.4
Others	5,485.0	27.2	7,659.2	27.5	4,293.7	24.8
Total	20,096.2	100.0	27,849.0	100.0	17,335.9	100.0

Source: The NSA.

Foreign Direct Investment

In 2001 Kazakhstan was the first CIS country to be acknowledged by the United States as a market economy. The international rating agencies Moody's, Standard & Poor's and Fitch have consistently upgraded Kazakhstan's sovereign ratings and in 2002 Kazakhstan was the first country in the CIS region to receive an investment grade rating from any of these three rating agencies. In 2005 the Organization for Economic Development and Cooperation (the "*OECD*") upgraded Kazakhstan from the 5th group to the 4th group on its investment rating scale.

Since independence, Kazakhstan has promoted a favorable investment climate and has been successful in attracting U.S.$45 billion of FDI. In 2005, the FDI inflows reached a record-breaking amount of U.S.$6.4 billion while, during the first quarter of 2006, Kazakhstan had already attracted U.S.$3 billion.

According to the FMSA, in 2004, the distribution of FDI by sector was unbalanced since more than 63.5% of FDI was related to the mining and extraction sector, of which oil and gas production attracted U.S.$5.2 billion of such FDI. In 2005, the mining and extraction sector attracted only 22.53% of FDI, however the oil and gas production continued to attract the majority of such FDI reaching U.S.$1.7 billion. As at the end of the first quarter of 2006, the mining and extraction sector attracted U.S.$833.5 million (27.4% of FDI), of which oil and gas production made up U.S.$765.1 million. The volume of FDI to the real-estate operations sector increased from 21.8% in 2004 to 54.1% in 2005. By the end of the first quarter of 2006, this amount made up U.S.$1.7 billion (which was 55.6% of FDI). The processing industry attracted 6.3% in 2004 and 4.4% of FDI during 2005, of which the metallurgical sector accounted for U.S.$323.8 million and U.S.$98.2 million, in 2004 and in 2005 respectively. In the first quarter of 2006, there was an amount of U.S.$337.9 million (or 11% of FDI) attracted by the processing industry, U.S.$245.4 of which related to the metallurgical sector. The percentage of FDI in the construction industry was equal to 1.94% in 2004 and 1.97% in 2005. In the first quarter of 2006, the amount of FDI to the construction industry equaled U.S.$44.3 million, which was 1.46% of FDI. FDI in the education and health industries decreased from 1.1% of the total FDI in 2004 to 0.93% in 2005.

Historically, it has mostly been U.S. companies that have accounted for the largest stake of FDI, especially into the oil and gas sector. According to the FMSA, in 2005 the amount of FDI from the United States decreased by 62.1% compared to 2004 and reached U.S.$1.13 billion. The Netherlands was the second largest investor in Kazakhstan with U.S.$1.78 billion of FDI in 2004. In 2005 The Netherlands became the largest investor with U.S.$1.53 billion FDI and U.S. investors were the second largest with U.S.$1.13 billion of FDI. The order continued in the first quarter of 2006 with U.S.$1.05 billion (34.7% of FDI) received from The Netherlands and U.S.$495.2 million (16.3% of FDI) received from the United States. Other important foreign investors in Kazakhstan are Great Britain, China, Italy, Russia, France, Canada and Switzerland, with China playing an increasing role. Kazakhstan looks increasingly attractive as a Chinese energy investment destination. For example, China National Offshore Oil Corporation is considering an offer for independent oil producer, Nations Energy, which operates Kazakhstan's ninth largest oil company.

Top 10 Investors in Kazakhstan
in U.S. Dollar Equivalents
(*U.S. Dollar millions*)

Top 10 Investors in Kazakhstan	2002	%	2003	%	2004	%	2005*	%	1H2006*	%
U.S.	1,011.3	24.6	1,105.5	23.9	2,970.6	35.8	1,125.5	17.54	495.2	16.30
The Netherlands	401.2	9.8	612.2	13.2	1,782.2	21.5	1,534.2	23.91	1,055.6	34.74
Great Britain...........	622.7	15.2	591.4	12.8	924.6	11.1	-62.4	-0.97	378.3	12.45
China......................	64.7	1.6	248.6	5.4	397.7	4.8	195.0	3.04	157.3	5.18
Italy........................	469.1	11.4	375.7	8.1	313.0	3.8	306.6	4.78	73.9	2.43
France.....................	123.6	3.0	161.3	3.5	275.7	3.3	774.7	12.07	179.9	5.92
Switzerland.............	520.0	12.7	630.5	13.6	235.6	2.8	103.4	1.61	60.8	2.00
Russia.....................	214.4	5.2	198.0	4.3	200.6	2.4	223.0	3.48	79.7	2.62
Japan	59.6	1.5	96.1	2.1	178.5	2.2	331.4	5.16	75.4	2.48
Canada....................	165.4	4.0	8.3	0.2	169.0	2.0	262.5	4.09	75.8	2.49
Others.....................	454.4	11.0	596.9	12.9	845.5	10.3	1,622.5	25.29	407.0	13.39
Total	**4,106.4**	**100.0**	**4,624.5**	**100.0**	**8,293.0**	**100.0**	**6,416.4**	**100.00**	**3,038.9**	**100.00**

Source: The NBK.

Notwithstanding the large FDI that has recently been experienced by Kazakhstan, when compared to the total volume of Kazakhstan exports FDI remains small and Alliance Bank's management considers FDI to be a minor contributor to the growth of its Payment Order business.

Alliance Bank's Position in Kazakhstan's Financial System

As of June 30, 2006, there were 33 commercial banks, excluding NBK, DBK and Housing Construction Savings Bank, licensed in Kazakhstan. The commercial banks in Kazakhstan are divided into four groups: large domestic banks, including JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank; banks with foreign participation, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan; medium-sized domestic banks, such as JSC ATF Bank, JSC Bank Caspian, JSC Bank CenterCredit and Alliance Bank.

	As of January 1						**As of June 30**	
	2003	**%**	**2004**	**%**	**2005**	**%**	**2006**	**%**
Exchange rate U.S.$/KZT	*144.22*		*130.00*		*133.77*		*118.69*	
				(*U.S.$ millions*)				
Assets								
Kazkommertsbank	2,930	25.2	5,172	25.0	8,460	24.3	9,823	17.4
Bank TuranAlem.................	2,565	22.1	4,717	22.8	7,203	20.7	9,655	17.1
HSBK..................................	1,758	15.1	3,062	14.8	4,175	12.0	6,426	11.4
Alliance Bank......................	351.3	3.0	925.3	4.5	2,489	7.2	4,421	7.8
ATF Bank	664.9	5.7	1,338	6.5	2,640	7.6	3,894	6.9
Bank CenterCredit...............	573.7	4.9	1,142	5.5	2,491	7.2	3,460	6.1
NUR Bank...........................	405.0	3.5	689.5	3.3	909.8	2.6	1,206	2.1
Bank Caspian	380.9	3.3	615.5	3.0	1,122	3.2	1,433	2.5
Eurasian Bank	354.5	3.0	600.1	2.9	785.9	2.3	862	1.5
Valut-Transit.......................	218.8	1.9	384.8	1.9	594.7	1.7	716.5	1.3
Top 10 Banks......................	10,202.1	87.7	18,646.2	90.2	30,870.4	88.8	41,896.5	74.1
Others..................................	1,432	12.3	2,024	9.8	3,898	11.2	14,628	25.9
Total	11,634.1	100.0	20,670.2	100.0	34,768.4	100.0	56,524.5	100.0

*Calculations are made under the local accounting standards.

Source: The FMSA (data excludes DBK).

Alliance Bank's principal activities traditionally have been the acceptance of deposits and the provision of loans and other credit facilities in Tenge and foreign currencies. It also offers a wide range of current account-related services, such as payment facilities, debit and credit cards, collection services and also retail banking and overdraft facilities. As of July 1, 2006, Alliance Bank had 19 branches and 103 settlement outlets throughout Kazakhstan. By the end of 2006, Alliance Bank intends to open two new branches in Taraz and Kokshetau, and to increase its cash settlement offices from 103 as at June 30, 2006, to 176 by the end of 2006. Alliance Bank is currently undergoing a rebranding effort to standardize Alliance Bank's brand across its branch network and to promote Alliance Bank's new corporate image with current and prospective clients. In comparison, as of July 1, 2006, Kazkommertsbank had 22 branches and 69 settlement outlets, HSBK had 145 branches and 403 settlement outlets and Bank TuranAlem had 22 branches and 193 settlement outlets.

The following tables compare certain financial information (prepared in accordance with Kazakhstan accounting practices ("*KAS*") and the regulations of the NBK) relating to Alliance Bank and other leading banks operating in Kazakhstan:

	As at June 30, 2006	
	Assets	**Equity**
	(KZT millions)	
Large Domestic Banks		
JSC Kazkommertsbank	1,165,984	87,022
JSC Bank TuranAlem	1,145,928	122,427
JSC Halyk Bank	762,654	67,543
Medium-sized Domestic Banks		
JSC Alliance Bank	524,681	37,155
JSC ATF Bank	462,200	36,465
JSC Bank CenterCredit	410,625	28,860
JSC Bank Caspian	170,056	13,995
Banks with Foreign Participation		
ABN AMRO Bank Kazakhstan	106,321	8,435
Citibank Kazakhstan	72,847	6,285
HSBC Bank Kazakhstan	40,178	5,849

Loans to Clients

	As at June 30, 2006	
	(U.S.$ millions)	%
Kazkommertsbank	7,460	29.2
Bank TuranAlem	6,456	25.3
Halyk Bank	3,912	15.3
Alliance Bank	2,841	11.1
ATF Bank	2,527	9.9
BCC	2,356	9.2
Total	25,552	100.0

Customer Deposits

	As at June 30, 2006	
	(*U.S.$ thousands*)	%
Halyk Bank	4,092,189	22.13
Bank TuranAlem	3,218,867	17.40
Kazkommertsbank	2,439,980	13.19
BCC	1,456,566	7.88
Alliance Bank	1,361,027	7.36
Others	5,926,902	32.04
Total	**18,495,531**	**100.00**

Established in 1993, Alliance Bank provides corporate banking, retail banking and other financial services. Based on information from respective consolidated financial statements, Alliance Bank is the fourth largest bank in Kazakhstan, with assets of KZT 519,619 million; the fourth largest bank in Kazakhstan in terms of equity, with equity of KZT 33,414 million; and the fourth largest bank in Kazakhstan in terms of total time deposits (including retail deposits), with total time deposits of KZT 112,315 million.

Alliance Bank's Loan Business

As a wholesale and retail bank, Alliance Bank offers and provides a diverse range of loan products to its customers. The provision of any type of credit, be it corporate, retail loans or pre-export loans, encourages borrowers to handle their cash management business, including payment orders, with the banks who have accommodated their financing needs. Accordingly, Alliance Bank's growing asset base is expected by Alliance Bank's management to affect positively the volume of Collections because this growth is expected to be accompanied by a greater volume of payments or transfers made to Alliance Bank's customers.

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

Although corporate customers that borrow from Alliance Bank are not legally required to use its services to process payments for goods and services (including exports), a significant consideration in Alliance Bank's credit analysis and business decision before providing and extending such a facility is the level of such payments that the customer is expected to process through Alliance Bank. Given that many of Alliance Bank's major corporate customers are exporters, it is fairly common for Alliance Bank to receive some portion of the payment orders for such exporters. As such, an increase in Alliance Bank's export-related loan portfolio will generally indicate a future increase in its Payment Order business. In fact, many exporters may prefer to use Alliance Bank's services to bring currency into Kazakhstan even though their export-related loans are granted by other banks if Alliance Bank's foreign exchange rates are more favorable.

As of June 30, 2006, 64.89% of Alliance Bank's total assets constituted customer loans. Alliance Bank's current strategy is to increase this level in the future (and this will be partly funded from the proceeds of the sale of its Diversified Payment Rights to the SPC).

Alliance Bank's primary objective with respect to its lending activities is to diversify into different sectors of the economy in order to reduce its exposure to particular industries, which Alliance Bank believes will enhance the quality of its loan portfolio. The main sectors served by Alliance Bank are construction (which increased from U.S.$159.1 million as of June 30, 2005 to U.S.$417.5 million as of June 30, 2006 and comprised 14.1% of Alliance Bank's total gross loan portfolio as of June 30, 2006) and trade (U.S.$162.2 million as of June 30, 2005 to U.S.$375.6 million as of June 30, 2006 and comprised 12.7% of Alliance Bank's total gross loan portfolio as of June 30, 2006). Alliance Bank also increased its exposure to consumer lending to 37.8% of its gross loan portfolio as of June 30, 2006, compared to 19.1% as of June 30, 2005, and population-related services from 7.8% to 9.1% of the loan portfolio for the same periods accordingly and in each case before provisions and revaluation reserve. Alliance Bank continues to seek to expand its market share in relation to medium-size borrowers, which it considers as having high growth potential.

Such financing also generates specific Payment Orders when these clients make Loan Repayments. These Loan Repayments constitute Diversified Payment Rights and are sold to the SPC. However, such Payment Orders will not be included in the calculation of Debt Service Coverage Ratios and are therefore excluded from all Collections described in the tables above.

Worker Remittances

Approximately 4.5 million Kazakhstan citizens live and work outside of Kazakhstan, primarily in more than 40 countries of the world. Those Kazakhstan citizens working and living abroad (particularly in North America and Western Europe) are often able to earn higher wages so that they can send money home to family members in Kazakhstan. The Kazakhstan population living abroad makes some contribution to the amount of cash remittances, which ultimately flow into Kazakhstan via payment orders through banks such as Alliance Bank. However, it should be noted that such remittances do not form a significant portion of Alliance Bank's flows, although they may increase as Alliance Bank seeks to expand its retail presence.

Tourism Flows

The level of Diversified Payment Rights is also a function of the Kazakhstan tourist industry in terms of expenditures by tourist and business travelers during their visits to Kazakhstan. Kazakhstan's tourism industry is relatively small by international standards, accounting for 1.8% of the country's GDP in 2004, according to the American Chamber of Commerce. Nevertheless, the Kazakhstan government has started to encourage tourism significantly and is assuring the quality of domestic tourism products are up to world standards.

As with worker remittances, it should be noted that tourism-related flows do not form a significant portion of Alliance Bank's flows.

Competition and Pricing

Alliance Bank's management believes that it has the ability to attract and maintain customers, provide customers with competitive levels of service and competitive pricing in the processing of payments on their exports, and provide such customers with attractive export-related credits and foreign exchange rates.

A number of Kazakhstan banks and foreign exchange houses actively compete in this market in Kazakhstan. Bank TuranAlem, Kazkommertsbank and HSBK are significant competitors in this business. Though current competitors may make efforts to increase their share of the market (for example, by reducing prices or developing additional products) and new competitors (such as foreign banks) may attempt to enter the market, Alliance Bank's management believes that it is well positioned to be among the market leaders in this area.

Payment Order Customers

The table below shows a breakdown by industry of Alliance Bank 20 largest beneficiaries with respect to Collections:

Industry Breakdown of Collections on Diversified Payment Rights
(U.S. and Euro in U.S. Dollar Equivalents)(1)(2)

Industry	2003	%	2004	%	2005	%	Eight-month period ended August 31, 2006	%
Oil and gas industry	8,059,133	36.37	8,280,542	13.96	34,077,500	10.07	58,620,998	27.74
Metallurgy	7,906,229	35.68	6,301,074	10.62	7,857,378	2.32	5,226,324	2.47
Mineral resource industry	2,281,634	10.30	23,584,323	39.76	-	-	-	-
Food	1,700,261	7.67	2,643,078	4.46	4,652,312	1.37	4,896,921	2.32
Energy	1,497,026	6.76	4,068,502	6.86	2,271,457	0.67	-	-
Transport	373,264	1.68	1,292,401	2.18	-	-	-	-
Wool	341,186	1.54	-	-	1,200,000	0.35	13,052,250	6.18
Tanning industry	-	-	12,040,971	20.31	280,801,583	82.96	118,080,817	55.87
Construction	-	-	-	-	1,201,862	0.37	918,659	0.43
Chemicals	-	-	-	-	6,398,742	1.89	9,182,355	4.35
Textile industry	-	-	-	-	-	-	680,793	0.32
Cotton industry	-	-	1,099,969	1.85	-	-	-	-
Other	-	-	-	-	-	-	671,653	0.32
Total 20 Beneficiaries	22,158,733	100.00	59,310,860	100.00	338,460,834	100.00	211,330,770	100.00

(1) Investors should treat the numbers in the table above as only an approximation of industry breakdowns for total annual Collections. The table contains industry breakdowns for the top 20 beneficiaries of Alliance Bank in each of 2003, 2004 and 2005.

(2) Values of Euro-denominated Payment Orders for Diversified Payment Rights are based upon the average rate of the Euro against the Dollar during the month in which the corresponding Payment Order was processed. In turn, the exchange rates used in such averaging were computed by dividing the Euro/KZT official exchange rate published by the Central Bank by the KZT/U.S$ official exchange rate published by the Central Bank.

The share of Collections attributable to metallurgy companies comprised 36%, 11%, 2%, and 2% in 2003, 2004, 2005 and for the first eight months of 2006, respectively) is somewhat less than the share of oil and gas sector companies, which is 36% in 2003, 14% in 2004, 10% in 2005 and 28% in the first eight months of 2006. While Alliance Bank's flows remain somewhat concentrated by industry and by the large proportion that goes to the top 20 recipients, the overall trend over the past four years has been toward greater diversification. The period-on-period increases of Collections in the tanning and oil and gas sectors reflected an increase in the number of clients and in increase in the volume of export contracts and documentary operations. The decrease of Collections in the mineral resource industry was attributable to a decrease in the volume of export contracts concluded by the beneficiary.

Detailed information on Alliance Bank's top individual beneficiaries can be seen in the following table:

Estimates of the Concentrations of Top 20 Beneficiaries (in U.S. Dollar Equivalents)[(1)]

Industry of Beneficiary	2003		Industry of Beneficiary	2004		Industry of Beneficiary	2005			Eight-month period ended August 31, 2006	
	U.S. Dollars	*%*		*U.S. Dollars*	*%*		*U.S. Dollars*	*%*		*U.S. Dollars*	*%*
Oil Industry	4,010,517	2.14	Gold Industry	12,432,824	4.04	Tanning Industry	264,601,032	37.17	Tanning Industry	103,211,353	13.06
Gold Industry	2,281,634	1.22	Tanning Industry	12,040,971	3.90	Oil and gas	18,279,331	2.57	Gas Industry	28,927,065	3.66
Aluminium Industry	1,575,005	0.84	Gold Industry	9,111,001	2.95	Tanning Industry	16,200,551	2.28	Oil and gas	16,446,153	2.08
Coal Industry	1,497,026	0.80	Oil Industry	2,969,378	0.96	Oil and gas	9,415,642	1.33	Tanning Industry	14,869,465	1.88
Steel Industry	1,436,563	0.77	Oil and gas	2,558,869	0.83	Chemical	6,398,742	0.90	Wool	12,422,250	1.57
Steel Industry	1,366,189	0.73	Mining and metallurgy	2,415,624	0.78	Steel Industry	2,562,785	0.36	Chemical	9,182,355	1.16
Oil Industry	1,358,579	0.72	Coal Industry	2,153,502	0.70	Oil Industry	2,515,456	0.35	Oil and gas	6,200,000	0.78
Metallurgy	1,353,172	0.72	Gold Industry	2,040,499	0.67	Mining and metallurgy	2,420,469	0.34	Oil and gas	5,228,485	0.66
Oil Industry	1,172,296	0.62	Coal Industry	1,915,000	0.62	Coal Industry	2,271,457	0.32	Grain Industry	4,196,921	0.53
Oil and gas	856,376	0.46	Food Industry	1,781,295	0.58	Grain Industry	2,127,973	0.30	Oil and gas	1,819,295	0.23
Metallurgy	853,143	0.45	Mining and metallurgy	1,551,319	0.50	Oil Industry	1,507,359	0.21	Steel Industry	1,441,956	0.18
Mining and metallurgy	800,300	0.43	Transport	1,292,401	0.42	Oil Industry	1,473,526	0.21	Mining and metallurgy	1,372,851	0.17
Grain Industry	603,652	0.32	Gas Industry	1,200,000	0.39	Grain Industry	1,371,226	0.19	Mining and metallurgy	1,106,967	0.14
Grain Industry	587,008	0.31	Lead Industry	1,183,673	0.38	Construction	1,201,861	0.17	Construction	918,659	0.12
Mining and metallurgy	521,855	0.28	Cotton	1,099,969	0.36	Wool	1,200,000	0.17	Food	700,000	0.09
Grain Industry	509,601	0.27	Grain Industry	861,783	0.28	Mining and metallurgy	1,160,300	0.16	Textile	680,793	0.09
Oil and gas	380,000	0.20	Oil and gas	840,000	0.27	Grain Industry	1,153,113	0.16	Mining and metallurgy	672,600	0.09
Machinery	373,264	0.20	Oil and gas	712,295	0.23	Mining and metallurgy	935,826	0.13	Agriculture	671,652	0.08
Wool	341,186	0.18	Steel Industry	589,500	0.19	Gas Industry	886,187	0.12	Mining and metallurgy	631,950	0.08
Oil and gas	281,367	0.15	Copper	560,957	0.18	Mining and metallurgy	777,998	0.11	Wool	630,000	0.08
Total Top 20	22,158,733	11.81	Total Top 20	59,310,860	19.23	Total Top 20	338,460,834	47.55	Total Top 20	211,330,770	26.73
Others	165,450,542	88.19	Others	249,100,404	80.77	Others	373,314,330	52.45	Others	579,322,368	73.27
Collections	187,609,275	100.00	Collections	308,411,264	100.00	Collections	711,775,164	100.00	Collections	790,653,138	100.00

(1) Investors should treat the numbers in the table above as only an approximation of industry breakdowns for total annual Collections. The table contains industry breakdowns for the top 20 beneficiaries of Alliance Bank in each of 2003, 2004, 2005 and the eight-month period ended August 31, 2006.

The table above reflects both relationships of Alliance Bank with its major long-time customers, as well as relationships that were developed relatively recently. Alliance Bank's largest beneficiaries are fairly well diversified across various industry sectors and are often among the major borrowers and/or depositors of Alliance Bank.

USE OF PROCEEDS

The proceeds from the sale of the Offered Notes will be used by the SPC to make the Initial Payment to Alliance Bank for the Diversified Payment Rights to be sold to the SPC under the Bill of Sale and the assignment of the Collection Accounts. Alliance Bank will instruct the SPC to retain and use a portion of such proceeds to be applied to the payment of the underwriting commission and other expenses of the offering of the Offered Notes. Alliance Bank will use the proceeds of the Series 2006A Notes primarily for SME and retail lending and the balance of such proceeds for general corporate purposes. No proceeds from the Initial Payment or any Additional Payment will be used by Alliance Bank to make loans or otherwise provide funds (directly or, to its knowledge, indirectly) to countries (or any person or entity of such countries or any other person or entity) contrary to the Prohibited Nations Acts.

MATURITY ASSUMPTIONS

The Indenture will provide that a Series will not receive distributions of principal until the end of its Interest-Only Period, except in the event of an Early Amortization Event that results in the commencement of the Early Amortization Period with respect to such Series or if Alliance Bank causes the SPC to redeem all or a portion of such Series. Principal on the Offered Notes is expected to be paid during the Scheduled Amortization Period for such Series as and when described herein.

After the Interest-Only Period for any Series, the Quarterly Amortization Amount for such Series will be distributed on each Payment Date until such Series is paid in full. If the Early Amortization Period begins with respect to a Series, after payment of trustee fees, certain other amounts and accrued Interest, all Collections allocable to such Series will be applied to pay the principal of such Series. See “Overview of Terms - Allocation of Amounts in the Concentration Accounts” and “Distribution of Amounts in the Series Accounts”. In such event, principal distributions in respect of a Series may be made earlier than if the Early Amortization Period with respect to such Series had not commenced. In addition, the Offered Notes are subject to redemption under certain circumstances. See “Description of the Offered Notes and the other Transaction Documents”.

Although it is anticipated that principal payments of each Series equal to the Quarterly Amortization Amount for such Series will be distributed to the applicable Noteholders on each Payment Date during the Scheduled Amortization Period for such Series and that such Series will be paid in full on the applicable Expected Final Payment Date, no assurance can be given in that regard. The ability of the SPC to make such distributions depends on the level of Collections generated from time to time and, in the case of a Sale Recision Event resulting in a mandatory redemption of a Series of the Offered Notes, on the availability of sufficient funds in the applicable Series Account and the ability of Alliance Bank to make the Sale Recision Payment. Accordingly, no assurance can be given as to the actual rate of payment of principal of the Offered Notes distributed to the applicable Noteholders.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to April 1999, the NBK maintained a managed floating exchange rate system. On April 5, 1999, the NBK and the Government publicly announced that they would cease to intervene in the foreign exchange markets to support the Tenge, allowing the exchange rate to float freely. This decision was supported by international financial organizations such as the International Monetary Fund (the "*IMF*"). As a result, the Tenge depreciated from a pre-announcement rate of KZT 88 per U.S. Dollar to a rate of approximately KZT 130 per U.S. Dollar by May 1999. Until the end of 2002, the Tenge generally continued to depreciate in value against the U.S. Dollar, although at a much slower rate. In 2003 and 2004, the Tenge appreciated in value against the U.S. Dollar, before again depreciating slightly in 2005. See "Risk Factors - Risk Factors relating to the Republic of Kazakhstan - Macroeconomic Considerations and Exchange Rate Policies".

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

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

Year ended December 31	Period end	High	Average(1)	Low
1999	138.20	141.00	119.65	83.80
2000	144.50	144.50	142.13	138.20
2001	150.20	150.20	146.73	145.00
2002	155.60	155.60	153.28	150.60
2003	144.22	155.89	149.50	143.66
2004	130.00	143.33	136.04	130.00
2005	133.77	136.12	132.14	129.83
January 2006	132.17	133.85	133.22	132.05
February 2006	130.30	132.37	131.35	131.01
March 2006	128.45	130.35	128.72	127.40
April 2006	124.42	128.95	126.81	122.92
May 2006	121.48	124.42	122.59	121.00
June 2006	118.69	121.26	119.89(2)	118.26
July 2006	118.41	118.49	118.15	117.25

Notes:

(1) The weighted average rate reported by the NBK for each month or year during the relevant period.

(2) For the six months ended June 30, 2006, the average rate was KZT 127.10.

The above rates may differ from the actual rates used in the preparation of the Consolidated Financial Statements and other financial information appearing in this Prospectus. No representation is made that the Tenge or U.S. Dollar amounts in this Prospectus actually represent such U.S. Dollar amounts or that such amounts could have been converted into U.S. Dollars or Tenge, as the case may be, 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 out flowing capital account operations need to be licensed by or registered with the NBK. Capital inflows are registered and monitored for statistical purposes only, but are not restricted.

Kazakhstan recently significantly liberalized its foreign exchange regulations. Since May 2003 a license has not been needed for a resident of Kazakhstan to invest in foreign investment-grade securities or to acquire more than

50% of the voting interests in a company incorporated in any OECD country or for an individual to open an account with a bank rated not below "A" by Standard & Poor's and incorporated in an OECD country or for banks based in Kazakhstan to make loans to non-residents.

Following the influx of U.S. Dollars into Kazakhstan due to rising oil prices, a number of steps aimed at liberalizing Kazakhstan's currency control regime were undertaken between 2002 and 2004. At the end of 2005, the new currency control law and supporting regulations came into effect. Among other things, the new currency control rules substantially expand the number and type of Kazakhstan investors that can invest abroad and ease requirements for international financing into Kazakhstan.

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

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

CAPITALIZATION OF ALLIANCE BANK

The following table sets out the current finance liabilities and total consolidated capitalization of Alliance Bank as at June 30, 2006 based on Alliance Bank's Unaudited Consolidated Financial Statements:

	As at June 30, 2006	
	(U.S.$ millions) unaudited[(1)]	*(KZT millions) unaudited)*
Short-term debt (maturing within one year)	2,001	237,490
Senior long-term liabilities[(2)]	1,874	222,487
Subordinated long-term liabilities[(3)]	221	26,258
Total long-term liabilities	4,096	486,235
Share capital[(4)]	232	27,500
Additional paid-in capital	10	1,224
Retained earnings and reserves[(5)]	40	4,690
Minority interests	-	-
Total equity	282	33,414
Total equity and long-term liabilities	4,378	519,649

Notes:

(1) Translated at the average U.S. Dollar exchange rate for the six months ended June 30, 2006, as reported by the NBK, of KZT 127.10 = U.S.$1.00..

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

(3) Subordinated long-term liabilities consist principally of U.S. Dollar and Tenge-denominated subordinated notes issued by Alliance Bank and preference shares of KZT 3,630 million.

(4) Share capital less shares held in treasury.

(5) Includes premises and equipment revaluation reserve of KZT 491 million and investments available for sale fair value reserve of KZT 127 million.

As of June 30, 2006, 2,750,000 ordinary shares have been issued and fully paid and 400,000 preference shares have been issued and fully paid. There has been no change in Alliance Bank's issued capital since June 30, 2006.

On June 27, 2005, Alliance Bank issued U.S.$150 million 9% Notes due 2008. The Notes were issued pursuant to Regulation S under the Securities Act. J.P. Morgan Securities Ltd. and HSBC Bank plc acted as joint lead managers for the transaction.

On November 22, 2005, ALB Finance issued U.S.$200 million 9% Notes due 2010 guaranteed by Alliance Bank. The Notes were issued pursuant to Regulation S under the Securities Act. ABN AMRO Bank N.V. and Citigroup Global Markets Limited acted as joint lead managers for the transaction.

In April 2006, Alliance Bank established a U.S.$1.5 billion Debt Issuance Program, under which it issued, in April 2006, U.S.$250 million 8.75% Notes due 2011. At the same time Alliance Bank also issued U.S.$150 million 9.375% Perpetual Non-cumulative Capital Securities. Credit Suisse Securities (Europe) Limited and UBS Limited acted as joint lead managers on both transactions.

In September 2006, Alliance Bank issued U.S.$350,000,000 9.25% Notes due 2013 under its U.S.$1.5 billion Debt Issuance Program. Credit Suisse Securities (Europe) Limited acted as arranger on the transaction.

In late 2006, Alliance Bank intends to issue KZT Notes in the amount equivalent to U.S.$150,000,000 under its U.S.$1.5 billion Debt Issuance Program. Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities Ltd. are acting as arrangers on the transaction.

By the end of 2006, Alliance Bank intends to place an additional aggregate amount of KZT 18 billion of ordinary shares, although no assurance can be given that such placement will occur within the proposed timeframe or at all.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements, including the respective notes thereto, included elsewhere in this Prospectus. This discussion includes forward-looking statements based on assumptions about Alliance Bank's future business. Alliance Bank's actual results could differ materially from those contained in the forward-looking statements. Operating results for the six-month period ended June 30, 2006 are not necessarily indicative of the results for the year ending December 31, 2006.

External Factors Affecting Alliance Bank's Results of Operations

Substantially all of Alliance Bank's operations and customers are located in Kazakhstan. Accordingly, Alliance Bank's financial condition and results of operations are predominantly dependent upon economic conditions prevailing in Kazakhstan. The Kazakhstan economy has experienced growth during the past years, but any significant decline in its growth could adversely affect consumer and corporate confidence, which in turn could have a negative impact on Alliance Bank's financial condition and results of operations. In addition, due to its exposure to the retail and SME sectors and the relatively high industry diversification of its corporate customer base, Alliance Bank has less exposure to adverse changes in companies operating in the agriculture sector, the construction sector, the real estate sector and the wholesale trade sector. As at June 30, 2006, consumer loans, the construction sector, the wholesale trade and agriculture accounted for 37.8%, 14.1%, 12.7% and 1.6%, respectively, of Alliance Bank's gross loan portfolio.

The recent growth of the Kazakhstan economy has generated demand for financial services from an increasing number of individuals in all income segments of the population and from an increasing number of companies. Alliance Bank's business strategy is to target the growing demand for retail and corporate (especially SME) banking services. Furthermore, Alliance Bank's newest strategic plan places particular emphasis on developing Alliance Bank's retail banking business (particularly in the customer credit sector). Management intends to achieve this goal through improving the quality of customer service, exporting cross-selling opportunities and diversifying Alliance Bank's distribution channels.

Introduction

Alliance Bank's Audited Consolidated Financial Statements, including the notes thereto, as at and for the years ended December 31, 2005, 2004 and 2003, which are included on pages F-2 to F-60 of this Prospectus, were audited by LLP Deloitte Kazakhstan, whose audit report thereon is also included on page F-3 of this Prospectus. The Unaudited Consolidated Financial Statements, including the notes thereto, as at and for the six months ended June, 30 2006, which are included on pages F-61 to F-95 of this Prospectus, were reviewed by LLP Deloitte Kazakhstan. All of Alliance Bank's financial statements included in this Prospectus were prepared in accordance with IFRS and are consolidated and include the financial statements of Alliance Bank and its subsidiaries.

Significant Accounting Policies

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

Alliance Bank's significant accounting policies include:

Recognition and measurement of financial instruments

Alliance Bank recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.

Assets held-for-trading

Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Assets held-for-trading are initially recorded and subsequently measured at fair value. Alliance Bank uses quoted market prices to determine fair value for Alliance Bank's assets held-for-trading. Fair value adjustment on assets held-for-trading is recognized in profit and loss for the period.

Write off of loans and advances

Loans are written off against allowance for impairment losses in case of uncollectability of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to Alliance Bank and after Alliance Bank has sold all available collateral. The decision on writing off bad debt against allowance for impairment loss for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Allowances for Impairment Losses

Alliance Bank establishes an allowance for impairment losses in relation to financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discontinued at the financial asset's original effective interest rate, for financial assets which are a carried at amortized cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the allowance for impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed. The determination of the level of allowance for impairment loss is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

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

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods Alliance Bank may sustain losses that are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses are adequate to absorb losses incurred on the relevant assets.

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 profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Alliance Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 Alliance Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Results of Operations for the Years ended December 31, 2005, 2004 and 2003 and the Six-Month Periods ended June 30, 2006 and 2005

Summary

Alliance Bank reported net profit of KZT 1,596 million for 2005, compared to KZT 861 million for 2004, compared to KZT 208 million for 2003. The increase in net profit in 2004 as compared to 2003 primarily reflected an increase of Alliance Bank's net interest income and fee and commission income. The increase in net profit in 2005 as compared to 2004 primarily reflected an increase of Alliance Bank's fee and commission income. The increase in interest income during 2005 did not contribute substantially to the increase in total income as the increase in total interest income was offset by a high level of provisions for losses. Total interest income increased primarily due to an expansion of Alliance Bank's loan portfolio and the higher share of retail loans (on which interest rates are higher than interest rates payable on corporate and SME loans) comprised in it. The increase in the fee and commission income primarily reflected an increase in the number of products offered by Alliance Bank which entail payment of fees and commissions, an increase in volumes of transactions in these products and an increase in the volume of documentary operations.

For the six-month period ended June 30, 2006, Alliance Bank reported net profit of KZT 1,639 million, compared to net profit of KZT 514 million for the same period of 2005. This increase reflected primarily an increase in interest income and fee and commission income of Alliance Bank from KZT 24,808 million and KZT 2,777 million, respectively, for the six-month period ended June 30, 2006, compared to KZT 5,730 million and KZT 1,314 million, respectively, for the same period in 2005. Net interest income increased primarily due to an expansion of Alliance Bank's loan portfolio and a higher share of retail loans (on which interest rates are higher than interest rates payable on corporate loans) in Alliance Bank's loan portfolio. The increase in fee and the commission income primarily reflected an increase in the number of commission fee bearing products offered by Alliance Bank, an increase in the number of fee bearing operations with customer accounts and an increase in the volume of documentary operations.

The return on average common equity was 7.3%, 8.7% and 7.4% in 2005, 2004 and 2003, respectively. The return on average common equity was 10.7% for the six months ended June 30, 2006, compared to 6.3% for the six months ended June 30, 2005.

Interest Income, Interest Expense, Net Interest Income and Provisions for impairment losses on interest bearing assets

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

	Six-month period ended June 30		Year ended December 31		
	2006	2005	2005	2004	2003
	(KZT millions unaudited)		(KZT millions audited)		
Interest on loans and advances to customers	22,033	4,595	14,477	5,997	3,586
Interest on securities	2,318	1,064	2,594	916	644
Interest on loans and advances to banks	370	36	253	29	62
Interest on reverse repurchase transactions	87	35	238	31	-
Total interest income	24,808	5,730	17,562	6,973	4,292
Interest expense	(14,326)	(4,194)	(11,777)	(4,205)	(2,611)
Net interest income before provisions	10,482	1,536	5,785	2,768	1,681
Provisions	(6,747)	(1,282)	(4,921)	(1,305)	(1,088)
Net interest income after provisions	**3,735**	**254**	**864**	**1,463**	**593**

Total interest income

Total interest income increased by 152% in 2005, to KZT 17,562 million and by 62.5% to KZT 6,973 million in 2004, compared to KZT 4,292 million in 2003. Total interest income increased by 333% to KZT 24,808 million for the six-month period ended June 30, 2006 from KZT 5,730 million for the same period in 2005. These increases were primarily due to a growth in Alliance Bank's loan portfolio and a higher share of retail loans (on which interest rates are higher than interest rates payable on corporate and SME loans) in Alliance Bank's loan portfolio. The share of retail loans in Alliance Bank's loan portfolio increased to KZT 49,981 million as at December 31, 2005, compared to KZT 10,224 million as at December 31, 2004 and KZT 3,238 million as at December 31, 2003. The share of retail loans in Alliance Bank's loan portfolio increased to KZT 131,945 million for the six-month period ended June 30, 2006 from KZT 20,204 million for the same period in 2005.

Interest on loans and advances to customers

Interest income on loans and advances to customers in 2005 increased to KZT 14,477 million, or by 141%, from KZT 5,997 million in 2004, after having increased by 67% from KZT 3,586 million in 2003. The continuing growth of Alliance Bank's loan portfolio was largely due to on-going improvements in the Kazakhstan economy and the resulting increase in the number of businesses requiring funding, an expansion of Alliance Bank's branch network and a gradual increase in the range of lending products offered by Alliance Bank. The increase in the interest income on loans and advances to customers in 2005 also reflected an increase in the share of retail loans (on which interest rates are higher than interest rates payable on corporate and SME loans) in Alliance Bank's loan portfolio.

Interest income on loans and advances to customers increased by 379% to KZT 22,033 million for the six months ended June 30, 2006, compared to KZT 4,595 million for the six months ended June 30, 2005, as the average balance of outstanding loans in Alliance Bank's portfolio rose by 272% to KZT 252,217 million for the six months ended June 30, 2006, from KZT 67,774 million for the same period in 2005. The increase in the interest income on loans and advances to customers reflected not only an increase of loans in nominal terms but also a change in the composition of those loans with unsecured consumer loans (on which interest rates are higher than interest rates payable on secured loans) increasing to 18% as at June 30, 2006, compared to 3.9% as at June 30, 2005.

The increases in loans to retail customers and the increases, since the second half of 2005, in the share of unsecured consumer loans, in Alliance Bank's retail loan portfolio have resulted in increases in Alliance Bank's average yield on total interest-earning assets. In 2005, the average yield on total interest-earning assets decreased to 10.8% compared to 11.5% in 2004 and 12.7% in 2003. For the six months ended June 30, 2006, the average yield on total interest-earning assets increased to 12.5% compared to 9.2% for the same period in 2005.

In the third quarter of 2005 Alliance Bank started granting retail loans that require customers to pay up-front fees. Although these fees are paid by the customer at the time the relevant loan is granted, they are amortized over the entire term of the loan. Accordingly, the up-front fees were reflected in Alliance Bank's financial results as interest income from loans and advances to customers, amortized over the term of such loans, which influenced the increase in interest income on loans and advances to banks for the six months ended June 30, 2006.

As at June 30, 2006, interest rates charged to borrowers ranged from 12.5% to 24% on Tenge-denominated loans, with the weighted average interest rate being 17.4% Interest rates charged on U.S. Dollar loans ranged from 10% to 20%, with the weighted average interest rate being 12.1%.

The overall average yield earned on loans increased to 15% in 2005, from 14% in 2004 after having decreased from 14.5% in 2003. The overall average yield earned on loans for the six months ended June 30, 2006 increased to 15.9% compared to 13.6% for the same period in 2005.

Interest on securities

Interest income on securities increased to KZT 2,594 million in 2005, or by 183% compared to KZT 916 million in 2004, after having increased by 42% in 2004 from KZT 644 million in 2003. For the six month period ended June 30, 2006, interest income earned on Alliance Bank's securities portfolio increased by 118% to KZT 2,318 million from KZT 1,064 million for the same period in 2005. The period-on-period increases were primarily due to the growth in the size of Alliance Bank's securities portfolio whereas the yield on the securities themselves during these periods did not materially change.

Interest on loans and advances to banks

Interest income on loans and advances to banks in 2005 increased to KZT 253 million, or by 772%, compared to interest income on deposits of KZT 29 million in 2004, after having decreased by 53%, compared to interest on deposits of KZT 62 million in 2003. The increase from 2004 to 2005 was primarily attributable to higher average balances of bank deposits maintained by Alliance Bank at other banks, which increased to KZT 6,898 million in 2005 from KZT 748 million in 2004. While the decrease from 2003 to 2004 was attributable to lower average balances of bank deposits by Alliance Bank at other banks.

Interest income on loans and advances to banks increased by 928% to KZT 370 million for the six months ended June 30, 2006 from KZT 36 million for the same period in 2005, primarily as a result of the higher average balance of bank deposits maintained by Alliance Bank at other banks in the first six months of 2006, which increased to KZT 14,883 million from KZT 3,014 million for the same period in 2005.

Interest income on repurchase transactions

Interest income on repurchase transactions increased to KZT 238 million in 2005, or by 667.7%, compared to KZT 31 million in 2004, and by 100%, compared to KZT 0 million in 2003. Interest income on repurchase transactions for the six months ended June 30, 2006 increased to KZT 87 million, or by 148.6%, compared to interest income on reverse repurchase transactions of KZT 35 million for the same period in June 2005. These slight increases were primarily attributable to an increase in the volume of repurchase transactions following the short-term excess liquidity resulting from various financings.

Interest Expense

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

	Six-month period ended June 30		**Year ended December 31**		
	2006	**2005**	**2005**	**2004**	**2003**
	(KZT millions unaudited)		*(KZT millions audited)*		
Interest on customer accounts	7,442	3,233	7,168	3,112	2,155
Interest on loans and advances from banks	4,648	533	2,031	557	211
Interest on securities	1,423	140	1,979	174	19
Interest on subordinated debt	292	255	537	238	201
Interest on repurchase transaction	91	24	47	93	24
Other interest expense	430	9	15	31	1
Total	**14,326**	**4,194**	**11,777**	**4,205**	**2,611**

Interest expense

Interest expense increased by 180% in 2005 to KZT 11,777 million from KZT 4,205 million in 2004, after having increased by 61% in 2004 from KZT 2,611 million in 2003. For the six months ended June 30, 2006, interest expense increased by 242% to KZT 14,326 million from KZT 4,194 million for the six months ended June 30, 2005. These period-on-period increases in interest expense were largely due to the growth in Alliance Bank's deposit base, particularly an increase in retail term deposits (which bear higher interest rates as compared to corporate deposits and on-demand retail deposits), increased bank borrowings and, in 2005 and 2006, the issuance of international debt securities.

Interest on customer accounts

Interest expenses on interest-bearing customer deposits (including both corporate and retail deposits) in 2005 increased to KZT 7,168 million, or by 130%, compared to KZT 3,112 million in 2004, after having increased by 44% in 2004 from KZT 2,155 million in 2003. Interest expenses on interest-bearing customer deposits (including both corporate and retail deposits) for the six months ended June 30, 2006 increased to KZT 7,442 million, or by 130.2%, compared to KZT 3,233 million for the same period of 2005. These increases reflected principally the increases in average balances of interest-bearing customer deposits (including both corporate and retail deposits) and increases in the share of interest-bearing retail deposits (on which interest rates are higher than interest rates payable on corporate deposits) in Alliance Bank's deposit portfolio. Higher balances were largely attributable to the generally improved economic conditions in Kazakhstan and the related improvement in the level of customer confidence in Kazakhstan the banking sector. The growth of Alliance Bank's deposit base and an expansion of Alliance Bank's branch networks were also important contributing factors.

Average interest rates paid on interest-bearing customer deposits for 2005 and 2004 were 7.6% and 7.2%, respectively, while average interest rates paid on interest-bearing customer deposits for the six-month periods ended June 30, 2006 and 2005 were 7.7% and 7.6%, respectively. The decrease in the average rates paid in 2004 compared to 2003, primarily reflected the declining interest rate in the Kazakhstan deposit market following an introduction by the Kazakhstan Deposit Insurance Fund ("*KDIF*") of a ceiling on interest rates above which KDIF would not insure customer deposits. The increase in 2005 was primarily attributable to an increase in the size of the average balances of Alliance Bank's retail term deposits (which bear interest at higher rates than corporate deposits and retail on-demand deposits) and an increase in the average tenor of such deposits (as Alliance Bank pays a higher interest rate for longer term deposits). Average interest rates paid on retail term deposits for 2005, 2004 and 2003 were 8.2%, 10.1% and 10.4%, respectively, while average interest rates paid on retail term deposits for the six-month periods ended June 30, 2006 and 2005 were 9.3% and 9.7%, respectively.

Increases in average balances on retail term deposits were largely attributable to the generally improved economic conditions in Kazakhstan and the related improvement in the level of customer confidence in Kazakhstan banks.

Interest on loans and advances from banks

Interest on loans and advances from banks increased by 265% in 2005 to KZT 2,031 million from KZT 557 million in 2004, after having increased by 164% in 2004 from KZT 211 million in 2003. For the six months ended June 30, 2006, interest on loans and advances from banks increased by 772% to KZT 4,648 million from KZT 533 million for the same period in 2005. The increases in interest on loans and advances from banks over each period were largely due to increased bank borrowings and a gradual increase in the base rate to which interest rates on Alliance Bank's inter-bank borrowings are linked during 2005 and 2006. In addition, the increase in the tenor of Alliance Bank's inter-bank borrowings resulted in an increase in the average absolute level of interest paid on them.

Interest on securities

Interest on securities increased by 1,037% in 2005 to KZT 1,979 million from KZT 174 million in 2004, after having increased by 816% from KZT 19 million in 2003. For the six months ended June 30, 2006, interest expense on securities increased by 916% to KZT 1,423 million from KZT 140 million for the same period in 2005. In each case, the primary reason for the increase was the higher balance of securities outstanding and an increase in the tenor of both Tenge and U.S. Dollar securities issued by Alliance Bank resulting in an increased interest rates for those securities. The significant increase in 2005 and 2006 was due to the increase of internationally issued debt securities.

Interest on subordinated debt

Alliance Bank's subordinated debt comprises floating rate domestic Tenge-denominated bonds, the yield on which is linked to the domestic inflation rate, fixed interest rate domestic Tenge-denominated bonds on which the payment of principal and interest is linked to the Dollar/Tenge exchange rate, and fixed-rate international U.S. Dollar Hybrid Tier I securities which were issued in April 2006. Interest on subordinated debt increased by 126% in 2005 to KZT 537 million from KZT 238 million in 2004, after having increased by 18.4% from KZT 201 million in 2003. For the six months ended June 30, 2006, interest expense on subordinated debt increased by 14.5% to KZT 292 million from KZT 255 million for the six months ended June 30, 2005. In each case, the primary reason for the increase was the higher balance of subordinated debt securities outstanding. In addition, these increases in interest expense on subordinated debt reflected a continuous increase in the domestic inflation rate, slightly offset by the depreciation of the U.S. Dollar in 2003, 2004 and the first six months of 2006.

Net Interest Income before Provisions

Net interest income before provisions increased in 2005 to KZT 5,785 million from KZT 2,768 million in 2004, and from KZT 1,681 million in 2003, reflecting an increase of 109% and 65%, respectively. For the six months ended June 30, 2006, net interest income before provisions increased to KZT 10,482 million from KZT 1,536 million for the same period in 2005, an increase of 582%

The increases in Alliance Bank's net income before provisions are attributable to a greater influence of the factors that led to increases in total interest income including, principally, increases: (i) in the size of Alliance Bank's loan portfolio, (ii) in the share of retail loans (on which interest rates are higher than interest rates payable on corporate and SME loans) in 2005 and 2006, and in the share of unsecured consumer loans (on which interest rates are higher than interest rates payable on secured loans) in Alliance Bank's retail loan portfolio in the second half of 2005 and first half of 2006, as compared to a relatively less significant influence of the factors that resulted in an increase of interest expense (including an increase in average balances of Alliance Bank's retail term deposits and in loans with a longer maturity for which Alliance Bank pays interest at higher rates). In addition, increases in Alliance Bank's net interest income before provisions are attributable to an increase in Alliance Bank's loan portfolio relative to its securities portfolio as a proportion of Alliance Bank's total assets.

Alliance Bank's net interest margin, defined as net interest income before provisions as a percentage of average interest-earning assets, was 3.7% in 2005, 4.6% in 2004 and 4.8% in 2003. The decreases in net interest margin were primarily attributable to the decrease in the share of Alliance Bank's loan portfolio as a percentage of Alliance Bank's total assets, while net interest margin was 5.9% for the six-month period ended June 30, 2006, compared to 2.5% for the same period in 2005. This increase was attributable to an increase in Alliance Bank's loan portfolio as a percentage of Alliance Bank's total assets.

Provisions

Provisions made by Alliance Bank in 2005 were KZT 4,921 million, compared to KZT 1,305 million, in 2004, compared to KZT 1,088 million, in 2003. Provisions made by Alliance Bank for six months ended June 30, 2006 increased by 426% to KZT 6,747 million, compared to KZT 1,282 million for the same period of 2005. All of the above increases principally reflect the significant growth over these periods in Alliance Bank's net loan portfolio, which grew by 74% from KZT 30,670 million as at December 31, 2003 to KZT 53,309 million as at December 31, 2004, by 238% from December 31, 2004 to KZT 180,097 million as at December 31, 2005 and by a further 87% to KZT 337,189 million as at June 30, 2006. In addition, the increase in the provisions in 2005 and the six months ended June 30, 2006 principally reflect a significant increase in the volume of unsecured consumer loans. In accordance with Alliance Bank's provisioning policy all unsecured loans require an immediate provision in the level of 5%, while there is no requirement to make provisions for secured loans (unless classification of the secured loan is downgraded).

Allowances for impairment losses increased by 190% in 2005 to KZT 7,555 million as of December 31, 2005 from KZT 2,606 million as of December 31, 2004, after having increased by 59.8% in 2004 from KZT 1,631 million as of 2003. Alliance Bank's allowances for provisions on interest-earning assets as at June 30, 2006 increased by 262% to KZT 13,930 million from KZT 3,851 million as at June 30, 2005. All of the above increases principally reflect the significant growth over these periods in Alliance Bank's loan portfolio and an increase in the volume of unsecured consumer loans.

Allowances for impairment losses as a percentage of gross loans decreased to 4% as at December 31, 2005, compared to 4.7% as at December 31, 2004, after having decreased from 5% as at December 31, 2003. These decreases reflected primarily an improvement in the overall quality of Alliance Bank's loan portfolio, which was partly offset by the increase in the volume of unsecured consumer loans and from higher provisioning requirements established by Alliance Bank. Allowances for impairment losses as a percentage of gross loans increased to 4% as at June 30, 2006, compared to 3.6% as at June 30, 2005.

For 2005, net recoveries were KZT 28 million (representing gross write-offs of KZT 39 million less KZT 67 million in recoveries), compared to net write-offs of KZT 331 million (representing gross write-offs of KZT 334 million less KZT 3 million in recoveries) for 2004, and compared to net write-offs of KZT 246 million (representing gross write-offs of KZT 246 million less KZT 0 million in recoveries) for 2003. The decrease in write-offs during 2005 is primarily attributable to the change made to write-off regulations by the NBK. Prior to

2005, the NBK required that loans on which payments were overdue for more than 180 days had to be written-off. Since January 1, 2005 the NBK has allowed banks to write-off loans as and when determined by their respective credit committees. The increase in write-offs during 2004 is primarily attributable to the increase in the size of Alliance Bank's loan portfolio. The period-on-period increases in recoveries are primarily attributable to increases in the size of Alliance Bank's loan portfolio and improvements in the recovery procedures employed by Alliance Bank.

For the six-month period ended June 30, 2006, net write-offs were KZT 372 million (representing KZT 432 million in gross write-offs less KZT 60 million in recoveries), compared to net write-offs of KZT 37 million (representing KZT 37 million in gross write-offs with no recoveries) for the same period in 2005. The increase in the write-offs during the six months ended June 30, 2006 as compared to the same period of 2005 is primarily due to increases in the size of Alliance Bank's loan portfolio.

Non-Interest Income

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

	Six-month period ended June 30		Year ended December 31		
	2006	2005	2005	2004	2003
	(KZT millions unaudited)		*(KZT millions audited)*		
Net (loss) gain on assets held-for-trading	(270)	375	278	129	141
Net gain on foreign exchange operations	424	111	620	46	235
Fee and commission, net	2,292	1,204	2,971	1,267	554
Net loss on derecognition of investments available-for-sale	-	-	(6)	(1)	-
Other (expenses)/income	180	133	840	246	182
Total	**2,626**	**1,823**	**4,703**	**1,687**	**1,112**

Non-Interest income increased by 179% in 2005 to KZT 4,703 million from KZT 1,687 million in 2004, after having increased by 52% in 2004 from KZT 1,112 million in 2003. For the six months ended June 30, 2006, non-interest income increased by 44% to KZT 2,626 million from KZT 1,823 million for the same period in 2005. These period-on-period increases in non-interest income were largely due to increases in the volume of Alliance Bank's fee and commission bearing transactions and the introduction of new fee and commission bearing products.

Assets held-for-trading

For the year ended December 31, 2005, Alliance Bank realized a net gain on assets held-for-trading of KZT 278 million, which represented an increase of 116% compared to KZT 129 million in 2004. The increase in 2005 was largely due to an increase in the size of Alliance Bank's securities portfolio which resulted in increased interest income on these securities and a general increase in the market price for these securities in 2005. For the year ended December 31, 2004, Alliance Bank realized a net gain on assets held-for-trading of KZT 129 million, which represented a decrease of 8.5% compared to KZT 141 million for the year ended December 31, 2003. This decrease was largely due to the decrease in the market value of securities held in Alliance Bank's securities portfolio over this period.

For the six-month period ended June 30, 2006, Alliance Bank had a net loss on assets held-for-trading of KZT 270 million, compared to a net gain of KZT 375 million for the same period in 2005. This change reflected a decrease in the market price of securities held by Alliance Bank due to changes in market interest rates.

Foreign Exchange Operations

Alliance Bank had a net gain from foreign exchange operations of KZT 620 million in 2005, compared to KZT 46 million in 2004, principally reflecting the implementation of a policy of hedging currency risks and an increased volume of currency exchange transactions. Alliance Bank's net gain of KZT 46 million as at December 31, 2004, represented a decrease of 80% compared to a net gain of KZT 235 million as at December 31, 2003. This decrease was primarily due to a revaluation in Tenge of U.S. Dollar denominated assets held by Alliance Bank, following the appreciation of the Tenge against the U.S. Dollar. Alliance Bank has a net gain from foreign exchange operations of KZT 424 million for the six months ended June 30, 2006, compared to

KZT 111 million for the same period of 2005, this increase is primarily attribute to the increase in the volume of currency exchange transactions.

Fees and Commissions

Net fees and commissions increased by 134% in 2005 to KZT 2,971 million from KZT 1,267 million in 2004, after increasing by 129% in 2004 from KZT 554 million in 2003. Net fees and commissions increased by 90% for the six-month period ended June 30, 2006 to KZT 2,292 million, compared to KZT 1,204 million for the same period of 2005. In each case, the increases were primarily due to increases in the volume of transactions.

Fee and commission income for 2005 increased by 147% to KZT 3,411 million from KZT 1,380 million in 2004, after increasing in 2004 by 124% from KZT 616 million in 2003. Fee and commission income increased by 111% for the six-month period ended June 30, 2006 to KZT 2,777 million as compared to KZT 1,314 million for the same period in 2005. The increases in all of the above periods are due to transaction fees charged on an increasing volume of transactions. The increases since January 1, 2005 principally reflect the introduction of fee-generating lending products by Alliance Bank.

Fee and commission expense increased by 289% to KZT 440 million in 2005, compared to KZT 113 million in 2004, after increasing by 82% in 2004 from KZT 62 million in 2003. Fee and commission expense increased by 341% for the six-month period ended June 30, 2006 to KZT 485 million, compared to KZT 110 million for the same period of 2005. These increases reflect fees and commissions payable by Alliance Bank on a greater number of international capital and money market transactions. In addition, the increase for the six-month period ended June 30, 2006, as compared to the same period of 2005, was due to a growth in commissions paid to third party originators of consumer loans, an origination source which Alliance Bank had generally not used prior to 2006.

Other Income

Other income, which comprises mostly default fees collected by Alliance Bank from its customers, increased by 241.5% to KZT 840 million in 2005, compared to KZT 246 million in 2004, after increasing by 35.2% in 2004 compared to KZT 182 million for the year ended December 31, 2003. Other income for the six months ended 2006 increased by 35% to KZT 180 million, compared to KZT 133 million for the same period in 2005. These period-on-period increases were principally due to an increase in the volume of Alliance Bank's operations in those periods.

Operating Expenses

The following table shows the composition of Alliance Bank's operating expenses for the periods indicated:

	Six-month period ended June 30		Year ended December 31		
	2006	2005	2005	2004	2003
	(KZT millions unaudited)		*(KZT millions audited)*		
Staff costs	1,407	418	1,381	676	353
Taxes, other than income tax	614	160	466	225	185
Advertising and marketing expenses	513	184	551	396	275
Operating lease	263	117	283	123	55
Depreciation and amortization	262	128	271	155	66
Social Tax	191	187	200	96	80
Business trip and related expenses	78	34	105	57	39
Telecommunications expenses	68	42	102	61	45
Membership fees	-	-	97	60	42
Representative expenses	7	-	73	10	26
Repair and maintenance	69	26	69	32	12
Consulting	22	26	59	47	22
Cash collection	-	10	55	29	21
Legal services expenses	8	24	53	26	30
Building maintenance	-	-	49	34	39
Security service	36	20	45	25	19
Stationery	-	-	41	14	8
Maintenance of computers and copy machines	35	20	40	11	10
Transportation costs	11	12	32	17	14
Expenses on insurance	33	23	29	19	15
Information services	11	8	23	14	15
Charity	-	-	14	12	18
Postal services	-	-	11	7	5
Card service expenses	-	-	9	7	2

Other	121	46	130	108	68
Total operating expenses	**3,749**	**1,485**	**4,188**	**2,261**	**1,464**

Operating expenses

Operating expenses for 2005 increased by 85% to KZT 4,188 million from KZT 2,261 million for 2004, after having increased by 54.4% in 2004 from KZT 1,464 million in 2003. Operating expenses increased by 152% for the six-month period ended June 30, 2006 to KZT 3,749 million from KZT 1,485 million for the six-month period ended June 30, 2005. The increase in operating expenses for the six month period ended June 30, 2006, compared to the same period in 2005, as well as the increase for 2005, compared to 2004 and to 2003, was mainly due to increases in staff costs, advertising and marketing expenses and taxes, other than income tax.

Staff costs

Staff costs for 2005 increased by 104% to KZT 1,381 million from KZT 676 million for 2004, after having increased by 92% in 2004 from KZT 353 million in 2003. The increase for 2005, compared to 2004 and to 2003, was largely attributable to an increase in the number of employees from 642 employees as at December 31, 2003 to 888 employees as at December 31, 2004 and to 1,831 employees as at December 31, 2005. Staff costs increased by 237% for the six-month period ended June 30, 2006 to KZT 1,407

million from KZT 418 million for the six-month period ended June 30, 2005. These increases were primarily attributable to the increase in salaries paid to Alliance Bank's employees. Salaries were, in turn, higher, reflecting both increases in inflation and in the number of employees, which rose by 85% to 2,876 full-time employees as at June 30, 2006 compared to 1,552 employees for the same period in 2005.

Advertising costs

Advertising and marketing expenses for 2005 increased by 39.1% to KZT 551 million from KZT 396 million for 2004, after having increased by 44% in 2004 from KZT 275 million in 2003. Advertising and marketing expenses increased by 179% for the six-month period ended June 30, 2006 to KZT 513 million from KZT 184 million for the six-month period ended June 30, 2005. These period-on-period increases were, in each case, mainly attributable to an increased volume of advertising conducted by Alliance Bank with the expansion of its branch network, the launching of new products by Alliance Bank, and a general market increase in advertising costs.

Taxes, other than income tax

Taxes, other than income tax, for 2005 increased by 107% to KZT 466 million from KZT 225 million for 2004, after having increased by 22% in 2004 from KZT 185 million in 2003. Taxes, other than income tax, increased by 284% for the six-month period ended June 30, 2006 to KZT 614 million from KZT 160 million for the six-month period ended June 30, 2005. Taxes, other than income tax, increased in each of the periods due to higher value added taxes, land taxes and other taxes, duties and payroll taxes, due to the expansion of Alliance Bank's business.

Operating lease expenses

Operating lease expenses for 2005 increased by 130% to KZT 283 million from KZT 123 million for 2004, after having increased by 124% in 2004 from KZT 55 million in 2003. Operating lease expenses increased by 125% for the six-month period ended June 30, 2006 to KZT 263 million from KZT 117 million for the six-month period ended June 30, 2005. These period-on-period increases are mainly attributable to the expansion of Alliance Bank's branch and cash settlement offices network.

Depreciation and amortization

Depreciation and amortization for 2005 increased by 75% to KZT 271 million from KZT 155 million for 2004, after having increased by 135% in 2004 from KZT 66 million in 2003. This increase was, in contrast, largely due to increases in the amount of Alliance Bank's fixed assets. Depreciation and amortization increased by 105% for the six-month period ended June 30, 2006 to KZT 262 million from KZT 128 million for the six-month period ended June 30, 2005. This increase was mainly due to the change in the rates at which buildings and improvements were depreciated.

Corporate Income Tax

Kazakhstan's tax regulations do not provide for the filing of consolidated income tax returns. Accordingly, Alliance Bank and its subsidiaries file individual tax returns. From 2001 to 2005, Kazakhstan was the only jurisdiction in which Alliance Bank's income was taxable. Kazakhstan currently has a number of laws related to various taxes imposed by both state and regional Governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and other taxes. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within Government ministries and organizations, thus creating uncertainties and areas of conflict. Alliance Bank reported income tax gain of KZT 356 million in 2005 but it reported neither a tax gain nor a tax loss in 2004 and an income tax expense of KZT 29 million in 2003.

The current statutory corporate income tax rate in Kazakhstan is 30%. Alliance Bank's effective tax benefit was 28.7% in 2005 and its effective tax rates were zero and 12.2% in 2004 and 2003, respectively. In 2005, the increase in Alliance Bank's tax benefit was a result of the occurrence of a deferred tax asset relating to increased commission prepayments. The decrease in 2004 compared to 2003 of Alliance Bank's effective tax rate was due to an increase in deductions that Alliance Bank was able to take due to interest income earned on state securities and mortgage loans.

Financial Condition

Total Assets

As at June 30, 2006, Alliance Bank had total assets of KZT 519,649 million, reflecting an increase of 134% over KZT 221,941 million as at June 30, 2005. This increase was primarily due to the growth in Alliance Bank's loan and securities portfolios. As at December 31, 2005, Alliance Bank had total assets of KZT 332,758 million, reflecting an increase of 178% from KZT 119,860 million as at December 31, 2004 and an increase of 138% in 2004 as compared to KZT 50,274 million as at December 31, 2003. The increases were primarily attributable to the increase in Alliance Bank's loan and securities portfolios. The increases at fair value through profit or loss were in conformity with Alliance Bank's strategy and budget and reflected overall growth in the business.

Total liabilities

As of June 30, 2006, Alliance Bank had total liabilities of KZT 486,235 million, reflecting an increase of 137% over KZT 205,333 million as at June 30, 2005. This increase was due to an increase in liabilities to financial institutions and in deposits placed with Alliance Bank. As at December 31, 2005, Alliance Bank had total liabilities of KZT 304,726 million, reflecting an increase of 193.4% compared to KZT 103,872 million as at December 31, 2004. Alliance Bank's total liabilities increased by 123% in 2004 compared to KZT 46,544 million in 2003. The increase was mainly due to the growth of Alliance Bank's deposit base and increases in the issuance of debt securities and inter-bank borrowings. See "Selected Statistical and Other Data - Funding Foreign Currency Bank Borrowings" for a description of Alliance Bank's additional financings.

Equity

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

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
	(KZT millions unaudited)		*(KZT millions audited)*		
Share capital	27,500	14,976	24,900	14,989	3,575
Share premium	1,224	5	4	5	-
Fixed assets revaluation reserve	491	73	491	73	76
Investments available-for-sale fair value reserve	127	182	204	38	-
Retained earnings	4,072	1,371	2,433	883	79
Total equity	33,414	16,608	28,032	15,988	3,730

Total equity as at June 30, 2006 was KZT 33,414 million (6.4% of total assets), compared to total equity of KZT 16,607 million (7.5% of total assets) as at June 30, 2005. The increase in equity as at June 30, 2006, compared to June 30, 2005, reflected primarily the issuance of 1,137,500 shares in March 2006 and an increase in retained earnings of Alliance Bank.

As at December 31, 2005, Alliance Bank's total equity amounted to KZT 28,032 million (8.4% of total assets), reflecting an increase of 75% in total equity as compared to December 31, 2004. Equity increased in 2005 due to the placement of 978,844 ordinary shares and the growth of retained earnings which increased by 176%

compared to 2004. Alliance Bank's total equity amounted to KZT 15,988 as at December 31, 2004, or 13.3% of total assets compared to KZT 3,730 million as at December 31, 2003, or 7.4% of total assets. Equity increased in 2004 as a result of increased retained earnings and new issuances of shares.

In May 2003, Alliance Bank authorized an issue of 200,000 ordinary shares, with an aggregate nominal value of KZT 2 billion, followed by a fourth issue of shares in September 2004 totaling a further 300,000 shares (again with an aggregate nominal value of KZT 3 billion), of which 250,000 were designated ordinary shares and 50,000 were designated preference shares. As at December 31, 2004, following an increase in the authorized share capital totaling 2,100,000 shares with an aggregate nominal value of KZT 21 billion, the authorized share capital of Alliance Bank was KZT 28 billion, of which KZT 500 million were preference shares and KZT 27.5 billion were ordinary shares. These new shares, the fifth issue of common shares, were placed with shareholders between December 2004 and February 2006.

In March 2006, Alliance Bank authorized a sixth issue of shares totaling 1,137,500 shares, including 500,000 ordinary shares and 637,500 preferred shares. As at June 30, 2006, Alliance Bank's authorized, issued and fully paid share capital comprised 2,750,000 ordinary shares and 400,000 preference shares as compared to 2,440,715 issued and fully paid ordinary shares and 50,000 preference shares as at December 31, 2005.

Alliance Bank intends to place an additional aggregate amount of KZT 18 billion of ordinary shares by the end of 2006. As the controlling shareholder, as a matter of Kazakhstan law, Seimar Investment Group is entitled to maintain its proportionate share of the share capital of Alliance Bank and therefore has a right of pre-emption when Alliance Bank issues new shares. Seimar has informed Management that it intends to exercise this right and maintain a 72.8% shareholding of Alliance Bank.

Off-Balance Sheet Arrangements

Alliance Bank enters into financial arrangements with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These arrangements, which include guarantees and letters of credit, involve varying degrees of credit risk and are not reflected in Alliance Bank's balance sheet.

According to the unaudited accounting records of Alliance Bank, as at June 30, 2006, Alliance Bank had issued letters of credit totaling KZT 10,458 million and guarantees and similar commitments totaling KZT 6,300 million. As at June 30, 2005, Alliance Bank had letters of credit totaling KZT 795 million and guarantees and similar commitments totaling KZT 4,485 million.

As at December 31, 2005, Alliance Bank had issued letters of credit totaling KZT 5,350 million and guarantees and similar commitments totaling KZT 35,255 million. As at December 31, 2004, Alliance Bank had issued letters of credit totaling KZT 694 million and guarantees and similar commitments totaling KZT 4,445 million. As at December 31, 2003, Alliance Bank had issued letters of credit totaling KZT 60 million and guarantees and other similar commitments totaling KZT 1,772 million. As of December 31, 2005, 2004 and 2003, KZT 286 million, KZT 509 million and KZT 30 million, respectively, guarantees and similar commitments were secured by cash deposited in customer accounts. As of December 31, 2005, 2004 and 2003, KZT 1,782 million, KZT 42 million and KZT 42 million, respectively, letters of credit were secured by cash deposited in customer accounts.

Alliance Bank made a provision of KZT 176 million for 2005, KZT 46 million for 2004 and KZT 20 million for 2003 in respect of these arrangements and a provision of KZT 321 million as at June 30, 2006, compared to KZT 34 million as at June 30, 2005.

The increase of off-balance sheet arrangements, during each period, can be attributed to the overall growth of Alliance Bank's business and its client base.

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

Capital Adequacy

The capital adequacy requirements currently in effect in Kazakhstan exceed guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of Alliance Bank for International Settlements (the "*BIS Guidelines*"). See "Banking - Banking Reform and Regulation". The FMSA requires banks to maintain a Tier I capital adequacy ratio of 6% (compared to 4% recommended by the BIS Guidelines) of total assets and a capital adequacy ratio of 12% (compared to 8% recommended by the BIS Guidelines) of risk-weighted assets based on Alliance Bank's unconsolidated financial statements and the risk weights that depart from the Basel Committee recommendations.

Financial institutions that qualify as banking holding companies under applicable FSMA regulations benefit from lower capital adequacy ratios of 5% for Tier I capital and 6% for Tier II capital. These lower requirements have applied to Alliance Bank since February 2006 when Alliance Bank was recognized as a banking holding by the FMSA.

Alliance Bank has always maintained its capital in excess of NBK capital adequacy requirements. Management believes that, as at the date of this Prospectus, Alliance Bank is in compliance with the applicable regulatory requirements of the NBK.

The following table sets out certain ratios calculated in accordance with the requirements of the NBK as at June 30, 2006 and 2005, and December 31, 2005, 2004 and 2003 regarding capital adequacy, foreign exchange positions, maximum exposures and certain other matters:

		As at June 30		**As at December 31**		
	NBK's minimum requirements	**2006**	**2005**	**2005**	**2004**	**2003**
		(unaudited)			*(audited)*	
Minimum Share Capital (KZT)[1]	Not less than KZT 2,000 million[2]	KZT 58,630 million	KZT 14,976 million	KZT 24,900 million	KZT 14,989 million	KZT 3,575 million
K1 - tier I capital to total assets	Not less than 6%[5]	7%	7%	8%	13%	7%
K2 - own capital to total assets weighted for risk[2]	Not less than 12%[6]	13.7%	15%	15%	33%	18%
K4 - Current Liquidity ratio	Greater than 30%	145%	242%	287%	109%	141%
K5 - Short-term Liquidity Ratio	Greater than 50%	103%	104%	103%	103%	109%
Reserves with the NBK and cash[3]	A monthly average of 6% of deposits with a maturity of less than three months[7]	KZT 21,780 million	KZT 8,265 thousand	KZT 12,395 thousand	KZT 5,609 thousand	KZT 969 thousand
K6 - investments in fixed assets and non-financial assets to own capital	Not greater than 50% of bank's own capital	13%	10%	18%	6%	13%
Maximum aggregate net open foreign currency position[4]	30%* of bank's own capital	(7)%	1.0%	3.2%	2.3%	(6.7)%
Maximum net open (short or long) position in currencies of countries rated "A" or higher and the Euro	15%** of bank's own capital	(9)%	0.8%	(1.2)%	(2.2)%	(7.1)%
Maximum net open position in currencies of countries rated below "A"	5% of bank's own capital	2%	0.2%	4.9%	0.0%	0.4%
Maximum exposure to any single borrower	Percentage of bank's own capital					
- related parties	Not greater than 10%	4.8%	3%	4%	1%	1%
- other borrowers	Not greater than 25%	13.8%	23%	22%	10%	20%
- on unsecured loans	Not greater than 10%	0.3%	2%	3%	4%	1%

* 25% starting from September 1, 2006.

** 12.5% starting from September 1, 2006.

Notes:

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

(2) The NBK's definition of "own capital" is the sum of Tier I capital plus Tier II capital (to the extent it does not exceed Tier I capital) and, starting from January 1, 2006, Tier III capital (not exceeding 250% of the part of Tier I capital aimed to cover market risk) less equity investments. Tier I capital is the sum of share capital plus share premium plus retained earnings less intangible assets, and, starting from November 22, 2005, qualified long-term less debt obligations or Tier I subordinated debt in an amount not exceeding 15% of Tier I capital. Tier II capital is the sum of current profit for the period plus revaluation reserves plus general provisions (to the extent that they do not exceed 1.25% of risk-weighted assets) plus Tier II subordinated debt (but no more than 50% of Tier I capital) and, starting from November 22, 2005, Tier I subordinated debt not included into the calculation of Tier I capital. Starting from January 1, 2006, Tier III capital is the sum of Tier III subordinated debt plus Tier II subordinated debt not included into the calculation of Tier II capital. Since November 2005, for a bank with a banking holding company (that is, an entity holding more than 25% of its voting share capital, alone or together with affiliated companies) among its shareholders, K1 must be not less than 5% and for other banks it must not be less than 6%, as before. In addition, starting from January 1, 2006, assets weighted by credit, market and operational risk (as opposed to only credit risk-weighted before) have to be taken into account when calculating the K2 ratio.

(3) Ratio of actual reserves to reserve liabilities. From October 1, 2005, reserve requirements have been calculated as a percentage of internal liabilities of Alliance Bank (basically, average customer account balances) plus the positive difference, if any, between the amount of external liabilities and the amount of external reserve assets of Alliance Bank. External liabilities include liabilities to international financial organizations, special purpose deposits of subsidiaries, debt security liabilities and subordinated debts. External reserve assets include hard currency and certain other assets abroad. The percentage stays unchanged at 6%.

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

(5) A lower, 5% requirement has applied to Alliance Bank since February 2006 when Alliance Bank obtained the status of a banking holding from the FMSA.

(6) A lower, 10% requirement has applied to Alliance Bank since February 2006 when Alliance Bank obtained the status of a banking holding from the FMSA.

(7) With effect from July 14, 2006, the NBK requirement of a minimum monthly average of 6% of deposits with a maturity of less than three months, has been changed to the minimum requirement of 6% of all domestic liabilities and 8% of all non-domestic liabilities.

(8) Starting from June 30, 2006, the FMSA has introduced three new limits in relation to currency liquidity. The current currency liquidity limit (to be greater than 0.9) is calculated as foreign currency denominated high liquidity assets averaged monthly divided by paid-on-demand liabilities in the same currency averaged monthly. The short-term currency liquidity limit is calculated similarly to the current currency liquidity limit by taking assets/liabilities with maturities less than three months; this ratio should not exceed 0.8. Similarly, the medium-term currency liquidity limit is calculated by taking assets/liabilities with maturities of less than one year; it should not be greater than 0.6. Limits are calculated for each foreign currency where liabilities denominated in such currency exceed 1% of the monthly averaged liabilities of a bank.

The following table gives certain information regarding Alliance Bank's Tier I and Tier II capital and its risk weighted capital adequacy ratio based on methodology established by Alliance Bank for International Settlements as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
	(KZT millions unaudited)		*(KZT millions audited)*		
Tier I capital	38,583	15,866	27,336	15,877	3,654
Tier II capital	18,444	5,599	5,490	3,984	1,903
Gross Tier I + Tier II capital	57,027	21,465	32,826	19,861	5,557
Less Investments	(888)	(47)	(76)	(48)	(239)
Tier I capital + Tier II	56,139	21,418	32,750	19,813	5,318
Total risk weighted assets	391,114	125,531	245,858	73,224	35,964
Tier I capital adequacy ratio	10%	12.6%	11.1%	21.7%	10.2%
Total risk weighted capital adequacy ratio	14.4%	17.1%	13.3%	27.1%	14.8%

As at June 30, 2006, Alliance Bank had a Tier I capital ratio (comprising Tier I capital divided by total risk weighted assets) of 10% and a risk weighted capital adequacy ratio (comprising Tier I and Tier II capital less investments in unconsolidated banking and financial companies divided by total risk weighted assets) of 14.4%.

At the meeting of the shareholders of Alliance Bank in February 2005, Alliance Bank decided to increase its capital by approximately U.S.$100 million per annum through the placement of shares and the capitalization of retained earnings. In March 2006, Alliance Bank authorized a sixth issue of shares totaling 1,137,500 shares, including 500,000 ordinary shares and 637,500 preferred shares. As at June 30, 2006, 2,750,000 ordinary shares and 400,000 preferred shares were issued and fully paid. In September 2006 Alliance Bank authorized an additional placement of ordinary shares having 3,226,360 shares fully issued and paid.

Alliance Bank intends to place an additional aggregate nominal amount of KZT 18 billion of ordinary shares by the end of 2006, although no assurance can be given that such placement will occur within the proposed timeframe or at all.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary financial information presented below as at and for the years ended December 31, 2005, 2004 and 2003 and for the six months ended June 30, 2006 and 2005 has been derived from, should be read in conjunction with and is qualified in its entirety by Consolidated Financial Statements, including the notes thereto, contained elsewhere in this Prospectus. Investors should not rely on interim results as being indicative of results Alliance Bank may expect for the full year.

The Audited Consolidated Financial Statements were audited by LLP Deloitte Kazakhstan, whose audit report is included elsewhere in this Prospectus. The Unaudited Consolidated Financial Statements were reviewed by LLP Deloitte Kazakhstan.

The Consolidated Financial Statements have been prepared in accordance with IFRS.

Prospective investors should read this summary financial information in conjunction with the information contained in "Risk Factors", "Capitalization", "Managements Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements, including the notes thereto, and the other financial data contained elsewhere in this Prospectus.

Consolidated Profit and Loss Account

	For the six months ended June 30			For the years ended December 31			
	2006		2005	2005		2004	2003
	(U.S.$ thousands)[(1)] *(unaudited)*	*(KZT millions) (unaudited)*	*(KZT millions) (unaudited)*	*(U.S.$ thousands)*[(2)] *(unaudited)*	*(KZT millions) (audited)*	*(KZT millions) (audited)*	*(KZT millions) (audited)*
Interest income	195,184	24,808	5,730	132,184	17,562	6,973	4,292
Interest expense	(112,714)	(14,326)	(4,194)	(88,642)	(11,777)	(4,205)	(2,611)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	82,470	10,482	1,536	43,542	5,785	2,768	1,681
Provision for impairment losses on interest bearing assets	(53,084)	(6,747)	(1,282)	(37,039)	(4,921)	(1,305)	(1,088)
NET INTEREST INCOME	29,386	3,735	254	6,503	864	1,463	593
Net gain on assets held-for-trading	(2,124)	(270)	375	2,092	278	129	141
Net gain on foreign exchange operations	3,336	424	111	4,667	620	46	235
Fee and commission income	21,849	2,777	1,314	25,674	3,411	1,380	616
Fee and commission expense	(3,816)	(485)	(110)	(3,312)	(440)	(113)	(62)
Net loss on derecognition of investments available-for-sale	-	-	-	(45)	(6)	(1)	-
Other income	1,416	180	133	6,322	840	246	182
NET NON-INTEREST INCOME	20,661	2,626	1,823	35,398	4,703	1,687	1,112
OPERATING INCOME	50,047	6,361	2,077	41,901	5,567	3,150	1,705
OPERATING EXPENSES	(29,496)	(3,749)	(1,485)	(31,522)	(4,188)	(2,261)	(1,464)
OPERATING PROFIT	20,551	2,612	592	10,379	1,379	889	241
OTHER PROVISIONS	(1,786)	(227)	(16)	(1,046)	(139)	(28)	(6)
Share of results of associates	-	-	-	-	-	-	2
PROFIT BEFORE INCOME TAX	18,765	2,385	576	9,333	1,240	861	237
Income tax (expense)/Benefit	(5,870)	(746)	(62)	2,680	356	-	(29)
NET PROFIT	12,895	1,639	514	12,013	1,596	861	208

Notes:

(1) Translated at the average U.S. Dollar exchange rate for the six months ended June 30, 2006, as reported by the NBK, of KZT 127.10 = U.S.$1.00.

(2) Translated at the average U.S. Dollar exchange rate for the year ended December 31, 2005, as reported by the NBK, of KZT 132.86 = U.S.$1.00.

Consolidated Balance Sheet

	As at June 30		As at December 31			
	2006		2005		2004	2003
	(U.S.$ thousands)[(1)] *(unaudited)*	*(KZT millions) (unaudited)*	*(U.S.$ thousands)*[(1)] *(unaudited)*	*(KZT millions) (audited)*	*(KZT millions) (audited)*	*(KZT millions) (audited)*
ASSETS						
Cash and balances with the National Bank of the Republic of Kazakhstan	214,492	25,458	316,416	42,327	19,631	2,378
Precious metals	34	4	22	3	2	1
Assets held-for-trading	959,853	113,925	592,681	79,283	31,324	1,564
Loans and advances to banks, less allowance for impairment losses	171,135	20,312	76,116	10,182	892	2,242
Securities purchased under agreements to resell	13,708	1,627	30,186	4,038	6,421	401
Loans and advances to customers, less allowance for impairment losses	2,840,922	337,189	1,346,318	180,097	53,309	30,670
Investments available-for-sale	93,243	11,067	83,046	11,109	5,467	4,904
Investments held-to-maturity	3,758	446	3,461	463	1,260	6,884
Investment in associated companies	-	-	-	-	-	50
Fixed and intangible assets, less accumulated depreciation and amortization	27,542	3,269	16,304	2,181	1,036	748
Derivative financial instruments	7,001	831	-	-	-	-
Income tax assets	-	-	4,179	559	116	43
Other assets, less allowance for impairment losses	46,516	5,521	18,808	2,516	402	389
TOTAL ASSETS	4,378,204	519,649	2,487,537	332,758	119,860	50,274
LIABILITIES AND EQUITY						
LIABILITIES:						
Due to the budget of the Republic of Kazakhstan	573	68	964	129	284	538
Deposit from the National Bank of the Republic of Kazakhstan	50,552	6,000	44,853	6,000	4,000	1,000
Loans and advances from banks	1,539,582	182,733	707,603	94,656	9,463	3,931
Securities sold under agreements to repurchase	186,283	22,110	46,804	6,261	16,592	1,131
Customer accounts	1,380,243	163,821	1,031,278	137,954	67,454	36,885
Debt securities issued	696,436	82,660	399,850	53,488	1,999	296
Dividend on preference shares	211	25	366	49	60	-
Derivative financial instruments	177	21	-	-	-	-
Income tax liability	185	22	-	-	-	-
Other liabilities	21,206	2,517	6,279	840	147	76
Subordinated debt	221,232	26,258	39,987	5,349	3,873	2,687
TOTAL LIABILITIES	4,096,680	486,235	2,277,984	304,726	103,872	46,544
EQUITY:						
Share capital	231,696	27,500	186,140	24,900	14,989	3,575
Share premium	10,313	1,224	30	4	5	-
Fixed assets revaluation reserve	4,137	491	3,670	491	73	76
Investments available-for-sale fair value reserve	1,070	127	1,525	204	38	-
Retained earnings	34,308	4,072	18,188	2,433	883	79
Total equity	281,524	33,414	209,553	28,032	15,988	3,730
TOTAL LIABILITIES AND EQUITY	4,378,204	519,649	2,487,537	332,758	119,860	50,274

Note:

(1) Translated at the U.S. Dollar exchange rate for the six months ended June 30, 2006, as reported by the NBK, of KZT 118.69 = U.S.$1.00.

(2) Translated at the U.S. Dollar exchange rate as at December 31, 2005, as reported by the NBK, of KZT 133.77 = U.S.$1.00.

	As at June 30	As at or for the years ended December 31		
	2006	**2005**	**2004**	**2003**
	(unaudited)	*(% unless otherwise noted)* *(audited)*		
Combined Key Ratios:				
Return on equity[(1)]	10.7	7.3	8.7	7.4
Net earnings per common share (in KZT)	614.0	903.7	1,716.0	635.3
Operating expenses/operating income before provisions for impairment losses	28.6	39.9	50.8	52.4
Operating expenses/operating income after provisions for impairment losses	58.9	75.2	71.8	85.9
Effective provisioning rate on customer loans (excluding accrued interest income)	4.0	4.1	4.8	5.2
Profitability Ratios[(2)]:				
Net interest margin (*i.e.*, net interest income before provisions for impairment losses as a percentage of average interest-earning assets)	5.9	3.7	4.6	4.8
Net interest income as a percentage of average interest-earning assets	2.1	0.5	2.3	1.7
Operating expenses as a percentage of net interest income before provisions for impairment losses	35.8	72.4	81.7	87.1
Operating expense as a percentage of average total assets	2.1	2.4	3.4	4.1
Profit after taxation as a percentage of average total assets	0.9	0.9	1.3	0.6
Profit after taxation as a percentage of average equity	10.3	8.2	15.0	7.4
Balance Sheet Ratios:				
Customer accounts as a percentage of total assets	31.5	41.5	56.3	73.4
Total net loans to customers as a percentage of total assets	64.9	54.1	44.5	61.0
Total equity as a percentage of total assets	6.4	8.4	13.3	7.4
Liquid assets as a percentage of customer accounts[(3)]	98.2	98.1	86.4	17.4
Liquid assets as a percentage of liabilities of up to one month	188.3	215.6	136.7	62.2
Capital Adequacy Ratios[(4)]:				
Total capital	14.4	13.3	27.1	14.8
Tier 1 capital	10.0	11.1	21.7	10.2
Asset Quality Ratios[(5)]:				
Non-performing loans as a percentage of total loans	2.3	1.8	2.9	4.0
Non-performing loans as a percentage of total loans and guarantees	1.7	1.5	2.7	3.8
Provisions for impairment losses as a percentage of non-performing loans	173.2	222.2	161.2	127.6
Exchange Rates used in financial statements of Alliance Bank[(6)]:				
Period end	118.7	133.8	130.0	144.2
Average for the period[(7)]	127.1	132.9	136.0	149.6
Macroeconomic Data:				
Consumer Price Inflation (for the twelve months then ended)	4.8	7.6	6.7	6.8
Real GDP (change during the year)	9.3	9.4	9.4	9.2

Notes:

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

(2) Averages are based upon average daily balances.

(3) Liquid assets include cash and balances with NBK, precious metals, loans and advances to banks (with a maturity of less than one month), assets held-for-trading and securities sold under agreements to resell.

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

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

(6) KZT/U.S.$1.00.

(7) The average monthly rate is the average of Alliance Bank's daily rates for the month. The average rate for a period is the average of the monthly average rates during that period.

DESCRIPTION OF BUSINESS

Overview

As at June 30, 2006, Alliance Bank was the fourth largest commercial bank in Kazakhstan in terms of assets, with assets of KZT 519,649 million; the fourth largest bank in Kazakhstan in terms of equity, with equity of KZT 33,414 million; and the fourth largest bank in Kazakhstan in terms of total time deposits (including retail deposits), with total time deposits of KZT 112,315 million, all according to data from Consolidated Financial Statements.

In accordance with Kazakhstan laws and Article eight of Alliance Bank's Charter, Alliance Bank is authorized to act as a commercial bank and to offer a wide range of traditional banking services, including deposit taking, lending, issuing letters of credit and guarantees, availing promissory notes and payment cards, foreign currency exchange operations, broker-dealer transactions, custody, clearing and safe-keeping operations, financial leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust, pawnshop, factoring and forfeiting operations and issuing securities. However, Alliance Bank's primary business consists of retail and corporate banking. Its retail banking activities include lending and deposit taking as well as the provision of payment card services. Alliance Bank's corporate banking division provides a broad range of banking products to a diversified group of domestic customers, primarily SMEs.

Alliance Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan. As at the date of this Prospectus, Alliance Bank had 19 full-service branches located in the principal cities of Kazakhstan and 103 cash settlement offices (that provide a more limited range of banking service) throughout Kazakhstan.

Alliance Bank holds a general banking license (No. 250), as amended by the FMSA on September 2, 2005. In addition, Alliance Bank was granted a license to conduct broker/dealer operations by the FMSA on August 11, 2004 and a license to conduct custodian operations on May 28, 2005. Alliance Bank's registration number is 4241 1900 AO; its headquarters are located at 100A Furmanov Street, Almaty 050000, Kazakhstan, while its registered address is at 80 Satpayev Street, Almaty 050046, Kazakhstan, and its telephone number is +7 3272 584 040.

History

Alliance Bank was incorporated on May 14, 1993 as an open joint stock company under the name IrtyshBusinessBank OJSC. Headquartered in Pavlodar, Alliance Bank became one of the first banks in Kazakhstan to have branches in more than one region. On July 13, 1999, IrtyshBusinessBank OJSC merged with Semipalatinsk City Bank, another regional bank based in Eastern Kazakhstan, which had been incorporated in 1992. The combined bank primarily served large industrial enterprises in the Eastern Kazakhstan and Pavlodar regions.

In October 2001, a consortium of domestic companies, led by OJSC Almaty Kus (a poultry company part owned by Seimar Investment Group), CJSC Astyk Astana 2030 (a grain company), CJSC Byte Corporation (a media holding company) and CJSC Zhana Gasyr NS (a construction company), acquired more than a 90% interest in Alliance Bank. The consortium also included Seimar Investment Group, who acquired a 37% interest in Alliance Bank. In connection with this acquisition, Alliance Bank increased its share capital to KZT 1,179 million. Alliance Bank retained a new management team and developed and began to implement a new growth strategy.

In March 2002, Alliance Bank changed its name to OJSC Alliance Bank and relocated its headquarters to Almaty, Kazakhstan's financial centre. Following an issue of shares amounting to KZT 820 million to two leading Kazakhstan companies, Rakhat Confectionery and the ANT Group, in August of 2002, Alliance Bank's authorized share capital increased to KZT 2 billion, making it the eighth largest bank in Kazakhstan in terms of authorized share capital as at December 31, 2002.

In 2002, in addition to the then existing branches in Ust-Kamenogorsk, Semipalatinsk, Pavlodar and Ekibastuz, Alliance Bank opened new branches in Astana, Almaty and Petropavlovsk. That same year, Alliance Bank joined the KDIF, which guarantees certain retail deposits made with member banks, thereby making such deposits more attractive to potential customers.

In the fourth quarter of 2002, Alliance Bank first entered the international syndicated loan market as a borrower and issued its first offering of subordinated bonds on the domestic market.

In April 2003, Alliance Bank became a member of the Kazakhstan Stock Exchange (the "*KASE*") with the right to deal in government and corporate securities traded on the KASE.

On March 13, 2004, Alliance Bank was re-registered as JSC Alliance Bank.

In May 2003, Alliance Bank authorized a third issue of ordinary shares totaling 200,000 shares, with an aggregate nominal value of KZT 2 billion, followed by a fourth issue of shares in September 2004 totaling a further 300,000 shares (with an aggregate nominal value of KZT 3 billion), of which 250,000 were designated ordinary shares and 50,000 were designated preference shares. As at December 31, 2004, following an increase in the authorized share capital totaling 2,100,000 shares with an aggregate nominal value of KZT 21 billion, the authorized share capital of Alliance Bank was KZT 28 billion, of which KZT 500 million were preference shares and KZT 27.5 billion were ordinary shares. These shares, the fifth issue of ordinary shares, were placed with shareholders between December 2004 and February 2006. In March 2006, Alliance Bank authorized a sixth issue of share capital totaling 1,137,500 shares, including 500,000 ordinary shares and 637,500 preference shares. As at June 30, 2006, Alliance Bank's authorized, issued and fully paid share capital comprised 2,750,000 ordinary shares and 400,000 preference shares as compared to 2,440,715 issued and fully paid ordinary shares and 50,000 preference shares as at December 31, 2005.

In 2003, Alliance Bank assisted the State mortgage company "Mortgage Loans Guarantee Fund" JSC with the implementation of an extensive program to promote long-term mortgage-backed lending in the regions, which provided Alliance Bank with an opportunity to broaden its client base and to expand the range of financial products it offers (including mortgages to home-owners and long-term loans to construction businesses). Participation in this program also effectively reduced Alliance Bank's credit risk as mortgages granted under the program are partially insured by "Mortgage Loans Guarantee Fund" JSC.

In 2003, Alliance Bank further expanded its branch network by opening branches in Karaganda and Atyrau. In August 2004, Alliance Bank concluded an agreement with Kazpost JSC ("*Kazpost*"), a state owned postal company under which Alliance Bank started offering a range of its financial products through a number of Kazpost outlets. Alliance Bank continued to expand its branch network in 2005 and the first half of 2006, during which time Alliance Bank established its first branches in the cities of Kostanay, Aktau, Shymkent and Talgar, a second branch in Uralsk, a second branch in Aktobe, and a second and third branch in Almaty. Alliance Bank also converted existing cash settlement offices in Taldykorgan and Zhezkazgan into branches.

During 2005 and the first half of 2006, Alliance Bank continued and continues to be active as a borrower in the international capital and money markets.

During that time, Alliance Bank concluded a number of loan facilities with major international banks, including, among others: a one year, U.S.$80 million facility with a syndicate led by Citibank, N.A., London branch and ING Bank N.V. in May 2005 which has since been repaid; a three year, U.S.$170 million trade finance facility with a syndicate lead by Deutsche Bank AG, London Branch and ING Bank N.V. in November 2005; a two year, U.S.$46 million facility with a syndicate lead by Bankgesellschaft Berlin AG in March 2006; a four year, U.S.$400 million facility with a syndicate led by The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank, N.A., Raiffeisen Zentralbank Osterreich AG and Standard Chartered Bank in June 2006; 18 month KZT 22.5 billion and KZT 7.5 billion facilities in December 2005 and January 2006 respectively, and a three year KZT 13.5 billion facility in April 2006 with Morgan Stanley & Co. International Limited, totaling KZT 43.5 billion or U.S.$366 million; a five year, U.S.$50 million facility with Asian Development Bank in June 2006; a two year, U.S.$30 million facility with Standard Bank Plc in March 2006; and a number of other facilities for amounts ranging between U.S.$5 million and U.S.$10 million with the EBRD.

Alliance Bank has also raised substantial funds in the international capital markets. In June 2005, Alliance Bank issued its debut U.S.$150 million 9% Eurobonds due 2008 with J.P.Morgan Securities Ltd. and HSBC Bank plc acting as joint lead managers; in November 2005, Alliance Bank issued (through its finance subsidiary ALB Finance) U.S.$200 million 9% Guaranteed Notes due 2010 with ABN AMRO Bank N.V. and Citigroup Global Markets Limited acting as joint lead managers; in April 2006, Alliance Bank established a U.S.$1.5 billion Debt Issuance Program under which it issued (through its finance subsidiary ALB Finance) U.S.$250 million Notes due 2011, and in April 2006 Alliance Bank also issued (also through its finance subsidiary ALB Finance U.S.$150 million 9.375% Perpetual Non-cumulative Capital Securities on a standalone basis, with Credit Suisse Securities (Europe) Limited and UBS Limited acting as joint lead managers.

Strategy

As Kazakhstan's economy grows and the private sector expands, Management expects to see continued strong demand from private sector companies for financial services, including a range of financing. In addition, Management believes that the demand for retail banking services will continue to grow largely due to a further increase of public confidence in the banking sector, and, accordingly, Alliance Bank continues to focus on the development of its retail business, targeting customers in the relatively under penetrated mass market. A major contributing factor to this growth in public confidence has been the measures taken by the NBK and FMSA with a view to developing and stabilizing Kazakhstan's banking sector, including the establishment in 2000 of the KDIF.

Following three years of rapid expansion of both Alliance Bank's deposit base and loan portfolio, Management aims to continue the growth of Alliance Bank across all its business lines and thereby consolidate Alliance Bank's position in the market. Generally, Alliance Bank's strategy will be to continue to focus on strengthening and expanding its retail and corporate banking (especially SME) business. However, Alliance Bank's current strategic plan places particular emphasis on developing its retail banking business (particularly in the consumer credit sector). Management intends to achieve this through improving the quality of customer service, exploiting cross-selling opportunities and diversifying Alliance Bank's distribution channels. In respect of the diversification of Alliance Bank's distribution channels, in addition to a planned increase of its cash settlement offices from 103 as at the date of this Prospectus to 176 by the end of 2006, Alliance Bank plans to expand its network of agent and retail partner sales points.

The key elements of Alliance Bank's strategy include:

- development and strengthening of its existing market position;
- entrance into new financial market segments;
- continuous improvement of financial performance;
- optimization and modernization of banking products;
- increasing the quality of service; and
- expansion and diversification of its distribution network.

Development and Strengthening of Existing Market Position

Alliance Bank intends to build on its existing market positions in its different business areas initially to remain competitive but also to increase its market share in each such market. It intends to do this primarily by developing its retail and SME lending businesses. Alliance Bank also plans to increase the diversity of its loan and deposit portfolios to avoid over-dependence on a single business sector or geographical area.

As part of this, Alliance Bank has set itself the goal of becoming the largest lender in the Kazakh retail sector over the next few years. Management expects to be able to achieve its stated goal due to the increased use of Alliance Bank's alternative distribution channels, in addition to Alliance Bank's branch and cash-settlement outlets, to access a greater number of retail customers. In particular, Alliance Bank intends to further expand its use of broker services and retail partners to sell its loan products by actively targeting individuals within the mass retail market which Alliance Bank believes is currently under-banked. See "Distribution Channels".

Management believes that Alliance Bank's historically relatively high capitalization puts Alliance Bank at a competitive advantage in the Kazakhstan banking sector and enables Alliance Bank to grow in line with the growth of the market. This is supported by the fact that Alliance Bank's shareholders have declared their intention to support this growth through further capital injections over the next couple of years.

In addition, Management sees aggressive and high profile marketing as an important factor in attracting new customers. Alliance Bank had increased marketing costs for the first half of 2006 of KZT 513 million, compared to KZT 184 million in the first half of 2005.

Entrance into New Financial Market Segments

Management believes it can substantially expand its client base and reduce its market risk by attracting clients in market segments in which Alliance Bank currently has either limited or no presence. In particular, Alliance Bank aims to launch operations in the pension funds market by starting to hold securities for pension funds as administrator and registrar on the basis of a license obtained from the FMSA in May 2005, which allows Alliance Bank to conduct custodian operations; in the payment card market, through a rapid expansion of its recently established ATM network; and in the promissory note market, by increasing the volume of its operations in promissory notes.

Alliance Bank also intends to target new sectors of the market in retail banking, such as middle and low income workers and pensioners, which Management believes offer strong growth opportunities based on their relatively low penetration rates.

Continuous Improvement of Financial Performance

In order to continue to improve its financial performance in the highly competitive market environment where margins are decreasing, Alliance Bank will seek to improve the efficiency of its operational processes. Management intends to achieve this by increasing the sales volumes of its core banking products while streamlining its internal operational processes to make them more efficient and cost effective.

In addition, Alliance Bank intends to concentrate on higher margin products including, in particular, (i) in the consumer financing markets, where margins are generally higher than in retail or corporate banking sectors, and (ii) in the corporate banking sector, focusing on structured finance products, leasing (primarily in SME sector) and factoring.

Optimization and Modernization of Banking Products and Flexibility of Product Range

In order to attract new clients and retain existing customers, Management intends to further develop and expand Alliance Bank's product range. Platforms aimed at achieving these goals include:

- market research to identify banking products and services that are in greater demand among existing and potential customers and which offer higher levels of customer satisfaction;
- gaining a greater understanding of the processes involved in each of the products and services Alliance Bank offers so as to be able to offer such products and services in the most effective way;
- further development of Alliance Bank's support systems, particularly its IT, marketing, operational and sales processes with the aim of improving the quality of Alliance Bank's products;
- segmentation of Alliance Bank's client base, with a view to allowing Alliance Bank to tailor its individual banking products and series of products to specific client segments; and
- focusing on cross-selling opportunities.

Increased Quality of Services Provided

Management will seek to continue to improve the quality of its products and customer service. For this purpose, Alliance Bank intends to implement the following:

- a quality control division responsible for setting standards of product and service quality and monitoring compliance with quality standards;
- standardized service norms across Alliance Bank's branch network;
- training programs for employees, focusing particularly on client contact skills;
- regular monitoring and appraisal of the technical and client service skills of Alliance Bank's personnel;
- comprehensive quality control procedures; and
- an efficient client feedback system to enable Alliance Bank to react swiftly and effectively to customers' needs.

Expansion and Diversification of Distribution Networks

By the end of 2006, Alliance Bank intends to open two new branches in Taraz and Kokshetau and to increase its cash settlement offices from 103, as at the date of this Prospectus, to 176 by the end 2006. Alliance Bank believes that as a result of this planned expansion, it will have achieved a level of national coverage (in terms of both the number and location of Alliance Bank's branches and cash settlement offices) which is sufficient to make Alliance Bank's products more easily accessible to individuals and companies throughout Kazakhstan and to attract new customers, in the short to medium term. In the future, Management will limit the opening of new branches and cash settlement offices to areas offering a clear prospect of financial stability and growth of customer base.

Alliance Bank's focus with regard to its distribution networks is (i) to improve the quality of service and increase cross-selling at its existing branches and cash settlement offices, and (ii) to diversify its distribution network by creating a broker and retail outlet partner distribution network to sell Alliance Bank's products in addition to the already extensive network of branches and cash settlement offices.

In February 2006, Alliance Bank started using the services of a number of brokers to sell its retail loans, including principally Alliance Finance LLC ("*Alliance Finance*"), Alliance Retail Group LLC ("*Alliance Retail*"), Dynasty Network LLC ("*Dynasty*") and OJSC NefteGasDem ("*NefteGasDem*"). Alliance Finance, Alliance Retail are currently wholly-owned subsidiaries of Seimar Investment Group, Alliance Bank's principal shareholder, and are controlled by Alliance Bank through its representation on the respective boards of directors of those entities. Currently Alliance Finance employs 1,385 employees and Alliance Retail employs 520 employees. Management believes that using brokers to sell Alliance Bank's products provides Alliance Bank with certain competitive advantages based, for example, on the commission structure offered to individual brokers to entice them to find customers. Moreover, the broker network permits Alliance Bank to take advantage of sales techniques such as telesales and other "cold calling" marketing activities that Alliance Bank's own employees might not otherwise have the training or resources to undertake. Alliance Bank intends to substantially expand its broker network in the future.

Furthermore, Alliance Bank has entered into agreements with a large number of retail outlets at which either Alliance Bank's employees or the retailer's employees offer on-site financing provided by Alliance Bank. The network includes, amongst others, furniture and electrical goods stores as well as car dealerships. These products can be purchased on credit provided by Alliance Bank. No commission is charged by such retail outlets. As at the date of this Prospectus, Alliance Bank has established exclusive or non-exclusive arrangements with approximately 1,450 stores at which Alliance Bank's financial services are offered. Alliance Bank intends to maintain the number of its retail partners at approximately the same level in the near future and to concentrate on improving the quality of service provided through its retail partners.

Alliance Bank intends to continue to offer its services through the 4,000 Kazpost outlets and to increase the range of services offered through such outlets. See "History".

Management has no current intention to expand its services or branch network to neighboring countries, other than maintaining its wholly-owned subsidiary OJSC FinancekreditBank operating in the Kyrgyz Republic (which was opened for the provision of cash settlement services to Alliance Bank's clients with business activities in both Kazakhstan and the Kyrgyz Republic) and the planned opening of a branch in the Republic of Georgia by the end of 2006 (also for the provision of cash settlement services to Alliance Bank's existing clients with business activities in the Republic of Georgia).

Business of Alliance Bank

Overview

Alliance Bank offers most traditional corporate and retail banking products and services, including deposit taking, lending, issuing letters of credit and guarantees, availing promissory notes and payment cards, foreign currency exchange operations, broker-dealer transactions, custody, clearing and safe-keeping operations, financial leasing, correspondent banking, precious metal brokering, cash operations, remittances, trust, pawnshop, factoring and forfeiting operations and issuing securities. Alliance Bank's primary business consists of retail and corporate banking. Its retail banking activities include lending and deposit taking as well as the provision of payment card services. Alliance Bank's corporate banking division provides a broad range of banking products to a diversified group of domestic customers, primarily SMEs. Alliance Bank is also an active participant in the fixed income securities and foreign currency markets in Kazakhstan.

Corporate Banking - General

Alliance Bank provides commercial banking products and services to small-, medium- and, to a limited extent, large-sized enterprises in Kazakhstan. Alliance Bank's corporate banking activities include the provision of a broad range of traditional corporate banking services, including deposit taking and lending, to a diversified group of domestic customers. As at June 30, 2006, Alliance Bank had approximately 510 corporate deposit accounts and approximately 17,830 corporate current accounts, representing a market share of 6.8% according to the analysis by Alliance Bank of data published by other Kazakhstan banks. As at the same date, loans to corporate clients (including SMEs) represented approximately 73% of Alliance Bank's total loan portfolio, while Alliance Bank's share of the corporate lending market in Kazakhstan was approximately 9.5% according to the analysis by Alliance Bank of data published by other Kazakhstan banks.

Alliance Bank established its Corporate Finance Department in 2003, followed by its SME Business Department in early 2005.

Corporate Banking for large corporate clients

The services provided to larger corporate clients are designed to offer customers a seamless "one package" full range of products. In order to increase income from its existing corporate customers and attract new customers, the Corporate Finance Department recently developed and launched the following lending (in the amounts in excess of U.S.$3 million) and documentary operations products: leasing; factoring; forfeiting; commercial paper; sophisticated investment products (structuring and financing); unsecured tender guarantees for corporate customers with subsequent post-tender guarantees; and structured finance products (including pre-export and post-financing with international counterparts). Following customer demand, Alliance Bank began offering simple documentary operations (escrow accounts) on a trial basis in 2004.

SME Banking

Although Alliance Bank has a number of large corporate clients, Alliance Bank's principal focus in corporate banking is on the SME sector. Alliance Bank recognizes that SMEs historically have been the primary component of Alliance Bank's customer base and Management believes that this will not change in the near future. As at June 30, 2006, SMEs accounted for 33.5% of Alliance Bank's total loan portfolio and Alliance Bank estimates that it had a 20.7% share of the SME lending market in Kazakhstan according to the analysis by Alliance Bank of data published by other Kazakhstan banks.

In addition to traditional corporate banking products, Alliance Bank has developed the following products aimed specifically at the SME sector:

- **Business Impulse Loans**

  Business Impulse Loans are loans for amounts of between U.S.$1,000 and U.S.$3 million (or the KZT equivalent) with a maximum term of 10 years (but generally granted for a term of three to five years) for both USD and KZT loans and bearing interest at rates of between 7% and 18% per annum. These loans can be granted to SMEs or individual entrepreneurs and have a simplified loan application process. These loans are extended principally for the purchase of real estate, plant, machinery or inventory for start-up and existing businesses. Usually, 100% of the principal amount of each Business Impulse Loan is secured by the real estate to be financed by the loan, deposits, real estate already owned by the borrower and/or automotive vehicles, including at least 90% by real estate. As at June 30, 2006, the share of the aggregate outstanding principal amount of Business Impulse Loans in Alliance Bank's total SME loan portfolio amounted to 75%.

- **SME Loans**

  SME Loans are loans for amounts of between U.S.$1,000 and U.S.$3 million (or the KZT equivalent) with a maximum term of 10 years for fixed assets or up to five years for working capital (but generally granted for a term of three to five years) for both USD and KZT loans and bearing interest at rates of between 7% and 18% per annum. These loans can be granted to SMEs or individual entrepreneurs. These loans are extended principally for the purchase of real estate, plant or machinery or for the replenishment of inventory for existing businesses. SME Loans are not available for start-up businesses. Usually, 100% of the principal amount of each SME Loan is secured by the real estate to be financed by the loan, deposits, real estate already owned by the borrower and/or automotive vehicles, including at least 70% by real estate. As at June 30, 2006, the share of the aggregate outstanding principal amount of SME Loans in Alliance Bank's total SME loan portfolio amounted to 17%.

- **Car Loans**

  Car loans for businesses are loans for the purchase of cars, buses, lorries and special machinery for amounts of up to U.S.$3 million (or KZT equivalent) with a maximum term of five years and bearing interest at a rate of 15% per annum. These loans are secured against the purchased transportation equipment or real estate. As at June 30, 2006, the share of the aggregate outstanding principal amount of Car Loans in Alliance Bank's total SME loan portfolio amounted to 2%.

- **Business Mortgages**

  Business mortgages are loans for the purchase of commercial real estate for amounts of up to U.S.$3 million with a maximum term of seven years (although the typical maturity is between three and four years) and bearing interest at a rate of 15% per annum. These loans are secured by the real estate purchased with the proceeds of the loan. The maximum amount of the loan is 70% of the value of the real estate on which it is secured. The borrower is required to make a down-payment of between 30% and 40% of the appraised value of the real estate. As at June 30, 2006, the share of the aggregate outstanding principal amount of Business Mortgages in Alliance Bank's total SME loan portfolio amounted to 1%.

- **SME "Express" Loans**

  SME "Express" Loans are loans for amounts of between U.S.$500 and U.S.$10,000 (or the KZT equivalent) with a maximum term of 18 months bearing interest at rates of between 25% and 28% per annum. These loans are targeted at small companies, such as family run grocery stores, and are generally secured against merchandise, trade and production equipment and personal belongings, such as cars. While as at June 30, 2006, the share of the aggregate outstanding principal amount of SME "Express" Loans in Alliance Bank's total SME loan portfolio amounted to less than 1%, Alliance Bank believes it is an important product as it is a growing area that helps Alliance Bank retain its SME customers.

- **Other SME lending products**

  Other SME lending products offered by Alliance Bank include: SME loans financed by the EBRD of up to U.S.$200,000 (See "EBRD's Established Programs") and loans from U.S.$10,000 to U.S.$200,000, the respective shares of the aggregate outstanding principal amount of which in Alliance Bank's total SME loan portfolio as at June 30, 2006 amounted to 0.5% and 2%, respectively.

  Alliance Bank has also implemented the following initiatives to expand its client base in the SME sector:

- **SME Lending Units**

  Alliance Bank has established specialized SME Lending Units in each of its branches particularly to deal with SME clients.

- **SME programs supported by the Government and multilateral agencies**

  Alliance Bank also participates in a number of special programs for financing SMEs and enterprises in targeted industries, arranged and sponsored by the NBK, the Ministry of Finance, the Ministry of Agriculture and several local or regional executive bodies, as well as international financial institutions, such as the Islamic Development Bank (the "*IDB*") and the Asian Development Bank. In addition, at the end of 2005, Alliance Bank joined EBRD's Program relating to trade financing and SMEs, and, in early 2006, Alliance Bank became a participant in the EBRD's Program for SME financing and financing of grain exports from Kazakhstan. See "EBRD's Established Programs".

  Alliance Bank's approval procedures for SME lending are based, in part, on EBRD guidelines for SME financing. See "Lending Policies and Procedures". Alliance Bank makes its own decision, however, on the interest rate applicable to each loan on a case-by-case basis taking into account the nature of the business of the specific SME, the quality of collateral and other relevant factors. Management believes that this flexibility with regards to setting interest rates gives Alliance Bank a competitive advantage over a number of other commercial banks operating in the Kazakhstan SME lending sector, which use a fixed interest rate for all SME loans.

  A major part of Alliance Bank's corporate banking activity, other than SMEs, consists of the provision of trade finance and short-term credit facilities, including letters of credit, guarantees and working capital facilities mostly in Euro and in U.S. Dollars. The majority of Alliance Bank's trade finance loans have maturities of less than 12 months. As demand for longer-term facilities grows, Alliance Bank intends to link underlying funding sources to longer-term financing when available. In addition, Alliance Bank has limited dealings with governmental agencies, primarily making short-term loans to state entities involved in the rail and nuclear industries by discounting commercial paper issued to their suppliers.

Retail Banking

The retail banking market in Kazakhstan has expanded rapidly since 2001. The factors contributing to this expansion were the establishment of the KDIF in 2000 and the announcement by the Government of a tax amnesty in relation to any capital deposited with banks between June and July 2001. The latter program brought approximately U.S.$480 million into the Kazakhstan banking system at that time.

Alliance Bank offers a wide range of retail banking products and services, including current accounts, time deposits, debit and payment cards and currency exchange.

Retail Accounts and Lending

According to information compiled by the NBK, Alliance Bank had the fifth largest retail customer deposit base in Kazakhstan as at June 30, 2006. As at June 30, 2006, Alliance Bank held approximately 50,676 retail deposit accounts and approximately 596,708 retail current accounts. Alliance Bank's share of the Kazakhstan retail deposit market has increased from 6.8% as at June 30, 2005 to 9.4% as at June 30, 2006. Alliance Bank's share in the Kazakhstan retail lending market grew from 5% as at June 30, 2005 to 15.5% as at June 30, 2006. The increase in Alliance Bank's market share was supported by an increase in the number of cash settlement offices in areas with the fastest growing retail banking market, particularly in Almaty, Astana, Karaganda, Pavlodar, Semipalatinsk and Ust- Kamenorgorsk.

Alliance Bank believes that its branch network, along with the sales opportunities offered by its strategic partnership with Kazpost, its recently developed brokerage network and its relationships with retail outlets, will allow it to take advantage of the expansion of the retail market and to actively increase its individual customer and depositor base. See "Distribution Channels".

By means of extensive market research into the retail market, carried out in 2004, Alliance Bank has been able to develop a range of new retail banking products.

In relation to retail lending, Alliance Bank divides its customers into two categories:

- those who can confirm their income through the State Pension Payment Centre of Kazakhstan (which holds the pension deduction records of all employees in Kazakhstan) ("*Confirmed Income Borrowers*") and

- those who cannot do so ("*Self-Certified Income Borrowers*"). See "Lending Policies and Procedures" for more information. Generally speaking, while Confirmed Income Borrowers qualify for unsecured loans, Self-Certified Income Borrowers must provide collateral.

Alliance Bank offers a relatively wide range of consumer lending products, which include the following:

- **Retail "Express" Loans**

  Retail "Express" Loans are unsecured loans for amounts of three times the borrower's monthly net salary (subject to a maximum amount of KZT 1,500,000) with a maximum term of 36 months bearing interest advertised at rates from 48% per annum. Alliance Bank "front-loads" interest on Retail "Express" Loans, the result of which is an effective yield on such loans to Alliance Bank is much higher when amortized over the life of the loan. Alliance Bank also charges an up-front fee of not less than 8% of the total amount of the loan to cover both administrative charges and also the 5% provision Alliance Bank is required to record on all uncollateralized loans. In addition, the loans have early redemption penalties and an application fee is required. Interest and principal is repaid in equal monthly installments. These loans can be applied for through Alliance Bank's branches or cash settlement offices, Kazpost outlets or brokerage firms (see "Distribution Channels"). Analysis of a borrower's application and loan decisions made under this product are made within 30 minutes on the basis of an automated scoring system. Proceeds of the loans are paid to the customer in cash immediately upon approval. "Express" loans are designed for customers who have their salary paid into an account held with Alliance Bank or through a Kazpost outlet. These loans do not require any collateral, but the borrower is required to authorize Alliance Bank to deduct amounts due under the loan from the borrower's salary paid into the borrower's account with Alliance Bank or a Kazpost outlet. As at June 30, 2006, the share of the aggregate outstanding principal amount of Retail "Express" Loans in Alliance Bank's total retail loan portfolio (including residential mortgages) amounted to 55.6%.

- **"Loans for Instant Consumer Needs"**

  "*Loans for Instant Consumer Needs*" are collateralized loans for a minimum amount of KZT 150,000 (or equivalent in U.S. Dollars) with a maximum term of 15 years. For loans secured on real estate, Alliance Bank will lend up to 70% of the market value of the property, whereas loans secured on vehicles are limited to 50% of the value of the vehicle. "Loans for Instant Consumer Needs" for Self-Certified Income Borrowers drawn in U.S. Dollars bear interest at advertised rates from 16% per annum and loans drawn in Tenge at advertised rates from 18% per annum. Interest is also front-loaded, giving an effective rate of 16.6% per annum for U.S. Dollar loans and 22.3% per annum for Tenge loans, and the same fee and early redemption charges apply. In addition, Alliance Bank charges a commission for drawing down the loan in the amount of up to 3.1% of the principal amount. As at June 30, 2006, the share of the aggregate outstanding principal amount of Loans for "Instant Consumer Needs" in Alliance Bank's total retail loan portfolio (including residential mortgages) amounted to 24.2%

- **Education loans**

  These loans have a maximum term of seven years, subject to a grace period of up to a further seven years. These loans bear interest at advertised rates from 20% per annum for loans denominated in Tenge and 18% per annum for loans denominated in U.S. Dollars. The target customer group for these loans is comprised of individuals pursuing higher education. Management believes that the main competitive advantage of this product over similar products offered by Alliance Bank's competitors is that repayment of the principal amount of the loan is deferred until completion of the agreed term of study. Alliance Bank "front-loads" interest on all education loans, the result of which is an effective annual rate on such loans of 19.5% for loans in U.S. Dollars and 23.8% for loans in Tenge. Alliance Bank also charges commissions of up to 1.3% of the amount of education loans. As at June 30, 2006, the share of the aggregate outstanding principal amount of Education Loans in Alliance Bank's total retail loan portfolio (including residential mortgages) amounted to 0.7%.

In addition to consumer lending, Alliance Bank also provides residential mortgage lending to its customers. Mortgage loans are represented by two products offered by Alliance Bank and one product offered in conjunction with JSC Kazakhstan Mortgage Company.

- "**Mortgage Class" mortgage loans**

  "Mortgage Class" mortgage loans are loans offered by Alliance Bank in U.S. Dollars and Euro for terms of up to 15 years. Customers must provide a deposit of at least 20% of the purchase price of the real estate. The loans bear interest at advertised rates of between 4% and 7% per annum depending on the amount of deposit placed with Alliance Bank. The advantages of this type of mortgage loan are that a minimum level of documentation is required, approval can be provided within a relatively short period of time and Alliance Bank bases its decision on the quality of collateral rather than the credit-worthiness of the borrower. Alliance Bank "front-loads" interest on all "Mortgage Class" mortgage loans, the result of which is an effective rate on such loans of 11.2% per annum. Alliance Bank also charges commissions of up to 1.3% of the amount of such loans. As at June 30, 2006, the share of the aggregate outstanding principal amount of Mortgage Class mortgage loans in Alliance Bank's total retail loan portfolio amounted to 1.9%.

- **"Mortgage Express" loans**

  "Mortgage Express" loans are provided in Tenge and U.S. Dollars and have a maximum term of 20 years. There is no deposit required, but the borrower must either prepay at least 20% of the purchase price of the real estate or provide collateral other than the real estate financed by the Express mortgage to cover 20% of the purchase price. Interest rates are advertised at 15% per annum for loans denominated in KZT and 12.5% per annum for loans denominated in U.S. Dollars. Similar to Mortgage Class loans, the advantages of this product include a minimum level of required documentation, approval within a relatively short period of time and reliance on the quality of collateral rather than the credit-worthiness of the borrower. As with Mortgage Class mortgage loans, interest is "front-loaded", giving an effective rate on "Express" mortgage loans of 20.3% per annum. Alliance Bank also charges commissions of up to 1.3% of the amount of such loans. As at June 30, 2006, the share of the aggregate outstanding principal amount of “Mortgage Express” loans in Alliance Bank’s total retail loan portfolio amounted to 10.6%.

- **“Alliance Mortgage”**

  “Alliance Mortgage” is a product that is offered jointly with JSC Kazakhstan Mortgage Company. Under the terms of this joint project, Alliance Bank acts as a trustee in the management of mortgage loans extended under this product. These mortgage loans bear interest at rates determined by Alliance Bank, at a margin of up to 3% over JSC Kazakhstan Mortgage Company’s base rate. As with “Mortgage Class” and “Express” mortgage loans, interest is “front-loaded”, giving an effective rate on “Alliance Mortgage” loans of 12.6% per annum. Alliance Bank charges commissions of up to 0.8% of the amount of “Alliance Mortgage” loans. As at June 30, 2006, the share of the aggregate outstanding principal amount of Alliance Mortgage loans in Alliance Bank’s total retail loan portfolio amounted to 0.2%.

Alliance Bank also participates in the program established by the NBK in 2000 for long-term financing of house construction and to encourage the development of a mortgage finance system in Kazakhstan. Under this program, participating banks extend mortgage loans to retail customers and then transfer such loans to the JSC Kazakhstan Mortgage Company, a wholly owned subsidiary of the Ministry of Finance, for further resale in the secondary mortgage market. In the event of a default by a borrower, the relevant mortgage loan is transferred back to Alliance Bank. As at June 30, 2006, Alliance Bank had lent KZT 2.9 billion to its customers under this program.

In addition, Alliance Bank is a member of the state Mortgage Loan Guarantee Fund, which guarantees repayments on its members’ mortgage loans up to a limit of 40% of the loan, in the case of loans to be transferred to JSC Kazakhstan Mortgage Company, or 40% of the loan, if provided directly by Alliance Bank under its Mortgage Class or Express mortgage loans, allowing Alliance Bank to mitigate possible mortgage loan non-repayment risk.

As at June 30, 2006, mortgage loans comprised 13.3% of Alliance Bank’s retail loan portfolio.

Payment Cards

In September 2002, Alliance Bank became an associated member of the VISA International payment system, which enabled Alliance Bank to begin issuing VISA payment cards. Alliance Bank expects to become a principal member of the VISA International payment system by the end of 2006. Until May 2006, Alliance Bank relied on the card processing and VISA ATM system operated by Kazkommertsbank. However, since May 2006, Alliance Bank has operated its own processing center and its own VISA ATM network. As at June 30, 2006, Alliance Bank had issued approximately 32,040 VISA debit and credit cards. Alliance Bank issues four types of VISA cards (VISA Electron, VISA Classic, VISA Business and VISA Gold). Before the end of 2006, Alliance Bank intends to expand the range of its VISA payment card products by launching VISA Instant Issue (a card which can be issued virtually instantly upon the customer’s request), VISA Virtual (a payment card marketed as being geared towards purchases of goods and services over the Internet) and VISA Platinum (a card marketed among clients with a relatively high income and/or net worth). Alliance Bank also intends to increase the total number of its VISA payment cards in issue to up to 100,000. In addition, Alliance Bank intends to upgrade its status with the VISA International payment system from an associated membership to a principal membership. Among other things, this will allow Alliance Bank to issue a higher number of VISA payment cards. In addition, by the end of 2006 Alliance Bank intends to complete and start operating its own new card processing centre which will in turn enable Alliance Bank to provide payment card processing services to other banks.

Alliance Bank became a principal member of the MasterCard payment system in June 2006. Alliance Bank intends to launch six payment card products within the MasterCard range (Styled MasterCard Standard, MasterCard Gold, MasterCard Platinum, MasterCard Virtual, MC Business and Cirrus Maestro) and to issue more than 50,000 such cards by the end of 2006.

Furthermore, by the end of 2006, Alliance Bank intends to distribute American Express cards. Management believes that the launch of American Express products, which are viewed as a status symbol by high net worth and high income customers in the Kazakhstan personal finance market, will assist Alliance Bank in the expansion of its client base among high net worth and high income clients.

Alliance Bank has implemented a number of programs in order to expand its client base in the payment cards sector. Among other things, Alliance Bank has launched the "*Salary*" card program, under which Alliance Bank issues cards to the staff of participating companies who, in return for signing a salary deposit agreement with Alliance Bank, receive privileges (such as pre-approved credit line) and reduced commissions on card payments. Alliance Bank started to issue chip and pin cards in 2004 and was the third Kazakhstan bank to do so. Chip and Pin cards, give holders (and Alliance Bank) greater security against card fraud. Throughout 2006, Alliance Bank intends to introduce a number of additional services relating to Alliance Bank's payment cards, including money transfers between different cards through ATMs, fund transfers between different banks with the use of payment cards and a customer loyalty program. Most cards issued by Alliance Bank are cash collateralized by customers, and cards may only be used up to the amount of cash deposited with Alliance Bank. However, as Alliance Bank's business in uncollateralized lending increases and Alliance Bank is able to assess credit usage and repayment history, Alliance Bank also intends to issue credit cards with no cash collateral where the cardholder will be able to obtain credit up to a pre-determined limit.

Alliance Bank believes that the debit and credit card business will be one of the biggest growth areas in the retail banking market over the next few years, and, as this market develops Alliance Bank intends to provide Internet and telephone banking operations for its card customers.

Trading

Kazakhstan's capital markets are gradually developing as the economy grows. An important factor in this development was the establishment in 1998 of domestic private pension funds and asset management companies.

Alliance Bank's primary activities in the capital markets sector are the sale, trading and underwriting of government, municipal and corporate securities in Kazakhstan.

Alliance Bank's trading partners include certain major domestic and international financial institutions such as JSC Kazkommerts Bank, JSC Bank TuranAlem, JSC Halyk Bank, JSC ATF Bank, JSC Nurbank, Eurasian Bank, Bank Caspian, JSC Bank CenterCredit, HSBC Kazakhstan, ABN AMRO Bank Kazakhstan and Citibank Kazakhstan, as well as major international banks such as Raiffeisen Zentralbank österreich AG, Commerzbank AG, The Bank of New York, Hypo-und Vereinsbank, HSBC Bank plc, ABN Amro Bank London, Moscow Narodny Bank Limited, Nomura Securities Ltd., ING Bank N.V., Standard Bank London, PAREX Bank, International Moscow Bank, Moscow Business World Bank, Bank Petrocommerce (Moscow) and Promsvyaz Bank (Moscow).

Alliance Bank has established an internal dealing department consisting of three members conducting operations in response to Alliance Bank's liquidity requirements.

Until 2004, Alliance Bank held a 39% interest in Alliance Investment Management JSC, one of the leading brokerage houses operating in the securities market of Kazakhstan. Alliance Bank sold its entire shareholding in Alliance Investment Management in 2004 in order to concentrate exclusively on its banking business. Alliance Investment Management is the market maker in relation to Alliance Bank's share issues and bond issues on the domestic securities market.

International Banking and Trade Finance

Alliance Bank provides services for customers engaged in international trading. Alliance Bank maintains correspondent banking relationships with many international leading banks, including HSBC Bank plc, Citibank, JP Morgan, ABN AMRO Bank N.V., ING Bank N.V., Deutsche Bank AG, Deutsche Bank Trust Company Americas, Credit Suisse, Commerzbank AG, The Bank of New York, Raiffeisen Zentralbank Österreich AG, Bank Gesellschaft Berlin AG, Bank Austria Creditanstalt, Bank of Montreal, Bayerische Hypo-und Vereinsbank, BNP Paribas, Standard Bank London Ltd., American Express, Ost-West Handelsbank AG, BCEN Eurobank, KBC Bank, Swedbank, UBS AG and PAREX Bank. Alliance Bank continues to actively seek further international partners to enhance its growth prospects.

In the second half of 2002, Alliance Bank became a participating member of the Western Union payment system for international money transfers worldwide.

As at June 30, 2006, Alliance Bank maintained a number of loan facilities under which it was entitled to draw down an aggregate amount of U.S.$2,189 million, including: a three-year, U.S.$170 million trade finance facility with a syndicate lead by Deutsche Bank AG, London Branch and ING Bank N.V. entered into in November 2005 and drawn down in full at the time of signing; a two year, U.S.$46 million facility with a syndicate lead by Bankgesellschaft Berlin AG entered into in March 2006 and drawn down in full at the time of signing; a four year, U.S.$400 million facility with a syndicate led by The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank, N.A., Raiffeisen Zentralbank Österreich AG and Standard Chartered Bank entered into in June 2006 and drawn down in full at the time of signing; 18 months, KZT 22.5 billion and KZT 7.5 billion facilities in December 2005 and January 2006, respectively, and a three year KZT13.5 billion facility in April 2006 with Morgan Stanley & Co. International Limited, totaling KZT 43.5 billion or U.S.$366 million and drawn down in full at the time of signing; a five year, a U.S.$50 million facility with Asian Development Bank entered into in June 2006 and drawn down in full at the time of signing; a two-year, U.S.$30 million facility with Standard Bank Plc entered into in March 2006 and drawn down in full at the time of signing; and a number of other facilities for amounts ranging from U.S.$5 million to U.S.$10 million with EBRD (see "EBRD's Established Programs"), as well as a further U.S.$366 million in trade finance facilities with a number of international banks, including ING Bank N.V., RZB, UBS AG, Swedbank, Nordea Bank, of which U.S.$277.6 million were drawn as at June 30, 2006 (see "Funding - Foreign Currency Bank Borrowings").

Alliance Bank is actively involved in trade finance and offers a number of different products to support trade financing, including letters of credit, guarantees and bank acceptances by way of pre-export financing, post-financing and discounting. Alliance Bank enjoys a strong relationship in trade finance with some of Kazakhstan's largest corporations, including Kazpoligraf, Rakhat, ANT Group, Agro-StarGrain, Technodom Company, Medicus Center, AGES, North Winds Asia, Eurasia Transit Group, Ak-Erke and Renault Kazakhstan.

Alliance Bank executes insurance transactions with export credit agencies, such as SACE, HERMES and KUKE. Alliance Bank has entered into agreements with a number of banks, including Bayerische Landensbank AG, Bayerische Hypo- und Vereinsbank, Bank Gesellschaft Berlin AG and Deutsche Bank AG, providing for insurance cover to be extended to certain of Alliance Bank's trade finance loans.

Distribution Channels

Branches and Cash Settlement Offices

As at June 30, 2006, Alliance Bank had 19 branches and 103 cash settlement offices throughout Kazakhstan. The operations of each branch are subject to internal regulations and to oversight by the head office. Each branch provides a broad range of banking products and services, such as deposit-taking, lending, foreign exchange operations and remittances, while discount operations, trust operations, clearing operations, mortgage operations, issuance of check books and payment cards, guarantee operations, issuance of securities, factoring and forfeiting operations and transactions with precious metals are conducted out of the head office only. In comparison to branches, cash settlement offices perform a limited number of banking operations, such as utility payments, cash withdrawals and money transfers, mainly for retail customers.

Alliance Bank has a presence in northern, eastern and southern Kazakhstan. In 2003, Alliance Bank opened branches in Atyrau, in order to expand its operations into the oil-rich western region, and in Karaganda, a major industrial city in central Kazakhstan. In 2005, Alliance Bank also opened branches in the cities of Aktau, Kostanay, Aktobe, Uralsk and Shymkent, a second branch in Almaty and converted cash settlement offices in the fast developing cities of Zhezkagan and Taldykorgan into full service branches. In May 2006, Alliance Bank established a branch in the city of Talgar and in June 2006 Alliance Bank established its third branch in Almaty. By the end of 2006, Alliance Bank expects to open two new branches in Taraz and Kokshetau and to increase its cash settlement offices to 176. Management believes that as a result of this planned increase, Alliance Bank will have achieved the national coverage (in terms of both the number and location of Alliance Bank's branches and cash settlement offices) which is sufficient to make Alliance Bank's products more easily accessible to individuals and companies throughout Kazakhstan and to attract new customers, in the short to medium term. In the future, Management will limit the opening of new branches and cash settlement offices to areas offering a clear prospect of financial stability and growth of customer base.

The aggregate lending limit for a single borrower of an individual branch is set by the Credit Committee and ranges from U.S.$30,000 to U.S.$500,000. The coordination and planning of lending operations of the branches and control of their lending activities are conducted by the Corporate Finance Department, which monitors the lending operations of the branches and is responsible for the development of branch lending policies and strategies.

Alliance Bank is currently undergoing a rebranding exercise to standardize Alliance Bank's brand across its branch network and to promote Alliance Bank's new corporate image with current and prospective clients.

Kazpost

Kazpost is a state-owned postal services company with a network of approximately 4,000 outlets throughout Kazakhstan. Although Kazpost has a limited license to provide certain banking services, including deposit-taking and cash transfers, in connection with the provision of other banking products and services, it can only act as agent for institutions that have a comprehensive banking license, such as Alliance Bank. Alliance Bank entered into a non-exclusive strategic partnership agreement with Kazpost in late 2004, allowing Alliance Bank to provide retail lending and deposit taking services through Kazpost outlets. As at the date of this Prospectus, all of Kazpost's outlets offer Alliance Bank's products and services. Alliance Bank has set up a fully automated process throughout those outlets, allowing them to offer products both quickly (the loan approval procedure can be finalized within 30 minutes in some cases) and over a secure network. Kazpost takes commissions of 6.5% on retail loans and 1% on retail deposits, which are paid by the borrower and Alliance Bank, respectively. Furthermore, when a loan is taken by a borrower through a Kazpost outlet, the borrower is required to authorize Alliance Bank to automatically deduct amounts due to Alliance Bank under the loan from the borrower's salary paid through a Kazpost outlet. The majority of public sector employees and approximately 10% of private sector employees (in each case according to Management estimates) are paid through Kazpost outlets. The Kazpost network gives Alliance Bank the opportunity to offer its products to customers in remote locations where it has no presence and also provides further cross-selling opportunities. From the establishment of this arrangement to June 30, 2006, the Kazpost distribution channel had generated approximately U.S.$208 million in terms of loans advanced through Kazpost outlets, including approximately U.S.$147.9 million in the first half of 2006.

Expansion of the Broker and Retail Partner Distribution Network

Concurrently with the completion of expansion of Alliance Bank's own branch and cash settlement offices network, Alliance Bank's strategy is to emphasize on the diversification of its distribution network by creating an extensive broker and retail outlet partner distribution network to sell Alliance Bank's products in addition to the already extensive network of branches and cash settlement offices.

In February 2006, Alliance Bank commenced offering retail loan products through a number of brokers, including primarily through affiliated companies Alliance Retail and Alliance Finance, that specialize in the distribution of financial products, and an independent insurance broker, Dynasty. Management of Alliance Bank currently control the boards of Alliance Finance and Alliance Retail, both companies being wholly-owned by Seimar Investment Group.

As at June 30, 2006, Alliance Bank's two largest brokers, Alliance Finance and Alliance Retail have a total of 275 broker sale points, although Management expects the number of broker sale points to grow significantly in 2006, to a total of approximately 1,000. Dynasty currently has 80 broker sale points. Each broker sale point, using a secure network, is able to lodge applications with Alliance Bank for credit approvals based on Alliance Bank's automated scoring model. See "Lending Policies and Procedures - General".

Alliance Bank pays commission of between 2.5 and 3% of the loan amount to its brokers, including 3% of the loan amount to Alliance Finance and Alliance Retail and 2.5% of the loan amount to Dynasty and NefteGasDem. In addition, Dynasty has the option to increase the up-front fee payable by customers for arranging loans, although the interest, repayment and other terms of the loans are the same as other retail loan products offered by Alliance Bank. Since the start of its cooperation with Alliance Retail, Alliance Finance, Dynasty and NefteGasDem in February 2006, through to June 30, 2006, Alliance Bank had granted more than 90,000 loans, representing an aggregate value of KZT 26.8 billion (U.S.$227 million). Among the loans granted by Alliance Bank through its brokers, 22% of the aggregate principal amount of loans were granted through Alliance Retail, 66.5% through Alliance Finance and 10.2% through Dynasty.

Furthermore, Alliance Bank has entered into agreements with a large number of retail outlets, at which either Alliance Bank's employees or the retailer's employees offer on-site consumer financing provided by Alliance Bank. The network includes, amongst others, furniture and electrical goods stores as well as car dealerships. These products can be purchased on credit provided by Alliance Bank. No commission is charged by such retail outlets. As at the date of this Prospectus, Alliance Bank has established exclusive or non-exclusive arrangements with approximately 1,453 stores at which Alliance Bank's financial services are offered. Alliance Bank intends to maintain the number of its retail partners at approximately the same level in the near future and to concentrate on improving the of quality of service provided through its retail partners.

ATM Network

Alliance Bank started establishing its own ATM network at the beginning of 2006. As at the date of this Prospectus, Alliance Bank owns and operates 20 ATMs. Alliance Bank intends to increase the number of its own ATMs to 250 by the end of 2006 and to 800 by the end of 2007. In addition, in common with many other retail banks in Kazakhstan, customers of Alliance Bank will continue to be able to use the ATM networks of other Kazakhstan banks for a nominal fee per withdrawal.

Other Distribution Channels

In addition to being able to use the network of ATMs of other banks available throughout Kazakhstan, and Alliance Bank's VISA cards for payment to merchants participating in the VISA payment system, under arrangements between Alliance Bank and third-party vendors, Alliance Bank's customers are currently entitled to use Alliance Bank's payment cards to pay for goods or services in 75 "trade-service outlets" and to withdraw cash in 68 "cash outlets", in each case operated by third-party vendors. By the end of 2006, Alliance Bank intends to conclude additional arrangements with a view to expanding the network of "trade-service outlets" which Alliance Bank's customers may use to as many as 300.

As at June 30, 2006, Alliance Bank's provision of Internet and telephone banking services was limited to a remote access, information-only service for corporate customers. Alliance Bank is exploring ways of developing this system further to allow for a variety of banking services to be made available to Alliance Bank's customers over the Internet and fixed line and mobile telephone networks. Among other things, Alliance Bank intends to offer its customers money transfer and utility bill payment services over the Internet and through ATMs, as well as cash deposit services through ATMs.

Alliance Bank also takes advantage of cross-selling opportunities with JSC Alliance Leasing and JSC Alliance Policy Insurance Company (companies controlled by the same shareholders as Alliance Bank). Alliance Bank refers customers requiring leasing or insurance services to its sister companies in return for those companies referring customers requiring banking services to Alliance Bank.

Competition

As at June 30, 2006, there were 33 commercial banks, excluding NBK, DBK and Housing Construction Savings Bank, licensed in Kazakhstan. The commercial banks in Kazakhstan are divided into four groups: large domestic banks, including JSC Kazkommertsbank, JSC Bank TuranAlem and JSC Halyk Bank; banks with foreign participation, such as ABN AMRO Bank Kazakhstan, Citibank Kazakhstan and HSBC Bank Kazakhstan; medium-sized domestic banks, such as Alliance Bank, JSC ATF Bank, and JSC Bank CenterCredit; and small banks.

Although Alliance Bank intends to expand its client base among large corporate clients, generally speaking, it does not compete with the leading Kazakhstan banks in this market segment. Alliance Bank competes with banks of all levels (including the leading Kazakhstan banks) in the SME sector. In addition, Alliance Bank competes with its peer group banks in the areas of corporate and retail deposits and lending. Management believes that Alliance Bank's historical ties to the SME sector and long-term relationships in that sector, as well as its experienced management, transparent and consistent business practices and strong nationwide branch network, position it favorably within the Kazakhstan market to compete for business in the SME and retail banking sectors. Alliance Bank's wide range of lending products, including some not offered by its peer group, its flexible approach to interest rates and its novel methods of reaching potential clients, give it a strong basis to compete for customers, despite the aggressive competition among Kazakhstan banks in relation to interest rates.

The following table compares certain unaudited financial information (prepared in accordance with Kazakhstan accounting practices and the regulations of the NBK) relating to Alliance Bank and other leading banks operating in Kazakhstan as at June 30, 2006:

	As at June 30, 2006	
	Assets	**Equity**
	(KZT millions) *(unaudited)*	
Large Domestic Banks		
JSC Kazkommertsbank	1,165,984	87,022
JSC Bank TuranAlem	1,145,928	122,427
JSC Halyk Bank	762,654	67,543
Medium-sized Domestic Banks		
JSC Alliance Bank	524,681	37,155
JSC ATF Bank	462,200	36,465
JSC Bank CenterCredit	410,625	28,860
JSC Bank Caspian	170,056	13,995
Banks with Foreign Participation		
ABN AMRO Bank Kazakhstan	106,321	8,435
Citibank Kazakhstan	72,847	6,285
HSBC Bank Kazakhstan	40,178	5,849

Source: Published financial statements in accordance with NBK requirements.

In 2001, the Government and local executive bodies founded the DBK. The purpose of the DBK is to provide medium- and long-term financing for large (at least U.S.$5 million) industrial projects, export financing and guarantees for investment projects and to act as the principal paying and collection agent for the Government. The DBK is restricted from lending to financial institutions, taking deposits or opening bank accounts and, as such, is not considered a competitor of Alliance Bank. The DBK has a special status and is regulated by the NBK only in relation to accounting matters and bank transfers. The DBK is not treated as a commercial bank for the purposes of market share and ranking computations in this Prospectus.

Technology

Alliance Bank operates an integrated banking system and has a payment system which allows unified online interactive communication between the head office of Alliance Bank and its branches through a real time wide area network. Alliance Bank considers the upgrading of its information technology systems as an important aspect of its further development and plans to make additional investments in its computer and communication technology. In January 2006 Alliance Bank approved the implementation of Infosys's Automated Banking Information System "Finacle", which it expects to roll out fully in 2007 and 2008. Alliance Bank has budgeted KZT 11,850 million for capital expenditure on technology through 2008.

In 2006, Alliance Bank completed implementation of a new system for the processing of credit card and ATM transactions, the aggregate cost of which was U.S.$0.8 million, which has enabled Alliance Bank to establish its own ATM system in 2006. By the end of 2006, Alliance Bank intends to upgrade its equipment and systems to enable it to manufacture its own payment cards, which will allow Alliance Bank to increase the volume payment cards produced.

In 2006, Alliance Bank started implementation of a new scoring and application processing system for retail lending products (including Retail "Express" loans and consumer credit), the aggregate cost of which is approximately U.S.$0.7 million, which Alliance Bank intends to implement by October 2006.

By the end of 2006, Alliance Bank intends to implement a touch-tone telephone banking system in addition to its live operator telephone banking system.

Alliance Bank's IT systems are equipped with internationally reputable and up-to-date anti-virus and security systems. Alliance Bank's disaster recovery procedures comply with all national requirements. Alliance Bank maintains two back-up servers situated in two different locations in Almaty and backs-up data every 24 hours. In addition, on a weekly basis, data is recorded on magnetic tapes that are then transported for safe-keeping to a location in Astana and placed on two separate back-up servers. Alliance Bank is in the process of establishing an additional back-up server in Astana and intends to establish a further back-up server in Pavlodar (both of which are considered to be seismically safe zones).

Subsidiaries and Affiliates

ALB Finance B.V. ALB Finance is a wholly owned subsidiary of Alliance Bank incorporated on October 3, 2005 in The Netherlands for the purpose of, amongst other things, raising funds in the international capital markets and lending such funds to Alliance Bank. In November 2005, ALB Finance issued U.S.$200 million 9% notes due 2010 guaranteed by Alliance Bank and in April 2006, it issued U.S.$250 million 9% Notes due

2011 under its recently established debt issuance program and U.S.$150 million Perpetual Non-cumulative Capital Securities.

As at the date of this Prospectus, Alliance Bank had no other subsidiaries or affiliates.

Property

Alliance Bank leases its head office in Almaty.

Alliance Bank owns or leases the buildings used by its branches and cash settlement offices depending on the specific circumstances of different locations. As of June 30, 2006 Alliance Bank owns the premises in which eight of its branches and 15 of its cash settlement offices are located and leases the premises where the remaining 11 branches and 88 cash settlement offices are located.

Asset and Liability Management

Introduction

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

Risk Management

To manage its risks, Alliance Bank has established the Asset and Liability Management Committee (the "*ALCO*"), the Credit Committee, the Small Credit Committee and the Retail Credit Committee, which are collectively responsible for devising, implementing and monitoring Alliance Bank's risk policies. Each of Alliance Bank's branches also has its own credit committee. Alliance Bank conducts its credit risk management at these various levels, depending upon the amount of risk involved. See "Selected Statistical and Other Information - Lending Policies and Procedures".

Alliance Bank monitors and manages its asset and liability position through the ALCO, which is a permanent committee reporting to the Management Board. The ALCO is headed by the Director of the Treasury Department. The ALCO also includes three Deputy Chairmen, the Chief Accountant and the Head of Risks Control Division. The ALCO meets on a monthly basis to review Alliance Bank's asset and liability position based on information provided by the Treasury Department on various matters, including maturities, interest rates and yields, the size of Alliance Bank's loan portfolio, demand and time deposits and investments, Alliance Bank's net foreign currency position, Alliance Bank's operational ratios conforming to the regulations established by the NBK, exchange rates, inflation rates and other economic data, and general national and international political and economic trends. The ALCO can also be convened at the request of any department of Alliance Bank.

Based on its review of this information, the ALCO evaluates Alliance Bank's risk profile and determines strategies and policies for transactions relating to assets and liabilities for the coming month with the aim of increasing revenues for Alliance Bank while maintaining adequate liquidity, complying with prudential norms and regulations and minimizing the impact of financial market risks. These decisions are reviewed and approved by Alliance Bank's Board of Directors, Management Board or shareholders', depending on the type of decision.

Liquidity and Interest Rate Risk Management

Alliance Bank's maturity profile is monitored by means of a liquidity table, which is produced daily on the basis of the cash flow statement and reflects Alliance Bank's current payment position, as well as gap analysis procedures.

The following table summarizes Alliance Bank's consolidated assets and liabilities by maturity as at June 30, 2006:

	June 30, 2006 (KZT millions) (unaudited)						
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
ASSETS							
Assets held-for trading	103,331	-	1,038	-	9,556	-	113,925
Loans and advances to banks, less allowance for impairment losses	19,908	374	-	30	-	-	20,312
Securities purchased under agreements to resell	1,627	-	-	-	-	-	1,627
Loans and advances to customers, less allowance for impairment losses	585	6,668	35,469	211,844	78,429	-	332,995
Investments available-for-sale	-	-	-	10,103	-	-	10,103
Investments held-to-maturity	-	-	-	446	-	-	446
Total interest bearing assets	125,451	7,042	36,507	222,423	87,985	-	479,408
Cash and balances with the NBRK	25,458	-	-	-	-	-	25,458
Precious metals	4	-	-	-	-	-	4
Overdue loans and advances to customers, less allowance for impairment losses	-	-	1,687	1,075	1,432	-	4,194
Derivative financial instruments	831	-	-	-	-	-	831
Investments available-for-sale	-	-	-	-	964	-	964
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	3,269	3,269
Other assets, less allowance for impairment losses	138	161	3,729	1,417	76	-	5,521
TOTAL ASSETS	151,882	7,203	41,923	224,915	90,457	3,269	519,649
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	-	68	-	-	-	68
Deposits from the National Bank of the Republic of Kazakhstan	-	-	-	6,000	-	-	6,000
Loans and advances from banks	19,119	11,930	88,169	61,227	2,288	-	182,733
Securities sold under agreements to repurchase	22,110	-	-	-	-	-	22,110
Customer accounts	7,000	9,839	40,193	68,844	1,776	-	127,652
Debt securities issued	-	-	1,813	4,173	76,674	-	82,660
Subordinated debt	-	-	-	2,645	19,983	3,630	26,258
Total interest bearing liabilities	48,229	21,769	130,243	142,889	100,721	3,630	447,481
Customer accounts	36,169	-	-	-	-	-	36,169
Dividends payable	25	-	-	-	-	-	25
Derivative financial instruments	21	-	-	-	-	-	21
Income tax liability	22	-	-	-	-	-	22
Other liabilities	993	-	19	1,505	-	-	2,517
TOTAL LIABILITIES	85,459	21,769	130,262	144,394	100,721	3,630	486,235
Liquidity gap	66,423	(14,566)	(88,339)	80,521	(10,264)	-	-
Interest sensitivity gap	77,222	(14,727)	(93,736)	79,534	(12,736)	-	-
Cumulative interest sensitivity gap	77,222	62,495	(31,241)	48,293	35,557	-	-
Cumulative interest sensitivity gap as a percentage of total assets	14.9%	12%	(6%)	9.3%	6.8%	-	-

The above table and gap analysis does not reflect the historical stability of Alliance Bank's current accounts, whose liquidation has historically taken place over a longer period than that indicated in the tables above. The table is based upon entitlement to withdraw on demand. Although there can be no assurance of Alliance Bank's ability to continue to extend customer accounts beyond their stated terms (see "Risk Factors - Risk Factors Relating to Alliance Bank - Liquidity Risk"), the majority of its customer accounts have historically remained with Alliance Bank over a period beyond their initial contractual terms.

In addition, Alliance Bank's ability to discharge liabilities relies on its ability to realize an equivalent amount of assets within the same period of time. As is typical for Kazakhstan banks, although Alliance Bank had a negative short-to-medium term maturity gap as at June 30, 2006, Management believes that Alliance Bank's access to domestic and international funding will continue to allow it to meet its liquidity needs.

On the other hand, long-term credits and overdrafts are generally not available in Kazakhstan except under programs established by international financial institutions or the DBK. In the domestic market, however, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may also be different from the analysis presented above. Current account balances are included in amounts due in less than one month in the table above, while trading and investment securities available-for-sale are shown at demand. Realizing such assets upon demand, however, is dependent upon financial market conditions and, in some instances, it may not be possible for significant security positions to be liquidated in a short period of time without adverse price effects.

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

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

Interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the periodic re-pricing of assets and liabilities. A negative gap denotes liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on interest income.

Liquidity is centrally managed on a daily basis by the Treasury Department according to real-time requirements and forecasts for all Alliance Bank's divisions and branches. All types of treasury operations are implemented within the limits established by the ALCO. In addition, the Board of Directors reviews Alliance Bank's liquidity guidelines and strategy on a monthly basis, making any necessary adjustments. Liquidity risk management is based on the strict observance of the capital adequacy ratio limits of the NBK, the continuous monitoring of the structure of assets and liabilities, fund raising and placement on the interbank markets and strict compliance with reserve requirements imposed by the NBK and Alliance Bank's internal policies.

The following table gives certain information as to Alliance Bank's liquidity as at June 30, 2006 and 2005, and as at December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
	(%) *(unaudited)*			*(%)* *(audited)*	
Loans (net)/assets	65	46	54	44	61
Loans (net)/total customer accounts	206	96	131	79	83
Loans (net)/equity	1,009	619	642	333	822
Liquid assets/total assets	31	49	41	49	13
Liquid assets(1)/total customer accounts	98	102	98	86	17

Note:

(1) Liquid assets include cash and balances with the NBK, precious metals, loans and advances to banks (with maturities of less than one month), assets held-for-trading and securities sold under repurchase agreements.

Foreign Currency Management

The Tenge has been subject to fluctuations against the U.S. Dollar. In 2003 and 2004, the Tenge appreciated against the U.S. Dollar by 8.5% and 10.2%, respectively. In 2005, the Tenge depreciated against the U.S. Dollar by 2.9% and in the six-month period ending June 2006 it appreciated 12.7%. The ALCO monitors the net open foreign currency position in relation to the prevailing market conditions and outlook and advises on Alliance Bank's position and implements Alliance Bank's strategy accordingly. Alliance Bank's long position is within the limits set by the NBK.

Regulation and monitoring of the net foreign currency positions of banks is carried out by the NBK. According to current FMSA regulations, the ratio of a bank's net open foreign currency position to its own capital must not exceed 30% and the open foreign currency position for any currency of a country rated “A” by S&P (or the equivalent from other rating agencies) or higher, or the Euro must not exceed 15% of its own capital. The open long and short position for any currency of a country rated below “A” by S&P (or the equivalent from other rating agencies) is limited to 5% of its own capital. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition - Capital Adequacy”.

The following table shows the net foreign currency position of Alliance Bank as at June 30, 2006 and 2005, and as at December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	**2005**	**2005**	**2004**	**2003**
	(unaudited)			*(audited)*	
Net open long (short) position (millions of Tenge)	(4,079)	1,008	1,340	1,151	(3,692)
Net position as a percentage of own capital	(12)%	6.1%	4.8%	7.2%	(99%)
Net position as a percentage of foreign currency liabilities	(1.6)%	1.3%	0.9%	4.7%	(21%)

Securities risks

Securities risks are divided into country risk, issuer risk and portfolio risk. Alliance Bank’s Treasury Department sets country limits using a rating scale and the classifications approved by international rating agencies. The Treasury Department manages issuer risk by establishing limits on exposure to particular issuers based on Alliance Bank’s counter-party’s financial performance and ratings from international rating agencies.

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

The following table sets out Alliance Bank's average balance sheets based upon the average of the daily consolidated balances of Alliance Bank for the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005 and 2004:

	Six-month period ended June 30				Year ended December 31			
	2006		2005		2005		2004	
	Average Balance	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
	(unaudited)				*(audited)*			
Assets	389,383	-	133,402	-	174,550	-	66,509	-
Cash	6,668	-	2,537	-	3,657	-	1,447	-
Tenge	3,087	-	1,194	-	1,628	-	655	-
Foreign currency	3,581	-	1,343	-	2,029	-	792	-
Precious metals	16	-	16	-	10	-	38	-
Tenge	-	-	-	-	-	-	-	-
Foreign currency	16	-	16	-	10	-	38	-
Correspondent accounts with NBRK	9,190	-	3,828	-	5,545	-	1,650	-
Tenge	6,481	-	3,046	-	4,688	-	1,317	-
Foreign currency	2,709	-	782	-	857	-	333	-
Loans and advances to banks	14,883	4.5	3,014	2.2	6,898	3.4	748	3.7
Tenge	7,585	5.5	1,735	2.0	4,328	3.1	416	2.8
Foreign currency	7,298	3.5	1,279	2.5	2,570	4.0	332	4.1
Marketable securities	92,813	4.8	52,668	4.0	54,322	4.5	18,373	5.0
Tenge	40,346	5.0	48,786	4.0	37,966	4.5	15,522	5.6
Foreign currency	52,467	4.5	3,882	5.1	16,356	4.5	2,851	1.6
Securities purchased under agreement to resell	2,951	5.9	1,267	5.6	2,954	8.1	638	4.8
Tenge	2,951	5.9	1,267	5.6	2,954	8.1	638	4.8
Foreign currency	-	-	-	-	-	-	-	-
Loans and advances to customers	252,217	15.9	67,768	13.6	96,728	15.0	42,784	14.0
Performing	247,595	15.9	65,536	13.6	93,972	14.9	41,033	14.0
Tenge	143,455	17.4	44,444	14.8	58,859	17.1	30,946	14.6
Foreign currency	104,140	13.9	21,092	11.0	35,114	11.3	10,086	12.3
Non-performing	4,623	-	2,232	-	2,756	-	1,751	-
Tenge	3,422	-	1,530	-	1,923	-	1,075	-
Foreign currency	1,201	-	702	-	833	-	675	-
Fixed and intangible assets	7,076	-	1,595	-	2,509	-	895	-
Tenge	7,076	-	1,595	-	2,509	-	895	-
Foreign currency	-	-	-	-	-	-	-	-
Investments available-for-sale	1,307	-	48	-	91	-	53	-
Tenge	76	-	48	-	51	-	53	-
Foreign currency	1,230	-	-	-	40	-	-	-
Other assets	12,054	-	3,409	-	5,401	-	1,589	-
Tenge	5,066	-	1,724	-	2,227	-	1,060	-
Foreign currency	6,988	-	1,685	-	3,174	-	529	-
Allowance for impairment loss	(9,783)	-	(2,748)	-	(3,565)	-	(1,706)	-
Total	389,383	-	133,402	-	174,550	-	66,509	-
Liabilities and equity	389,383	-	133,402	-	174,550	-	66,509	-
Demand deposits	27,952	0.4	17,431	0.8	18,824	0.6	9,527	0.4
Tenge	24,811	0.3	16,418	0.8	17,244	0.4	7,929	0.5
Foreign currency	3,141	-	1,013	-	1,580	0.0	1,598	-
Time deposits	113,356	9.4	68,119	9.3	75,526	9.3	33,709	9.1
Tenge	90,652	9.8	51,079	9.7	55,813	9.7	25,038	9.7
Foreign currency	22,704	7.9	17,040	8.0	19,713	8.0	8,671	7.9
Correspondent accounts of other banks	1,454	3.1	1,425	1.8	1,300	2.4	599	2.0
Tenge	789	3.2	987	1.9	861	2.5	245	2.2
Foreign currency	665	2.9	439	1.6	438	2.1	354	1.8
Interbank borrowings	118,366	8.0	16,487	6.3	30,183	6.7	8,229	6.7
Tenge	41,870	7.6	6,963	7.3	7,328	7.5	4,223	7.1
Foreign currency	76,496	8.2	9,524	5.6	22,855	6.4	4,006	6.2
Securities sold under	4,760	3.8	2,372	2.0	2,321	2.0	2,702	3.4

agreements to repurchase ...

	Six-month period ended June 30				Year ended December 31			
	2006		2005		2005		2006	
	Average Balance	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*
	(KZT mill ions)	*(%)*	*(KZT milli ons)*	*(%)*	*(KZT milli ons)*	*(%)*	*(KZT milli ons)*	*(%)*
	(unaudited)				*(audited)*			
Tenge	1,848	1.4	2,372	1.6	2,321	1.4	2,702	3.0
Foreign currency	2,912	3.3	-	-	-	-	-	-
Other borrowed funds	1,222	10.4	-	-	-	-	-	-
Tenge	-	-	-	-	-	-	-	-
Foreign Currency	1,222	10.3	-	-	-	-	-	-
Debt securities issued	80,099	10.3	8,382	9.4	23,017	10.3	4,202	9.8
Tenge	14,662	9.2	8,072	9.4	10,261	9.7	4,202	9.6
Foreign currency	65,437	11.1	310	10.0	12,756	10.9	-	-
Other liabilities.................	10,320	-	2,671	-	3,892	-	1,802	-
Tenge	6,225	-	1,685	-	2,448	-	1,049	-
Foreign currency	4,096	-	986	-	1,444	-	754	-
Total liabilities..................	357,529	-	116,887	-	155,063	-	60,770	-
Tenge	180,857	-	87,595	-	96,276	-	45,387	-
Foreign currency	176,672	-	29,312	-	58,787	-	15,383	-
Equity and reserves..........	31,864	-	16,513	-	19,487	-	5,739	-
Total..................................	389,383	-	133,402	-	174,550	-	66,509	-
Average Exchange Rate KZT/U.S.$.........................	127.10		131.20	-	132.86	-	136.04	-

Assets

As at June 30, 2006, Alliance Bank had total assets of KZT 519,649 million, reflecting an increase of 134% over KZT 221,941 million as at June 30, 2005. As at December 31, 2005, Alliance Bank had total assets of KZT 332,758 million, reflecting an increase of 178% from KZT 119,860 million as at December 31, 2004. The following table sets out the major asset groups of Alliance Bank for the periods indicated:

	Six-month period ended June 30				Year ended December 31			
	2006		2005		2005		2004	
	Average Balance	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*	*Average Balance*	*Average Interest Rate*
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
	(unaudited)				*(audited)*			
Trading and investment portfolio:								
Tenge	40,346	5.0	48,786	4.0	37,966	4.5	15,522	5.6
Foreign currency	52,467	4.5	3,882	5.1	16,356	4.5	2,851	1.6
Total	92,813	4.8	52,668	4.0	54,322	4.5	18,373	5.0
Cash and balances with national (central) banks:								
Tenge	9,568	-	4,240	-	6,316	-	1,972	-
Foreign currency	6,306	-	2,141	-	2,896	-	1,163	-
Total	15,874	-	6,381	-	9,212	-	3,135	-
Loans and advances to banks; net:								
Tenge	7,585	5.5	1,735	2.0	4,328	3.1	416	2.8
Foreign currency	7,298	3.5	1,279	2.5	2,570	4.0	332	4.1
Total	14,883	4.5	3,014	2.2	6,898	3.4	748	3.7
Securities purchased under agreements to reverse								
Tenge	2,951	5.9	1,267	5.6	2,954	8.1	638	4.8
Foreign currency	-	-	-	-	-	-	-	-
Total	2,951	5.9	1,267	5.6	2,954	8.1	638	4.8
Loans and advances to customers:								
Tenge	146,877	17.4	45,974	14.8	60,782	17.1	32,021	14.6
Foreign currency	105,340	13.9	21,794	11.0	35,946	11.3	10,763	12.3
Total	252,217	15.9	67,768	13.6	96,728	15.0	42,784	14.0
Other assets	20,428	-	5,052	-	8,001	-	2,537	-
Allowance for impairment losses	(9,783)	-	(2,748)	-	(3,565)	-	(1,706)	-
Total assets	389,383	-	133,402	-	174,550	-	66,509	-

As at December 31, 2005, Alliance Bank's asset structure underwent some changes in comparison with the structure as at the end of 2004. The largest component of Alliance Bank's assets continued to be loans and advances to customers, which as a percentage of total assets amounted to 54.1% and 44.5% as at December 31, 2005 and December 31, 2004, respectively. Loans and advances to banks increased from 0.7% as at the end of 2004 to 3.1% as at December 31, 2005. The trading and investment portfolio, as a percentage of total assets, decreased from 31.7% to 27.3% between December 31, 2004 and December 31, 2005. Cash and correspondent accounts with the national banks of Kazakhstan fell from 16.4% in 2004 to 12.7% in 2005.

The following table indicates average net interest income, yield, margin and spread on Alliance Bank's loan portfolio for the years ended December 31, 2005 and 2004 and the six months ended June 30, 2006, as calculated by Management based on information derived from Alliance Bank's Statutory Financial Statements filed with the NBK:

	Six months ended June 30	Year ended December 31	
	2006	**2005**	**2004**
	(KZT millions) *(unaudited)*	*(KZT millions)* *(unaudited)*	
Average interest-earning assets	358,241	158,146	60,792
KZT	194,337	108,795	47,522
Currency	163,904	49,351	13,270
Interest Income	22,705	17,370	7,011
KZT	14,078	12,471	5,623
Currency	8,627	4,899	1,388
Net Interest Income	8,079	5,791	2,823
KZT	7,284	5,153	2,330
Currency	795	638	493
Yield	12.7%	11.0%	11.5%
KZT	14.5%	11.5%	11.8%
Currency	10.5%	9.9%	10.5%
Margin	4.5%	3.7%	4.6%
KZT	7.5%	4.7%	4.9%
Currency	1.0%	1.3%	3.7%
Spread	4.2%	3.3%	4.4%
KZT	6.7%	3.7%	4.4%
Currency	1.4%	2.5%	4.3%

The following table also sets out maturity profiles for Alliance Bank's fixed and floating rate interest bearing assets as at June 30, 2006:

	Fixed rate instruments *(KZT millions)* *(unaudited)*					
	up to 3 months	**3 to 12 months**	**1 to 5 years**	**more than 5 years**	**Maturity undefined**	**total**
Assets held-for-trading	103,331	1,038	-	9,556	-	113,925
Cash and balances with the NBK	25,458	-	-	-	-	25,458
Loans and advances to customers	7,253	35,469	211,844	78,429	-	332,995
Other	23,043	5,416	13,071	2,472	3,269	47,271
Assets	159,085	41,923	224,915	90,457	3,269	519,649
Loans and advances from banks	31,049	88,169	61,227	2,288	-	182,733
Customers accounts	53,008	40,193	68,844	1,776	-	163,821
Other	23,171	1,900	14,323	96,657	3,630	139,681
Liabilities	107,228	130,262	144,394	100,721	3,630	486,235

Trading and Investment Portfolio

Alliance Bank structures its securities portfolio based on a number of factors, including the liquidity, diversification and yield-to-maturity of the securities held by it. During 2005, the Management of Alliance Bank determined to diversify its securities portfolio to manage its exposure to the NBK and the Government of Kazakhstan, which had historically comprised up to 90% of Alliance Bank's assets held for trading. Currently, Alliance Bank's policy is to maintain Government securities of not less than 15% of its total assets, corporates of not more than 30% and securities of foreign issuers (predominately U.S. Treasury bills) of not more than 65%.

The following table shows the composition of securities held by Alliance Bank as at June 30, 2006 and 2005 and as at December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	**2005**	**2005**	**2004**	**2003**
	(KZT millions) *(unaudited)*			*(KZT millions)* *(audited)*	
Assets held-for-trading	113,925	51,851	79,283	31,324	1,564
Investments available-for-sale	11,067	6,480	11,109	5,467	4,904
Investments held-to-maturity	446	463	463	1,260	6,884
Investments in associated companies	-	-	-	-	50
Total	125,438	58,794	90,855	38,051	13,402

Alliance Bank's total securities portfolio increased by 113% from KZT 58,794 million as at June 30, 2005 to KZT 125,438 million as at June 30, 2006. Alliance Bank's total securities portfolio increased by 139% from KZT 38,051 million as at December 31, 2004 to KZT 90,855 million as at December 31, 2005 and by a further 38% to KZT 125,438 million as at June 30, 2006.

Alliance Bank's assets held-for-trading comprise notes issued by the NBK, U.S. Treasury bills, bonds issued by the Ministry of Finance of the Republic of Kazakhstan and other Kazakhstan governmental and corporate issuers. As at June 30, 2006, U.S. Treasury bills comprised 50% of the assets held-for-trading portfolio, notes issued by the NBK comprised 23% and bonds issued by the Ministry of Finance of the Republic of Kazakhstan constituted 6.7% This composition as at June 30, 2006 represented a significant revision of Alliance Bank's portfolio in previous years, which had historically been constituted almost entirely by notes issued by the NBK and bonds issued by the Ministry of Finance.

The assets held-for-trading portfolio increased by KZT 47,959 million from KZT 31,324 million as at December 31, 2004 to KZT 79,283 million as at December 31, 2005 and by a further KZT 34,642 million to KZT 113,925 million as at June 30, 2006. This increase was mainly due to the fact that Alliance Bank had undistributed funds from its capital market and syndicated loan funding activities at the end of 2005 and in the first half of 2006, which it applied at that time to purchase additional assets held-for-trading. In addition, as part of its liquidity management program, Alliance Bank maintains a certain percentage of assets as liquid assets and, as the total assets of Alliance Bank grew considerably in 2005, Alliance Bank increased the volume of its liquid assets to balance its asset portfolio.

As at June 30, 2006, Alliance Bank's investments available-for-sale comprised mostly bonds of the Ministry of Finance of the Republic of Kazakhstan, Eurobonds issued by the Republic of Kazakhstan and other governmental and private Kazakhstan entities. Approximately 49% of Alliance Bank's investments available-for-sale that were issued by Kazakhstan corporates were issued by private companies in the financial sector. As at June 30, 2006, Alliance Bank's available-for-sale investments also included small equity investments of KZT 964 million in corporates including shares of the KASE, JSC National Processing Centre (a Kazakhstan company established to develop the interbank payment card system through the provision of services and the performance of operations connected with the processing of payment card transactions), First Credit Bureau LLP (a Kazakhstan company established by a number of Kazakhstan banks in order to set up and process individual borrower's credit information), JSC Alliance Capital FK and JSC Alliance Policy.

As at June 30, 2006, investments held-to-maturity comprised bonds of the Ministry of Finance of the Republic of Kazakhstan and Astana municipal bonds, in an aggregate principal amount of KZT 446 million. The 3.7% decrease in investments held-to-maturity as at June 30, 2006 compared to December 31, 2005 was largely due to a number of such securities maturing in 2005.

The average portfolio of marketable securities increased by 195.76% to KZT 54,322 billion in 2005 from KZT 18,367 billion in 2004, whilst average interest rates decreased from 5.2% in 2004 to 4.5% in 2005.

The following table shows the structure of Alliance Bank's marketable securities portfolio as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at June 30		**As at December 31**		
	2006	**2005**	**2005**	**2004**	**2003**
	Balance	*Balance*	*Balance*	*Balance*	*Balance*
	(KZT millions) *(unaudited)*			*(KZT millions)* *(audited)*	
NBK notes	25,958	31,174	23,414	25,728	1,316
Corporate bonds	27,595	11,623	17,536	5,090	248
US Treasury Bills	56,486	7,838	36,887	-	-
Eurobonds of foreign issuers	3,471	706	962	-	-
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	415	510	484	506	-
Total	113,925	51,851	79,283	31,324	1,564

Alliance Bank's Loan Portfolio

Introduction

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

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

The following table sets out the composition of Alliance Bank's loans and contingent liability exposure as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
	(KZT millions) *(unaudited)*			*(KZT millions)* *(audited)*	
Loans					
Loans and advances to customers (gross)	351,119	106,725	187,652	55,915	32,301
Allowance for impairment losses	(13,930)	(3,851)	(7,555)	(2,606)	(1,631)
Loans and advances to customers, net	337,189	102,874	180,097	53,309	30,670
Contingent Liabilities					
Guarantees	6,300	4,485	35,255	4,445	1,772
Letters of credit	10,458	795	5,350	694	60
Allowances for impairment losses	-	-	(176)	(46)	(20)
Total contingent liabilities, net	16,758	5,280	40,429	5,093	1,812
Total loans (gross) and contingent liabilities (net)	353,947	108,154	220,526	58,402	32,482

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

Alliance Bank's loan portfolio, net of allowance, grew by 73.8% from KZT 30,670 million as at December 31, 2003 to KZT 53,309 million as at December 31, 2004 and by a further 87% from KZT 180,097 million as at December 31, 2005 to KZT 337,189 million as at June 30, 2006.

Loan portfolio by amount

The following table sets forth information relating to the diversification by amount of Alliance Bank's gross loan portfolio as at June 30, 2006 and December 31, 2005:

	As at June 30, 2006		As at December 31, 2005	
	volume	%	volume	%
	(in KZT '000, except %) *(unaudited)*		*(audited)*	
Less than KZT 5 million	118,769,114	33.8	41,365,122	22.0
From KZT 5 million to KZT 15 million	16,939,372	4.8	10,097,794	5.4
From KZT 15 million to KZT 50 million	21,666,154	6.2	13,983,183	7.5
From KZT 50 million to KZT 100 million	16,438,961	4.7	10,111,502	5.4
From KZT 100 million to KZT 500 million	53,656,401	15.3	39,852,260	21.2
Greater than KZT 500 million	123,649,229	35.2	72,242,314	38.5
Total	351,119,231	100.0	187,652,175	100.0

Alliance Bank's issued letters of guarantee portfolio, which amounted to KZT 67 billion and KZT 35 billion as at June 30, 2006 and December 31, 2005, respectively, mostly consists of guarantees given on behalf of corporate customers.

Loans and advances to banks

As at June 30, 2006, net loans and advances to banks were KZT 20,312 million, compared to KZT 10,182 million as at December 31, 2005 and KZT 892 million as at December 31, 2004. At the same time, net loans and advances to banks as a percentage of total assets increased to 3.9% as at June 30, 2006, compared to 3.1% as at December 31, 2005 and 0.7% as at December 31, 2004. In general, for the year up to June 30, 2006 and the years ended 2005 and 2004, loans and advances to banks were represented by short- term U.S. Dollar deposits placed for liquidity management. Alliance Bank undertakes a conservative approach in its funding activities through deposits. Funds are usually placed for a short-term period with a maximum limit on the amount deposited, unless such loans are backed by state securities or cash deposits.

The following table shows a breakdown by currency of correspondent account balances and loans as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
	(unaudited)			(audited)	
Loans and advances to banks, net	20,312	29,803	10,182	892	2,242
Tenge	4,850	2,357	2,173	-	-
Foreign currency	15,462	27,446	8,009	892	2,242

Loans, letters of credit and letters of guarantee

Alliance Bank offers a variety of corporate banking products including loans, trade financing, letters of credit and letters of guarantee. The following table sets out the composition of Alliance Bank's loans to customers and contingent liabilities exposure as at June 30, 2006 and 2005, and December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
	(KZT millions) (unaudited)			(KZT millions) (audited)	
Loans					
Loans to customers	351,119	106,725	187,652	55,915	32,301
Allowance for impairment losses	(13,930)	(3,851)	(7,555)	(2,606)	(1,631)
Loans to customers, net	337,189	102,874	180,097	53,309	30,670
Contingent liabilities:					
Letters of guarantee	6,300	4,485	35,255	4,445	1,772
Letters of Credit	10,458	795	5,350	694	60
Allowance for impairment losses	-	-	(176)	(46)	(20)
Total contingent liabilities, net	16,758	5,280	40,429	5,093	1,812
Total loans to customers and contingent liabilities, net	353,947	108,154	220,526	58,402	32,482

As at June 30, 2006 the total loan portfolio (including letters of credit and letters of guarantee) rose by 60.5% from December 31, 2005 and amounted to KZT 353,947 million as at June 30, 2006 compared to KZT 220,526 million as at December 31, 2005.

Alliance Bank provides financing for various purposes, although the majority of loans are for working capital purposes and for terms of 12 months or less. As the demand for longer-term financing from existing customers increases, Alliance Bank intends to increase its financing of capital expenditures, provided that Alliance Bank can match its funding base with longer-term financing through an increase in borrowings and time deposits.

The following table shows a breakdown of Alliance Bank's loan portfolio before allowance for impairment losses by type of loan as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at ended June 30				As at December 31					
	2006		2005		2005		2004		2003	
	(KZT millions)	(share %)	(KZT millions) (unaudited)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)	(KZT millions)	(share %)
Construction	49,558	14.1	21,526	20.2	19,744	10.5	7,877	14.1	2,244	6.9
Consumer loans	132,788	37.8	20,868	19.6	50,366	26.8	9,292	16.6	2,844	8.8
Real estate purchase	16,711	4.8	2,874	2.7	13,717	7.3	3,038	5.4	1,644	5.1
Population related services	32,093	9.1	8,390	7.9	12,710	6.8	3,467	6.2	2,122	6.6
Wholesale	44,583	12.7	21,947	20.6	35,466	18.9	11,068	19.8	8,746	27.1
Other	75,386	21.5	31,120	29.0	55,649	29.7	21,173	37.9	14,701	45.5
Total	351,119	100.0	106,725	100.0	187,652	100.0	55,915	100.0	32,301	100.0

Loan portfolio by sector

Alliance Bank's Credit Committee sets limits on Alliance Bank's total exposure to economic sectors as a percentage of Alliance Bank's net loan portfolio, based upon its review of macro-economic data prepared by the Corporate Finance Department. Current limits include maximum exposures to wholesale trade companies of 13.4%, to the construction sector of 14.3% and to service companies of 16.7%, in each case, as a percentage of Alliance Bank's total net loan portfolio. Alliance Bank also limits its exposure to high risk sectors of the economy, including the agriculture and transport industry.

The following table sets forth certain information as to the structure of Alliance Bank's gross loan portfolio by economic sector, as at June 30, 2006 and 2005 and as at December 31, 2005, 2004 and 2003:

	As at ended June 30				As at December 31					
	2006		2005		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
	(unaudited)						*(audited)*			
Consumer loans.	132,788	37.8	20,357	19.1	50,366	26.8	9,292	16.7	2,844	8.8
Construction......	49,558	14.1	21,055	19.7	19,744	10.5	7,877	14.1	2,244	6.9
Wholesale..........	44,583	12.7	21,597	20.2	35,466	18.9	11,068	19.9	8,746	27.1
Population related s	32,093	9.1	8,319	7.8	12,710	6.8	3,467	6.2	2,122	6.6
Real estate operations..........	16,711	4.7	2,845	2.7	13,717	7.3	3,038	5.4	1,644	5.1
Transportation ...	13,527	3.8	3,692	3.5	14,960	8.0	1,865	3.3	922	2.9
Paper manufacturing....	11,064	3.2	3,019	2.8	7,311	3.9	1,333	2.4	1,546	4.8
Retail trading.....	8,725	2.5	2,985	2.8	5,113	2.7	1,456	2.6	1,386	4.3
Accrued interest.	8,505	2.4	1,864	1.7	4,420	2.4	1,239	2.2	662	2.0
Agriculture	5,623	1.6	2,304	2.2	3,865	2.1	2,148	3.8	1,720	5.3
Financial leasing	5,556	1.6	309	0.3	2,863	1.5	25	0.0	-	-
Other	4,439	1.3	2,634	2.4	3,207	1.7	3,244	5.8	1,614	5.0
Finance services	4,315	1.2	4,257	4.0	3,686	2.0	2,980	5.3	1,040	3.2
Food	4,140	1.2	3,576	3.4	3,271	1.7	2,269	4.1	2,030	6.3
Entertainment and recreational activities...........	3,389	1.0	1,098	1.0	1,066	0.6	1,082	1.9	345	1.1
Chemical industry	2,391	0.7	931	0.9	1,059	0.6	740	1.3	629	1.9
Services related to oil and gas extraction...........	1,969	0.6	77	-	423	0.2	16	-	148	0.5
Coal mining.......	1,827	0.5	3,006	2.8	1,877	1.0	1,990	3.6	875	2.7
Publications.......	1,443	0.4	1,671	1.6	1,218	0.6	71	0.1	357	1.1
Heavy industry ..	941	0.3	712	0.7	1,074	0.6	271	0.5	736	2.3
Mail and Communications	726	0.2	132	0.1	608	0.3	110	0.2	546	1.7
Production of metal goods	592	0.2	285	0.3	1,105	0.6	334	0.6	145	0.4
Discount on loans and advances to customers	(3,786)	(1.1)	-	-	(1,477)	(0.8)	-	-	-	-
Total	351,119	100.0	106,725	100.0	187,652	100.0	55,915	100.0	32,301	100.0

Consumer loans increased by 227% from KZT 2,844 million as at December 31, 2003 to KZT 9,292 million as at December 31, 2004, 442% in 2005 from KZT 9,292 million as at December 31, 2004 to KZT 50,366 million as at December 31, 2005 and by a further 164% from December 31, 2005 to KZT 132,788 million as at June 30, 2006. Loans to wholesale trade companies increased by 27% from KZT 8,764 million as at December 31, 2003 to KZT 11,068 million as at December 31, 2004 and by a further 26% from KZT 35,466 million as at December 31, 2005 to KZT 44,583 million as at June 30, 2006. Loans to construction companies decreased from 14.1% of Alliance Bank's total loan portfolio as at December 31, 2004 to 10.5% as at December 31, 2005 and increased to 14% as at June 30, 2006, reflecting the overall increase in the total amount of Alliance Bank's loans by 528% from December 31, 2004 to June 30, 2006. Loans to the retail and housing sector included approximately KZT 17.7 million of mortgage loans as at June 30, 2006.

Whilst companies providing population related services (including companies involved in industries such as the education, health, automotive and hospitality services), real estate operations, finance and transportation services are not major borrowers of Alliance Bank, lending to these sectors increased overall by 297% in 2005, as compared to 2004 with combined borrowings from these sectors of KZT 45,073 million as at December 31, 2005 compared to KZT 11,350 million and KZT 5,728 million as at December 31, 2004 and 2003, respectively. As at December 31, 2005, companies in the mining sector decreased their borrowings from Alliance Bank by 6% as compared to December 31, 2004, and overall the sector represented only 0.5% of Alliance Bank's total loan portfolio as at June 30, 2006, compared to 4% as at December 31, 2005 and 3.6% as at December 31, 2004. Lending to paper manufacturing companies increased by 730% from KZT 1,333 million as at December 31, 2004 to KZT 11,044 million as at June 30, 2006 after decreasing slightly between 2005 and 2004.

In line with Alliance Bank's lending policy, Alliance Bank decreased its exposure (as a percentage of its total portfolio) to companies operating within the food industry and agriculture sector, from 8% from Alliance Bank's total loan portfolio as at December 31, 2004 and 4% as at December 31, 2005 to 2.8% as at June 30, 2006. Alliance Bank believes this sector, which is predominantly exposed to domestic economy and cross-border competition, is the most sensitive to any negative change in the domestic and regional economic environment.

As at June 30, 2006, Alliance Bank had loans totaling KZT 217,019 million which originated in Almaty. These loans represented 63% of the total loan portfolio, compared to 68% and 73% as at year end 2005 and 2004, indicating that Alliance Bank is becoming less dependent on Almaty and is succeeding in expanding its lending base in other areas of Kazakhstan.

Loan Portfolio Structure by Currencies

The level of Tenge denominated loans has increased to 58% of Alliance Bank's loan portfolio as at June 30, 2006 compared to 51% as at December 31, 2005 and 64% as at December 31, 2004. Tenge denominated loans generally have a shorter-term maturity profile and usually contain provisions that allow Alliance Bank to increase interest rates or demand early repayment in the event of a devaluation of the Tenge.

The following table sets forth certain information as to the currency profile of Alliance Bank's net loan portfolio as at June 30, 2006 and 2005, and December 31, 2005, 2004 and 2003:

	As at ended June 30				As at December 31					
	2006		2005		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
	(unaudited)				*(audited)*					
Tenge	202,371	58	70,352	66	95,785	51	35,779	64	24,492	76
USD dollars	140,221	40	35,206	33	89,082	47	18,688	33	7,758	24
EURO.........	8,519	2	1,167	1	2,785	2	1,448	3	51	-
Others.........	8	-	-	-	-	-	-	-	-	-
Total...........	351,119	100	106,725	100	187,652	100	55,915	100	32,301	100

Lending Policies and Procedures

General

The FMSA sets strict guidelines in relation to the credit approval process of banks and the terms, credit levels and interest rates of the loans given. NBK regulations limit the exposure to any single borrower or group of borrowers to 10% of a bank's equity for parties related to the bank and to 25% of a bank's equity for parties not related to the bank. Alliance Bank's own credit approval process is based on NBK regulations and its own internal procedures are established by the Management Board and the Board of Directors.

Alliance Bank has established the General Credit Committee, the Small Credit Committee and the Retail Credit Committee, to approve loans to be extended by Alliance Bank depending on the type of the borrower.

The General Credit Committee is responsible for the implementation of Alliance Bank's credit policy and for approving the terms of credit facilities and/or guarantees extended by Alliance Bank (including its branches) to large corporate customers for amounts exceeding U.S.$3,000,000. The Board of Directors is responsible for approving loans for amounts of up to 25% of Alliance Bank's capital, which is the maximum exposure per client. The Small Credit Committee is responsible for approving the terms of credit facilities and/or guarantees extended by Alliance Bank (including its branches) to SMEs and corporate customers for amounts of up to U.S.$3 million.

Within each branch, credit decisions for loans below the credit level set for that branch are approved by the credit committee within the branch. The levels for each branch are set by the Credit Committee and range from U.S.$30,000 to U.S.$500,000 aggregate exposure per client (U.S.$1 million for Almaty and Astana). The monitoring unit of the Corporate Finance Department, which reports to the Credit Committee monitors loans approved by individual branches. Individual branch lending limits can be increased up to the maximum limit approved for branches, or revoked, depending on the quality of the loan portfolio of the branch, and the credit quality of the branch's borrowers, as well as the individual branch's compliance with Alliance Bank's credit policies. Lending limits are reviewed on a quarterly basis.

All applications for credit by corporate and retail customers must be submitted to Alliance Bank on its standard forms. The relevant branch conducts an initial compliance review of each application. After such review, depending on the type of the borrower and the credit, the application is sent for review and analysis by the SME Business Department for loans of up to U.S.$3 million or by the Corporate Finance Department for loans exceeding U.S.$3 million. The relevant department undertakes a thorough review and analysis of the application, including carrying out feasibility studies and analysis of the financial standing, reputation and experience of the potential borrower, and prepares a credit dossier based upon the results of such analysis. If applicable, the relevant credit department obtains references on the potential borrower from third parties, including other banks and various governmental authorities, such as taxation bodies, the NBK and the Interior

Ministry. If the loan is to be collateralized, Alliance Bank makes an appraisal of the collateral being offered, including as to valuation, legality and enforceability. Alliance Bank also employs independent legal advisers to review the loan agreements and other legal documentation involved in the lending process. Alliance Bank's approval policies are based, in part, on EBRD guidelines for SME financing.

In relation to retail loans, individual branch credit committees are authorized to approve applications by individuals that do not exceed the limits established by the Retail Credit Committee. The lending limits, ranging from U.S.$30,000 to U.S.$500,000 are established by the branch and are dependent on the collateral type. The Retail Credit Committee is mainly responsible for the approval and revision of conditions on the provision of retail products, the establishment of separate lending conditions on certain loans, the approval of lending limits on retail lending products for Alliance Bank's branches and the extension of retail loans exceeding established lending limits for Alliance Bank's branches.

Loan applications from Kazpost, Alliance Retail, Alliance Finance and Dynasty are processed based on an automated scoring system developed by Alliance Bank. Brokers or Kazpost employees complete application forms on-line and submit the information to Alliance Bank's automated processing system in Almaty. If approved, the loan documents are signed by the customer and sent to the head office, following which loan funds are disbursed. Customers must have an account either with Alliance Bank or Kazpost to obtain a loan through the Kazpost network or a broker.

The current scoring model is based on the following criteria:

- social demographic characteristics (age, job, position and marital status, etc);
- the history of any relationship with Alliance Bank (credit use and timelines of repayment, etc); and
- information obtained from databases of the State Pension Payment Centre ("*SPPC*") and tax authorities.

Information from the SPPC allows the model to determine employment, any change of employer and frequency of pension contributions and to calculate average monthly salaries, the ratio of income or revenue to the requested loan amount and the maximum amount of the loan.

As at the date of this Prospectus, Alliance Bank is in negotiations with Experien, an international credit agency, with a view to purchasing a new automated credit scoring system, which Alliance Bank intends to implement for all retail lending products offered by Alliance Bank in October 2006.

Maturity Limit

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

Nature of the Loan	Maximum Maturity
Financing of working capital	Up to 4 years
Consumer credit to individuals	Up to 7 years
Loans to employees	Up to 5 years
Payroll	Up to 1 month
Investments	Up to 7 years
Inter-bank credit:	
Short-term	Overnight Up to 1 month Up to 1 year
Long-term	Above 1 year
Mortgage loans	Up to 20 years
Leasing	Up to 7 years

The maturity structure of Alliance Bank's loan portfolio in 2005 reflects a significant position on loans with a maturity of over one year, as a result of demand for longer-term financing. Alliance Bank's potential exposure to such longer-term loans is offset, in part, by the terms of such loans which allow Alliance Bank to require the customer to either accept an increased interest rate or to prepay the loan, thereby minimizing interest rate risk on such longer-term loans.

Loan Portfolio Maturities

Alliance Bank increased its aggregate loans with maturities of one to five years from KZT 30,443 million in 2004 to KZT 118,161 million in 2005. The proportion of these loans within Alliance Bank's total loan portfolio increased from 58% to 66% due to a decrease in loans with maturities less than one year.

The following tables set forth certain information as to the maturity of Alliance Bank's gross loan portfolio by credit quality classification as at June 30, 2006 and December 31, 2005, 2004 and 2003:

	June 30, 2006				
Classification	**up to 30 days**	**1-5 months**	**5-10 months**	**more than 10 months**	**total**
			(KZT millions)		
Standard	5,218	5,894	8,856	207,586	227,554
Substandard	2,694	2,382	13,106	91,247	109,429
Unsatisfactory	1,469	55	224	2,298	4,046
Doubtful	565	166	271	4,433	5,435
Loss Loans	1,382	77	165	3,031	4,655
Total	11,328	8,574	22,622	308,595	351,119

	December 31, 2005				
Classification	**up to 30 days**	**1-5 months**	**5-10 months**	**more than 10 months**	**total**
			(KZT millions)		
Standard	7,459	4,435	4,305	107,589	123,788
Substandard	5,359	1,910	2,981	45,813	56,063
Unsatisfactory	261	660	1,163	1,277	3,361
Doubtful	120	13	13	839	85
Loss Loans	1,487	264	91	1,613	3,455
Total	14,686	7,282	8,553	157,131	187,652

	December 31, 2004				
Classification	**up to 30 days**	**1-5 months**	**5-10 months**	**more than 10 months**	**total**
			(KZT millions)		
Standard	3,245	4,064	2,111	30,035	39,455
Substandard	1,072	469	1,290	10,320	13,151
Unsatisfactory	197	134	102	794	1,227
Doubtful	177	21	435	216	849
Loss Loans	750	96	24	363	1,233
Total	5,441	4,784	3,962	41,728	55,915

	December 31, 2003				
Classification	**up to 30 days**	**1-5 months**	**5-10 months**	**more than 10 months**	**total**
			(KZT millions)		
Standard	1,989	2,911	5,006	12,824	22,730
Substandard	794	352	956	4,581	6,683
Unsatisfactory	277	179	314	1,077	1,847
Doubtful	306	60	14	360	740
Loss Loans	178	39	44	40	301
Total	3,544	3,541	6,334	18,882	32,301

Collateralization

To reduce its credit risks, Alliance Bank requires collateral from borrowers. Collateral includes but is not limited to real estate, machinery and motor vehicles, industrial equipment and industrial goods and inventories, as well as cash deposits, domestic securities and personal, corporate and financial institution guarantees. Alliance Bank regularly monitors the quality of the collateral taken as security.

In certain cases when existing collateral decreases in value, additional collateral may be requested. In addition, the terms of its loan agreements usually provide Alliance Bank with the flexibility to adjust interest rates or request a prepayment of the loan or a portion thereof upon changes in circumstances, including a decline in the value of collateral.

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

Collateral Categories	**Loan/Collateral Value**
Cash	1.0
Corporate securities	0.7
Corporate securities (not publicly traded)	0.8
Residential real estate	0.9
Commercial real estate	0.8
Goods in turnover	0.6
Equipment	0.7

The following table sets forth a breakdown of Alliance Bank's collateralized and uncollateralized loans by amount and as a percentage of total gross loans as at June 30, 2006 and 2005 and December 31 2005, 2004 and 2003:

	As at June 30				As at December 31					
	2006		2005		2005		2004		2003	
	(KZT millions)	*(share %)*	*(KZT millions)*	*(share %)*	*(KZT millions)*	*(share %)*	*(KZT millions)*	*(share %)*	*(KZT millions)*	*(share %)*
			(unaudited)					*(audited)*		
Collateralized	288,031	82	102,605	96.1	171,210	91	54,797	98	32,301	100
Uncollateralized	63,088	18	4,120	3.9	16,442	9	1,118	2	-	-
Total gross loans	351,119	100	106,725	100	187,652	100	55,915	100	32,301	100

The following table sets forth a breakdown of total gross collateralized loans (before allowances for impairment losses) by type of collateral and as a percentage of the total gross loan portfolio as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at June 30				As at December 31					
	2006		2005		2005		2004		2003	
	(KZT millions)	*(share %)*	*(KZT millions)*	*(share %)*	*(KZT millions)*	*(share %)*	*(KZT millions)*	*(share %)*	*(KZT millions)*	*(share %)*
		(unaudited)					*(audited)*			
Loans collateralized by real estate	195,919	55.8	52,244	49	113,802	60.5	33,212	59.4	12,314	38.1
Loans collateralized by transport vehicles	18,920	5.4	6,026	5.6	19,261	10.3	3,227	5.8	2,721	8.4
Loans collateralized by liquid securities	7,786	2.2	2,349	2.2	8,394	4.5	2,321	4.2	2,839	8.8
Loans collateralized by deposits	4,732	1.3	12,171	11.4	6,188	3.3	1,302	2.3	2,156	6.7
Loans collateralized by goods	11,316	3.2	6,768	6.3	5,586	3.0	3,167	5.7	3,485	10.8
Loans collateralized by guarantees	8,033	2.3	4,115	3.9	5,419	2.9	4,216	7.5	1,859	5.8
Loans collateralized by equipment	1,715	0.5	1,720	1.6	4,902	2.6	2,132	3.8	4,693	14.5
Financial leasing	5,556	1.6	309	0.3	2,863	1.5	25	0.0	-	-
Uncollateralized consumer loans	63,088	18.0	4,120	3.9	16,442	8.8	1,118	2.0	-	-
Other	29,335	8.4	15,069	14.1	1,852	1.0	3,956	7.1	1,572	4.9
Accrued interest	8,505	2.4	1,834	1.7	4,420	2.4	1,239	2.2	662	2.0
Discount on loans and advances to customers	(3,786)	(1.1)	-	-	(1,477)	(0.8)	-	-	-	-
Total gross loans	351,119	100.0	106,725	100.0	187,652	100.0	55,915	100.0	32,301	100

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

The laws of Kazakhstan allow a secured creditor to foreclose on collateral upon the occurrence of an event of default through both judicial and non-judicial procedures. Non-judicial foreclosure allows the secured creditor to seize collateral in the event of a default and to hold an auction, if necessary, to dispose of such collateral after 60 days' notice. Alliance Bank's security documents also provide for both non-judicial and judicial foreclosure. To be enforceable, a pledge over immovable property is required to be registered with local departments of the Ministry of Justice. In certain cases, the same requirement applies to movable property. Alliance Bank requires all of its pledges to be so registered.

Insurance of uncollateralized loans

To reduce its credit risk on uncollateralized retail loans, from June 2006 Alliance Bank started insuring repayment of the principal amount and 75 days interest under all of Alliance Bank's uncollateralized retail loans. As at the date of this Prospectus, all of Alliance Bank's uncollateralized retail loans are insured by Alliance Policy, an insurance subsidiary of Seimar Investment Group, Alliance Bank's majority shareholder. Insurance premiums normally amount to 2% of the insured amount.

Portfolio Supervision

Alliance Bank classifies its loans in accordance with requirements established by the NBK. The monitoring unit of the Risk Management Division, together with the Corporate Finance Department, is responsible for monitoring the total loan portfolio of Alliance Bank, including specific review of the loan portfolio of each branch. The monitoring unit of the Risk Management Division monitors Alliance Bank's loan portfolio using an automated centralized program on a daily basis, which allows the monitoring unit to identify problem credits or loans at an early stage. Using this system, the monitoring unit provides weekly updates on the state of the loan portfolio in general and any problematic loans specifically to branches and to the director of the Risk Management Division, which allows the Risk Management Division to evaluate the quality of the loan portfolio and the requirements for loan loss provisions in relation to it. In addition, an in-depth review of each borrower is carried out on-site on a monthly basis during which the financial state of the borrower and the status of any collateral is re-assessed. In the event of a default, the Corporate Finance Department is notified to assess the situation in conjunction with the Risk Management Division.

Both loans and off-balance sheet exposures are classified by reference to: (i) the customer's financial performance; (ii) the timeliness of repayment of principal and/or interest; (iii) the quality of collateral; (iv) whether there has been any extension of the loan; (v) the timeliness of repayments on other loans; (vi) whether there has been any unauthorized use of the loan; (vii) whether other credits to that customer have been written off; and (viii) any rating assigned to the customer.

Each of the criteria of financing is assessed and then assigned a risk weight grade according to the following matrix:

Criteria	Grade	Criteria	Grade
Financial Performance		**Timeliness of Repayment on Other Loans**	
Stable	0	On time payments	0
Satisfactory	+1	Payments overdue	+1
Unstable	+2	**Unauthorized Use of the Loan**	
Critical	+4	Up to 25%.	0
Timeliness of Repayment of the Loan		25 to 50% (non-inclusive)	+1
On time payments	0	50 to 75% (non-inclusive)	+2
Overdue by 1-30 days	+1.5	75 to 100% (non-inclusive)	+3
Overdue by 31-60 days	+2.5	100% and more	+4
Overdue by 61-90 days	+3.5	Write-offs	
Overdue by more than 90 days	+4.5	None	0
Qualify of Collateral		Some	+2
Reliable	-3	International Rating	
Good	-2	"A" and above	-3
Satisfactory	0	Above Kazakh sovereign to "A"	-2
Unsatisfactory	+1	Kazakh sovereign	-1
No collateral	+2	Below Kazakh sovereign/No rating	0
Extensions			
None	0		
Some	+ (no. of extensions)		

In relation to the financial performance criteria:

"*Stable*" means that the customer is solvent, has no losses and has a strong market presence, and that there are no external and/or internal factors evidencing deterioration in the financial performance until maturity of the loan or doubts as to repayment of the loan and there is no substantial maturity gap between assets and liabilities of the borrower.

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

"*Unstable*" means that there are serious indications of constant and significant deterioration in the financial performance of the customer such as losses, diminished liquidity or continuous deterioration of market share. In relation to a customer which is a bank, the FMSA has within the previous year taken steps against the relevant bank by awarding any supervision (nablyudeniye), bankruptcy management (konkursnoye proizvodstvo), financial rehabilitation (finansovoye ozdorovleniye) or temporary administration (vremennaya administratsiya) order (collectively, "*Administration Orders*") against such bank. No assurance can be made that the customer's financial performance will improve and the information is not sufficient to assess the customer's financial position.

"*Critical*" means that the continuous deterioration of the financial performance of the customer has reached a critical stage and is characterized by significant financial losses, insolvency, significant deterioration of market share or negative equity capital; in relation to any customer, the customer commences or has had commenced against it any bankruptcy, liquidation or winding-up proceedings or, in relation to a customer which is a bank, an Administration Order has been in effect for more than a year, or force majeure events have materially affected the customer or its activities or financial information about the customer is absent.

In relation to the quality of collateral criteria:

"*Reliable*" means highly liquid collateral, in the form of Kazakhstan governmental guarantees, guarantees from banks having an international rating not less than "AA" by S&P (or the equivalent from other rating agencies), cash collateral and pledges over Kazakhstan governmental securities, securities issued by foreign governments having an international rating of not less than "A" by S&P (or the equivalent from other rating agencies) or monetary precious metals, secures all of the credit.

"*Good*" means highly liquid collateral (as in Reliable) secures not less than 90% of the credit.

"*Satisfactory*" means non-highly liquid collateral secures all of the credit or highly liquid collateral (as in Reliable) secures not less than 70% of the credit.

"*Unsatisfactory*" means any collateral secures not less than 50% of the credit.

"*No Collateral*" means that the loan is not secured or any form of collateral secures less than 50% of the credit.

The risk weight grades for all criteria are then combined, resulting in classification of Alliance Bank's portfolio as follows, both under FMSA requirements and under the risk assessment methodology of Alliance Bank:

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

Total classified loans under the FMSA's classification comprise doubtful loans (irrespective of the categories) and loss loans. Total classified loans according to the risk assessment methodology of Alliance Bank comprise unsatisfactory loans, doubtful loans and loss loans.

In addition, Alliance Bank established its own internal customer rating system in 2003 pursuant to which each of Alliance Bank's customers are assigned an internal credit rating. The ratings assigned are based on criteria such as the customer's management, credit history, quality of collateral and financial performance. The assigned ratings determine the applicable interest rate, other terms and conditions of the credit extended to the customer and the frequency and level of monitoring.

The Risk Management Division produces a monthly report to the Credit Committee, which covers all aspects of Alliance Bank's credit activity, including as to the timeliness of debt repayments and the classification of loans and contingent liabilities. Any deterioration in the overall quality of the entire loan portfolio is brought to the attention of Alliance Bank's Management Board. If any repayment problems arise, the monitoring unit of the

Risk Management Division notifies the director of the Risk Management Division and immediate action is taken by the Risk Management Division and the Corporate Finance Department, which together have responsibility for supervising and monitoring loan repayment if any principal or accrued interest repayment problems arise. Alliance Bank's determination as to whether a repayment problem has arisen is based on a number of objective and subjective criteria, including the credit's classification as described above, sudden changes in volume in the customer's accounts with Alliance Bank, sudden changes in the standard of living of the customer, which imply improper use of credit facilities, applications to change credit terms, failure of the customer or a counterparty to fulfill terms under a contract relating to the credit, and refusal of a customer to cooperate in supplying documentation and/or evasion of Alliance Bank's officers by the customer. Alliance Bank believes that it has a good record in enforcing its security and attempts to resolve security enforcement without resort to court action or arbitration where possible. In particular, Alliance Bank takes immediate steps to issue notices of default and to carry out the subsequent sale of any pledged collateral either in co-operation with the customer or by way of enforcement of security.

Provisioning Policy and Write-Offs

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

Alliance Bank may make specific provisions for possible loan losses on a case-by-case basis. Actual provisions established take into account the value of any collateral or third party guarantees. For this reason, actual provision levels may differ from the prescribed provisioning rate.

Alliance Bank considers a loan to be non-performing when either interest or principal payments are past their due date by 30 days or more. At such time, the accrual of interest is suspended. In 2004, Alliance Bank changed its policy from that prescribed by the FMSA to the risk assessment methodology of Alliance Bank. Accordingly, Alliance Bank does not write off loans until such time as the recovery value is determined to be zero. Once a loan has been fully provisioned by Alliance Bank, the Risk Management Division continues to monitor the loan and related collateral for a five-year period in order to assess the possibility of making a subsequent recovery.

Alliance Bank applies a provisioning policy under its own risk assessment system which is more stringent than the provisioning policy under relevant laws in Kazakhstan and under the regulations of the FMSA (collectively, "*Kazakhstan Practices*").

The FMSA's current requirements as to classification of and provisions in relation to loans and advances to customers are based not only on a borrower's debt service performance, but also on such criteria as a borrower's financial performance, quality of collateral and credit history. See "Lending Policies and Procedures - Portfolio Supervision".

The tables below set forth certain information relating to Alliance Bank's gross loans and the credit classifications and provisions in relation to them in accordance with the risk assessment methodology of Alliance Bank as at June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	As at June 30					
	2006			**2005**		
	Total exposure	**Total reserves**	**Reserves/ Exposure**	**Total exposure**	**Total reserves**	**Reserves/ Exposure**
	(KZT millions)		*(%)*	*(KZT millions)*		*(%)*
Standard	227,554	-	6.1	78,850	-	5
Sub-standard	109,429	5,638	12.7	23,702	1,397	16
Unsatisfactory	4,046	919	344.3	1,526	356	252
Doubtful	5,435	2,718	256.3	1,099	550	350
Loss	4,655	4,655	299.2	1,548	1,548	249
Total	351,119	13,930	4.0	106,725	3,851	3.7

	As at December 31								
	2005			2004			2003		
	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure	Total exposure	Total reserves	Reserves/ Exposure
	(KZT millions)		(%)	(KZT millions)		(%)	(KZT millions)		(%)
Standard	123,788	-	6.1	39,455	-	6.6	22,731	-	7.2
Sub-standard	56,063	2,888	13.5	13,151	681	19.8	6,682	516	24.4
Unsatisfactory	3,361	719	224.8	1,227	268	212.4	1,847	444	88.3
Doubtful	985	492	767.0	850	425	306.6	740	370	220.4
Loss	3,455	3,455	218.7	1,232	1,232	211.5	301	300	541.9
Total	187,652	7,555	4.0	55,915	2,606	4.7	32,301	1,631	5.0

The effective level of provisions for impairment losses as at June 30, 2006 and as at December 31, 2005 remained 4%.

Non-performing loans, determined in accordance with the risk assessment methodology of Alliance Bank (including classified and certain substandard loans under the NBK methodology), which include loans on which accrual of interest has been suspended, were KZT 8,041 million, or 2.3% of Alliance Bank's gross loan portfolio, as at June 30, 2006, compared with KZT 3,400 million, or 1.8% of gross loans as at December 31, 2005.

The following table provides information regarding Alliance Bank's allowance for impairment losses for June 30, 2006 and 2005 and December 31, 2005, 2004 and 2003:

	Six-month period ended June 30		Year ended December 31		
	2006	2005	2005	2004	2003
			(KZT millions)		
Allowance for impairment losses at the beginning of period	7,555	2,606	2,606	1,632	790
Allowance for impairment losses at the end of period	13,930	3,851	7,555	2,606	1,632
Charge-offs	(432)	(37)	(39)	(334)	(246)
Recoveries	60	-	67	3	-
Net charge-offs	(372)	(37)	28	(331)	(246)

Funding

Introduction

Historically, Alliance Bank's principal source of funding was domestic customer deposits. However in 2005, borrowings from international and domestic banks and the issue of debt securities in domestic and international markets played an increasingly significant role in meeting Alliance Bank's funding needs. Whilst syndicated borrowings and issues of debt securities in foreign currencies (including regulatory capital issues) will continue to be a significant source of funding for Alliance Bank, in view of new capital adequacy regulations of FMSA which encourage banks to use domestic funding sources (See "Kazakhstan Banking Sector"), the issuance and placement in the domestic market of Tenge denominated bonds will become an equally important source of funding.

The following table sets out Alliance Bank's sources of funds as at June 30, 2006 and 2005 and as at December 31, 2005, 2004 and 2003:

	As at June 30				As at December 31					
	2006		2005		2005		2004		2003	
	(KZT millions)	*(%)*	*(KZT millions) (unaudited)*	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%) (audited)*	*(KZT millions)*	*(%)*
Customer accounts	163,821	34	107,246	52	137,954	45	67,454	65	36,885	79
Deposits from banks (including NBK)	188,733	39	39,411	19	100,656	33	13,463	13	4,931	11
Securities sold under agreements to repurchase	22,110	5	26,571	13	6,261	2	16,592	16	1,131	2
Subordinated debt	26,258	5	5,371	3	5,349	2	3,873	4	2,687	6
Debt securities issued	82,660	17	25,977	13	53,488	18	1,999	2	296	1
Other liabilities	2,653	1	757	-	1,018	-	491	-	614	1
Total liabilities	486,235	100	205,333	100	304,726	100	103,872	100	46,544	100

Customer deposits

As at June 30, 2006, the total customer accounts of Alliance Bank were KZT 163,821 million, deposited in over 665,725 accounts (including current accounts). Alliance Bank's share of the total deposit market in Kazakhstan (retail and corporate) was approximately 7.4% as at June 30, 2006, according to an analysis by Management of financial information published by Kazakhstan banks. Twenty per cent. of Alliance Bank's non-capital funding base is represented by corporate customer accounts, which Management believes are relatively insensitive to short-term fluctuations in market rates of interest.

In 2005, Alliance Bank increased its retail funding base, which continues to be an important source of funding for Alliance Bank. Retail funding is less susceptible to volatility in demand than corporate funding, although it is more costly for Alliance Bank because the interest rates paid on these deposits is higher than the interest rates paid on deposits from corporate customer accounts.

As at June 30, 2006, Alliance Bank's ten largest depositors accounted for 8% of total liabilities, compared to 16% as at December 31, 2005 and 24% as at December 31, 2004. This trend has been achieved as Alliance Bank has continued to attract deposits from retail customers, thus diluting the top ten depositors as a total percentage of customer deposits.

As at June 30, 2006, time deposits were KZT 112,315 million and comprised 69% of total customer accounts, compared to 69% of total customer accounts as at December 31, 2005 and 73% (KZT 49,451 million) as at December 31, 2004.

The following table sets out the composition of Alliance Bank's deposits by type of customer as at June 30, 2006 and 2005 and as at December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
			(KZT millions)		
	(unaudited)			*(audited)*	
Banks (including short-term loans)	182,733	33,411	94,656	9,463	3,931
Customers (including interest expense)	163,821	107,246	137,954	67,454	36,885
Total	346,554	140,657	232,610	76,917	40,816

The following table sets forth details of customer accounts as at June 30, 2006 and 2005 and as at December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
			(KZT millions)		
	(unaudited)			*(audited)*	
Correspondent accounts of other banks	767	1,139	121	13	300
Short-term loans and advances from banks	82,189	31,910	63,757	9,353	3,567
Long-term loans and advances from banks	98,240	216	30,351	24	32
Accrued interest expense	1,537	146	427	73	32
Total loans and advances from banks	182,733	33,411	94,656	9,463	3,931

The following tables set out the customer deposits of Alliance Bank by type of deposit and by industry sector as at the relevant dates:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
			(KZT millions)		
	(unaudited)			*(audited)*	
Time deposits	112,315	67,546	100,347	49,451	28,376
Repayable on demand	37,480	31,438	29,852	14,427	5,489
Guarantee deposits	11,746	7,075	6,522	3,052	2,408
Creditors on documentary settlements	1,183	-	-	-	-
Accrued interest expense on customer accounts	1,097	1,187	1,233	524	612
Total customer accounts	163,821	107,246	137,954	67,454	36,885

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
			(KZT millions)		
		(unaudited)		(audited)	
Private sector	55,654	29,148	40,199	21,226	11,636
Finance services	55,346	22,028	29,831	10,026	11,962
Other	16,831	7,944	357	865	910
Trade	12,838	18,016	12,967	7,457	318
Construction	6,946	3,847	4,312	2,114	1,676
Metallurgy	5,530	-	13,488	440	869
Hotel business	3,825	-	77	-	-
Transport and communication	3,008	1,455	4,622	5,254	5,570
Energy	1,529	-	552	-	-
Accrued interest expense on customers accounts	1,097	83	1,233	524	612
Agriculture	568	744	5,295	6,056	1,449
Food production	281	-	303	207	491
Real estate	250	675	1,825	41	13
Machinery	62	-	198	58	-
Arts	56	-	1,081	-	-
State administration	-	2,944	4,405	4,407	-
Education	-	427	467	433	826
Consumer production	-	1,195	382	547	-
Health care and social services	-	78	41	28	550
Chemical industry	-	4	1	149	-
Fuel	-	2,431	-	1,726	3
Other services	-	16,227	16,318	5,896	-
Total customer accounts	163,821	107,246	137,954	67,454	36,885

The interest rates on Alliance Bank's deposits are similar to those of competing banks, allowing Alliance Bank to offer rates which are competitive with those of other institutions in Kazakhstan.

The following table sets out the weighted average interest rates on Alliance Bank's deposits as at June 30, 2006 and 2005 and as at December 31, 2005, 2004 and 2003:

	As at June 30		As at December 31		
	2006	2005	2005	2004	2003
		(%) (unaudited)		(%) (audited)	
KZT deposits					
Time deposits	9.3	9.6	8.1	8.5	8.9
Demand deposits	-	2.0	-	2.0	1.7
Foreign currency deposits					
Time deposits	7.1	7.2	6.2	7.5	8.4
Demand deposits	-	1.0	-	1.0	0.5

Foreign Currency Bank Borrowings

Over the course of the past few years, Alliance Bank has entered into a number of financings with foreign banks and other financial institutions:

On November 22, 2002, Alliance Bank raised its first syndicated loan in the amount of U.S.$6 million from leading Russian banks, arranged by Renaissance Capital. The loan was fully repaid in May 2003.

In December 2003, Alliance Bank raised a syndicated loan in the amount of U.S.$10 million for gold pre-export financing from western banks (including Bayerische Hypo- und Vereinsbank AG, Raiffeisen Zentralbank österreich AG), arranged by Standard Bank London Ltd. The facility was fully repaid prior to its maturity in September 2004.

In November 2004, Alliance Bank raised a syndicated loan in the amount of U.S.$23.5 million for Alliance Bank's clients' export and import contracts financing from Western and Asian banks (including Bank Gesellschaft Berlin AG, Bank of Montreal, Bank of Overseas Chinese), arranged by Standard Bank London Ltd and Raiffeisen Zentralbank österreich AG. The facility was fully repaid in May 2005.

In May 2005, Alliance Bank entered into a one year loan facility agreement with a syndicate of international banks led by Citibank, N.A., London branch, and ING Bank N.V., pursuant to which Alliance Bank was entitled to draw down loans up to the aggregate amount of U.S.$80 million to finance loans by Alliance Bank to certain of its customers pursuant to current trade related loan contracts entered into for the purpose of funding such customers' contracts (the "*Citibank/ING Facility*"). The Citibank/ING Facility was drawn down in full in May

2005. The outstanding principal balance under the Citibank/ING Facility bears interest at an annual rate of 6 month LIBOR plus 2.2% The facility was fully repaid in May 2006.

On November 7, 2005, Alliance Bank entered into an unsecured loan facility agreement in an aggregate amount of U.S.$170 million with a syndicate of foreign banks led by Deutsche Bank AG, London Branch and ING Bank N.V. (the "*Deutsche/ING Facility*"), pursuant to which Alliance Bank has drawn a tranche "A" loan in the amount of U.S.$119 million and a tranche "B" loan in the amount of U.S.$51 million, in each case for the purpose of financing export and import contracts entered into by Alliance Bank's clients. The tranche "A" loan has a term of one year and the tranche "B" loan has a term of two years, in each case subject to an extension at the request of Alliance Bank for a further one year term. The tranche "A" loan bears interest on its outstanding principal balance at the annual rate of LIBOR plus 1.8% and the tranche "B" loan bears interest on its outstanding principal balance at the annual rate of LIBOR plus 2.25% Alliance Bank may pre-pay loans drawn under the Deutsche/ING Facility at any time in full or in part. Alliance Bank drew down the full amount under the Deutsche/ING Facility on November 10, 2005. As at August 29, 2006, the aggregate outstanding principal balance under the Deutsche/ING Facility was U.S.$170 million. Alliance Bank intends to repay tranche "A" of the Deutsche/ING Facility at its stated maturity on November 6, 2006 using part of the proceeds of a new syndicated loan facility which Alliance Bank intends to enter into by such date.

On December 28, 2005 and January 13, 2006 and April 25, 2006, Alliance Bank entered into bilateral KZT loan facility agreements, with terms of 18 months, 18 months and 36 months, respectively, with Morgan Stanley & Co. International Limited, pursuant to which Alliance Bank was entitled to draw down loans up to the aggregate amount of KZT 43.5 billion (the "*Morgan Stanley KZT Facilities*"). As at June 30, 2006, the aggregate outstanding principal amount under the Morgan Stanley KZT Facilities was KZT 43.5 billion.

On March 23, 2006, Alliance Bank entered into a two-year, secured loan facility agreement with a syndicate of foreign banks led by Bankgesellschaft Berlin AG (the "*Bankgesellschaft Facility*"), under which Alliance Bank was entitled to draw down a loan in the principal amount of up to U.S.$46 million for general corporate purposes. Alliance Bank drew down the funds under the Bankgesellschaft Facility in full in March 2006. The outstanding principal balance under the Bankgesellschaft Facility bears interest at an annual rate of Libor plus 1.85%. The Bankgesellschaft Facility may be extended at the option of Alliance Bank for a further one-year period. As at June 30, 2006, the outstanding principal amount under the Bankgesellschaft Facility was U.S.$46 million.

On March 31, 2006, Alliance Bank entered into a two-year, unsecured loan facility agreement with Standard Bank Plc (the "*Standard Bank Facility*"), under which Alliance Bank was entitled to draw down a loan in the principal amount of U.S.$30 million for general trade purposes. Alliance Bank drew down the funds under the Standard Bank Facility in full in April 2006. The outstanding principal balance under the Standard Bank Facility bears interest at an annual rate of LIBOR plus 2.50% As at August 29, 2006, the aggregate outstanding principal amount under the Standard Bank Facility was U.S.$30 million.

On June 15, 2006, Alliance Bank entered into a five-year, unsecured loan facility agreement with Asian Development Bank (the "*ADB Facility*"), under which Alliance Bank was entitled to draw down a loan in the principal amount of up to U.S.$50 million for the purpose of financing SMEs. Alliance Bank drew down the funds under the ADB Facility in full in June 2006. The outstanding principal balance under the ADB Facility bears interest at an annual rate of LIBOR plus 2.5% The ADB Facility may be repaid in full at any time in full or in part. As at June 30, 2006, the outstanding principal amount under the ADB Facility was U.S.$50 million.

On June 20, 2006, Alliance Bank entered into an unsecured dual-tranche loan facility agreement with a syndicate of foreign banks led by The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank, N.A., Raiffeisen Zentralbank Osterreich AG and Standard Chartered Bank (the "*Bank of Tokyo Facility*"), pursuant to which Alliance Bank was entitled to draw down loans in two tranches up to the aggregate principal amount of U.S.$400 million, for the purpose of financing export and import contracts entered into by Alliance Bank's clients. A tranche "A" loan in the amount of U.S.$249.2 million and a tranche "B" loan in the amount of

U.S.$150.8 million were drawn down in June 2006. The tranche "A" loan has a term of one year and the tranche "B" loan has a term of two years, in each case subject to an extension at the request of Alliance Bank for further one year and two year terms, respectively. The tranche "A" loan bears interest on its outstanding principal balance at the annual rate of LIBOR plus 1.30% and the tranche "B" loan bears interest on its outstanding principal balance at the annual rate of LIBOR plus 1.8% Alliance Bank drew down the full amount under The Bank of Tokyo Facility in June 2006. As at August 29, 2006, the aggregate outstanding principal balance under The Bank of Tokyo Facility was U.S.$400 million.

On August 21, 2006, Alliance Bank entered into two unsecured, term loan facility agreements with Moore's Creek Capital Corporation (the "*Moore's Creek Facilities*"). Under one of the Moore's Creek Facilities, Alliance Bank was entitled to draw down loans in the principal amounts of up to KZT 8.4 billion and KZT 8.39 billion for a term of two years. Under the other Moore's Creek Facility, Alliance Bank was entitled to draw down a loan in the principal amount of up to KZT 8.57 billion for a term of three years. Alliance Bank is entitled to use the loans drawn down under the Moore's Creek Facilities for general corporate purposes. Alliance Bank drew down the funds under the Moore's Creek Facilities in full in August 2006. Alliance Bank is not entitled to repay the loans under the Moore's Creek Facility prior to their maturities without consent of the lender, except on the grounds of certain tax and increased costs events. As at August 29, 2006, the aggregate outstanding principal amount under the Moore's Creek Facilities was KZT 25.36 billion.

On August 31, 2006, Alliance Bank entered into a one-year, unsecured term loan facility agreement with Morgan Stanley Bank International Limited (the "*Morgan Stanley USD Facility*"), under which Alliance Bank was entitled to draw down a loan in the principal amount of up to U.S.$200 million for general corporate purposes. Alliance Bank drewdown the funds under the Morgan Stanley USD Facility in full in September 2006 and intends to use the proceeds to repay tranche "A" of the Deutsche/ING Facility and for trade finance purposes. Alliance Bank is entitled to repay the loan under the Morgan Stanley USD Facility prior to maturity only on the grounds of certain tax and increased costs events. As at August 29, 2006, the outstanding principal amount under the Morgan Stanley USD Facility was U.S.$200 million.

In addition, as at September 6, 2006, Alliance Bank had U.S.$1,172.5 million of outstanding indebtedness and was entitled to draw-down up to a further U.S.$80 million under trade finance facilities with maturities of up to a year with a number of international banks, including ING Bank N.V., RZB, UBS, Swedbank, Nordea Bank, IDB, BGB, Commerzbank AG, HVB, Bank Austria, Bank of Montreal and KBC Bank.

Management believes that it will be able to meet its repayment obligations under the above facilities through an increase in borrowings, including the issue of Notes under the Program, and by increasing the aggregate amount of its time deposits.

EBRD's Established Programs

On December 27, 2005, the EBRD granted a U.S.$10 million trade finance program line to Alliance Bank. The trade finance program provides credit facilities in the form of EBRD guarantees issued in favor of international commercial banks, covering the risk of issuing banks in the region.

On January 26, 2006, Alliance Bank and the EBRD signed a loan agreement for U.S.$5 million under the U.S.$100 million third phase of the Kazakhstan Small Business Program ("*KSBP III*"). KSBP III addresses financing needs of micro and small enterprises in Kazakhstan with a focus on rural areas and agricultural loans. KSBP III is a part of the EBRD's small business program, which has provided over U.S.$640 million to support small businesses through over 55 financial institutions in its countries of operation.

On March 9, 2006, the EBRD granted an additional U.S.$10 million loan to Alliance Bank for on-lending to SMEs, with fewer than 150 employees. Alliance Bank grants loans under this facility in the amounts of between U.S.$200,000 and U.S.$750,000. At least 30% of this facility is intended for on-lending to companies outside Almaty.

On March 9, 2006, Alliance Bank became the seventh Kazakhstan bank to join the EBRD's grain receipts program, which is leading the increased competition among local banks serving this market segment. Alliance Bank has received a credit line of U.S.$5 million under this program.

Domestic Bonds

In October 2004, Alliance Bank issued a third tranche of subordinated domestic bonds with an aggregate principal amount of KZT 3 billion, which were fully placed by March 31, 2005.

In April 2005, Alliance Bank registered its domestic bond program (the "*2005 Domestic Bond Program*") with the FMSA. Under the 2005 Domestic Bond Program, Alliance Bank is entitled to, at any time, subject only to further registration with the FMSA (which requires specific FMSA approval and generally takes seven days), issue and place up to an outstanding aggregate principal amount not exceeding KZT 40 billion in domestic unsecured and/or asset-backed bonds. In April 2005, Alliance Bank registered KZT 5 billion in aggregate principal amount of senior unsecured bonds due 2008 under the 2005 Domestic Bond Program, which were fully placed by August 2005. The bonds have been listed in the top "A" category on the KASE. In August 2005, Alliance Bank registered under the 2005 Domestic Bond Program a further aggregate principal amount of KZT 1 billion of bonds secured on the right of Alliance Bank to receive payments of principal and interest under its residential mortgage portfolios, which were fully placed by January 2006. In March 2006, Alliance Bank registered under the 2005 Domestic Bond Program a further aggregate principal amount of KZT 7 billion of unsecured bonds due 2009.

In the short to medium term, Alliance Bank intends to focus on issuances of medium-term Tenge-denominated domestic bonds using its 2005 Domestic Bond Program as one of its main sources of funding. In particular, Alliance Bank intends to issue KZT 5 billion seven year subordinated bonds which Alliance Bank intends to place in November 2006 and KZT 10 billion three year subordinated bonds which Alliance Bank intends to place in December 2006. The principal purpose of these issuances will be to obtain funding for general corporate purposes, including, in particular, funding of Alliance Bank's loan portfolio.

International Bonds

On June 27, 2005, Alliance Bank issued U.S.$150 million 9% Notes due 2008. The Notes were issued pursuant to Regulation S under the Securities Act. J.P. Morgan Securities Ltd. and HSBC Bank plc acted as joint lead managers for the transaction.

On November 22, 2005, ALB Finance issued U.S.$200 million 9% Notes due 2010 guaranteed by Alliance Bank. The Notes were issued pursuant to Regulation S under the Securities Act. ABN AMRO Bank N.V. and Citigroup Global Markets Limited acted as joint lead managers for the transaction.

In April 2006, Alliance Bank established a U.S.$1.5 billion Debt Issuance Program, under which it issued, in April 2006, U.S.$250 million 8.75% Notes due 2011. At the same time Alliance Bank also issued U.S.$150 million 9.375% Perpetual Non-cumulative Capital Securities. Credit Suisse Securities (Europe) Limited and UBS Limited acted as joint lead managers on both transactions.

In September 2006, Alliance Bank issued U.S.$350,000,000 9.25% Notes due 2013 under its U.S.$1.5 billion Debt Issuance Program. Credit Suisse Securities (Europe) Limited acted as arranger on the transaction.

In late 2006, Alliance Bank intends to issue KZT Notes in the amount equivalent to U.S.$150,000,000 under its U.S.$1.5 billion Debt Issuance Program. Credit Suisse Securities (Europe) Limited and J.P. Morgan Securities Ltd. Acted as arrangers on the transaction.

Issuance of the Notes

The issuance of Notes under the Program is one of the steps being taken by Management in an effort to diversify and extend the maturity of Alliance Bank's funding sources. In addition, Alliance Bank may, from time to time, look at a variety of other funding sources outside the Program, including, but not limited to, regulatory capital issues and accessing the syndicated bank markets.

Issuance and Placement of Shares

In May 2003, Alliance Bank authorized a third issue of ordinary shares totaling 200,000 shares, with an aggregate nominal value of KZT 2 billion, followed by a fourth issue of shares in September 2004 totaling a further 300,000 shares (KZT 3 billion), of which 250,000 were designated ordinary shares and 50,000 were designated preference shares. As at December 31, 2004, following an increase in the authorized share capital totaling 2,100,000 shares with an aggregate nominal value of KZT 21 billion, the authorized share capital of Alliance Bank amounted to KZT 28 billion, of which KZT 500 million were preference shares and KZT 27.5 billion were ordinary shares. These new shares, the fifth issue of ordinary shares, were placed with shareholders between December 2004 and February 2006. In March 2006, Alliance Bank authorized a sixth issue of shares totaling 1,137,500 shares, including 500,000 ordinary shares and 637,500 preference shares. As at June 30, 2006, Alliance Bank's authorized issued and fully paid share capital comprised 2,750,000 ordinary shares and 400,000 preference shares as compared to 2,440,715 issued and fully paid ordinary shares and 50,000 preference shares as at December 31, 2005.

At June 30, 2006, Alliance Bank plans to issue new shares totaling KZT 18 billion and intends to use the proceeds to finance future growth. However, in accordance with Kazakhstan legislation Alliance Bank can only issue new shares after its existing shares are fully placed. In September 2006 Alliance Bank authorized an additional placement of ordinary shares having 3,226,360 shares fully issued and paid.

Treasury Operations

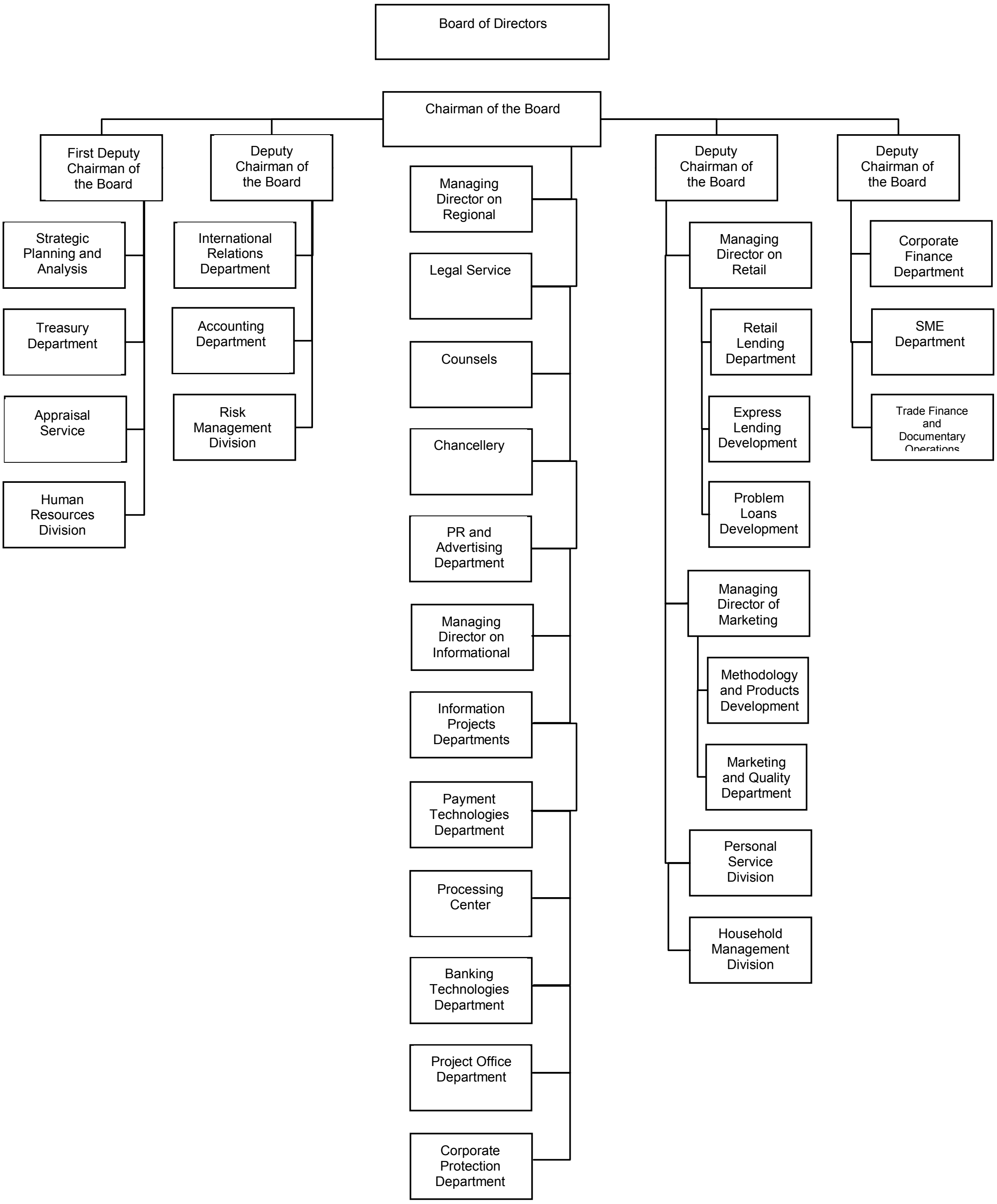
The main objective of Alliance Bank's treasury operations is to achieve efficient management of liquidity, interest rate and market risk by operations in the foreign exchange and money markets; thus managing foreign currency exposure and funding costs. Alliance Bank's treasury operations consist largely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

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

MANAGEMENT

Organization Chart

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



Management

Alliance Bank's charter provides that Alliance Bank shall have a Board of Directors, a supervisory management body, a Management Board, an executive body, and an Audit Committee, which is responsible for overseeing the financial control of Alliance Bank's activities. The General Shareholders' Meeting is the highest corporate governing body of Alliance Bank. The Law of Kazakhstan on Joint Stock Companies vests in the General

Shareholders' Meeting the final approval of certain major corporate decisions. The recent amendment to this law (made on July 8, 2005) vests in a Board of Directors the final approval of the majority of corporate decisions, including the authorization to issue the Notes.

The shareholders elect the members of the Board of Directors. The Board of Directors in turn elects members of the Management Board. The Board of Directors represents the interests of shareholders. It is responsible for the overall management of Alliance Bank and approves its strategic and operational plans. The Board of Directors does not perform day-to-day management functions. Overall responsibility for the administration of Alliance Bank's activities is vested in the Management Board. In accordance with Kazakhstan legislation, the members of the Board of Directors and the Chairman and Deputy Chairmen of the Management Board are appointed only with the consent of the FMSA. The Audit Committee oversees Alliance Bank's accounting and internal control processes.

Board of Directors

The Board of Directors is not directly involved in management and has no authority to act on its own behalf or to perform any executive functions. The Board of Directors supervises the Management Board's activities to protect shareholders' interests. The authorities of the Board of Directors include deciding the strategy of Alliance Bank, defining the investment, credit and other policies of Alliance Bank, nominating the Chairman and members of the Management Board, approving the amount and source of any dividends (except for annual dividends), approving material contracts, approving all loans to customers amounting to 25% of Alliance Bank's capital, calling General Shareholders' Meetings and approving Alliance Bank's budget.

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

Name	Position
Igor Mazhinov	Chairman of the Board of Directors, First Deputy General Director of "HOZU Corporation" LLP
Anatoliy Popelyushko	Member of the Board of Directors, President of "Rakhat" Confectionery
Azamat Yerzhanov	Member of the Board of Directors, Managing Director of Seimar Investment Group
Zhomart Yertayev...	Member of the Board of Directors, Alliance Bank's Chairman of the Board
Kanat Assylov	Member of the Board of Directors, Director of "Steiner und Zingermann LLP"

All members of the Board of Directors are elected for a period of one year.

The business address of the Board of Directors is 100A Furmanov Street, 050000, Almaty, Kazakhstan.

Management Board

The Management Board is responsible for the day-to-day management and administration of Alliance Bank's activities. The Management Board has all executive powers, in contrast to the Board of Directors' supervisory role. The Management Board's responsibilities include making executive business decisions, implementing Alliance Bank's business strategy, appointing senior management and branch representatives of Alliance Bank and dealing with all other matters not reserved to the Board of Directors or the General Meeting of Shareholders.

The Management Board consists of five members chosen by the Board of Directors. As at the date of this Prospectus, the members of the Management Board are:

Name	Position
Zhomart Yertayev...	Chairman of the Management Board
Alexey Ageyev	First Deputy Chairman of the Board
Nurtaza Baitenov	Deputy Chairman of the Board
Elina Reshetova	Deputy Chairman of the Board
Dauren Kereibayev	Deputy Chairman of the Board

Management Team

The Management Team comprises the individuals responsible for the day-to-day management of their respective departments or divisions and who report regularly to the Board in relation to the status of their respective departments. Any of the Management Team can be called to sit at a meeting of the Board as appropriate.

The Management Team consists of 16 members. As at the date of this Prospectus, the members of the Management Team are:

Name	**Position**
Kairat Beketov	Managing Director, Legal Issues
Konstantin Babkin	Managing Director, PR & Advertising
Almira Akhmetkarimova	Managing Director, International Relations
Dinara Umarova	Director, Strategic Planning and Analysis
Irina Stepanova	Managing Director, Retail Business Development
Aida Sultanova	Managing Director, Business Development
Timur Kounanbayev	Managing Director, Corporate Finance, CFA
Pavel Rakhmanov	Director, Corporate Finance
Abylkasym Mamyrbekov	Managing Director, Business Accounting Department
Irina Ivanova	Director, Treasury Department
Alexey Vorontsov	Managing Director, Informational Projects
Regina Ogatayeva	Director, SMEs Department
Oksana Ivashina	Director, Trade Finance and Documentary Operations Department
Yelena Markova	Director, Banking Technologies Department
Sain Dzhunusov	Director, Retail Lending Department
Igor Yakovenko	Director, Problem Loans Department

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

Zhomart Yertayev - Chairman of the Board. (34) Mr. Yertayev has 11 years of experience in the banking sector. His principal area of expertise is financial analysis and business management. He has held the position of Chairman of the Management Board since 2002 having joined Alliance Bank from the position of Chairman of the Board at Seimar Investment Group. Previously, he was chairman of the board of Alfa Bank in Kazakhstan. Mr. Yertayev has a degree in Economics from the Kazakh State Architecture and Construction Academy, Almaty. Alliance Bank's Legal Department, PR and Advertising, Internal Audit and HR departments are under Mr. Yertayev's supervision.

Alexey Ageyev - First Deputy Chairman of the Board. (34) Mr. Ageyev has over 11 years of experience in the banking sector. He held key positions in different financial institutions including the local branch of Alfa Bank and Semipalatinsk City Bank. In 2002, he was nominated as First Deputy Chairman of the Management Board of Alliance Bank. Mr. Ageyev has a degree in applied mathematics from the Moscow State University of Mechanics and Mathematics. Mr. Ageyev is responsible for Treasury, Corporate Finance, Evaluation, monitoring of Business Development, Marketing and Product Development and Banking Technologies at Alliance Bank.

Nurtaza Baitenov - Deputy Chairman of the Board. (40) Mr. Baitenov has more than 13 years of experience in diverse aspects of auditing. From 1993 to 2004, he held key positions including Arthur Andersen in Ukraine, the United States and Central Asia and Deloitte & Touche Central Asia. In 2004, he was assigned to the position of Deputy Chairman of the Management Board. Mr. Baitenov is a member of the Association of Auditors of the Republic of Kazakhstan. Mr. Baitenov supervises the Accounting, Financial Planning, International Relations and Risk Management divisions of Alliance Bank.

Elina Reshetova - Deputy Chairman of the Board. (37) Prior to her appointment at Alliance Bank in 2002, Mrs. Reshetova held key positions in a number of major investment and financial companies. She has a degree in Engineering from Almaty Architecture and Construction Institute, a Masters of Business Administration from KIMEP and a degree in Finance from the London School of Economics. Mrs. Reshetova held the position of Managing Director of Corporate Finance during 2003-2005.

Dauren Kereybayev - Deputy Chairman of the Board. (35) Mr. Kereybayev has more than 13 years of experience in the banking sector. At the time of the reorganization of IrtyshBusinessBank into Alliance Bank in 2002-2005, he held the position of Managing Director in charge of the Finance Planning Department. Mr. Kereybayev has a degree in applied mathematics from the Novosibirsk State University (Russia) and a degree in finance from the Kazakh State Academy of Management.

Kairat Beketov - Managing Director, Legal Issues. (32) Mr. Beketov has professional experience in different organizations including Banking Association of Kazakhstan, the legal department of the Kazakhstan International Bank and Steiner und Zingermann law firm. In 2001, he joined Alliance Bank as the Managing Director responsible for legal issues. Mr. Beketov has a masters degree in Law from the Kazakh State University, Almaty.

Almira Akhmetkarimova - Managing Director, International Relations. (28) Ms. Akhmetkarimova has more than seven years of experience in the finance and banking sector. She joined Alliance Bank from the Kazakhstan International Bank in 2002, where she specialized in project finance. She was appointed as a Director of the International Relations Department of Alliance Bank early in 2004. Ms. Akhmetkarimova has a degree in Finance from the East Kazakhstan State University.

Irina Ivanova - Director, Treasury Department. (35) Ms. Ivanova joined Alliance Bank in early 2004 as Head of the Dealing Division and was appointed Director of the Treasury Department in late 2005. Prior to that, she worked for various Kazakh banks including Sanurbank, Bank CenterCredit and Eurasian Bank. She has more than nine years experience in the banking sector. Ms. Ivanova graduated from the Eurasian Institute of the Market with major in Finance and Credit.

Konstantin Babkin - Managing Director, PR and Advertising. (35) Mr. Babkin has had various positions in different PR departments and press-services of government agencies. In 2002, he joined Alliance Bank as a Managing Director for PR and Advertising. His education includes a degree in history and social science from Semipalatinsk Institute of Education and a degree in Public Relations and Advertising from Moscow State University.

Abylkasym Mamyrbekov - Managing Director, Accounting Department, Chief Accountant. (39) From 1995 to 2002, Mr. Mamyrbekov worked for Bank CenterCredit and left his position of Deputy Managing Director of the Analysis and Risk Control Department to join Alliance Bank in 2002 as a Chief Accountant. Mr. Mamyrbekov has a degree in Engineering and System Analysis from Kazakh Polytechnic Institute and a degree in Economics and Finance from Eurasia Market Institute.

Irina Stepanova - Managing Director, Monitoring of Business Development. (37) From 1993 to 2004, Mrs. Stepanova held a senior position at Texaka Bank CJSC. In 2004, she joined to lead the Monitoring of Business Development Department of Alliance Bank as a Managing Director. Mrs. Stepanova has an Economics degree from the Kazakh State Academy of Management and a degree from the Kazakh State University of International Relations and Languages.

Aida Sultanova - Managing Director, Marketing and Product Development. (41) Mrs. Sultanova has held various positions at the National Bank of Kazakhstan and, in 2004, she was appointed as Managing Director, Marketing and Product Development of Alliance Bank. Mrs. Sultanova has a degree from the Kazakh State Architecture and Construction Academy, Almaty. She also obtained a degree in Economics from the Institute of Market attached to the Kazakh State Academy of Management and has a PhD degree in Economics. Mrs. Sultanova has been in her current position since 2004.

Timur Kounanbayev - Managing Director, Corporate Finance, CFA. (29) Before Mr. Kounanbaev joined Alliance Bank in 2003, he worked for Central Asian American Enterprise Fund as a Regional Investment Manager. Mr. Kounanbaev has been in his current position since 2004. Mr. Kounanbaev graduated from the Kazakh State Academy of Management in 1998. He obtained a Masters degree in Economics from Sydney University and a CFA qualification in 2004.

Alexey Vorontsov - Managing Director, Informational Projects. (37) Mr. Vorontsov has held different positions in different banks and companies including the Kazakh branch of Alfa Bank, IrtyshBusinessBank, Hilan Tech Solutions, Israel, Apoalim Bank, Israel and First International Bank of Israel. Mr. Vorontsov graduated from the Institute of Automotive Systems of Management and Radio Electronics, Tomsk. In 2004, he joined Alliance Bank as the Managing Director of Information Projects.

Dinara Umarova - Director, Strategic Planning and Analysis Department. (38) Ms. Umarova has more than nine years of experience in the banking sector. Previously she held various positions in Agro Bank and Caspian Bank. She joined Alliance Bank in 2002 as Head of the Economic Analysis Division. She was appointed as Director of the Strategic Planning and Analysis Department early in 2006. Mrs. Umarova has a degree in Banking from Central Asian University, Almaty.

Regina Ogatayeva - Director, SMEs Department. (35) Before Mrs. Ogatayeva joined Alliance Bank in 2002 as the Head of Documentary Operations Division, she worked for Komirbank OJSC as the Head of Correspondent Relations and Documentary Operations Department. She has a degree in banking business organization from Kazakh State Academy of Management. Mrs. Ogatayeva has held her current position since October 2005.

Oksana Ivashina - Director, Trade Finance and Documentary Operations Department. (38) Before Ms. Ivashina joined Alliance Bank in 2004 as the head of the Documentary Operations Subdivision, she worked for AlemBank, Kazinterbank and Temirbank. She graduated from Kazakh State Academy of Management with major in Finance and Credit. Mrs. Ivashina has been in her current position with Alliance Bank since January 2006.

Pavel Rakhmanov - Director, Corporate Finance. (34) Mr. Rakhmanov has more than seven years of experience in the banking sector. He joined Alliance Bank from Bank Caspian in 2004, where he specialized in corporate finance. He was appointed as a Director of Corporate Finance of Alliance Bank early in 2005. Mr. Rakhmanov graduated from the Almaty Automobile Institute and has a degree in Economics from KIMEP.

Yelena Markova - Director, Banking Technologies Department. (39) Mrs. Markova has held various positions at Kazkommertsbank. In 2002 she joined Alliance Bank as Head of Products technologies Division. She was appointed as a Director of the Banking Technologies Department in 2005. Mrs. Markova has a degree from the Kazakh Technological University, Almaty.

Sain Dzhunusov - Director, Retail Lending Department. (40) Before Mr. Dzhunusov joined Alliance Bank in 2006, he held different positions at JSC Kazpost. Mr. Dzhunusov graduated from the Kazakh Agricultural Institute in 1992.

Igor Yakovenko - Director, Problem Loans Department. (33) Mr. Yakovenko has more than 5 years of experience in the banking sector. He held key positions in different financial institutions including Eurasian Bank. He joined Alliance Bank in 2006 as a Director of the Problem Loans Department.

Alliance Bank also has the following committees:

Asset and Liability Management Committee

The current members of the Asset and Liability Management Committee are as follows:

Name	**Position**
I. Ivanova..	Director, Treasury Department, Chairman of the Committee
N. Baitenov...	Deputy Chairman of the Board
E. Reshetova...	Deputy Chairman of the Board
D. Kereybayev..	Deputy Chairman of the Board
A. Mamyrbekov	Chief Accountant
Y. Rykunova...	Head of Risks Control Division

For a description of the duties of the ALCO, see "Description of Alliance Bank - Asset and Liability Management - Risk Management".

Credit Committee

The current members of the Credit Committee at head office are as follows:

Name	**Position**
E. Reshetova...	Deputy Chairman of the Board, Chairman of the Committee
A. Ageyev...	First Deputy Chairman of the Board
K. Beketov..	Managing Director on Legal Issues
Y. Rykunova...	Head of Risks Control Division

The Credit Committee is responsible for implementing Alliance Bank's credit policy with minimum credit risk and maximum profitability. It also decides Alliance Bank's short- and long-term credit policies. The Credit Committee meets on a weekly basis.

Tariff Committee

Name	Position
D. Kereybayev	Deputy Chairman of the Board, Chairman of the Committee.
I. Stepanova	Managing Director, Retail Business Development Department
A. Sultanova	Managing Director, Marketing and Product Development Department
T. Kounanbayev	Managing Director, Corporate Finance
Y. Markova	Director, Banking Technologies Department

The Tariff Committee of Alliance Bank is responsible for forming Alliance Bank's pricing policy to ensure it offers competitive rates and tariffs.

Retail Credit Committee

Name	Position
I. Stepanova	Managing Director, Retail Business Development Department, Chairman of the Committee
D. Kereybayev	Deputy Chairman of the Board
K. Beketov	Managing Director, Legal Issues
Y. Rykunova	Head of Risks Control Division

The Retail Loan Committee reports to the Credit Committee of Alliance Bank, and is responsible for developing Alliance Bank's short- and medium-term retail lending strategy, as well as establishing credit limits for the individual branches.

Management Remuneration

In accordance with Alliance Bank's charter, the remuneration and compensation of the members of Alliance Bank's senior management team are determined by the shareholders of Alliance Bank. Alliance Bank paid such members KZT 20.6 million in aggregate for the year ended December 31, 2005 and KZT 26.8 million in aggregate for the half year June 30, 2006.

The following table sets out the principal amount of loans outstanding to members of the Board of Directors and the Management Board as at June 30, 2006.

	As at June 30, 2006 Principal amount outstanding
	(KZT thousands) (unaudited)
Zhomart Yertayev - Chairman of the Board	75,864
Alexey Ageyev - First Deputy Chairman of the Board	38,461
Nurtaza Baitenov - Deputy Chairman of the Board	1,271
Dauren Kereybayev - Deputy Chairman of the Board	15,564
Elina Reshetova - Deputy Chairman of the Board	14,892
Igor Mazhinov - Chairman of the Board of Directors	94
Kanat Asylov - Member of the Board of Directors	1,608

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

As at June 30, 2006, Alliance Bank's senior and middle management held in aggregate less than 11% of the outstanding share capital of Alliance Bank. The following table sets out information on the percentage ownership (direct and indirect) by the directors and senior and middle management of Alliance Bank as at June 30, 2006:

	As at June 30, 2006	
	Direct	Indirect
	(%)	
Zhomart Yertayev - Chairman of the Board	0.00321	2.56
Alexey Ageyev - First Deputy Chairman of the Board	0.01607	1.93

Employees

As at June 30, 2006, Alliance Bank had 2,876 full-time employees, of which 2,139 were employed at Alliance Bank's branches and cash settlement offices. The increase in total full time employees from 1,831 as at December 31, 2005 principally reflected the expansion of the branch network. Alliance Bank has never experienced industrial action or other work stoppages resulting from labor disputes. Alliance Bank currently has a staff motivation and social package in place for employees.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of Alliance Bank towards Alliance Bank and their private interests and/or other duties.

TRANSACTIONS WITH RELATED PARTIES

For a description of the definition of related parties under IAS 24 "Related Party Disclosure", see note 31 to the 2005 Consolidated Financial Statements included elsewhere in this Prospectus.

Alliance Bank had the following transactions outstanding with related parties as at June 30, 2006 and 2005, and as at December 31, 2005, 2004 and 2003:

	For the six months ended June 30		For the years ended December 31					
	2006		2005		2004		2003	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transaction	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(KZT millions, Unaudited)				(KZT millions, Audited)			
Loans to customers	7,757	351,119	5,517	187,652	374	55,915	752	32,301
- ultimate shareholders	5,594	-	4,060	-	159	-	660	-
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	1,476	-	930	-	-	-	-	-
- individuals influencing the Group's operations, and their close family members	167	-	155	-	-	-	-	-
- key management personnel of the Group	307	-	200	-	158	-	89	-
- close family members of the key management personnel of the Group	213	-	172	-	57	-	3	-
Allowance for impairment losses	187	13,930	230	7,555	21	2,606	2	1,631
- ultimate shareholders	156	-	192	-	2	-	-	-
- enterprises in which a substantial interest in the voting powers is directly or indirectly owned by key individual personnel and close members of their families	1	-	-	-	-	-	-	-
- individuals influencing the Group's operations, and their close family members	16	-	35	-	-	-	-	-
- key management personnel of the Group	4	-	1	-	-	-	2	-
- close family members of the key management personnel of the Group	10	-	2	-	19	-	-	-
Customer accounts	1,192	163,821	754	137,954	139	67,454	609	36,885
- ultimate shareholders	-	-	90	-	63	-	-	-
- who directly or indirectly, through one or several intermediaries, control the Group	-	-	-	-	-	-	490	-
- who are under common control jointly with the Group	-	-	-	-	-	-	-	-
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	264	-	439	-	-	-	-	-
- individuals influencing the Group's operations, and their close family members	539	-	41	-	-	-	-	-
- key management personnel of the Group	245	-	84	-	22	-	13	-
- close family members of key management personal of the Group	144	-	100	-	54	-	106	-

Transactions with related parties accounted for the following amounts in Alliance Bank's consolidated profit and loss account as at June 30, 2006, and December 31, 2005, 2004 and 2003:

	As at June 30				As at December 31					
	2006		2005		2005		2004		2003	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
	(unaudited)				*(audited)*					
Interest income	192	24,808	82	5,730	290	17,562	21	6,973	18	4,292
- ultimate shareholders	105	-	57	-	203	-	15	-	9	-
- related companies	68	-	17	-	56	-	-	-	-	-
- key management personal and directors	19	-	8	-	31	-	6	-	9	-
Interest expense	16	14,326	16	4,194	301	11,777	6	4,205	12	2,611
- ultimate shareholders	-	-	-	-	-	-	-	-	6	-
- related companies	16	-	11	-	301	-	2	-	-	-
- key management personal and directors	-	-	5	-	-	-	4	-	6	-
Fee and commission income	2	2,777	1	1,314	3	3,411	-	1,380	-	616
- ultimate shareholders	1	-	1	-	2	-	-	-	-	-
- related companies	1	-	-	-	1	-	-	-	-	-
Operating expenses	64	3,749	45	1,485	140	4,188	44	2,261	35	1,464
- key management personal and directors	64	-	45	-	140	-	44	-	35	-

PRINCIPAL SHAREHOLDERS

Alliance Bank's common shares are listed on the "A" list of the KASE. Alliance Bank currently has more than 38 shareholders. The following table sets out information as to all holders of more than 5% of Alliance Bank's common shares as at June 30, 2006:

Name	**Shareholding (%)**
Seimar Investment Group	72.80
Management	4.59
Central Depositary of Securities	5.81
Others	16.80
Total	**100.00**

The above shareholders are legally unrelated, although there are agreements among certain shareholders of Alliance Bank.

Seimar Investment Group is a large industrial investment company, based in Kazakhstan, which was founded in 1991. Prior to the middle of 2005, the group was engaged in a variety of industry sectors, including: the provision, storage and processing of grain and rice; egg and poultry production; paper and cardboard manufacturing; telecommunications; and investing in different industrial projects within Kazakhstan. In the middle of 2005, the group disposed of its interests in all industry sectors except banking, finance and insurance with a view to concentrating on these latter sectors. In addition to holding shares in Alliance Bank, Seimar Investment Group is the beneficial owner of JSC Alliance Leasing and JSC Alliance Policy. Seimar Investment Group is beneficially owned by Mr. Margulan Seisembayev, a prominent Kazakhstan businessman, and his two brothers.

The Central Depositary of Securities is the only depositary in the Republic of Kazakhstan and is authorized to hold securities issued by the Ministry of Finance and provides services for state, municipal and non-state (trading on stock exchange) securities. The Central Depositary acts as a nominee holder of certain shares in Alliance Bank.

On February 25, 2006, Seimar Investment Group obtained approval from the FMSA to become a bank holding company. During the course of 2005, Seimar Investment Group obtained options over shares that would give Seimar Investment Group a controlling interest in Alliance Bank. In March 2006, Seimar Investment Group exercised these options by purchasing 42% of common shares in Alliance Bank and thereby increasing its total shareholding in Alliance Bank to 72.8% By the end of 2006, Alliance Bank intends to place an additional aggregate amount of KZT 18 billion of ordinary shares. As a matter of Kazakhstan law, Seimar Investment Group is entitled to maintain its proportionate share of the share capital of Alliance Bank and therefore has the right of pre-emption when Alliance Bank issues new common shares. Seimar Investment Group has informed Management that it intends to exercise this right and either maintain a 72.8% shareholding of Alliance Bank's common shares or increase its shareholding of Alliance Bank's common shares.

In June 2006, Alliance Bank issued and fully placed 350,000 preferred shares. Seimar Investment Group did not participate in this issuance and, accordingly, its total shareholding in Alliance Bank fell to 63.6% from 71.5% before this issuance, although the proportion of its holding of Alliance Bank's common (voting) shares remained unchanged.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

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

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

The National Bank of Kazakhstan and the FMSA

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

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

Currently, the principal task of the NBK is to ensure price stability in Kazakhstan. The NBK is also empowered to develop and conduct monetary policy, organize 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 January 1, 2004, took responsibility for most of the supervisory and regulatory functions in the financial sector, which were previously performed by the NBK.

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

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

Banking

Structure of Banking System of Kazakhstan

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

Banking Reform and Supervision

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

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

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

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

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

In September 1995, the NBK introduced international prudential standards such as capital adequacy requirements and liquidity ratios to regulate and protect the banking system. On September 30, 2005, the FMSA adopted a resolution (as amended in November 2005 and in May 2006), "On approval of rules on prudential norms and methodics of the calculation of prudential norms for the second tier banks", which replaced the NBK resolution of June 3, 2002. The resolution set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions amongst other matters. Currently, the approval of prudential rules as well as supervision of their fulfillment is the responsibility of the FMSA.

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

In December 1999, a self-funded domestic deposit insurance scheme was established and as at December 31, 2005, 33 banks, including subsidiaries of foreign banks and Alliance Bank, were covered by the scheme. The insurance coverage is presently limited to personal time deposits in any currency and current accounts and operates on a sliding scale of coverage up to a maximum amount per customer at any given bank. As of 2004, only banks participating in the deposit insurance scheme are authorized to open accounts and take deposits from private individuals.

Current legislation requires the FMSA to approve any acquisition of a shareholding of 10% or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. Furthermore, a foreign entity holding 10% or more of a Kazakhstan bank must have a minimum required credit rating from one of the rating agencies, a list of which is set by the authorizers' body.

On November 22, 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel A accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives. Further, the new regulations establish reduced capital adequacy ratios for banks one of whose shareholders is a bank holding company. Such reduced rates are 5% for the K1 ratio (compared to a generally applicable ratio of 6%) and 10% for the K2 ratio (compared to a generally applicable ratio of 12%). A bank holding company is an entity, whether domestic or foreign, that owns more than 25% of the voting shares of a Kazakhstan bank and has received the FMSA's permission to be a bank holding company. Separately, the FMSA introduced more stringent requirements for internal risk management and supervision on a consolidated basis (for banks and bank holding companies).

Effective as of July 14, 2006, the NBK has implemented new measures to raise reserve requirements for Kazakhstan banks in an effort to limit foreign currency debt issuances amid concerns among currency mismatches among second tier banks who have significant liabilities in dollars although they lend predominantly in Tenge. The new rules will increase reserve requirements for currency borrowings from non-residents and borrowings through issuance of notes and subordinated debt instruments (regardless of residence) to 8% from 6%, although domestic borrowings from residents except as mentioned above will remain at 6%.

In addition, effective as of June 30, 2006 the FMSA implemented new measures to restrict banks in Kazakhstan from having outstanding external short-term financings which exceed a bank's own capital by a ratio of greater than 1. However, banks not meeting the requirement as of July 1, 2006 will have until October 1, 2006 to comply.

Commercial Banks

According to the NBK, as at June 30, 2006, there were 33 commercial banks in Kazakhstan, excluding the NBK, the DBK and the Housing Construction Savings Bank, compared to 44 as at the end of 2001 and 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalization and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small- and medium-sized banks.

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

In November 2001, the Government divested its remaining 33% stake in Halyk Savings Bank, by means of privatization through a public auction. In February 2004, the entire share capital of EximBank Kazakhstan, formerly a state-owned bank, was sold by tender to a consortium of 11 members for KZT 2.1 billion. In June 2005, the banking license granted to JSC Nauryz Bank was terminated by the FMSA, and currently JSC Nauryz Bank is in the process of liquidation as required by a court ruling in November 2005.

On December 24, 2005, the FMSA adopted a resolution to suspend the banking license granted to JSC Industrial Bank of Kazakhstan for six months due to violations of prudential standards. As of December 31, 2005, all of the commercial banks licensed in Kazakhstan were in compliance with prudential regulatory requirements as to capital adequacy, single borrower limits, liquidity ratios, foreign currency limits and reserve requirements.

The financial standing of Kazakhstan's banks varies. As at June 30, 2006, 22 of the 34 commercial banks (excluding the NBK and the DBK had registered capital of over KZT 2 billion and 11 banks had registered capital of KZT 1 billion to KZT 2 billion. There are no banks with registered capital of less than KZT 500 million; any bank whose capital falls below that level is required to apply to the FMSA for voluntary reorganization into an organization performing only limited banking operations.

Foreign Capital in the Banking Sector

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

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

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

Industry Trends

According to the NBK, the total capital of commercial banks increased 44.9% in 2003, 62.4% in 2004 and 69.3% in 2005, amounting to approximately KZT 587.2 billion. During such period, the total assets of such banks increased by 68% and, as at December 31, 2005, amounted to approximately KZT 4,515.1 billion. In 2005, the aggregate liabilities of such banks increased by 68.6% and amounted to approximately KZT 4,073.4 billion as at December 31, 2005 and their aggregate net income increased 131.2% in 2005, amounting to KZT 73.3 billion in 2005. The share of total assets of the second-tier banks in Kazakhstan's gross domestic product as at December 31, 2005 amounted to 61.8% as compared to 48.5% at the end of 2004 and 37.7% at the end of 2003.

DESCRIPTION OF THE OFFERED NOTES AND THE OTHER TRANSACTION DOCUMENTS

The following summary of certain provisions of the Origination Agreement, the Bill of Sale, the Originator Note, the Servicing Agreement, the Indenture, the Indenture Supplement for the Offered Notes and the Offered Notes (with the other Indenture Supplements, other Notes, the Certificates, the Enhancements, the Enhancement Agreements, the Account Agreements, the Hedging Agreements and certain other agreements entered into in connection with the above, the "Transaction Documents") does not purport to be complete and is qualified in its entirety by reference to the provisions of the applicable Transaction Documents. The Noteholders and Note Owners of the Offered Notes will be entitled to the benefits of, be bound by, and be deemed to have notice of all of the provisions of the Transaction Documents other than certain documents (such as the fee letter with the Series 2006A Enhancer) that may be confidential. Copies of the Transaction Documents (other than such confidential documents) are available for inspection as further detailed in paragraph (9) of "General Information".

Status of Offered Notes

The Offered Notes will constitute unconditional, unsubordinated and secured obligations of the SPC. The Offered Notes will be secured on a *pari passu* basis with any other Notes in a Senior Series ("*Senior Notes*") by substantially all of the assets of the SPC, consisting primarily of the SPC's right, title and interest in, to and under the Diversified Payment Rights existing on or generated after the Closing Date through and including the Sale Termination Date and the Collection Accounts. Alliance Bank will pay Additional Amounts (if any) payable with respect to the Offered Notes.

Offered Notes and the Related Indenture Supplements

Each of the Offered Notes offered hereby and issued pursuant to the Indenture and the related Indenture Supplement will represent the right of the applicable Noteholders to receive: (a) Interest on such Offered Notes on each Payment Date (or Early Amortization Payment Date, if applicable) at the applicable Interest Rate and (b) payment of principal on such Offered Notes (whether made on a Payment Date after the applicable Interest-Only Period, on an Early Amortization Payment Date during any Early Amortization Period for such Series or otherwise).

The Offered Notes will represent obligations of the SPC and do not represent interests in or obligations of Alliance Bank, the Indenture Trustee, the Lead Managers, the Series 2006A Enhancer (except as expressly provided in and subject to the Series 2006A Enhancement with respect to the payment of Quarterly Amortization Amounts and Guaranteed Interest) or any other person. Under the Origination Agreement, Alliance Bank will have an obligation to pay the Sale Recision Payment and Additional Amounts (if any). Such obligation of Alliance Bank is independent of the SPC's obligations under the terms of the Offered Notes. The Indenture Trustee will have the right to institute a direct cause of action against Alliance Bank if it fails to satisfy its obligations to pay to the SPC the Sale Recision Payment after a Sale Recision Event and/or any Additional Amounts.

Interest

Interest on each Note (including the Offered Notes) will be paid on the applicable Payment Date (or, if applicable, Early Amortization Payment Date or Redemption Date for any Series) to the applicable Noteholder who is of record as of the most recent Record Date. Interest will be paid quarterly with respect to the preceding Interest Period on each Payment Date (or, if applicable, monthly on any Early Amortization Payment Date). Interest on each Note will accrue at the applicable Interest Rate.

The amount of Interest on each Series required to be distributed to the applicable Noteholders on each Payment Date (and any Early Amortization Payment Date) will be as set forth in the applicable Indenture Supplement. The Noteholders will also be entitled to the payment by Alliance Bank of Additional Amounts (if any) with respect to each payment of Interest (except to the extent that such amounts are paid directly by Alliance Bank to the applicable taxing authorities).

So long as the Offered Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, the SPC will give notice to the Luxembourg Stock Exchange, the Luxembourg Agent and the applicable Noteholders by the morning of the first day before each Interest Period of (a) the Series 2006A Interest Rate and the Series 2006B Interest Rate for such Interest Period, (b) the Payment Date for such Interest Period, (c) the amount of interest on the Series 2006A Notes and the Series 2006B Notes to be paid on such

Payment Date and (d) the principal outstanding amount of the Series 2006A Notes and the Series 2006B Notes outstanding during such Interest Period. See "Overview of Terms - Listing" above.

Principal

Unless an Early Amortization Period with respect to a Series has occurred prior thereto, or the Redemption Price with respect thereto is paid as a result of a Sale Recision Event or otherwise, no principal will be payable on any Series until the end of the Interest-Only Period applicable thereto. On each Payment Date thereafter, the applicable Noteholders will be entitled to receive a quarterly principal amount equal to the Quarterly Amortization Amount for each Payment Date for the applicable Series.

If any amounts are not paid for a Series and a draw is then made on any Enhancement or from the Coverage Reserve Account for the purpose of making payments on a Series or if any other Early Amortization Event with respect to such Series occurs, then the Early Amortization Period may commence for such Series. See "Overview of Terms - Early Amortization Period" above or "Indenture - Early Amortization Period" below. Commencing on the first Early Amortization Payment Date after the commencement of an Early Amortization Period with respect to a Series and on each Early Amortization Payment Date thereafter (unless such Early Amortization Period has been terminated by the Controlling Party of such Series), the Collections (after application to pay all trustee fees, certain other amounts, all accrued Interest, all scheduled Quarterly Amortization Amounts and potentially sharing a certain amount thereof with Alliance Bank as described in "Overview of Terms - Allocation of Amounts in the Concentration Account" above) allocated to such Series will be applied to pay all outstanding principal of such Series.

The final distribution of principal, Interest and Additional Amounts (if any) in respect of each Series (including the Offered Notes) is expected to be made on the applicable Expected Final Payment Date.

So long as the Offered Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, if full payment on the Offered Notes will not occur on the applicable Expected Final Payment Date, then the SPC will provide notice of such non-payment to the applicable Noteholders and the Luxembourg Stock Exchange on or before the applicable Expected Final Payment Date. See "Overview of Terms - Listing" above.

Additional Amounts

All payments to be made (other than to Alliance Bank) in respect of the Offered Notes or otherwise under any Transaction Document are, subject to certain limited exceptions, to be made free and clear of, and without deduction or withholding for, or on account of, any current or future Taxes imposed, levied, collected, withheld or assessed by (or on behalf of) any taxing authority unless such Taxes are required by applicable law to be deducted or withheld. If any such Taxes are required to be deducted or withheld, then Alliance Bank, subject to the exceptions described below, will be required to pay to the Indenture Trustee (for the benefit of the applicable recipient(s) of such payment) such Additional Amounts as may be necessary so that the recipient(s) of such payments will receive the full amount otherwise payable in respect of such payments had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld. Notwithstanding the preceding sentences, no such Additional Amounts will be payable with respect to any payment under the Transaction Documents (including under the Offered Notes):

(a) in the case of any Tax assessed or imposed by any taxing authority of any jurisdiction to the extent that such Tax would not have been assessed or imposed but for any present or former connection between the applicable recipient of such payment (or between a fiduciary, settlor, beneficiary, member or shareholder of such recipient, if such recipient is an estate, a trust, a partnership or a corporation) and such jurisdiction including such recipient (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein other than its participation in the transactions effected by the Transaction Documents and the receipt of payments thereunder,

(b) for any estate, inheritance, gift, personal property, sales, transfer or other similar Tax,

(c) to the extent that any such Taxes would not have been imposed but for the failure of the applicable recipient of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent: (i) such compliance is required by applicable law as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes, and (ii) at least 30 days before the first Payment Date (or Early Amortization Payment Date) with respect to which Alliance Bank elects to apply this clause (c), Alliance Bank will have notified such recipient in writing that such recipient will be required to comply with such requirement,

(d) to the extent of any Tax imposed by reason of the recipient's past or present status as a non-United States private foundation or other non-United States tax-exempt organization,

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, or

(f) due to any combination of the circumstances described in clauses (a) through (e),

nor will any Additional Amounts be paid with respect to any payment to a recipient who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor or with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been in the place of such recipient.

Notwithstanding the foregoing, the limitations on the obligation of Alliance Bank to pay Additional Amounts as set forth in clause (c) above will not apply if a certification, identification, information, documentation or other reporting requirement described in such clause would be materially more onerous (in form, in procedure or in the substance of information disclosed) to any applicable recipient than comparable information or other reporting requirements imposed under United States tax law, regulation and administrative practice (such as United States Internal Revenue Service ("*IRS*") Forms W8BEN, W8IMY, W8ECI, W8EXP, 6166 and W9 or any successor form).

Upon the written request of the Indenture Trustee and to the extent available, Alliance Bank will provide the Indenture Trustee with documentation reasonably satisfactory to it evidencing the payment of Taxes in respect of which Alliance Bank has paid any Additional Amounts. Copies of such documentation will be made available to the applicable recipients upon written request therefor to the Indenture Trustee.

As of the Offered Notes Issuance Date, the payment of Interest and principal on the Offered Notes will not be subject to taxation in Kazakhstan (provided no Noteholder: (a) has an enterprise that is carried on through a permanent establishment in Kazakhstan and to which enterprise the interest in the Offered Notes is attributable and (b) is a citizen of or individual resident in Kazakhstan for tax purposes or an entity organized pursuant to Kazakhstan law or an entity that has its actual governing body (place of effective management) in Kazakhstan) or the Cayman Islands, and no withholding for Kazakhstan or Cayman Islands taxes will be required on any payments on the Offered Notes by the SPC to the applicable Noteholders or Note Owners. However, should any payments be made by Alliance Bank from Kazakhstan (including any payment of the Redemption Price or a Sale Recision Payment), such payment may be subject to Kazakhstan withholding taxes (for which Alliance Bank, subject to the above exceptions, would be required to pay related Additional Amounts).

Alliance Bank's obligation to pay Additional Amounts will survive the Sale Termination Date and the sale or transfer of the Notes or Certificates (or beneficial interests therein) by any Investor. The Series 2006A Enhancer will not be responsible for the payment of any Additional Amounts.

Mandatory Redemption

The Notes may be subject to mandatory redemption, in whole but not in part. As described in "Indenture - Sale Recision Event" below, in certain circumstances Alliance Bank will be obligated to pay to the SPC the Sale Recision Payment for a Series after the occurrence of a Sale Recision Event with respect thereto. If such Sale Recision Payment shall not have been paid in full on the date required, then the SPC and the Indenture Trustee will have a direct cause of action against Alliance Bank to collect such unpaid amount for the benefit of the applicable persons entitled to such payments and will be entitled to use any legally available remedies in connection therewith. From the Sale Recision Payment, the applicable Noteholders (or Note Owners) will be entitled to receive from the SPC an amount in the applicable currency equal to the sum of: (a) the Series Balance of the applicable Series, (b) all accrued and unpaid Interest (if any) to but excluding the Redemption Date, (c) all unpaid Additional Amounts with respect to such Series and (d) all other amounts (if any) then due and payable to such Noteholders (or Note Owners) under the Transaction Documents (other than the Originator Note) in connection with such Series. Upon payment of the Sale Recision Payment for each outstanding Series, the Sale Termination Date will occur. The sale of the Diversified Payment Rights will terminate on the Sale Termination Date.

Optional Redemption

As described in "Overview of Terms - Optional Redemption" above, Alliance Bank or its designee may, by payment to the SPC of the Redemption Price for the Offered Notes (or portions thereof that it wishes to have redeemed), require that the SPC redeem such Series in whole or in part on a selected Redemption Date.

Form, Denomination and Registration

The Offered Notes (or beneficial interests therein) will be offered for purchase in minimum authorized denominations in the amounts indicated in "Overview of Terms - Denominations" above. Each other Series will be issued in the denominations specified in the applicable Indenture Supplement. No service charge will be made for any registration of transfer or exchange of Offered Notes, but the Indenture Trustee may require payment of a sum sufficient to cover any tax or other government charge payable in connection therewith. The Offered Notes (or beneficial interests therein) may not be transferred unless the principal amount so transferred is in an authorized denomination.

The Offered Notes (or beneficial interests therein) will be represented by a registered Global Note. The Global Note for the Offered Notes will be deposited on or before the Offered Notes Issuance Date with The Bank of New York, London as the common depositary for and on behalf of Euroclear and Clearstream (the "*Clearing Systems*") and will be registered in the name of The Bank of New York Depositary (Nominees) Limited (as nominee for The Bank of New York as common depositary). Except as described in this Prospectus, beneficial interests in the Global Notes will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream. Investors may elect to hold interests in the Global Notes through the applicable clearing system either directly, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Except as described in this Prospectus, owners of beneficial interests in the Global Notes will not be entitled to have the Offered Notes registered in their names, will not receive or be entitled to receive physical delivery of the Offered Notes in definitive form and will not be considered holders of the Offered Notes under the Offered Notes, the Indenture or the applicable Indenture Supplement.

Definitive Notes

All Offered Notes will be delivered in the form of the applicable Global Note. If any depositary of any Global Note is at any time unwilling or unable to continue as a depositary for the reasons set forth under "Clearing and Settlement" below, and a replacement depositary is not available, then the SPC will issue, and the Indenture Trustee will authenticate, Offered Notes in definitive, fully registered, non-global form without interest coupons ("*Definitive Notes*") in exchange for the applicable Global Note(s). In all cases, Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the applicable depositary (whether Euroclear, Clearstream or a successor thereto).

In the case of Definitive Notes issued in exchange for a Global Note, such Definitive Notes will bear the legend referred to under "Notice to Investors" (unless counsel to the SPC and the Indenture Trustee determine otherwise in accordance with applicable law), subject to the provisions of such legend. The holder of a Definitive Note may transfer such Offered Note, subject to compliance with the provisions of such legend, by surrendering it at the office or agency maintained by the Indenture Trustee for such purpose in New York City, New York. Upon the transfer, exchange or replacement of Definitive Notes bearing the legend, or upon specific request for removal of the legend on a Definitive Note, the Indenture Trustee will deliver only Offered Notes that bear such legend or will refuse to remove such legend, as the case may be, unless there is delivered to the Indenture Trustee such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the SPC and the Indenture Trustee that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any Definitive Note may be transferred to a person who takes delivery in the form of an interest in any Global Note, the transferor will be required to provide the Indenture Trustee with a transfer certificate (forms of which are attached to the applicable Indenture Supplement).

In addition to the above, at any time during the existence of a Sale Recision Event with respect to the Offered Notes, any Note Owner thereof may, by delivery of notice to the Indenture Trustee through the applicable

Clearing System(s), request the delivery of a Definitive Note with respect to all or any portion of the beneficial interests in the Notes of such Series owned by such Note Owner. Any such notice must be accompanied by related registration instructions and the surrender of the applicable Global Note. Upon receipt of such notice and Global Note, the Indenture Trustee will: (a) issue Definitive Notes (which will be in definitive, fully registered, non–global form without interest coupons) to such Note Owner in an amount equal to such beneficial interests in such Series, (b) to the extent that any principal of such Series will still be held by the applicable Clearing System(s), issue a new Global Note to such Clearing System(s) for such amount, and (c) revise the Register accordingly.

Lost, Stolen and Mutilated Notes

In case any Offered Note shall become mutilated, defaced, destroyed, lost or stolen, the SPC will execute and the Indenture Trustee will, upon direction by the SPC, authenticate, register and deliver a new Offered Note of like tenor (including the same date of issuance) and equal principal amount registered in the same manner, dated the date of its authentication and bearing Interest from the date to which Interest has been paid on such Offered Note, in exchange and substitution for such Offered Note (upon surrender and cancellation thereof) or in lieu of and in substitution for such Offered Note. In case an Offered Note is destroyed, lost or stolen, the applicant for a substitute Offered Note will furnish the SPC and the Indenture Trustee: (a) satisfactory evidence of the destruction, loss or theft of such Offered Note and of the ownership thereof and (b) in the case of an Offered Note that has been destroyed, lost or stolen, subject to the terms of the Indenture, such security or indemnity as may be required by them to save each of them harmless. Upon the issuance of any substituted Offered Note, the Indenture Trustee may require the payment by the registered holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any fees and expenses (including those of the Indenture Trustee) connected therewith.

Notwithstanding any statement herein, the SPC and the Indenture Trustee reserve the right to impose such transfer, certificate, exchange or other requirements, and to require such restrictive legends, on Offered Notes as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws.

Payments; Registration of Transfer

The Indenture Trustee will be responsible for (among other things): (a) maintaining a record of the aggregate holdings of Notes and accepting Notes for exchange and registration of transfer, (b) ensuring that payments in respect of the Notes are duly paid to the applicable Noteholders to the extent funds are available therefor and (c) transmitting notices to the applicable Noteholders and from such Noteholders to the SPC (in each case, as contemplated by the Indenture and the applicable Indenture Supplement). In the event of a partial transfer of a definitive Note, new Notes will be obtainable at the office of the Indenture Trustee in connection with such transfer.

The Indenture Trustee will keep at its office a register (the "*Register*") in which, subject to such reasonable regulations as it may prescribe, it will provide for the registration of the Notes and registration of transfers and exchanges of the Notes. The Indenture Trustee will, upon at least five Business Days' prior written notice and during regular business hours of the Indenture Trustee, permit each Noteholder to inspect and copy the Register and other books and records of the Indenture Trustee to the extent relating to the relevant Series.

Under certain circumstances described in the Indenture, the SPC may vary or terminate the appointment of the Indenture Trustee and the Indenture Trustee may appoint additional trustees or other such agents. The SPC will cause notice of any resignation, termination or appointment of the Indenture Trustee, and of any change in the office through which any such agent will act, to be provided to Noteholders in accordance with "Notices; Meetings of Noteholders" below.

Distributions

Amounts on deposit in the Concentration Accounts and the Series Accounts will be applied by the Indenture Trustee on each of its Business Days in the order of priority set forth in "Overview of Terms - Allocation of Amounts in the Concentration Accounts" and "Overview of Terms - Distribution of Amounts in the Series Accounts," respectively.

Payments on the Notes will be made by the Indenture Trustee directly to the registered Noteholders in accordance with the procedures set forth in the Indenture and the related Indenture Supplement. Payments of Interest, principal and Additional Amounts (if any) will be made on each Payment Date (or Early Amortization

Payment Date, if applicable) to the Noteholders in whose names the Notes were registered as of the preceding Record Date. Payments to Noteholders will be made by check sent by first-class mail to the address of such Noteholder appearing on the Register as of the relevant Record Date or, if transfer instructions have been provided to the Indenture Trustee, by electronic funds transfer in immediately available funds to an account maintained by such Noteholder with a bank having electronic funds transfer capability; *provided* that the final payment in respect of any Note will be made only against surrender of such Note at the corporate trust office of the Indenture Trustee (or such other location as the Indenture Trustee will notify the applicable Noteholder) unless otherwise provided in the applicable Indenture Supplement. Unless such designation for payment by electronic funds transfer is revoked, any such designation made by a Noteholder with respect to such a Note will remain in effect with respect to any future payments in respect of such Note. The SPC will pay any wiring or similar administrative costs that are imposed in connection with making payments by wire transfer.

On or before January 31 of each year, the Indenture Trustee will furnish to each person who at any time during the preceding calendar year was a Noteholder a statement prepared by the Indenture Trustee containing such customary information as the Indenture Trustee deems necessary or desirable to enable the Noteholders (and the Note Owners) to prepare their tax returns.

Subject to the terms of the Indenture, claims against funds held at the Indenture Trustee in respect of the Offered Notes will become void unless made within three years (or such lesser time as the Indenture Trustee shall be satisfied, after notice from the SPC, that is one month before the escheat period provided under applicable law) from the relevant due date in respect thereof. Thereafter, the applicable Noteholders may look only to the SPC for any payment that they may be entitled to collect.

Notices; Meetings of Noteholders

All notices to Noteholders will be deemed to have been duly given: (a) upon the mailing of such notices by first-class mail to such Noteholders at their registered addresses as recorded in the Register maintained by the Indenture Trustee and (b) in addition, so long as the Offered Notes are listed on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, notices to Noteholders will be published on the date of such mailing in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe as well as on the Luxembourg Stock Exchange's website, **www.bourse.lu**.

Meetings of Noteholders of a Series may be held at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture and the applicable Indenture Supplement to be made, given or taken by such Noteholders. The Indenture Trustee may at any time call a meeting of such Noteholders for any such purpose and the SPC or Noteholders holding at least 10% of the aggregate Series Balance of the applicable Series can, by written request setting forth in reasonable detail the action proposed to be taken at such meeting, require the Indenture Trustee to call a meeting for such a purpose.

Indenture

On the Closing Date, the SPC and The Bank of New York will enter into the Indenture and, on the Offered Notes Issuance Date, the SPC and the Indenture Trustee will enter into the Indenture Supplements for the Offered Notes pursuant to which the SPC will issue the Offered Notes. The Notes (including the Offered Notes) will be secured by the Collateral, which consists primarily of the Diversified Payment Rights and Collections thereon.

Collateral

On the Closing Date, the SPC will grant to the Indenture Trustee for the benefit of the Beneficiaries a security interest in all of the Diversified Payment Rights and the other items of Collateral (including the Collections and the Collection Accounts) to secure its obligations to the Beneficiaries under the Transaction Documents. Except to the extent that Alliance Bank is required to pay a Sale Recision Payment or the Redemption Price, or to pay any Additional Amounts, as described herein, payments on the Offered Notes will be funded solely from the Collateral, including amounts on deposit in the Coverage Reserve Account (if funded), and, solely in respect of the Guaranteed Interest and the Quarterly Amortization Amount, and if a draw has been made on the Series 2006A Enhancement (and solely in relation to Quarterly Amortization Amounts and Guaranteed Interest) the Enhancement.

Representations and Warranties of the SPC

On the Closing Date and on each Issuance Date (including the Offered Notes Issuance Date), the SPC will make certain representations and warranties in the Indenture as set forth in "Overview of Terms - Representations and Warranties of the SPC" above.

Application of Collections

Each Designated Depositary Bank pursuant to an Account Agreement (described in "Account Agreements" below) will transfer all amounts received in its Collection Account in the manner described in "Overview of Terms - Concentration Accounts" above.

Pending application in accordance with the Indenture and the Indenture Supplements, amounts in the Concentration Accounts and the Series Accounts will be invested by the Indenture Trustee (at the instruction of the Servicer, which may be a standing instruction) in Eligible Investments that are both denominated and payable in the applicable currency; *provided* that, in the absence of any such investment instruction, all such amounts will be invested by the Indenture Trustee in a previously specified Eligible Investment.

Certain Covenants of the SPC

Pursuant to the Indenture, the SPC will make, among other covenants, certain negative covenants relating to the conduct of its business, including those set forth in "Overview of Terms - Covenants of the SPC" above.

Early Amortization Period

During an Early Amortization Period with respect to a Series, Collections allocable to the applicable Series Account will, on each Early Amortization Payment Date, be applied as described in "Overview of Terms - Distribution of Amounts in the Series Accounts" above.

Except to the extent provided otherwise in the applicable Indenture Supplement, upon the occurrence of an Early Amortization Event (after the applicable grace period, if any) for any Series, the Controlling Party of the applicable Series, by giving notice in writing to the SPC, the Servicer, Alliance Bank (if not the Servicer) and the Indenture Trustee, may declare that an Early Amortization Period with respect to such Series has commenced; *provided* that, upon the occurrence of any Sale Recision Event for which a Sale Recision Payment has been required to be paid with respect to such Series, the Early Amortization Period with respect to such Series will be deemed automatically to have commenced without any notice or other action on the part of the Indenture Trustee, the Controlling Party of such Series or any other person. Upon the occurrence of an Early Amortization Event for the Offered Notes due to failure by the SPC to make any payment (with respect to the applicable Expected Final Payment Date) or any insolvency related proceedings related to the SPC, an Early Amortization Period with respect to such Series will be deemed automatically to have commenced without any notice or other action on the part of the Indenture Trustee, the Controlling Party of such Series or any other person. The commencement of an Early Amortization Period for any other Series will occur in the manner provided for in the applicable Indenture Supplement.

Notwithstanding anything in the Indenture or in the other Transaction Documents to the contrary, should any Notes or Certificates (or beneficial interests therein) be owned by the SPC, Alliance Bank or any of their respective affiliates, then any vote participated in by Investors (including in determining any Controlling Party or Majority Controlling Party) in respect of the applicable Series will exclude from such voting the vote relating to (and principal amount of) the Notes (or beneficial interests therein) of any such person in the manner described in "Overview of Terms - Controlling Party" above. In addition, while any Senior Series remains outstanding, any vote to be taken by the Controlling Party(ies) of the Senior Series and/or Investors therein will exclude from such voting the vote relating to (and principal amount of) any Notes in a Subordinated Series (and any Certificates relating thereto).

Coverage Reserve Account

Upon the occurrence of a Permitted Coverage Reserve EAE with respect to any Series, Alliance Bank may cure such event in the manner set forth in "Overview of Terms - Coverage Reserve Account" above. If Alliance Bank elects to exercise such option and causes the Coverage Reserve Account to be so funded, notwithstanding anything to the contrary described in the Indenture, any Permitted Coverage Reserve EAE with respect to such Series will be deemed not to have occurred; *provided* that an Early Amortization Event with respect to any Senior Series relating to any such Permitted Coverage Reserve EAE will occur if such Permitted Coverage

Reserve EAE(s) also fail(s) to be satisfied thereafter in the manner described in “Overview of Terms - Coverage Reserve Account” above.

All amounts on deposit in the Coverage Reserve Account will be distributed from the Coverage Reserve Account as provided under “Overview of Terms - Coverage Reserve Account” above.

As specified in the Indenture Supplements for each Series of the Offered Notes, so long as such Series remains outstanding (and/or with respect to the Series 2006A Notes any amounts which remain unpaid to the Series 2006A Enhancer): (a) in addition to the Debt Service Coverage Tests for the Offered Notes, clauses (u) and (v) of “Overview of Terms - EarlyAmortization Events” above will be a Permitted Coverage Reserve EAE with respect to such Series, and (b) Alliance Bank may not exercise its right to have funds deposited into the Coverage Reserve Account to avoid the occurrence of any Permitted Coverage Reserve EAE relating to a Debt Service Coverage Test with respect to such Series more than the number of times indicated in “Overview of Terms - Coverage Reserve Account”above; it being understood that no such limitation applies with respect to Alliance's right to avoid the occurrence of a Permitted Coverage Reserve EAE referred to in clause (a).

Sale Recision Events

Upon the occurrence of any Sale Recision Event with respect to any Series, such Series will be subject to mandatory redemption, in whole but not in part, by the SPC on a Redemption Date in the manner described in “Overview of Terms - Sale Recision Events” above.

In addition, so long as the Offered Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, the SPC will provide notice to the applicable Noteholders and the Luxembourg Stock Exchange of the occurrence of a Sale Recision Event with respect to the Series 2006A Notes within five Business Days of becoming aware thereof. See “Overview of Terms - Listing” above.

Issuance of Additional Series by the SPC

Subject to satisfaction of certain conditions precedent, Alliance Bank may from time to time request the SPC to issue (either to a trust or one or more other Noteholder(s)) one or more additional Series that may be *pari passu* with other Senior Series or subordinated to the Senior Series in the manner set forth in “Overview of Terms - Issuance of Additional Series by the SPC” above.

Issuance of Additional Notes of the Same Series

Subject to satisfaction of certain conditions precedent, Alliance Bank may from time to time request the SPC to issue additional Notes of a Series in the manner set forth in “Overview of Terms - Issuance of Additional Notes of the Same Series” above unless provided otherwise in the applicable Indenture Supplement. The Indenture Supplement for the Offered Notes will provide that Alliance Bank may not request the SPC to issue (and the SPC may not issue) additional Notes of the applicable Series.

Amendments to the Notes, the Indenture and the Indenture Supplements

The SPC and the Indenture Trustee may (subject to certain limited exceptions in which such consent is not required, only with the written consent of the Majority Controlling Parties and Alliance Bank), from time to time and at any time, enter into a written Indenture Supplement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture, any Indenture Supplement or any Series or of modifying in any manner the rights of the Beneficiaries in respect thereof; *provided* that, for any such amendments of any Series or the Indenture Supplement relating thereto, only the consent of the applicable Controlling Party, the applicable Enhancer (if so specified in the applicable Indenture Supplement), the SPC, the Indenture Trustee and Alliance Bank will be required; *and provided further* that no Indenture Supplement that changes or otherwise modifies the Indenture may adversely affect any Series or any related Enhancer without the consent of the Controlling Party of such Series.

Notwithstanding the foregoing, no such amendment to the Indenture, any Indenture Supplement or any Series may, without the consent of every Noteholder and (if applicable) Enhancer of each Series adversely affected thereby:

(a) reduce in any manner the amount of, or delay the timing of or alter the priority of, any scheduled payments to Noteholders and/or Enhancers that are required to be made on any Series, or change any date of payment on any Series, or change the place of payment where, or the coin or currency in which, any Series is payable, or impair the Indenture Trustee's right to institute suit for the enforcement of any such payment,

(b) permit the disposition of the Collateral or any portion thereof,

(c) amend the percentage of the aggregate Series Balance of such Series that is required for any such amendment or amend such percentage required for any waiver or instruction provided for in the Indenture or Indenture Supplement,

(d) modify specified provisions of the Indenture, or

(e) materially increase the discretionary authority of the Indenture Trustee.

The Indenture Trustee

The Bank of New York, a New York banking corporation, will be the Indenture Trustee under the Indenture. The Bank of New York's corporate trust office is at 101 Barclay Street, 21W, New York, New York 10286. The SPC, Alliance Bank and their respective affiliates may from time to time enter into normal banking and trustee relationships with the Indenture Trustee and its affiliates; *provided* that, except in a fiduciary capacity, the Indenture Trustee may not hold Notes (or beneficial interests therein) in its own name. In addition, the Indenture Trustee may appoint co- or separate trustees to the extent required to meet the legal requirements of a particular jurisdiction.

The Indenture Trustee may resign at any time and the Majority Controlling Parties may remove the Indenture Trustee by notice thereof in writing, in either of which events the SPC will be obligated to appoint a successor Indenture Trustee. The SPC or any Controlling Party may also remove the Indenture Trustee if the Indenture Trustee ceases to be eligible to continue as such under the Indenture or if the Indenture Trustee becomes insolvent. Any such resignation or removal will not become effective until acceptance of appointment by an eligible successor Indenture Trustee.

Origination Agreement

In the Origination Agreement, Alliance Bank will acknowledge: (a) its sale to the SPC of each Diversified Payment Right (and all Collections with respect thereto) existing on the Closing Date or thereafter generated (each thereafter generated Diversified Payment Right being owned by the SPC immediately and automatically upon its generation) through and including the Sale Termination Date and (b) its assignment to the SPC of the Collection Accounts. The sale of the Diversified Payment Rights will be effected by the execution and delivery by Alliance Bank of the Bill of Sale on the Closing Date. For the purpose of clarification, the sold Diversified Payment Rights will include those relating to all U.S. Dollar and/or Euro-denominated Payment Orders received (or to be received) by Alliance Bank from and after the Closing Date, including any other currency(ies) that replace(s) such currency in any relevant jurisdiction(s) (*e.g.*, "New Dollars" in the United States in replacement of U.S. Dollars, in each case including any further replacements of any such replacement currencies).

Payment of Purchase Price

The purchase price for the Diversified Payment Rights (and all Collections with respect thereto) sold and the Collection Accounts (or rights in therein) assigned by Alliance Bank to the SPC will be partially paid with the proceeds of the Offered Notes (*i.e.*, the Initial Payment). In addition to the Initial Payment, Alliance Bank (as described in the Indenture) will receive payments under the Originator Note in an amount equal to the Collections that have not been applied to make other payments under the other Transaction Documents. In addition, should the SPC issue any other Series, the proceeds of such issuance also will be paid by the SPC to Alliance Bank as Additional Payments for the Diversified Payment Rights (and all Collections with respect thereto) and the Collection Accounts (or rights in therein).

True Sale of Diversified Payment Rights

The parties intend that the sale of the Diversified Payment Rights be treated under all applicable laws by the parties as a purchase by the SPC and a sale by Alliance Bank of the Diversified Payment Rights. The SPC will have no right, title or interest in, lien or encumbrance over, or preference, privilege or priority whatsoever with respect to any assets of Alliance Bank generally, and any obligations of Alliance Bank arising under the Transaction Documents will constitute separate unsecured obligations of Alliance Bank.

The sale of the Diversified Payment Rights will be a true sale under Kazakhstan law and consequently will not be capable of being set aside or invalidated at the instigation of any creditor, liquidator, administrator or similar official, appointee or any other person, including any person that may wish to take such actions under applicable bankruptcy, insolvency or other similar Kazakhstan laws. See "Certain Legal Aspects Relating to the Diversified Payment Rights under Kazakhstan, New York and Cayman Islands Law".

Representations and Warranties of Alliance Bank

On the Closing Date and on each Issuance Date (including the Offered Notes Issuance Date) Alliance Bank will make certain representations and warranties in the Origination Agreement as set forth in "Overview of Terms - Representations and Warranties of Alliance Bank" above.

Covenants of Alliance Bank

Alliance Bank will agree in the Origination Agreement (among other things) to certain affirmative and negative covenants set forth in "Overview of Terms - Covenants of Alliance Bank" above.

Payments by Alliance Bank

In further consideration of the SPC's agreement to purchase the Diversified Payment Rights (and all Collections with respect thereto), Alliance Bank will agree in the Origination Agreement to pay Additional Amounts (if any) with respect to payments under the Transaction Documents and to make payment of the Sale Recision Payment or a payment of a Redemption Price made in connection with Alliance Bank's request to the SPC to redeem a Series (or portion thereof) as described in "Offered Notes and the Related Indenture Supplements" above. Such payment obligations will be direct, but unsecured obligations of Alliance Bank.

Servicing Agreement

In the Servicing Agreement, the Servicer (initially Alliance Bank) will agree that it will (*inter alia*) process, and supervise the processing of, the Diversified Payment Rights and compliance with the Account Agreements in accordance with the Transaction Documents. See "Overview of Terms - Covenants of the Servicer" above. Subject to such agreement and certain restrictions set forth in the Servicing Agreement, the Servicer will have full power and authority, acting alone or through other parties designated by it, to do any and all things in connection with its collection and administration of the Diversified Payment Rights as it deems reasonably necessary or desirable. On each Payment Date, subject to availability of funds under the Indenture, the Servicer will be entitled to receive a servicing fee (for so long as the Servicer is Alliance Bank or an affiliate thereof, the Servicer shall not be entitled to a servicing fee).

Maintenance of Accounts

The Servicer will agree in the Servicing Agreement to cause to be established and maintained each Collection Account and any other accounts required to be maintained by the Servicer and/or the SPC pursuant to the Indenture, including any Indenture Supplement.

Reports

The Servicer will deliver (or cause to be delivered) to Alliance Bank (if no longer the Servicer), the SPC, the Indenture Trustee (for further delivery to each Noteholder), each Enhancer and each Rating Agency copies of the Servicing Reports as set forth in "Overview of Terms - Covenants of the Servicer" above.

Certain other Matters Regarding the Servicer

The Servicer will generally not be permitted to resign from its obligations under the Servicing Agreement except upon its reasonable determination that: (a) the performance of such obligations is no longer permissible under applicable law (to be evidenced by an opinion of counsel) and (b) there is no reasonable action that it could take to make such performance permissible under applicable law (to be evidenced by an officers' certificate of the Servicer). No such resignation will become effective until a successor servicer has assumed in writing the responsibilities and obligations of the Servicer.

Servicer Defaults

The Servicer Defaults, and the effects of any such default, are described in "Overview of Terms - Servicer Defaults" above.

Account Agreements

Alliance Bank will agree in the Origination Agreement to sign Account Agreements with specified Depositary Banks as provided in clause (n) of "Overview of Terms - Covenants of Alliance Bank" above. Pursuant to the corresponding Account Agreement, each Designated Depositary Bank will be directed to: (a) convert Alliance Bank's (including, in certain circumstances, certain of its branches') existing *nostro* account(s) maintained with it into one or more Collection Account(s) in the name of Alliance Bank, as the Servicer on behalf of the SPC and the Indenture Trustee, into which account such Designated Depositary Bank is directed to deposit all Collections received (or paid) by it in respect of any Diversified Payment Rights, and (b) establish and/or maintain one or more new *nostro* account(s) for Alliance Bank. The Indenture Trustee will control each Collection Account in the manner described in the applicable Account Agreement. Under certain circumstances described in "Overview of Terms - Collection Accounts" above, an Account Agreement may provide for an alternative account structure. Transfers from each Collection Account to Alliance Bank's own account at the applicable Designated Depositary Bank or to the applicable Concentration Account, as the case may be, are described in "Overview of Terms - Concentration Accounts" above. The Account Agreements with the initial Designated Depositary Banks will be governed by the laws of the State of New York.

THE SERIES 2006A ENHANCER

ADB accepts no responsibility for the accuracy or completeness of this Prospectus or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding ADB as set forth under this heading. In addition, ADB makes no representation regarding the Offered Notes or the advisability of investing in the Offered Notes.

Availability of Information

The Asian Development Bank, a multilateral finance institution established under the Agreement Establishing the Asian Development Bank (the "*Charter*") with its office at 6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines prepares an annual information statement (the current information statement of ADB is the information statement dated April 5, 2006 (the "*2006 Information Statement*")), which describes ADB, including its capital, operations, administration, Charter, legal status and its principal financial policies. The 2006 Information Statement also contains ADB's most recent audited financial statements. The 2006 Information Statement has been filed with the SEC and the Luxembourg Stock Exchange. ADB also prepares an annual report to its Board of Governors and unaudited quarterly financial statements.

ADB is subject to certain informational requirements of Regulation AD, promulgated by the SEC under Section 11(a) of the Asian Development Bank Act, and in accordance therewith files with the SEC its annual report to its Board of Governors and its regular quarterly and annual financial statements (collectively, together with the 2006 Information Statement, the "*ADB Information*"). ADB will file the latest ADB Information with the SEC and the Luxembourg Stock Exchange.

The ADB Information may be inspected and copies may be obtained (without charge other than for ADB Information obtainable from the SEC, which must be paid for at prescribed rates) at the following addresses:

Securities and Exchange Commission Room 1026 450 Fifth Street, NW Washington, DC 20549 United States of America	Citibank, N.A. 5 Carmelite Street London EC4Y 0PA United Kingdom	Banque Generale du Luxembourg S.A. 50 avenue J.F. Kennedy L-2951 Luxembourg

Copies of the Charter, the Indenture, the Series 2006A Indenture Supplement and the Series 2006A Enhancement may be inspected at the offices of The Bank of New York, 101 Barclay Street, New York, NY 10286, United States of America.

ADB will provide, without charge, copies of the 2006 Information Statement, the Charter, the Indenture, the Series 2006A Indenture Supplement and the Series 2006A Enhancement upon written or telephonic request at the following office of ADB:

P.O. Box 789
0980 Manila, Philippines
Attention: Private Sector Operations Dept., Capital Markets
(with a copy to: Assistant General Counsel, Private Sector Dept.)
Telephone: +632 632 444
Telex: 63587 ADB PN
Facsimile: +632 636 2444 or 2625

Incorporation by Reference

The 2006 Information Statement shall be deemed to be incorporated in and to form part of this Prospectus, and references to this "Prospectus" shall mean this document. The document incorporated by reference in and forming part of this Prospectus may not have been submitted to the same review and clearance procedures to which this Prospectus has been submitted as of the date hereof by any stock exchange or regulatory authority referred to herein.

The table below sets out the relevant page references to the 2006 Information Statement for the information incorporated herein by reference:

Information incorporated by reference:	Page reference:
From the Information Statement	
Details of Governing Body................................	5-6
Purpose and Functions.......................................	5-6
Sources of Funding..	22-27
Evaluation of Solvency	42-43
List of Members	F-14
Audited Annual Financial Statements	F-4-F-14
Immunity Relating to Legal Proceedings	42-43

Any information not listed in the table above but included in the document incorporated by reference is given for information purposes only. The 2006 Information Statement incorporated by reference herein is published on the Luxembourg Stock Exchange website, **www.bourse.lu**.

THE SERIES 2006A ENHANCEMENT

The following summary of certain provisions of the Series 2006A Enhancement is not complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Series 2006A Enhancement, including the definitions therein. A copy of the Series 2006A Enhancement will be available to any Investor or potential Investor in the Series 2006A Notes upon request.

General

On or before the Offered Notes Issuance Date, Alliance Bank, the SPC and the Series 2006A Enhancer will enter into the Series 2006A Enhancement Agreement pursuant to which the Series 2006A Enhancer will (subject to certain conditions) issue the Series 2006A Enhancement.

Under the Series 2006A Enhancement, the Series 2006A Enhancer will unconditionally guarantee, subject to and in accordance with the terms thereof, to the Indenture Trustee (or any successor appointed in accordance with the terms of the Indenture), for the benefit of the Guaranteed Noteholders, the timely payment of the Guaranteed Amount (as defined below) in respect of the Series 2006A Notes due on each applicable scheduled Payment Date to the extent that such amounts are not paid or available for payment in respect of each such scheduled Payment Date.

The Series 2006A Enhancement will provide that the Guaranteed Amount will mean, for any scheduled Payment Date, an amount equal to the sum of: (a) the amount, if any, by which: (i) the Quarterly Amortization Amount in respect of the Series 2006A Notes scheduled to be paid to the Guaranteed Noteholders on such Payment Date and the amount of any accrued and unpaid Guaranteed Interest in respect of the Series 2006A Notes scheduled to be paid to the Guaranteed Noteholders on such Payment Dates (in each case limited to payments to be made in accordance with the original terms and conditions of the Transaction Documents and the Series 2006A Notes as in effect on the Offered Notes Issuance Date without giving effect to any amendment, supplement, waiver or any other modification to any thereof made after the Offered Notes Issuance Date except to the extent the Series 2006A Enhancer shall have given its prior written consent to such amendment, supplement, waiver or modification), in each case, without duplication of any such amounts in respect of which a Notice remains in full force and effect under the Series 2006A Enhancement (collectively, a "*Scheduled Payment*") exceeds (ii) the sum of all amounts (including, without limitation, those amounts credited to the Series 2006A Series Account and those amounts credited to the Coverage Reserve Account (including all subaccounts thereof) and the Concentration Accounts, in each case allocable in respect of the Series 2006A Notes that have not been transferred or credited to the Series 2006A Series Account or otherwise paid to the Series 2006A Noteholders, in each case including the proceeds of the Eligible Investments in respect of such accounts allocable in respect of Series 2006A Notes and those amounts, if any and without duplication of any other amounts described in this clause (ii)) allocated, allocable or otherwise available for payment or deemed allocated/paid to the Guaranteed Noteholders or deemed paid to the Guaranteed Noteholder in respect of such Guaranteed Interest and scheduled Quarterly Amortization Amount in respect of the Series 2006A Notes (such excess of clause (i) over clause (ii), the "*Shortfall*"), plus (b) without duplication of any amounts described in clause (a) above, any Avoided Payment (as defined below) to be paid pursuant to the terms of the Series 2006A Enhancements but no so paid on or before such Payment Date.

For the purpose of clarification, neither the Guaranteed Amounts nor the Scheduled Payments include, nor will coverage be provided under the Series 2006A Enhancement in respect of: (a) any make whole, non-utilization, prepayment, redemption or call premium, fee or penalty payable in respect of the Series 2006A Notes, (b) any amounts due in respect of the Series 2006A Notes attributable to any increase in interest rate, any penalty, any amounts in respect of indemnification or any other sums payable by reason of any default, Sale Recision Event or Early Amortization Event, any deterioration of the creditworthiness of or reduction in or withdrawal of any ratings of the SPC, Alliance Bank, the Series 2006A Enhancer or any other Person, any default or failure to pay under any Hedging Agreement or any other reason or (c) any Additional Amounts or any other taxes or other charges imposed by any governmental authority (including interest and/or penalties in respect of such charges or taxes), whether in respect of payments under the Series 2006A Notes or under the Series 2006A Enhancement.

Under the Series 2006A Enhancement, "*Guaranteed Interest*" will mean, with respect to the Series 2006A Notes and each Payment Date, an amount equal to the product of: (a) the Series 2006A Interest Rate (as in effect on the Offered Notes Issuance date, without giving effect to any amendment, supplement, waiver or any other modification to any thereof made after the date hereof except to the extent that the Series 2006A Enhancer has given its prior written consent to such amendment, supplement, waiver or modification), without giving effect to clause (b) of the proviso to the definition thereof, (b) the average daily Series Balance of the Series 2006A Notes during the period from and including the preceding Payment Date (or, if applicable, Early Amortization

Payment Date or Redemption Date for the Series 2006A Notes, or, in the case of the first Payment Date for each such Series, the Offered Notes Issuance Date) to such Payment Date and (c) the actual number of days in the period described in clause (b) divided by 360, *it being understood* that any payments of principal or interest made from the proceeds of a disbursement under the Series 2006A Enhancement shall be considered to have been paid for the purposes of such Enhancement when received by the Indenture Trustee.

No accelerated payments of any Guaranteed Interest or Quarterly Amortization Amounts will be required to be made under the Series 2006A Enhancement (including in relation to any Avoided Payments) regardless of any acceleration of amounts payable under the Series 2006A Notes (whether as a result of any optional or mandatory redemption, Early Amortization Event, Sale Recision Event, increase in the Required Amount as described in clause (a) in the definition thereof or otherwise). The Series 2006A Enhancer shall be entitled to pay in its sole discretion under the Series 2006A Enhancement any amount of Guaranteed Interest or Quarterly Amortization Amount on an accelerated basis at any time or from time to time, in whole or in part, prior to the scheduled date of payment thereof, whether or not any Notice with respect thereto shall have been received by the Series 2006A Enhancer. Payments of Quarterly Amortization Amounts paid under the Series 2006A Enhancement on an accelerated basis shall not include interest accruing after the date of such payment of principal.

Under the Series 2006A Enhancement the Series 2006A Enhancer will make a Guaranteed Payment, out of its own funds in immediately available funds, to the Indenture Trustee by 12:00 noon (New York time) on the later of: (a) the fifth Manila/New York Business Day following its Receipt of a claim for payment in the form attached to the Series 2006A Enhancement ("*Notice*") stating that such Guaranteed Payment is due, and (b) the Payment Date in respect of which it has Received Notice that such Guaranteed Payment is due, for disbursement by the Indenture Trustee to the Guaranteed Noteholders in accordance with the terms of the applicable Indenture Supplement. "*Guaranteed Payment*" will mean, for any Payment Date, the amount described in clause (a) of the definition of Guaranteed Amount, giving effect to the proviso to such definition.

The amount of the claim for payment will be calculated, in accordance with the terms of the Series 2006A Enhancement, by the Indenture Trustee with respect to the relevant Payment Date as of the close of the Indenture Trustee's business on the New York Business Day immediately preceding the date such Notice is to be Received by the Series 2006A Enhancer (which date shall in no event precede the seventh Manila/New York Business Day preceding such Payment Date).

If, after making a claim for payment on the Series 2006A Enhancer but before the date on which payment of the amount specified therein is due from the Series 2006A Enhancer, the Indenture Trustee receives payment from or on behalf of the SPC from any source (including from additional Collections) of all or a portion of such amount or determines that the initial calculation of such amount was incorrect, then the Indenture Trustee will: (a) notify the Series 2006A Enhancer of the occurrence and amount of such payment or miscalculation, (b) retract the prior claim for payment and (c) if a deficiency in the portion of the Guaranteed Amounts then due still remains, submit an amended claim for payment in the amount of such deficiency in accordance with the Series 2006A Enhancement; provided that any failure by the Indenture Trustee to so notify the Series 2006A Enhancer and amend the claim for payment will not relieve the Series 2006A Enhancer of its obligation to pay whatever portion of such claim for payment is necessary to cover any such deficiency. For purposes of the preceding sentence, any such amended claim for payment which reflects an amount equal to or less than the amount of the original claim for payment, shall be deemed to have been Received by the Series 2006A Enhancer on the date upon which the original claim for payment was Received by the Series 2006A Enhancer. If, on or after the date of the payment of a claim by the Series 2006A Enhancer, the Indenture Trustee receives amounts that are allocated for the reimbursement of such payment (or interest thereon), then the Indenture Trustee will promptly pay the Series 2006A Enhancer such amounts in immediately available funds in accordance with the Series 2006A Enhancement and the Indenture.

If any amount of Guaranteed Interest or scheduled Quarterly Amortization Amount that was previously paid to any Guaranteed Noteholder is avoided as a preference payment under any applicable bankruptcy, insolvency, receivership or similar laws, pursuant to a final, nonappealable order of a court exercising proper jurisdiction in an applicable Insolvency Proceeding (a "*Final Order*") and, as a result, such Guaranteed Noteholder (or the Indenture Trustee on its behalf) is required to return all or any portion of such payment (the portion so required to be returned, an "*Avoided Payment*"), the Series 2006A Enhancer will pay an amount equal to such Avoided Payment following its Receipt from the Indenture Trustee or such Guaranteed Noteholder of: (a) a certified copy of the Final Order requiring such Guaranteed Noteholder (or the Indenture Trustee on its behalf) to return such Avoided Payment prior to the expiration of the Term of the Guaranty, (b) except in the case of any Final Order that either, on its face, or in an accompanying court order, states that it is not appealable, is not subject to any stay and is not otherwise unenforceable, an opinion of counsel satisfactory to the Series 2006A Enhancer to the effect that the Final Order is not appealable, is not subject to any stay and is not otherwise unenforceable, (c) an assignment, in form satisfactory to the Series 2006A Enhancer, properly completed and executed by such Guaranteed Noteholder and the Indenture Trustee, irrevocably assigning to the Series 2006A Enhancer all rights and claims of such Guaranteed Noteholder and the Indenture Trustee relating to or arising under such Avoided Payment and (d) a Notice for payment of such Avoided Payment.

For the purpose of clarification, in no event will the Series 2006A Enhancer be: (i) required to make any payment under the Series 2006A Enhancement in respect of any Avoided Payment to the extent such Avoided Payment is comprised of amounts previously paid by the Series 2006A Enhancer under the Series 2006A Enhancement, or (ii) obligated to make any payment in respect of any Avoided Payment, prior to the date the Series 2006A Enhancer otherwise would have been required to make a payment in respect of such amount under the Series 2006A Enhancement (in which case the Series 2006A Enhancer will pay the balance of the Avoided Payment when such amount otherwise would have been required thereunder).

The Series 2006A Enhancer will make payments due in respect of Avoided Payments on the later of (i) the date when due to be paid pursuant to the applicable Final Order and (ii) the fifth Manila/New York Business Day following the Series 2006A Enhancer's Receipt of the documents referred to in clauses (a), (b), (c) and (d) of the second preceding paragraph. All payments made by the Series 2006A Enhancer on account of Avoided Payments will be made to the receiver, conservator, administrator, debtor in possession or trustee in bankruptcy named in the Final Order and not to the Indenture Trustee or any Guaranteed Noteholder directly (unless such Guaranteed Noteholder (or the Indenture Trustee on its behalf) has previously paid (or caused to be paid) such amount to the receiver, conservator, administrator, debtor in possession or trustee in bankruptcy named in the Final Order, in which case such payment will be disbursed to the Indenture Trustee for distribution to such Guaranteed Noteholder upon proof of such payment reasonably satisfactory to the Series 2006A Enhancer). In no event will the Series 2006A Enhancer be obligated to pay any interest with respect to an Avoided Payment.

An "*Insolvency Proceeding*" means: (a) any bankruptcy, insolvency, readjustment of debt, reorganization, receivership, liquidation, administration, winding up, marshalling of assets and liabilities or similar proceedings commencing after the Offered Notes Issuance Date by or against any person or (b) the consent, after the Offered Notes Issuance Date, to the appointment of a trustee, conservator, receiver, liquidator or other similar official in any bankruptcy, insolvency, readjustment of debt, reorganization, receivership, liquidation, administration, winding up, marshalling of assets and liabilities or other similar proceedings of or relating to any person.

The terms "*Receipt*" and "*Received*", with respect to the Series 2006A Enhancement, will mean actual receipt by the Series 2006A Enhancer, prior to 12:00 noon (Manila time), on a Manila Business Day. Receipt either on a day that is not a Manila Business Day or after 12:00 noon (Manila time) will be deemed to be Receipt on the next Manila Business Day. Any Notice, presentation, transmission, delivery or communication delivered via facsimile will be Received by the Series 2006A Enhancer upon the later of: (i) its actual receipt of the applicable facsimile transmission at its facsimile number set forth in the Series 2006A Enhancement and (ii) its receipt of telephonic confirmation of such facsimile transmission to its telephone number set forth therein. If any Notice or other document Received by the Series 2006 A Enhancer does not comply with the terms and conditions of the Series 2006A Enhancement (as determined by the Series 2006A Enhancer), then it will be deemed not to have been Received by the Series 2006A Enhancer and, upon its determination thereof, the Series 2006A Enhancer will promptly so notify the Indenture Trustee. Upon receiving notice that a Notice or other document does not comply with the terms and conditions of the Series 2006A Enhancement, the Indenture Trustee may submit an amended Notice or other such document. Any such amended Notice will be considered to have been Received by the Series 2006A Enhancer at the time that such amended Notice or document is Received by the Series 2006A Enhancer and not at the time of the Series 2006A Enhancer's receipt of the original Notice or document. Each Notice, presentation, transmission, delivery and communication to any Enhancer will be effective only upon actual Receipt by the Series 2006A Enhancer.

The Series 2006A Enhancer's obligations under the Series 2006A Enhancement in respect of Guaranteed Amounts will be discharged to the extent funds are transferred to such account as the Indenture Trustee specifies in its claim for payment, whether or not such funds are properly applied by or on behalf of Indenture Trustee and/or the Guaranteed Noteholders.

Except as otherwise provided in the Series 2006A Enhancement, to the fullest extent permitted by applicable law, in the Series 2006A Enhancement the Series 2006A Enhancer will waive, solely for the benefit of the Indenture Trustee (not for its benefit in its individual capacity but solely on behalf of the Guaranteed Noteholders) and the Guaranteed Noteholders, all rights and defenses of any kind (including, without limitation, the defense of fraud in inducement or fact, any defense based on any duty claimed to arise from the doctrine of "utmost good faith" or any similar or related doctrine or any other circumstances that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that the Series 2006A Enhancer otherwise might have asserted as a defense to its obligation to pay in full any amounts that become due and payable in accordance with the terms and conditions of the Series 2006A Enhancement.

Nothing in this paragraph will be construed to limit or otherwise impair the Series 2006A Enhancer's rights, and the Series 2006A Enhancer expressly reserves its rights, to (a) pursue recoveries, remedies, claims and/or counterclaims (based upon contractual rights, securities law violations, fraud or other causes of action) against any person or entity whether directly, as subrogee or otherwise, and (b) to receive reimbursement of all amounts paid by it under the Series 2006A Enhancement and to receive payment of all other amounts owed to it under the Series 2006A Enhancement Agreement and/or any other Transaction Document.

The SPC (and, if not paid thereby, Alliance Bank) will pay to the Series 2006A Enhancer installments of guarantee fee on each Payment Date. The guarantee fee on the Series 2006A Enhancement is not refundable for any reason, including the payment or redemption prior to maturity of the Series 2006A Notes.

Nothing in the Series 2006A Enhancement will require payment to the extent any force majeure event or governmental act prevents the Series 2006A Enhancer from performing its obligations thereunder, in which event the Series 2006A Enhancer will agree to: (a) use commercially reasonable efforts to perform its obligations under the Series 2006A Enhancement notwithstanding such force majeure event or governmental act and (b) perform its obligations under the Series 2006A Enhancement promptly following cessation of such force majeure event or governmental act.

The Series 2006A Enhancer's payment obligations under the Series 2006A Enhancement are (to the fullest extent permitted by applicable law) unconditional (including following any non payment of guarantee fee), subject to satisfaction of the conditions of the Series 2006A Enhancement. Except with the prior written consent of the Indenture Trustee and the Series 2006A Enhancer, the terms of the Series 2006A Enhancement cannot be modified or altered by any other agreement.

The Series 2006A Enhancement (and the obligations of the Series 2006A Enhancer thereunder) will terminate upon the expiration of the Term of the Guaranty. With respect to the Series 2006A Enhancement, the "*Term of the Guaranty*" means the period from and including the Offered Notes Issuance Date to and including the later to occur of: (a) the date on which payment in full has been made or deemed made to the Indenture Trustee or the Guaranteed Noteholders of all amounts payable to such Guaranteed Noteholders in respect of the Guaranteed Amount, (b) the expiration of the period, if any, during which any payment of scheduled Quarterly Amortization Amounts or Guaranteed Interest payable in respect of the Series 2006A Notes could be avoided as a preference payment under any applicable Insolvency Proceeding and (c) if any applicable Insolvency Proceeding is existing prior to the occurrence of the later to occur of clauses (a) and (b), the date of the conclusion or dismissal of such applicable Insolvency Proceeding without continuing jurisdiction by the court in such applicable Insolvency Proceeding. For purposes of clarification, if the Indenture Trustee or any Guaranteed Noteholder is required to return any Avoided Payment as a result of an Insolvency Proceeding described in this clause (c), then the Series 2006A Enhancement will terminate on the date on which the Series 2006A Enhancer has made all payments required to be made by it under the terms of the Series 2006A Enhancement in respect of such Avoided Payment.

The Series 2006A Enhancer may enter into participation agreements, risk sharing agreements or back-to-back guarantees to reduce its large risks, manage its portfolio of risk by type and geographic distribution, provide additional capacity for frequent bond issuers, diversify risk, increase underwriting capacity and reduce additional capital needs.

Control and Consent Rights

The Series 2006A Enhancer will be the Controlling Party in respect of the Series 2006A Notes unless an Enhancer Event exists with respect to such Enhancer; provided that if and when an Enhancer Event exists with respects to the Series 2006A Enhancer, then the Controlling Party will be the Series 2006A Noteholders (acting through the Indenture Trustee) and (to the extent that the Series 2006A Enhancer has made any payment under a Series 2006A Enhancement with respect to principal for which it has not yet been reimbursed) the Series 2006A Enhancer that, in the aggregate, hold or (in the case of the Series 2006A Enhancer) have not been reimbursed for more than 50% of the Unpaid Balance of such Series on such date. As the Controlling Party, the Series 2006A Enhancer would (in most cases) have the right to provide instructions to the Indenture Trustee (and otherwise make decisions) relating to the Series 2006A Notes. The Series 2006A Enhancer will not be liable to the Indenture Trustee or any Series 2006A Noteholder for any loss or damage resulting from the exercise or failure to exercise, in its sole discretion, any of such rights, remedies, votes and the like it may have as Controlling Party of the Series 2006A Controlling Party.

Ratings

As a result of the issuance of the Series 2006A Enhancement, the Series 2006A Notes will receive a rating of "AAA" by Fitch.

CLEARING AND SETTLEMENT

The information set out below in connection with Euroclear and Clearstream (*i.e.*, the Clearing Systems) is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that Alliance Bank believes to be reliable, but none of the SPC, Alliance Bank, the Indenture Trustee or the Lead Managers takes any responsibility for the accuracy of the information. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the applicability of the rules, regulations and procedures of the relevant Clearing System. None of the SPC, Alliance Bank, the Indenture Trustee or the Lead Managers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in, the Offered Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Offered Notes will be issued in registered form. The Offered Notes (or beneficial interests therein) will be represented by a registered Global Note. The Global Note for the Offered Notes will be deposited on or before the Offered Notes Issuance Date with The Bank of New York, London as the common depositary for and on behalf of Euroclear and Clearstream (*i.e.*, the Clearing Systems) and will be registered in the name of The Bank of New York Depositary (Nominees) Limited (as nominee for The Bank of New York as common depositary).

Euroclear and Clearstream

Euroclear and Clearstream 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 is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in Global Notes directly through Euroclear or Clearstream, if they are accountholders ("*Direct Participants*"), or indirectly ("*Indirect Participants*" and, together with Direct Participants, "*Participants*") through organizations that are accountholders therein.

Each Global Note will have an ISIN and a Common Code and each will be registered in the name of The Bank of New York Depositary (Nominees) Limited (as nominee for The Bank of New York as common depositary) and each will be held by The Bank of New York, London as common depositary for and on behalf of Euroclear and Clearstream.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear and Clearstream as the holder of a beneficial interest in an Offered Note represented by a Global Note must look solely to Euroclear or Clearstream (as the case may be) for his share of each payment made by the SPC to the holder of such Global Note and, in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream (as the case may be). The SPC expects that, upon receipt of any payment in respect of the Offered Notes represented by a Global Note, the common depositary by whom such Offered Note is held, or nominee in whose name it is registered, will immediately credit the Clearing Systems who will credit the relevant participants' accounts 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 SPC 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 SPC in respect of payments due on the Offered Notes, for so long as the Offered Notes are represented by such Global Note and the obligations of the SPC will be discharged by payment to the holder of such Global Note in respect of each amount so paid. None of the SPC, the Lead Managers or the Indenture Trustee 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 Offered Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Offered Notes on the Clearing System's records. The ownership interest of each actual purchaser of each such Offered Note (*i.e.*, the Note Owner) will, in turn, be recorded on the Participant's records. Note Owners will not receive written confirmation from any Clearing System of their purchase, but Note Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which such Note Owner entered into the transaction. Transfers of ownership interests in Offered Notes held within a Clearing System will be effected by entries made on the books of Participants, acting on behalf of Note Owners. Note Owners will not receive certificates representing their ownership interests in the Offered 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 Note Owners of the Offered Notes held within such Clearing Systems and their records will reflect only the identity of the Direct Participants to whose accounts such Offered Notes are credited, which may or may not be the Note 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 Note Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Initial settlement for the Offered Notes will be in U.S. Dollars, following the settlement procedures applicable to conventional Eurobonds, which provide that the Offered Notes will be credited to the securities custody accounts of Euroclear and Clearstream Participants on the business day following the settlement date against payment for value on the settlement date.

Secondary market sales of book-entry interests in the Offered Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the Offered Notes held through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional Eurobonds, which provide for settlement in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

CERTAIN LEGAL ASPECTS RELATING TO THE DIVERSIFIED PAYMENT RIGHTS UNDER KAZAKHSTAN, NEW YORK AND CAYMAN ISLANDS LAW

General

The following is a general discussion of certain Kazakhstan, New York and Cayman Islands legal aspects relating to the sale of the Diversified Payment Rights by Alliance Bank to the SPC and is based upon the advice of White & Case, Kazakhstan counsel for Alliance Bank, Mayer, Brown Rowe & Maw LLP, New York counsel to the Lead Managers, and Maples and Calder, Cayman Islands counsel. The discussion is based upon the laws of Kazakhstan, New York and the Cayman Islands in effect on the date hereof, all of which are subject to change, and does not constitute, and should not be considered, legal advice to the Indenture Trustee or the Investors.

Governing Law Clauses

The parties to the Offered Notes, the Indenture, the Indenture Supplements, the Servicing Agreement and the Origination Agreement have chosen the laws of the State of New York to govern such documents. The Bill of Sale will be governed by Kazakhstan law. The Account Agreements will be governed by the laws of the jurisdiction in which the corresponding Collection Account is maintained.

Jurisdiction

The SPC and Alliance Bank will agree in the Origination Agreement and the Indenture that disputes arising thereunder are subject to the jurisdiction of New York courts or, at the election of the Indenture Trustee or, in certain circumstances, other parties, to arbitration in New York City, New York. Each of Alliance Bank and the SPC will appoint National Registered Agents, Inc., at its registered office in New York, as its authorized agent for the service of process in New York. In addition, process may be served in any other manner permitted by law.

Subject to certain customary qualifications and assumptions, Mayer, Brown, Rowe & Maw LLP, New York counsel to the Lead Managers, will opine that the Transaction Documents to which Alliance Bank and/or the SPC is/are a party governed by New York law are enforceable against Alliance Bank and/or the SPC (as applicable) under New York law.

Sale of Diversified Payment Rights

Kazakhstan Law

Kazakhstan counsel will opine that the sale by Alliance Bank to the SPC of the Diversified Payment Rights (including the Diversified Payment Rights generated following the Closing Date through and including the Sale Termination Date) together with all Collections (including amounts paid by the applicable Payor Bank in advance of the relevant Payment Order (to which such amounts relate) being sent by the applicable Payor Bank provided that the relevant Payment Order is subsequently accepted by Alliance Bank) will constitute an immediate transfer on the Closing Date by Alliance Bank of ownership of, and all rights and interest to, the Diversified Payment Rights (including the Diversified Payment Rights generated following the Closing Date) together with all Collections (including amounts paid by the applicable Payor Bank in advance of the relevant Payment Order (to which such amounts relate) being sent by the applicable Payor Bank provided that the relevant Payment Order is subsequently accepted by Alliance Bank) free of any rights, claims or interest in or to such Diversified Payment Rights (including the Diversified Payment Rights generated following the Closing Date) together with all Collections. Other than the Bill of Sale, no further documents need to be entered into and no further acts performed under Kazakhstan law in order to effect such transfer. Such transfers pursuant to the Bill of Sale would not be capable of being set aside or invalidated at the instigation of any creditor, liquidator, administrator or similar official, appointee or any other person, including persons that may wish to take such actions under applicable bankruptcy, insolvency or other similar Kazakhstan laws. The SPC's ownership of all of the Diversified Payment Rights (including with respect to Diversified Payment Rights generated following the Closing Date) together with all Collections (including amounts paid by the applicable Payor Bank in advance of the relevant Payment Order (to which such amounts relate) being sent by the applicable Payor Bank provided that the relevant Payment Order is subsequently accepted by Alliance Bank) is effective as of the Closing Date. On and after the Closing Date, the Diversified Payment Rights (including the Diversified Payment Rights generated following the Closing Date) together with all Collections (including amounts paid by the applicable Payor Bank in advance of the relevant Payment Order (to which such amounts relate) being sent by the applicable Payor Bank provided that the relevant Payment Order is subsequently accepted by Alliance Bank) will not constitute the assets or rights of Alliance Bank, and will not be available to pay any third party creditors thereof. Alliance Bank will be solely liable to the relevant Payee in respect of a Payment Order (including Payment Orders received following the Closing Date) and the Payee would not have a valid claim against the SPC in relation to the relevant Payment Order.

The opinions of Kazakhstan counsel with respect to the foregoing will be subject to certain customary qualifications and assumptions (including the qualification that, the Kazakhstan courts have had limited, if any, experience with the practice of securitization, thereby providing no guidance as to how Kazakhstan courts would interpret the Transaction Documents, including the Bill of Sale, if they were required to do so). Alliance Bank will represent and warrant in the Origination Agreement that it is not insolvent on the Closing Date and that the sale of the Diversified Payment Rights is for a *bona fide* commercial purpose.

Alliance Bank is obligated to notify the NBK within 7 days after the execution of the Origination Agreement and the Bill of Sale as such constitutes an operation involving movement of property from Kazakhstan in an amount exceeding U.S.$10,000. The failure to make such filing would not affect the validity, enforceability or performance of the Transaction Documents, including the sale effected by the Bill of Sale.

United States Law

Mayer, Brown, Rowe & Maw LLP will opine that under New York law in an action among Alliance Bank, the SPC and/or the Indenture Trustee, the application of Kazakhstan law in the Bill of Sale to the determination of whether a true sale had occurred will be respected by New York courts. In the event that the choice of Kazakhstan law is challenged by a party other than Alliance Bank, the SPC, the Indenture Trustee or another party acquiring rights through the Transaction Documents, the determination of which law applies is more difficult to assess as it may depend upon the context of such third-party challenge, the law applicable thereto and/or the court's factual determination of which jurisdiction has the more significant interest in or greater relationship to the transaction evidenced by the Bill of Sale. In the event New York law is held to be applicable thereto, the interest of the SPC in the Diversified Payment Rights will either be an ownership or a perfected security interest.

Under New York law, the Indenture Trustee will hold a perfected security interest in the SPC's interest in the Diversified Payment Rights and the Collection Accounts at the Designated Depositary Banks held in New York. Except as described above, Alliance Bank, by entering into the Origination Agreement, the Bill of Sale and the Account Agreements and making required filings in the District of Columbia, will have taken all action required under New York and United States federal law to perfect the interest of the SPC as a purchaser of the Diversified Payment Rights against third parties, and the SPC, by entering into the Indenture and the Account Agreements and making required filings in the District of Columbia, will have taken all action required under New York and United States federal law to perfect the security interest of the Indenture Trustee in the Diversified Payment Rights and the Collection Accounts against third parties; provided that no such perfection might exist with respect to Collections at banks other than Designated Depositary Banks. With respect to the Diversified Payment Rights, the opinions of New York counsel with respect to the foregoing will apply to both Alliance Bank's right to receive and Alliance Bank's right to retain for itself all payments made in connection with Payment Orders. The opinions of Mayer, Brown, Rowe & Maw LLP with respect to the foregoing will be subject to certain customary qualifications and assumptions.

Foreign banks licensed to engage in the banking business in the United States are generally not eligible debtors under the United States Bankruptcy Code. Thus, in the event that Alliance Bank were to continue not to engage in a banking business in the United States and were subject to bankruptcy proceedings in the United States in the same manner as an ordinary foreign corporation having assets in the United States, a party seeking to include the Diversified Payment Rights in the bankruptcy estate of Alliance Bank might assert that a U.S. bankruptcy court should apply U.S. law to the characterization of the transaction evidenced by the Bill of Sale and re-characterize the transaction as a secured financing rather than a true sale and that, therefore, the Diversified Payment Rights (and their proceeds) are property of Alliance Bank (and not of the SPC) in the United States. If both such arguments were accepted in a Alliance Bank bankruptcy proceeding in the United States and unless a court orders otherwise, Diversified Payment Rights generated after the commencement of the bankruptcy would not be subject to the pre-bankruptcy lien arising under the Bill of Sale, the SPC would be treated as an unsecured creditor of Alliance Bank with respect to Diversified Payment Rights generated after a bankruptcy filing and the SPC would be subject to the automatic stay provisions of the Bankruptcy Code (with respect to Diversified Payment Rights arising prior to the bankruptcy filing that had not yet been paid to it). Such claimants might also seek to assert that the Bill of Sale, the Origination Agreement and the Servicing Agreement are executory (*i.e.*, where performance is ongoing) contracts that should be rejected by the court in order to allow Alliance Bank to enter into alternative origination and servicing arrangements involving Diversified Payment Rights to be generated after the bankruptcy proceeding providing for any such rejection. However, the foregoing outcomes are dependent in part upon (and therefore mitigated by the need for) persuading the bankruptcy court on conflicts of law arguments (to employ U.S. law to characterize the transaction), substantive law arguments (to re-characterize the transaction under U.S. law) and to so use its equitable powers to such ends (to address these outcomes in a U.S. case), in each case notwithstanding the Kazakhstan choice of law under the Bill of Sale, the transaction's considerable factual contacts with Kazakhstan, the fact that a very significant portion of the Diversified Payment Rights have no contact whatsoever with the United States, the fact that the Payment Orders sent to Alliance Bank from U.S. Payor Banks would (as a result of Article 4A of the Uniform Commercial Code) generally be governed by Kazakhstan law and the fact that both the seller and buyer of the Diversified Payment Rights are non-U.S. entities located outside the United States.

Diversion

In the event of an attempted diversion by Alliance Bank of Collections on the Diversified Payment Rights from the Collection Accounts or otherwise (which diversion would constitute a breach of the Transaction Documents), the Indenture Trustee (in its capacity as secured party) could seek to recover such sums from Alliance Bank. As a general rule under New York law, money damages are considered to be an adequate remedy for breach of contract in a transaction involving a determinable amount and, therefore, injunctive relief, such as an order to seize assets or compel the deposit of funds, may not be easily obtained. However, if it could be established that money damages were not an adequate remedy due to the unlikelihood of collecting a judgment from Alliance Bank (such as during a period of moratorium or other financial distress), then a New York court would be more likely to determine that the Collections, to the extent they were "identifiable," could be seized and kept for the benefit of the SPC and the Indenture Trustee pending formal determination as to the rightful owner thereof.

Cayman Islands Law

Cayman Islands counsel will opine that, except for the advisability of entering the Indenture Trustee's security interest in the SPC's Register of Mortgages and Charges (which will be effected on the Closing Date), no action is required under Cayman Islands law to perfect the sale of the Diversified Payment Rights or the Indenture Trustee's security interest in the Collateral.

Bank Insolvency – Kazakhstan

Under Kazakhstan's bankruptcy law, a Kazakhstan company (including a bank such as Alliance Bank) is considered insolvent when it has failed to make payments on its indebtedness within a period of three months after such indebtedness has became due. At such time a creditor is entitled to file a petition of bankruptcy against the company. A court would generally declare a company bankrupt when it has generally ceased to meet its payment obligations. In the event of the insolvency of Alliance Bank, Alliance Bank would become subject to Kazakhstan's bankruptcy law, including the bankruptcy provisions of Kazakhstan's banking legislation. Kazakhstan counsel has advised that, under Kazakhstan law, a bankruptcy administrator of Alliance Bank would not have the power to set aside executed (*i.e.*, performed) contracts of Alliance Bank (for example, the Bill of Sale) but would have the power (without the need for prior Kazakhstan court approval) to set aside (partially or fully) executory (*i.e.*, where performance is ongoing) contracts of Alliance Bank (for example, the Origination Agreement or, except for the assignment of the Collection Accounts therein, the Account Agreements). Any such action could be challenged by Alliance Bank's contractual counterparty(ies) in the Kazakhstan courts. In addition, since Kazakhstan court judgments are not generally enforced by foreign courts (including New York courts), it is likely that a bankruptcy administrator would have to obtain an appropriate foreign court judgment if it wished to compel a non-Kazakhstan contractual counterparty of Alliance Bank to cease performing under an executory contract.

Kazakhstan – the powers of the FMSA

FMSA powers in relation to financially weak banks

If the financial position of a bank becomes sufficiently weak, then the FMSA may require such bank's shareholders to: (a) improve such bank's financial position, (b) change such bank's management or (c) reorganize such bank. In addition, the FMSA may also recommend that:

(i) the acceptance of deposits be limited;

(ii) the charter capital be increased;

(iii) the payment of dividends be stopped and provisions increased;

(iv) expenses be reduced by means of closing certain branches and representative offices and ceasing or limiting additional employment;

(v) any of such bank's officials or employees be permanently or temporarily dismissed; and/or

(vi) high risk banking operations be suspended or limited.

FMSA powers in relation to breaches of prudential standards

If the FMSA discovers that: (a) any prudential standards or other obligatory standards have been violated, (b) any of its instructions or recommendations have not been implemented or (c) any action of (or any failure to take action by) any official or employee of a bank was illegal and such action (or failure to take action) threatens the financial security and stability, and the interests of depositors, clients and correspondents, of such bank, then the FMSA may apply one of the following restrictive measures to such bank:

(i) demand a letter of obligation that identifies existing faults and contains the bank's management's guarantee to eliminate such faults within a certain time period and the measures planned to achieve such elimination;

(ii) execute a written agreement between a bank and the FMSA to immediately eliminate discovered faults and to take necessary measures in connection therewith with such bank;

(iii) give a written notification of actual or possible application of certain sanctions (such sanctions as set out below, the "*Sanctions*"), if such bank fails to eliminate existing faults within the time period established by the FMSA; or

(iv) issue an obligatory written instruction to take corrective measures aimed to eliminate discovered faults within the established time period.

FMSA Sanctions in relation to breaches of prudential standards

The FMSA may apply the following Sanctions to a bank (regardless of any restrictive measures previously applied to such bank):

(a) charge and collect a penalty on any grounds established by Kazakhstan legislation;

(b) suspend or revoke a license for all or certain banking operations;

(c) appoint a temporary administrator to a bank for the purpose of such bank's conservation (see below "FMSA appointment of a Temporary Administrator for the conservation of a bank");

(d) revoke a permission to open a bank;

(e) in case of regular (*i.e.*, three or more times within 12 consecutive calendar months) violations of the prudential standards and/or other obligatory norms and limits, adopt a decision (with the agreement of the Government of the Republic of Kazakhstan) regarding the compulsory purchase of equity shares of a bank at a price determined by the FMSA (such price to be based upon the value of such bank's assets minus the value of such bank's liabilities on the date the FMSA adopts the decision to purchase such bank's equity shares), provided that such shares are thereafter immediately and obligatorily sold to a new investor at the price of their acquisition together with the simultaneous assignment (transfer) of all rights and obligations of such bank and its shareholders to such new investor;

(f) remove the management of a bank; and/or

(g) if the capital adequacy level of a bank drops to less than 50% of the standards established by the FMSA, then reorganize such bank into a credit partnership.

FMSA appointment of a Temporary Administrator for the conservation of a bank

The FMSA has the power to appoint a temporary administrator to a bank. Such temporary administration must be conducted under the Rules (as defined herein). The Rules stipulate that the main objective of the temporary administrator during the temporary administration is to improve a bank's financial state and to improve the quality of a bank's operations. In addition, the Rules further state that the temporary administrator must seek to restore the ability of a bank to meet its obligations, eliminate violations of legislation, protect the interests of consumers of the bank's services and improve the risk management and internal control systems of the bank. If deemed the best course of action to ensure the survival of a bank, a temporary administrator is obliged to identify a buyer (or buyers) for the relevant bank and is obliged to ensure that any sale is made at the maximum net purchase price possible and with the minimum possible losses.

Kazakhstan counsel has advised that, under Kazakhstan law, a temporary administrator of Alliance Bank would not have the power to set aside executed (*i.e.*, performed) contracts of Alliance Bank (for example, the Bill of Sale) but would have the power (without the need for prior Kazakhstan court approval) to set aside (partially or fully) executory (*i.e.*, where performance is ongoing) contracts of Alliance Bank (for example, the Origination Agreement or, except for the assignment of the Collection Accounts therein, the Account Agreements). Any such action could be challenged by Alliance Bank's contractual counterparty(ies) in the Kazakhstan courts. In addition, since Kazakhstan court judgments are not generally enforced by foreign courts (including New York courts), it is likely that a temporary administrator would have to obtain an appropriate foreign court judgment if it wished to compel a non-Kazakhstan contractual counterparty of Alliance Bank to cease performing under an executory contract.

FMSA powers to revoke a banking license

The FMSA may suspend or revoke a bank's license on any of the following grounds:

(a) a bank's non-compliance with certain requirements relating to its management, its banking premises, its equipment, its personnel and/or its charter capital;

(b) performance of banking operations with regular (three or more times within 12 consecutive calendar months) violations of prevailing legislation;

(c) regular (three or more times within 12 consecutive calendar months) improper performance of contractual obligations under payment and transfer operations;

(d) regular (three or more times within twelve consecutive calendar months) violations of the FMSA's prudential standards and/or other obligatory norms and limits;

(e) non-performance of the obligation to disclose the general terms and conditions of its banking operations to its clients;

(f) provision of preferences to persons connected with the bank;

(g) failure to submit reports and information to the FMSA and/or the NBK or the provision of false reports and/or information to the FMSA and/or the NBK;

(h) regular (three or more times within twelve consecutive calendar months) violations of normative legal acts or the FMSA's/NBK's written instructions;

(i) performance by a bank of activities that are prohibited or limited;

(j) performance by a bank of operations beyond its authority established by law, its charter or its banking license;

(k) non-performance by a bank of operations in accordance with its banking license during twelve consecutive calendar months from the date of the issuance of such license;

(l) a court's decision to terminate activities of the bank;

(m) a bank's decision to terminate its activities through its reorganization or liquidation;

(n) (i) the non-provision of information (or the provision of false information) regarding a bank's affiliates or (ii) the non-provision of other information (or the provision of false information) required by the FMSA, which in either case hinders the FMSA's supervision of the activities such bank (including on a consolidated basis);

(o) several (two or more times during the process of inspection) interventions by a bank into the inspection process, where the consequence of such interventions is that it is impossible to complete the relevant inspection within the established time period;

(p) a bank's intentional non-elimination of violations set out in the statement from an auditing organization within the three months following the receipt of such statement;

(q) non-compliance with requirements set forth by the FMSA in relation to risk management and internal control systems; and

(r) non-fulfillment by a bank of the FMSA's requirements regarding increasing such bank's own capital.

FMSA action following revocation of a banking license

Following the revocation of a bank's license(s) for banking operations, the FMSA appoints a temporary administrator to the bank and all authority of all management bodies of such bank are then transferred to such temporary administrator. The authority granted to the previous management is suspended.

The FMSA is obliged to submit an application for compulsory termination of activities (liquidation) of a bank to a court within ten business days following the revocation of such bank's license for banking operations. The FMSA is obliged to publish its decision in respect of the revocation of a bank's license in two newspapers that are distributed across the entire territory of the Republic of Kazakhstan. The decision on liquidation of a bank in case of revocation of its license is taken by a court.

A bank whose license for all banking operations has been revoked may not perform banking or other activities and is obliged to stop all operations on existing bank accounts, except for instances connected with: (a) current expenditures for such bank's maintenance and (b) the crediting of monies received by such bank.

TAXATION

This is a general summary of certain Cayman Islands and Kazakhstan income tax considerations in connection with an investment in the Offered Notes. This summary does not address all aspects of Cayman Islands and Kazakhstan income tax law. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an Investor in light of such Investor's particular circumstances or to Investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. **Prospective Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Offered Notes (or beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

Certain Kazakhstan Tax Considerations

Kazakhstan Taxation

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Offered Notes and in relation to the sale or transfer of the Offered Notes. It is not exhaustive and purchasers are urged to consult their professional advisors as to the tax consequences to them of holding or transferring the Offered Notes.

Under Kazakhstan law as presently in effect, payments of principal and Interest on the Offered Notes to an individual who is a non-resident of Kazakhstan for tax purposes or to a legal entity that is neither established in accordance with the laws of Kazakhstan, nor has its actual governing body (place of effective management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no taxable presence in Kazakhstan (together, the "*Non-Kazakhstan Holders*") will not be subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax will be required on any such payments (this assumes that the SPC will not have a permanent establishment or property in Kazakhstan attributable to the Offered Notes). In addition, gains realized by Non-Kazakhstan Holders, that are derived from the disposal, sale, exchange or transfer of the Offered Notes will not be subject to Kazakhstan income or profits tax. No Kazakhstan taxes will be imposed on the SPC in connection with the sale of the Diversified Payment Rights and assignment of the Collection Accounts to the SPC.

Payments of fees or other income from Alliance Bank to the SPC or the Indenture Trustee might be subject to withholding of Kazakhstan tax at a rate of up to 20%, unless reduced or eliminated by an applicable double taxation treaty. Alliance Bank will agree in the Origination Agreement to pay Additional Amounts in respect of any such withholding. It should be noted that under Kazakhstan laws, any provision of any document that has or purports to have the purpose or effect of imposing on a person any obligation to pay (or indemnify against) any tax or similar payment or fee of another person may not be valid. Kazakhstan counsel has advised that, so far as it is aware, there has been no case in Kazakhstan in which a tax gross-up provision has been considered by the Kazakhstan courts. In addition, Kazakhstan counsel is of the view that the provisions of the Origination Agreement are not such as to fall within these restrictions because the Origination Agreement imposes a contractual obligation on Alliance Bank to make additional payments to, among others, the SPC in certain circumstances and does not constitute an obligation to pay taxes imposed on, among others, the SPC.

Certain Cayman Islands Tax Considerations

In the opinion of Maples and Calder, Cayman Islands counsel to the SPC, there is, at present, no direct taxation in the Cayman Islands. Interest, dividends, income and gains of the SPC will be received free of all Cayman Islands income tax, and amounts paid by the SPC on the Offered Notes will not be subject to Cayman Islands income or withholding taxes. The SPC has received an undertaking from the Governor-in-Council of the Cayman Islands to the effect that, for a period of 20 years from the date of the granting of the undertaking (October 31, 2006), no law that is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the SPC or its operations; and, in addition, that no tax to be levied on profits, income, gains or appreciations or that is in the nature of estate duty or inheritance tax shall be payable by the SPC on or in respect of the shares, debentures or other obligations of the SPC or by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

EU Directive on the Taxation of Savings Income in the Form of Interest Payments (Council Directive 2003/48/EC)

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from July 1, 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE OFFERED NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

ENFORCEMENT OF FOREIGN JUDGMENTS

Alliance Bank is a joint stock company organized under the laws of Kazakhstan and all of its officers and directors and certain other persons referred to in this Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of Alliance 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 Alliance 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 in respect of the Offered Notes or the Indenture in New York courts.

The Origination Agreement and the Indenture will be governed by New York law and the SPC and Alliance Bank will have agreed in the Origination Agreement and the Indenture that disputes arising thereunder are subject to the jurisdiction of the New York courts or, at the election of the Indenture Trustee or, in certain circumstances, other parties, to arbitration in New York City, New York. See "Description of the Offered Notes and the other Transaction Documents". Kazakhstan's courts will not enforce a 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 States of America.

Kazakhstan is, however, party to the Convention, pursuant to which Kazakhstan courts are obligated, subject to a limited number of conditions, to recognize as binding and to enforce arbitral awards made in the territory of any Convention country other than Kazakhstan, including arbitral awards made in New York. In addition, on December 28, 2004, Kazakhstan passed the Law on International Commercial Arbitration, which also provides, subject to similar conditions, for the recognition as binding and the enforcement of arbitral awards made outside Kazakhstan, including those made in New York.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Offered Notes will be opined upon for the Lead Managers by Mayer, Brown, Rowe & Maw LLP, as to matters of New York law. Certain legal matters in connection with the offering of the Offered Notes will be opined upon for Alliance Bank by White & Case, L.L.C., Almaty, Kazakhstan as to matters of Kazakhstan law and by Maples and Calder, Cayman Islands as to matters of Cayman Islands law.

INDEPENDENT ACCOUNTANTS

Alliance Bank's audited consolidated financial statements for the years ended December 31, 2005 (included in this Prospectus), December 31, 2004 (included in this Prospectus) and December 31, 2003 (included in this Prospectus) have been audited by TOO Deloitte & Touche, Kazakhstan, independent auditors, as stated in their report appearing herein.

CERTAIN ERISA CONSIDERATIONS

Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), prohibit pension, profit-sharing or other employee benefit plans, subject to ERISA, as well as individual retirement accounts and Keogh plans and other plans covered by Section 4975 of the Code, as well as entities deemed to hold "plan assets" of any of the foregoing (each such entity, a "*Plan*") from engaging in certain transactions with persons (referred to as "*parties in interest*" under ERISA or "*disqualified persons*" under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded. In addition, Title I of ERISA also requires fiduciaries of a Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

Governmental plans, certain church plans and certain non U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to substantially similar rules under Federal, state, local, non-U.S. or other laws or regulations (including the prohibited transaction rules of Section 503 of the Code) ("*Similar Laws*").

Certain transactions involving the Issuer might be deemed to constitute prohibited transactions under ERISA and the Code with respect to a Plan that purchased Offered Notes if assets of the Issuer were deemed to be assets of the Plan. Under ERISA and a regulation issued by the United State Department of Labor (the "*Plan Assets Regulation*"), the assets of the Issuer would be treated as plan assets of a Plan for the purposes of ERISA and the Code only if the Plan acquired an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation was applicable. An equity interest is defined under the Plan Assets Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on the subject, assuming the Offered Notes constitute debt for local law purposes, the Issuer believes that, at the time of their issuance, the Offered Notes should not be treated as an equity interest in the Issuer for purposes of the Plan Assets Regulation. This determination is based in part upon the traditional debt features of the Offered Notes, including the reasonable expectation of purchasers of Offered Notes that the Offered Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Offered Notes for ERISA purposes could change if the Issuer incurred losses. This risk of recharacterization is enhanced for Offered Notes that are subordinated to other classes of Offered Notes.

However, without regard to whether the Offered Notes are treated as an equity interest for purposes of ERISA and the Plan Assets Regulation, the acquisition or holding of Offered Notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction if the Issuer, Alliance, the Servicer, the Successor Servicer, the Indenture Trustee, the Enhancer, the Lead Managers or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Offered Notes by a Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Offered 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 class exemptions listed above, the Pension Protection Act of 2006 provides a statutory exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the 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 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 Offered Notes and prospective purchasers that are Plans should consult with their advisors regarding the applicability of any such exemption.

By acquiring an Offered Note or any interest therein, each acquirer or transferee will be deemed to represent and warrant that (1) either (i) it is not, and is not acting on behalf of a Plan or a governmental, church or non-U.S. plan which is subject to Similar Laws and it is not acquiring the Offered Notes with the assets of a Plan or a governmental, church, or non-U.S. plan that is subject to Similar Laws or (ii) the acquisition and holding of the Offered Notes does not and will not give rise to a non-exempt prohibited transaction under Section 406(a) of ERISA or Section 4975 of the Code or a violation of any Similar Law and (2) it will not sell or otherwise transfer such Offered Notes or interest therein to any person who is unable to satisfy the same foregoing representations and warranties. Any acquisition or transfer of an Offered Note in violation of the above restrictions shall be void *ab initio*.

Neither the Issuer, the Servicer nor any of its affiliates, agents or employees will act as a fiduciary to any Plan with respect to the Plan's decision to invest in the Offered Notes. Each fiduciary or other person with investment responsibilities over the assets of a Plan considering an investment in the Offered Notes must carefully consider the above factors before making an investment. Fiduciaries of Plans considering the purchase of Offered 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.

PLAN OF DISTRIBUTION

The SPC intends to offer the Offered Notes (or beneficial interests therein) through Merrill Lynch International and HSBC Bank plc, as Lead Managers. Subject to the terms and conditions contained in a purchase agreement (the "*Purchase Agreement*") among Alliance Bank, the SPC and the Lead Managers, the SPC has agreed to sell and the Lead Managers have agreed to purchase all of the Offered Notes.

The Lead Managers have pursuant to the Purchase Agreement agreed with Alliance Bank and the SPC, subject to the satisfaction of certain conditions, to subscribe and pay for the Offered Notes (or beneficial interests therein) at the respective prices listed on the cover page of the Prospectus. After the initial offering, the price to Investors may be changed. Alliance Bank and the SPC have agreed to reimburse the Lead Managers for certain expenses in connection with the Offering.

Alliance Bank and the SPC have agreed to indemnify the Lead Managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Lead Managers may be required to make in respect of those liabilities.

The Lead Managers are offering to Investors the Offered Notes (or beneficial interests therein) subject to prior sale, when, as and if issued to and accepted by the Lead Managers, subject to approval of legal matters by its counsel, including, but not limited to, the validity of the Offered Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Lead Managers of officers' certificates and legal opinions. The Lead Managers reserve the right to withdraw, cancel or modify offers to Investors and to reject orders in whole or in part.

United States of America

The Offered Notes have not been and will not be registered under the Securities Act and thus may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless the Offered Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

Each Lead Manager has agreed that it will not offer, sell or deliver the Offered Notes: (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Offering and the Offered Notes Issuance Date, within the United States or to, or for the account of or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Offered Notes within the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offered Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Notes within the United States by any dealer that is not participating in the Offering may violate the registration requirements of the Securities Act.

Kazakhstan

Each of the Lead Managers has represented, warranted and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Offered Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan, except in compliance with the laws of Kazakhstan.

United Kingdom

Each Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "*FSMA*")) received by it in connection with the issue or sale of any Offered Notes in circumstances in which section 21(1) of the FSMA does not apply to the SPC; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offered Notes included in this offering in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "*Relevant Member State*"), each Lead Manager has represented and agreed 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 Offered Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offered Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Offered Notes to the public in that Relevant Member State at any time:

(a) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity that has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances that do not require the publication by the SPC of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Offered Notes to the public" in relation to any Offered 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 Offered Notes to be offered so as to enable an investor to decide to purchase or subscribe the Offered 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 "*Prospectus Directive*" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The Cayman Islands

Each of the Lead Managers has represented, warranted and agreed that it will not make an offer or an invitation to subscribe for the Offered Notes (or beneficial interests therein) to the public of the Cayman Islands.

Japan

The Offered Notes have not been and will not be registered under the Securities and Exchange Law of Japan and each of the Lead Managers has agreed that it will not, directly or indirectly, offer or sell any Offered Notes (or beneficial interests therein) in Japan or to, or for the account or benefit of, any resident of Japan for re-offering or re-sale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and other applicable laws, regulations and governmental guidelines in Japan.

Singapore

Each of the Lead Managers has acknowledged and agreed that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Lead Managers has represented and agreed that it has not offered or sold and will not offer or sell any Offered Notes (or beneficial interests therein) nor has it circulated or distributed nor will it circulate or distribute this Prospectus or any other offering document or material relating to the Offered Notes, directly or indirectly: (a) to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer or sale of the Offered Notes (or beneficial interests therein) to the public in Singapore or (b) to the public or any member of the public in Singapore other than pursuant to, and in accordance with the conditions of, an exemption invoked under subdivision (4) of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore and to persons to whom the Offered Notes (or beneficial interests therein) may be offered or sold under such exemption.

Hong Kong

Each of the Lead Managers has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Offered Notes (or beneficial interests therein) other than: (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) or (b) in circumstances that do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong.

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Offered Notes, whether in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offered Notes that are, or are intended to be, disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

ERISA

Each acquirer will be deemed to have represented, warranted and agreed that (1) either (i) it is not and it is not acting on behalf of (and for so long as it holds the Offered Notes or any interest therein will not be, and will not be acting on behalf of) an employee benefit plan as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the Code applies, an entity whose underlying assets include "plan assets" of any of the foregoing, or a governmental, church or non-U.S. plan or other plan that is subject to any Similar Laws, and no part of the assets to be used by it to acquire or hold such Offered Notes or any interest therein constitute the assets of any of the foregoing or (ii) the acquisition, holding and/or disposition does not and will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any Similar Laws and (2) it will not sell or otherwise transfer such Offered Notes or interest therein to any person who is unable to satisfy the same foregoing representations and warranties. Any acquisition or transfer of an Offered Note in violation of the above restrictions shall be void *ab initio*.

Accordingly each Offered Note will bear the following legend:

"EACH DIRECT OR INDIRECT HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN), IS DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (1) EITHER: (a) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" AS DESCRIBED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A "PLAN" TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A GOVERNMENTAL CHURCH OR NON-U.S. PLAN OR OTHER PLAN THAT IS SUBJECT TO APPLICABLE LAW THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH OFFERED NOTES OR ANY INTEREST THEREIN CONSTITUTE THE ASSETS OF ANY OF THE FOREGOING OR (b) ITS ACQUISITION AND HOLDING OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH OFFERED NOTES OR INTEREST THEREIN TO ANY PERSON WHO IS UNABLE TO SATISFY THE SAME FOREGOING REPRESENTATIONS AND WARRANTIES. ANY ACQUISITION OR TRANSFER OF AN OFFERED NOTE IN VIOLATION OF THE ABOVE RESTRICTIONS SHALL BE VOID *AB INITIO*."

General

Investors in the Offered Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price of the Offered Notes (or beneficial interests therein) so purchased.

The Lead Managers are not obligated to facilitate trading in the Offered Notes (or beneficial interests therein) and any such activities, if commenced, may be discontinued at any time, for any reason, without notice. If the Lead Managers do not facilitate trading in the Offered Notes (or beneficial interests therein) for any reason, there can be no assurance that another firm or person will do so.

GENERAL INFORMATION

(1) The Global Note representing the Series 2006A Notes has been accepted for clearance through Euroclear and Clearstream (with ISIN code XS0274159200 and Common Code number 027415920).

(2) The Global Note representing the Series 2006B Notes has been accepted for clearance through Euroclear and Clearstream (with ISIN code XS0274159978 and Common Code number 027415997).

(3) The sale of the Diversified Payment Rights to the SPC, the issuance and sale of the Offered Notes by the SPC and the execution and delivery by Alliance Bank and the SPC of the Transaction Documents have been authorized pursuant to the authority of the respective officers of Alliance Bank and the SPC under resolutions of their respective Boards of Directors (dated July 31, 2006 and November 6, 2006 respectively).

(4) There has been no significant change in the financial or trading position of Alliance Bank and its subsidiaries taken as a whole since December 31, 2005 and no material adverse change in the prospects of Alliance Bank and its subsidiaries taken as a whole since December 31, 2005.

There has been no significant change in the financial or trading position of the SPC since its date of incorporation and no material adverse change in the prospects of the SPC since its date of incorporation.

There has been no significant change in the financial or trading position of the Series 2006A Enhancer and its subsidiaries taken as a whole since December 31, 2005 and no material adverse change in the prospects of the Series 2006A Enhancer and its subsidiaries taken as a whole since December 31, 2005.

(5) Neither the SPC nor Alliance Bank is involved or has 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 SPC and/or Alliance Bank (as the case may be) are aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of Alliance Bank and its subsidiaries taken as a whole or the SPC.

The Series 2006A Enhancer is not involved nor has 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 Series 2006A Enhancer is aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Series 2006A Enhancer and its subsidiaries taken as a whole.

(6) Neither the SPC nor Alliance Bank have entered into any material contracts outside the ordinary course of their businesses which could result in them being under an obligation or entitlement that is material to their ability to make payments under any Offered Notes.

(7) Independent auditors, TOO Deloitte & Touche of 240-v Formanov Str., 050059 Almaty, Kazakhstan, have audited, and rendered unqualified audit reports on, the consolidated financial statements of Alliance Bank for the years ended December 31, 2005, 2004 and 2003.

(8) Deloitte & Touche is a firm of chartered accountants and will audit the financial statements of the SPC commencing with the period ended December 31, 2007.

(9) For so long as any Series 2006A Note or Series 2006B Note 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 Luxembourg Agent, the Indenture Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the annual report and consolidated audited annual financial statements of Alliance Bank for the years ended December 31, 2005, 2004 and 2003 (prepared in accordance with IFRS);
- the most recent publicly available annual report and consolidated audited annual financial statements of Alliance Bank prepared in accordance with IFRS (published annually);
- the most recent publicly available interim consolidated unaudited financial statements of Alliance Bank (if any) prepared in accordance with IFRS;

- the most recent publicly available audited annual financial statements of the SPC (published annually); and
- the respective constitutional documents of the SPC and Alliance Bank.

In addition, copies of the Transaction Documents referred to herein (including the forms of the Offered Notes) will be available for inspection by Series 2006A Noteholders and Series 2006B Noteholders at the specified offices of the Luxembourg Agent, the Indenture Trustee and the Principal Paying Agent during normal business houirs on any weekday (Saturday, Sundays and public holidays excepted).

(10) Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

(11) The total expenses related to the admission of the Offered Notes to trading were U.S.$15,000.

(12) The yield on the Series 2006A Notes will be 5.2977% per annum (given that the Series 2006A Notes will be sold to Investors at a price equal to 99.195% of the principal amount thereof).

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APPENDIX A

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, 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 Alliance Bank 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 at 31 December 2005, 2004 and 2003 the 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 judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the note to the consolidated financial statements; 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 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 consolidated financial statements for the years ended 31 December 2005, 2004 and 2003 were authorized for issue on 21 February 2006 by the Group's Management Board.

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

21 February 2006
Almaty

АЛЬЯНС БАНК

Mamyrbekov A.T.
Chief Accountant

21 February 2006
Almaty

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Company Alliance Bank:

We have audited the accompanying consolidated financial statements of Joint Stock Company Alliance Bank, and its subsidiaries (the "Group") as at 31 December 2005, 2004 and 2003 and for the years then ended, which comprise the consolidated profit and loss accounts, consolidate balance sheets, consolidated statements of cash flows, consolidated statements of changes in equity and the related notes. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2005, 2004 and 2003 and the consolidated results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

21 February 2006
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Notes	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Interest income	4, 31	17,562	6,973	4,292
Interest expense	4, 31	(11,777)	(4,205)	(2,611)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		5,785	2,768	1,681
Provision for impairment losses on interest bearing assets	5	(4,921)	(1,305)	(1,088)
NET INTEREST INCOME		864	1,463	593
Net gain on assets held-for-trading	6	278	129	141
Net gain on foreign exchange operations	7	620	46	235
Fee and commission income	8, 31	3,411	1,380	616
Fee and commission expense	8	(440)	(113)	(62)
Net loss on derecognising of investments available-for-sale		(6)	(1)	-
Other income	9	840	246	182
NET NON-INTEREST INCOME		4,703	1,687	1,112
OPERATING INCOME		5,567	3,150	1,705
OPERATING EXPENSES	10, 31	(4,188)	(2,261)	(1,464)
OPERATING PROFIT		1,379	889	241
Other provisions	5	(139)	(28)	(6)
Share of results of associates		-	-	2
PROFIT BEFORE INCOME TAX		1,240	861	237
Income tax benefit/(expense)	11	356	-	(29)
NET PROFIT		1,596	861	208
Attributable to:				
Preference Shareholders		49	60	-
Ordinary Shareholders		1,547	801	208
		1,596	861	208
EARNINGS PER SHARE				
Basic and diluted (KZT)	12	903.73	1,715.98	635.28

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

21 February 2006
Almaty

Mamyrbekov A.T.
Chief Accountant

21 February 2006
Almaty

The notes on pages 9-59 form an integral part of these consolidated financial statements. The Independent Auditors' Report is set out on p. 2.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2005, 2004 AND 2003

	Notes	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	13	42,327	19,631	2,378
Precious metals		3	2	1
Assets held-for-trading	14	79,283	31,324	1,564
Loans and advances to banks, less allowance for impairment losses	15	10,182	892	2,242
Securities purchased under agreements to resell	16	4,038	6,421	401
Loans and advances to customers, less allowance for impairment losses	17, 31	180,097	53,309	30,670
Investments available-for-sale	18	11,109	5,467	4,904
Investments held-to-maturity	19	463	1,260	6,884
Investment in associated companies	20	-	-	50
Fixed and intangible assets, less accumulated depreciation and amortization	21	2,181	1,036	748
Income tax assets	11	559	116	43
Other assets, less allowance for impairment losses		2,516	402	389
TOTAL ASSETS		332,758	119,860	50,274
LIABILITIES AND EQUITY				
LIABILITIES:				
Due to the budget of the Republic of Kazakhstan	22	129	284	538
Deposit from the National Bank of the Republic of Kazakhstan		6,000	4,000	1,000
Loans and advances from banks	23	94,656	9,463	3,931
Securities sold under agreements to repurchase	24	6,261	16,592	1,131
Customer accounts	25, 31	137,954	67,454	36,885
Debt securities issued	26	53,488	1,999	296
Dividends payable		49	60	-
Other liabilities		840	147	76
Subordinated debt	27	5,349	3,873	2,687
Total liabilities		304,726	103,872	46,544
EQUITY:				
Share capital	28	24,900	14,989	3,575
Share premium		4	5	-
Fixed assets revaluation reserve		491	73	76
Investments available-for-sale fair value reserve		204	38	-
Retained earnings		2,433	883	79
Total equity		28,032	15,988	3,730
TOTAL LIABILITIES AND EQUITY		332,758	119,860	50,274

On behalf of the Board:

АЛЬЯНС БАНК

Yertayev Zh. Zh.
Chairman of the Board

21 February 2006
Almaty

Mamyrbekov A.T.
Chief Accountant

21 February 2006
Almaty

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JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Share capital	Share premium	Investments available- for-sale fair value reserve	Fixed assets revaluation reserve	(Accumulated deficit)/ Retained earnings	Total Equity
	KZT mln	KZT mln	KZT mln	KZT mln	KZT mln	KZT mln
31 December 2002	1,946	-	-	34	(130)	1,850
Gain on revaluation of fixed assets	-	-	-	43	-	43
Depreciation of fixed assets revaluation reserve	-	-	-	(1)	1	-
Net income recognized directly in equity	-	-	-	42	1	43
Net profit	-	-	-	-	208	208
Total recognised income and expense for the period	-	-	-	42	209	251
Issue of ordinary shares	1,629	-	-	-	-	1,629
31 December 2003	3,575	-	-	76	79	3,730
Depreciation of fixed assets revaluation reserve	-	-	-	(3)	3	-
Gain on revaluation of investments available-for-sale	-	-	39	-	-	39
Loss transferred to profit and loss accounts on sale of investments available-for-sale	-	-	(1)	-	-	(1)
Net income recognized directly in equity	-	-	38	(3)	3	38
Net profit	-	-	-	-	861	861
Total recognised income and expense for the period	-	-	38	(3)	864	899
Dividends declared on preference shares	-	-	-	-	(60)	(60)
Issue of ordinary shares	11,044	5	-	-	-	11,049
Issue of preference shares	500	-	-	-	-	500
Share capital repurchased	(130)	-	-	-	-	(130)
31 December 2004	14,989	5	38	73	883	15,988

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Share capital KZT mln	Share premium KZT mln	Investments available- for-sale fair value reserve KZT mln	Fixed assets revaluation reserve KZT mln	(Accumulated deficit)/ Retained earnings KZT mln	Total Equity KZT mln
Gain on revaluation of fixed assets	-	-	-	421	-	421
Depreciation of fixed assets revaluation reserve	-	-	-	(3)	3	-
Gain on revaluation of investments available-for-sale	-	-	172	-	-	172
Loss transferred to profit and loss accounts on sale of investments available-for-sale	-	-	(6)	-	-	(6)
Net income recognized directly in equity	-	-	166	418	3	587
Net profit	-	-	-	-	1,596	1,596
Total recognised income and expense for the period	-	-	166	418	1,599	2,183
Dividends declared on preference shares	-	-	-	-	(49)	(49)
Issue of ordinary shares	9,918	-	-	-	-	9,918
Share capital repurchased	(7)	(1)	-	-	-	(8)
31 December 2005	24,900	4	204	491	2,433	28,032

On behalf of the Board:

АЛЬЯНС БАНК

Yertayev Zh. Zh.
Chairman of the Board

21 February 2006
Almaty

Mamyrbekov A.T.
Chief Accountant

21 February 2006
Almaty

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JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Notes	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax		1,240	861	237
Adjustments for:				
Provision for impairment losses on interest bearing assets		4,921	1,305	1,088
Other provisions		139	28	6
Unrealized loss and amortization of premiums on securities		132	72	23
Amortization of discount on issued securities		97	33	130
Depreciation and amortization of fixed and intangible assets		271	155	66
Changes in interest accruals, net		(2,069)	(658)	(273)
Changes in operating assets and liabilities:				
Loans and advances to banks		(7,224)	573	74
Assets held-for-trading		(47,705)	(29,664)	(1,562)
Securities purchased under agreements to resell		2,384	(6,019)	107
Loans and advances to customers		(128,528)	(23,367)	(16,419)
Income tax receivable		(356)	(49)	61
Other assets		(1,767)	(15)	(194)
Due to the budget of the Republic of Kazakhstan		(152)	(250)	(193)
Deposit from the National Bank of the Republic of Kazakhstan		2,000	3,000	1,000
Loans and advances from banks		84,839	5,491	1,722
Securities sold under agreements to repurchase		(10,330)	15,461	1,130
Customer accounts		69,791	30,657	19,850
Other liabilities		563	44	(23)
		(31,754)	(2,342)	6,830
Income tax paid		(87)	(24)	(104)
Net cash (outflow)/inflow from operating activities		(31,841)	(2,366)	6,726
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed and intangible assets		(1,018)	(457)	(390)
Proceeds on sale of fixed and intangible assets		23	14	51
Net proceeds on sale of investments available-for-sale		(5,555)	(582)	(3,528)
Net proceeds/(outflow) on maturity of investments held-to-maturity		801	5,590	(4,331)
Sales/(purchases) of investment in associates		-	50	(2)
Net cash (outflow)/inflow from investing activities		(5,749)	4,615	(8,200)

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2005, 2004 AND 2003

	Notes	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issue of ordinary share capital		9,918	11,049	1,629
Proceeds from issue of preference share capital		-	500	-
Proceeds from debt securities issued		51,041	1,662	166
Issue of subordinated debt		1,445	1,149	2,678
Ordinary shares repurchased		-	(130)	-
Preference shares repurchased		(8)	-	-
Dividends paid		(60)	-	-
Net cash inflow from financing activities		62,336	14,230	4,473
NET INCREASE IN CASH AND CASH EQUIVALENTS		24,746	16,479	2,999
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13	20,449	3,970	971
CASH AND CASH EQUIVALENTS, END OF YEAR	13	45,195	20,449	3,970

Interest paid and received by the Group in cash during the year ended 31 December 2005 amounted to KZT 10,336 million and KZT 14,054 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2004 amounted to KZT 4,458 million and KZT 6,567 million, respectively.

Interest paid and received by the Group in cash during the year ended 31 December 2003 amounted to KZT 2,465 million and KZT 4,118 million, respectively.

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

21 February 2006
Almaty

Mamyrbekov A.T.
Chief Accountant

21 February 2006
Almaty

The notes on pages 9-59 form an integral part of these consolidated financial statements. The Independent Auditors' Report is set out on p. 2.

1 ORGANISATION

Joint Stock Company Alliance Bank (the "Bank") was incorporated in the Republic of Kazakhstan in 1999 under the name of Irtyshbusinessbank as a result of a merger of OJSC Semipalatinsk Municipal Joint-Stock Bank and OJSC Irtyshbusinessbank. The registered address of the Head Office is 80, Satpayev St., 050046, Almaty, the Republic of Kazakhstan. The Bank's activity is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan on Financial Market and Financial Organizations Supervision and Regulation ("Supervisory Agency"). The Bank conducts its business under the license No. 250 issued by Supervisory Agency on 31 May 2004 for performing operations in tenge and foreign currencies stipulated by the banking legislation. In accordance with a decision made by the Bank's Shareholders the Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with a subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 the Bank was re-registered as Joint Stock Company Alliance Bank.

In 2002, the Bank joined the Kazakhstani Customer Loans Insurance Fund and obtained an insurance coverage for the deposits received from individuals.

At the end of 2005, the Bank had 16 branches in the Republic of Kazakhstan.

The Bank's primary business is related to commercial banking activity, originating loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

The number of employees of the Bank at 31 December 2005, 2004 and 2003 was 1,831; 888 and 642, respectively.

The Bank 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	The Bank ownership interest 2005	Type of operation
ALB Finance B.V.	Kingdom of Netherlands	100%	Raising funds for the Bank on international capital markets
OJSC FinanceCreditBank KAB	Kyrgyz Republic	100%	Bank activity

ALB Finance B.V. is a limited liability partnership (B.V.) and operates under laws of the Kingdom of Netherlands since October 2005. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets.

OJSC FinanceCreditBank KAB is a joint stock bank and operates under laws of the Kyrgyz Republic since 30 December 2005. The Bank's operations are regulated by the National Bank of the Kyrgyz Republic according to license № 47. The Bank was established for purpose of conducting the commercial banking activities, acceptance of deposits, transfer of payments, originating loans and guarantees, operations with foreign exchange and derivative instruments.

As of 31 December 2005, the following shareholders individually owned more than 5% of the issued shares.

Shareholders	**%**
Ultimate shareholders:	
Margulan Seisembayev	10.89
Erlan Seisembayev	10.88
Askar Galin	10.88
Total ultimate shareholders	32.65
Management	10.56
JSC Rakhat	9.8
Other (individually hold less than 5%)	46.99
Total	100

These financial statements were authorized for issue by the Group's Management Board on 21 February 2006.

2 BASIS OF PRESENTATION

Accounting basis – These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in millions of Kazakhstani Tenge ("KZT"), unless otherwise indicated. These financial statements have been prepared on an accrual basis and under the historical cost convention, except for the buildings, construction in progress and financial instruments.

The preparation of the 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 financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Functional currency – The functional currency of these financial statements is the Kazakhstani Tenge ("KZT"), which is the currency of the primary economic environment in which the Bank operates.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. 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.

In translating the financial statements of a foreign subsidiary into the functional currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with International Accounting Standard ("IAS") 21 "The Effects of Changes in Foreign Exchange Rates" and the following procedures are done:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are recognized in the profit and loss account.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual obligations of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Kazakhstan with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), and other cash equivalents, which may be converted to cash within a short period of time.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Bullion Market rates at 31 December 2005, 2004 and 2003 using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals in other income.

Loans and advances to banks

In the normal course of business, the Group maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Assets held-for-trading

Assets held-for-trading represent assets acquired principally for the purpose of selling them in the near term, or it is a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit-taking, or it is a derivative (except if it is designated and effective hedging instrument). Assets held-for-trading are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for the Group's assets held-for-trading. Gains and losses arising from changes in fair value on assets held-for-trading are recognized in profit and loss for the period.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains or losses on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying securities is recognized as interest income or expense.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains or 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.

Originated loans

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in a loan facility.

Loans granted by the Group with fixed maturities are initially recognized in accordance with the policy stated above. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans and advances to customers are carried net of any allowance for loan impairment losses.

Write off of loans and advances

Loans are written off against allowance for impairment losses in case of uncollectability of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. The decision on writing off bad debt against allowance for impairment losses for all major, preferential, unsecured and insider loans should necessarily be confirmed with a procedural document of judicial or notary bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor's funds.

Non-accrual loans

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortised cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusted an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed. The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for probable losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

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

Losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incidental 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.

Leases are classified as finance leases 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.

Other leases where substantially all the risks and rewards incidental to ownership are not transferred and effectively retained with the lessor are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases less any provision for impairment of finance leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Initial direct costs are often incurred in connection with specific leasing activities, such as negotiating and securing leasing arrangements. For finance leases, initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable.

The Group as lessee

Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included in operating expenses.

Investments held-to-maturity

Investments held-to-maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income recognized in consolidated profit or loss for the period as interest income on investment securities. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If such quotes do not exist, management estimation is used. Dividends received are included in dividend income in the consolidated profit and loss account.

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

Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment unless there are other appropriate and workable methods of reasonably estimating their fair value. Allowance for impairment is recognized in consolidated profit or loss for the period.

Fixed and intangible assets

Fixed and intangible assets, excluding land and buildings, are carried at historical cost less accumulated depreciation and amortization and any accumulated impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuer Spektr Audit LLP, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the fixed assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation of fixed assets and amortization of intangible assets are charged to write off assets over their useful economic lives and is calculated on a straight-line basis at the following annual prescribed rates:

	Years
Building	25-30
Computers	4-5
Vehicles	5-7
Office furniture	7
Other	2-15
Intangible assets	1-8

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a straight-line basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset and reported net on the balance sheet if, and only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated profit and loss account.

Deposits from banks and customers

Deposits from customers and banks are initially recognized at fair value, which represents the issue proceeds less transaction costs incurred. Deposits are subsequently stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent debentures issued by the Group. They are accounted for according to the same principles used for customer and bank deposits.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital and share premium

Share capital is recognized at historical cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Treasury stock represents shares of the Group which have been issued and subsequently reacquired by the Group for sale at a later date. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Preference shares that are non-redeemable or redeemable only upon the occurrence of an event that is not likely to occur are classified as equity.

Dividends on ordinary shares are recognized in shareholders' equity as the reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" and disclosed accordingly.

Retirement and defined contribution plans

In accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension funds. This pension system provides for the calculation of current payments by the employer as a percentage of current total disbursements to employees. Such expense is charged in the period the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds selected by employees. The Group does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan and countries where its subsidiaries operate. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Commitments

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest rate method Interest income also includes interest income earned on investment and trading securities. Commissions and other income are credited to income when the related transactions are completed. Loan origination fees, when significant, are deferred, together with related direct incremental costs and recognized as an adjustment to the loan's effective yield. Non-interest expenses are recognized on an accrual basis. Other commission incomes/expenses are recognized on an accrual basis.

Fee and commission income

Fee and commission income includes loan origination fees, loan commitment fees, loan servicing fees and loan syndication fees. Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit and 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 profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognised in profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Kazakhstani Tenge at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of transaction. Profits and losses arising from these translations are included in net gain on foreign exchange transactions.

Rates of exchange

The exchange rates and prices on precious metals at year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2005	**31 December 2004**	**31 December 2003**
Tenge/USD	133.77	130.00	144.22
Tenge/EURO	158.54	177.10	180.23
Tenge/ROUBLE	4.65	4.67	4.93
Tenge/silver (1 ounce)	1,189.74	881.40	860.27

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle 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.

Recently issued accounting pronouncements

The Group has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

The adoption of these new and revised Standards and Interpretations resulted in changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years in the following areas:

- IAS 24 (revised) "Related Party Disclosures" was applicable for annual periods beginning on or after 1 January 2005 – the Standard broadens the criteria for identification of related parties and changes certain related party disclosures. There was no effect on financial statements from this amendment in the Standard.

- IAS 39 (revised) "Financial Instruments: Recognition and Measurement" was applicable for annual periods beginning on or after 1 January 2005 – the Standard requires that gains and losses on an available-for-sale financial asset shall be recognised directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses. There was no effect on financial statements from this amendment in the Standard.

The Group made an assessment of the effect of changes in Standards and Interpretations on its financial position and results of operations reported under IFRS which would become effective for accounting periods beginning on or after 1 January 2006.

As at 1 January 2006, the IASB amended the scope of IAS 39 to include financial guarantee contracts issued and remove them from the scope of IFRS 4 "Insurance Contracts". Under IAS 39, financial guarantee contracts issued are accounted for and disclosed in the same manner as previously under IFRS 4, therefore the effect of this change on the financial statements of the Group is not significant.

As at 1 January 2006, the IASB amended the scope of IAS 39 to place conditions on the option in IAS 39 to designate on initial recognition a financial asset or a financial liability to be measured at fair value through profit or loss. The Group reviewed its financial assets and financial liabilities as at 31 December 2005 and believes that the effect of the change is not significant.

In accordance with IFRS 7 "Financial Instruments: Disclosures", effective from 1 January 2007 the Group should present additional information regarding financial instruments. The Group assessed the influence of requirements under IFRS 7 and developed a plan for systems to provide appropriate level of disclosures.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as of 31 December 2004 to conform to the presentation as of 31 December 2005.

Nature of reclassification	Amount KZT mln	Financial statement line as per the previous report KZT mln	Financial statement line as per the current report KZT mln
Income tax assets	116	-	116
Other assets	(115)	517	402
Provision for impairment losses on interest bearing assets	(3)	(1,308)	(1,305)
Other income	176	70	246
Operating expenses	179	(2,082)	(2,261)

Certain reclassifications have been made to the consolidated financial statements as of 31 December 2003 to conform to the presentation as of 31 December 2005.

Nature of reclassification	Amount KZT mln	Financial statement line as per the previous report KZT mln	Financial statement line as per current report KZT mln
Income tax assets	43	-	43
Other assets	(72)	461	389
Customer accounts	88	36,797	36,885
Other liabilities	(116)	192	76
Other income	101	81	182
Operating expenses	101	(1,363)	(1,464)
Other provisions	16	(6)	(22)
Recovery of provision for impairment losses on guarantees and other commitments	16	-	16

Critical accounting policies and areas of significant management judgement

The preparation of the Group's financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period.

Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The following estimates and judgements are considered important to the portrayal of the Group's financial condition.

(a) Provisions for loans and advances

The Group estimates provisions for loans and advances with the objective of maintaining balance sheet provisions at the level believed by management to be sufficient to absorb actual losses and inherent losses in the Group's loan portfolio from homogeneous portfolios of assets and individually identified loans in connection with loans and advances to banks and loans and advances to customers. The calculation of provisions on impaired loans and advances is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by various formulaic calculations and the application of management judgement.

The Group considers accounting estimates related to provisions for loans and advances "critical accounting estimates" 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 advances are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses (as reflected in the provisions) and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future income statement and its balance sheet. The Group's assumptions about estimated losses are based on past performance, past customer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Provisions for loans and advances, less amounts released and recoveries of amounts written off in previous years are charged to the line item "Provision for impairment losses on interest bearing assets" in the income statement. The provisions are deducted from the "Loans and advances to banks" and the "Loans and advances to customers" line items on the balance sheet. If the Group believes that additions to the provisions for such credit losses are required, then the Group records additional provisions for credit losses, which would be treated as a charge in the line item "Provision for impairment losses on interest bearing assets" in the income statement.

Details of the provisions for loans and advances are set out in Note 5.

4 NET INTEREST INCOME

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Interest income			
Interest on loans and advances to customers	14,477	5,997	3,586
Interest on securities	2,594	916	644
Interest on loans and advances to banks	253	29	62
Interest on reverse repurchase transactions	238	31	-
Total interest income	17,562	6,973	4,292
Interest expense			
Interest on customer accounts	7,168	3,112	2,155
Interest on loans and advances from banks	2,031	557	211
Interest on securities	1,979	174	19
Interest on subordinated debt	537	238	201
Interest on repurchase transactions	47	93	24
Other interest	15	31	1
Total interest expense	11,777	4,205	2,611
Net interest income before provision for impairment losses on interest bearing assets	5,785	2,768	1,681

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 KZT mln	Loans to customers KZT mln	Total KZT mln
31 December 2002	-	790	790
Provision	1	1,087	1,088
Write-off of assets	-	(246)	(246)
31 December 2003	1	1,631	1,632
Provision	-	1,305	1,305
Write-off of assets	(1)	(333)	(334)
Recoveries of assets previously written off	-	3	3
31 December 2004	-	2,606	2,606
Provision	-	4,921	4,921
Write-off of assets	-	(39)	(39)
Recoveries of assets previously written off	-	67	67
31 December 2005	-	7,555	7,555

The movements in other provisions were as follows:

	Other provisions KZT mln
31 December 2002	36
Provision	6
Write-off of assets	(1)
31 December 2003	41
Provision	28
31 December 2004	69
Provision	139
Write-off of assets	(10)
31 December 2005	198

6 NET GAIN ON ASSETS HELD-FOR-TRADING

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Debt securities	271	129	141
Equity securities	7	-	-
Total net gain on assets held-for-trading	278	129	141

7 NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Dealing, net	1,109	203	119
Translation differences, net	(489)	(157)	116
Total net gain on foreign exchange operations	620	46	235

8 FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Fee and commission income:			
Service of customer accounts	1,189	535	284
Lending operations	1,068	254	77
Documentary operations	609	321	174
Foreign currency and securities operations	242	144	58
Trust operations	78	58	15
Other operations	225	68	8
Total fee and commission income	3,411	1,380	616

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Fee and commission expense:			
Eurobonds and syndicated loans	229	55	23
Foreign currency and security operations	78	14	20
Settlements	54	30	15
Operations with card accounts	20	8	-
Custody	11	5	2
Documentary operations	4	1	2
Other operations	44	-	-
Total fee and commission expense	440	113	62

9 OTHER INCOME

Other income includes mainly imposition of fines and penalties.

10 OPERATING EXPENSES

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Staff costs	1,581	772	433
Advertising and marketing expenses	551	396	275
Taxes, other than income tax	466	225	185
Operating lease	283	123	55
Depreciation and amortization	271	155	66
Business trip and related expenses	105	57	39
Telecommunication expenses	102	61	45
Membership fees	97	60	42
Representative expenses	73	10	26
Repair and maintenance	69	32	12
Consulting	59	47	22
Cash collection	55	29	21
Legal services expenses	53	26	30
Buildings maintenance	49	34	39
Security service	45	25	19
Stationery	41	14	8
Maintenance of computers and copy machines	40	11	10
Transportation costs	32	17	14
Expenses on insurance	29	19	15
Information services	23	14	15
Charity	14	12	18
Postal services	11	7	5
Card service expenses	9	7	2
Other	130	108	68
Total operating expenses	4,188	2,261	1,464

11 INCOME TAX

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards.

The Group has certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred tax reflects 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 of 31 December 2005, 2004 and 2003 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences at 31 December 2005, 2004 and 2003 were as follows:

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Deferred assets:			
Commission prepayments	1,493	-	-
Accrued interests on loans, written off	296	148	-
Loans and advances to banks and customers	-	-	122
Total deferred assets	1,789	148	122
Deferred liabilities:			
Fixed assets and intangibles, net	(229)	(114)	(220)
Total deferred liabilities	(229)	(114)	(220)
Net deferred assets/(liabilities)	1,560	34	(98)
Deferred tax assets/(liabilities) at the statutory rate (30%)	468	10	(29)
Valuation allowance	-	(10)	-
Net deferred tax assets/(liabilities)	468	-	(29)

Relationships between tax expenses and accounting profit for the years ended 31 December 2005, 2004 and 2003 are explained as follows:

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Profit before income tax	1,240	861	237
Statutory tax rate	30%	30%	30%
Tax at the statutory rate	372	258	71
Tax effect of permanent differences	(728)	(258)	(136)
Change in valuation allowances	-	-	94
Income tax (benefit)/expense	(356)	-	29
Current income tax expense	112	-	-
Deferred income tax (benefit)/expense	(468)	-	29
Income tax (benefit)/expense	(356)	-	29

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Deferred income tax assets/(liabilities)			
1 January	-	(29)	65
Increase/(decrease) in income tax assets/(liabilities) for the period	468	29	(94)
31 December	468	-	(29)

Income tax assets and liabilities consist of the following:

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Current income tax assets	91	116	72
Deferred income tax assets/(liabilities)	468	-	(29)
Income tax assets	559	116	43

12 EARNINGS PER SHARE

	Year ended 31 December 2005 KZT mln	Year ended 31 December 2004 KZT mln	Year ended 31 December 2003 KZT mln
Profit:			
Net profit for the year	1,596	861	208
Less:			
Dividends on preference shares	49	60	-
Income less dividends on preference shares	1,547	801	208
Weighted average number of ordinary shares for basic and diluted earnings per share (pieces)	1,711,841	466,556	326,708
Earnings per share – basic and diluted (KZT)	903.73	1,715.98	635.28

13 CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Cash in vault	5,715	2,244	1,424
Balance with the NBRK	36,606	17,387	954
Accrued interest income on balances with the NBRK	6	-	-
Total cash and balances with the NBRK	42,327	19,631	2,378

Minimum reserves are determined as a percentage from deposits in accordance with the requirements of the NBRK. As of 31 December 2005, 2004 and 2003, the Group was in compliance with the NBRK requirements by maintaining an average balance in the accounts. Thus, the Group was able to use the amounts without any restrictions.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Cash and balances with the NBRK	42,327	19,631	2,378
Loans and advances to banks in OECD countries	2,865	816	1,591
Other cash equivalents	3	2	1

Total cash and cash equivalents	45,195	20,449	3,970

14 ASSETS HELD-FOR-TRADING

	Interest to nominal %	31 December 2005 KZT mln	Interest to nominal %	31 December 2004 KZT mln	Interest to nominal %	31 December 2003 KZT mln
Notes of NBRK	-	23,414	-	25,728	-	1,316
Bonds of the Government of the United States of America	3.5-4.1	36,887	-	-	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.8-7	6,201	6-8	3,523	6	248
BTA Mortgage bonds	8.3-8.9	2,671	-	-	-	-
Bank CenterCredit bonds	7-9.4	1,669	9	156	-	-
ATF Bank bonds	8.13-8.5	1,476	-	-	-	-
Almaty Kus bonds	10	1,126	-	-	-	-
Kazkommerts International B. V. bonds	9	741	9	443	-	-
Nurbank bonds	9	696	-	-	-	-
Halyk Bank bonds	5-11.8	682	5-12	374	-	-
Banque Europeene D'Inves bonds	4.6	672	-	-	-	-
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	11.13	484	11-13	506	-	-
TexakaBank bonds	11	472	11	224	-	-
KazTransCom bonds	8	435	8	71	-	-
Kazatomprom bonds	8.5	341	-	-	-	-
Bank TuranAlem bonds	9.9	297	-	-	-	-
Bonds of the Government of Germany	3.25	161	-	-	-	-
KazPost bonds	8	149	8	152	-	-
Kazkommertzbank bonds	8	144	-	-	-	-
TuranAlemFinance B.V. bonds	10	142	10	147	-	-
Bonds of the Government of Poland	6	129	-	-	-	-
Kazakhstan Mortgage Company bonds	7.5	105	-	-	-	-
Ulbinsky Metallurgical plant bonds	8.25	100	-	-	-	-
Valut-Transit Bank bonds	9	89	-	-	-	-
Total assets held-for-trading		79,283		31,324		1,564

As of 31 December 2005, 2004 and 2003 included in assets held-for-trading was accrued interest income on debt securities amounting to KZT 381 million, KZT 83 million and KZT 2 million, respectively.

As at 31 December 2005 assets held-for-trading included Bonds of the Ministry of Finance of the RK, Notes of NBRK, Bonds of Banque Europeene D'Inves and Bonds of the Government of the United States of America totally amounting to KZT 28,893 million pledged in different banks. All the agreements have maturity within 1-9 months (Note 23). As of 31 December 2005 assets held-for-trading included Notes of NBRK and Bonds of the Ministry of Finance of the Republic of Kazakhstan totally amounting to KZT 5,910 million pledged under repurchase agreement with other banks (Note 24). As of 17 January 2006 all the repurchase agreements expired.

15 LOANS AND ADVANCES TO BANKS

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Correspondent accounts in banks	3,992	892	2,241
Overnight deposits to banks	1,471	-	-
Short-term deposits to banks	4,672	-	-
Long-term deposit to banks	30	-	-
Accrued interest income on loans and advances to banks	17	-	2
	10,182	892	2,243
Less allowance for impairment losses	-	-	(1)
Total loans and advances to banks, net	10,182	892	2,242

Movements in allowances for impairment losses for the years ended 31 December 2005, 2004 and 2003 are disclosed in Note 5.

16 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Kaztranscom bonds	3,461	70	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	378	5,045	-
RG Brands bonds	143	-	25
Halyk Bank bonds	50	-	-
ATF Bank bonds	6	-	-
Notes of NBRK	-	1,306	-
Texakabank bonds	-	-	326
Corporation Ordabasi bonds	-	-	50
Total securities purchased under agreements to resell	4,038	6,421	401

As of 31 December 2005, 2004 and 2003 included in securities purchased under agreements to resell is accrued interest income amounting to KZT 2 million, KZT 1 million and zero, respectively. The carrying amount of securities approximates to the market value.

17 LOANS AND ADVANCES TO CUSTOMERS

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Originated loans	184,709	54,676	31,639
Accrued interest income on loans and advances to customers	4,420	1,239	662
Discount on loans and advances to customers	(1,477)	-	-
	187,652	55,915	32,301
Less allowance for impairment losses	(7,555)	(2,606)	(1,631)
Total loans and advances to customers, net	180,097	53,309	30,670

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Loans collateralized by real estate	113,802	33,212	12,314
Loans collateralized by transport vehicles	19,261	3,227	2,721
Uncollateralized consumer loans	16,442	1,118	-
Loans collateralized by securities	8,394	2,321	2,839
Loans collateralized by deposits	6,188	1,302	2,156
Loans collateralized by goods	5,586	3,167	3,485
Loans collateralized by guarantees	5,419	4,216	1,859
Loans collateralized by equipment	4,902	2,132	4,693
Finance lease	2,863	25	-
Other	1,852	3,956	1,572
Accrued interest income on loans and advances to customers	4,420	1,239	662
Discount on loans and advances to customers	(1,477)	-	-
	187,652	55,915	32,301
Less allowance for impairment losses	(7,555)	(2,606)	(1,631)
Total loans and advances to customers, net	180,097	53,309	30,670

Movements in allowances for impairment losses for the years ended 31 December 2005, 2004 and 2003 are disclosed in Note 5.

As of 31 December 2005 the Group had loans to five customers totalling KZT 23,490 million and as of 31 December 2004 to 16 customers totalling KZT 9,831 million, which exceeded 10% of the Group's equity, individually and in aggregate. Under Kazakhstan company law the names of these customers cannot be disclosed. As of 31 December 2004 the Group did not have any loans which individually exceeded 10% of the Group's equity.

As of 31 December 2005, 2004 and 2003 included in loans and advances to customers are non-accrual loans amounting to KZT 3,400 million, KZT 1,617 million and KZT 1,278 million, respectively.

As of 31 December 2005, 2004 and 2003 the Group had loans totalling 128,444 million, KZT 40,899 million, and KZT 25,850 million, respectively, which represent significant geographical concentration in Almaty forming 68 per cent, 73 per cent, and 80 per cent of the loan portfolio, respectively.

Analysis by sector:	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Consumer loans	50,366	9,292	2,844
Wholesale	35,466	11,068	8,746
Construction	19,744	7,877	2,244
Transportation	14,960	1,865	922
Real estate operations	13,717	3,038	1,644
Population related services	12,710	3,467	2,122
Paper manufacturing	7,311	1,333	1,546
Retail	5,113	1,456	1,386
Agriculture	3,865	2,148	1,720
Finance services	3,686	2,980	1,040
Food	3,271	2,269	2,030
Finance lease	2,863	25	-
Coal mining	1,877	1,990	875
Mass media	1,218	71	357
Production of metal goods	1,105	334	145
Heavy industry	1,074	271	736
Entertainment and recreational activities	1,066	1,082	345
Chemical industry	1,059	740	629
Post and Communications	608	110	546
Services related to oil and gas extraction	423	16	148
Metallurgy industry	5	29	156
Other	3,202	3,215	1,458
Accrued interest income on loans and advances to customers	4,420	1,239	662
Discount on loans and advances to customers	(1,477)	-	-
	187,652	55,915	32,301
Less: allowance for impairment losses	(7,555)	(2,606)	(1,631)
Total loans and advances to customers, net	180,097	53,309	30,670

Included in originated loans are the following amounts relating to finance leases:

	31 December 2005 KZT mln	31 December 2004 KZT mln
Total minimum lease payments	3,538	34
Less: unearned finance income	(675)	(9)
Total	2,863	25
Current portion	1,050	13
Long-term portion	2,488	21
Total	3,538	34

The present value of future minimum lease payments due from customers under finance lease as at 31 January 2005 and 31 December 2004 are as follows:

	31 December 2005 KZT mln	31 December 2004 KZT mln
Not later than one year	995	12
Later than one year not later than five years	1,768	13
After five years	100	-
Total	2,863	25

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 11% per cent per annum. Material leasing arrangements were concluded with customers for purchases of vehicles and equipments, which represent the collateral for such arrangements.

18 INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	31 December 2005 KZT mln	Interest to nominal %	31 December 2004 KZT mln	Interest to nominal %	31 December 2003 KZT mln
Debt securities						
KFW structural notes	7.1-8	5,366	-	-	-	-
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	11.13	1,490	11.13	1,559	11.13-13.63	2,597
Bonds of the Ministry of Finance of the Republic of Kazakhstan	5.7-6.09	1,444	6.1-6.5	1,950	6.5	58
JSC Kazakhstan Kagazi notes	10.4	611	-	-	-	-
Kazakhstan Mortgage Company bonds	8.9-9.7	501	8.2-9.5	596	7.7-8.3	389
ATF Bank bonds	8.5	417	9	28	9	35
Bank CenterCredit bonds	13.5	313	12.80	310	12.10	440
Halyk Bank Euronotes	8.1	291	-	-	-	-
Nurbank bonds	8.3-9	278	8-9	494	9	195
RG Brand bonds	10	269	10	271	10	267
Development Bank of Kazakhstan bonds	8.5	43	8.50	42	8.50	145
Bank TuranAlem bonds	9.9	10	8	10	8	9
Almaty Kus bonds	-	-	10	159	10	79
ICA bonds	-	-	-	-	7.2	188
Vita bonds	-	-	-	-	14	263
		11,033		5,419		4,665
	Share %	**31 December 2005 KZT mln**	**Share %**	**31 December 2005 KZT mln**	**Share %**	**31 December 2005 KZT mln**
Equity securities						
LLP First credit Office	18.4	37	14.28	4		
JSC Alliance Policy	5.4	27	9	27	9	27
JSC Processing Center	1,37	10	1,37	10	1.37	10
JSC Kazakhstan Stock Exchange	1.8	2	2.32	2	2.32	2
JSC FK Alliance Capital	-	-	9	5	-	-
JSC Bank CenterCredit	-		-	-	0.04	200
		76		48		239
Total investments available-for-sale		11,109		5,467		4,904

As of 31 December 2005, 2004 and 2003 included in investments available-for-sale was accrued interest income on debt securities amounting to KZT 104 million, KZT 95 million, KZT 61 million, respectively.

As at 31 December 2005 investments available-for-sale included KFW structural notes amounting to KZT 2,676 million pledged in Hypo Bank with maturity June 2006 (Note 23). As of 31 December 2005 investments available-for-sale included bonds of the Ministry of Finance of the Republic of Kazakhstan amounting to KZT 350,000 thousand pledged under repurchase agreement with other banks (Note 24). As of 25 January 2006 all the repurchase agreements expired.

19 INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	31 December 2005 KZT mln	Interest to nominal %	31 December 2004 KZT mln	Interest to nominal %	31 December 2003 KZT mln
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.6-7	418	6.1-8.3	822	6.3-8.3	3,336
Astana municipal bonds	8.5	45	8.5	44	8.5	48
Notes of NBRK	-	-	-	394	-	3,500
Total investments held-to-maturity		463		1,260		6,884

As of 31 December 2005, 2004 and 2003 included in investments held-to-maturity was accrued interest income on debt securities amounting to KZT 6 million, KZT 10 million and KZT 49 million, respectively.

20 INVESTMENTS IN ASSOCIATED COMPANIES

As of 31 December 2003 the Group held 39% in ownership of Alliance Investment Management LLP amounting to KZT 50 million. In 2004 the Group sold its shares in Alliance Investment Management LLP at their carrying amount. As of 31 December 2005 investments in associated companies is nil.

21 FIXED AND INTANGIBLE ASSETS

	Land and building KZT mln	Computers KZT mln	Vehicles KZT mln	CIP KZT mln	Other KZT mln	Intangible assets KZT mln	Total KZT mln
At cost							
At 31 December 2002	130	62	48	-	233	35	508
Additions	94	76	23	-	170	27	390
Revaluation	43	-	-	-	-	-	43
Disposals	(13)	(6)	(18)	-	(28)	(1)	(66)
At 31 December 2003	254	132	53	-	375	61	875
Additions	95	82	42	7	173	58	457
Transfers	-	(38)	-	-	38	-	-
Disposals	(12)	(14)	(5)	-	(7)	-	(38)
At 31 December 2004	337	162	90	7	579	119	1,294
Additions	246	197	90	-	364	121	1,018
Revaluation	421	-	-	-	-	-	421
Disposals	(59)	-	(5)	(1)	-	-	(65)
Written off	-	(1)	-	-	(15)		(16)
At 31 December 2005	945	358	175	6	928	240	2,652
Accumulated depreciation and amortization							
At 31 December 2002	19	23	9	-	22	3	76
Charge for the year	5	21	7	-	26	7	66
Disposals	(1)	(6)	(5)	-	(2)	(1)	(15)
At 31 December 2003	23	38	11	-	46	9	127
Charge for the year	10	28	11	-	90	16	155
Transfers	-	(9)	-	-	9	-	-
Disposals	(3)	(14)	(3)	-	(4)	-	(24)
At 31 December 2004	30	43	19	-	141	25	258
Charge for the year	10	49	18	-	161	33	271
Disposals	(40)	-	(1)	-	(1)		(42)
Written off	-	(1)	-	-	(15)	-	(16)
At 31 December 2005	-	91	36	-	286	58	471
Net book value							
At 31 December 2003	231	94	42	-	329	52	748
At 31 December 2004	307	119	71	7	438	94	1,036
At 31 December 2005	945	267	139	6	642	182	2,181

In 2005 and 2003 fixed assets of the Bank were revalued by an independent appraiser LLP Spektr Audit, registration number UL-0077, the legal address: the Republic of Kazakhstan, Almaty, Gagarina street, 236-b. The revaluations were performed with the purpose to record their fair value and amounted to KZT 421 million and KZT 43 million. In 2004 fixed assets of the Bank were not revalued.

22 DUE TO THE BUDGET OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Due to the Ministry of Finance in relation to ADB loan	110	229	438
Due to regional budgets	17	50	88
Due to the State budget	-	-	3
Accrued interest expenses on due to the budget of the Republic of Kazakhstan	2	5	9
Total due to the budget of the Republic of Kazakhstan	129	284	538

The Bank participated in various lending programs financed from local budgets. As of 31 December 2005, 2004 and 2003, the amount due to regional budgets comprised:

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Ust-Kamenogorsk branch	13	38	50
Semipalatinsk branch	2	2	-
Pavlodar branch	2	4	10
Petropavlovsk branch	-	6	26
Ekibastuz branch	-	-	2
	17	50	88

23 LOANS AND ADVANCES FROM BANKS

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Correspondent accounts of other banks	121	13	300
Short-term loans and advances from banks	63,757	9,353	3,567
Long-term loans and advances from banks	30,351	24	32
	94,229	9,390	3,899
Accrued interest expense on loans and advances from banks	427	73	32
Total loans and advances from banks	94,656	9,463	3,931

As of 31 December 2005 the Bank had an unsecured syndicated loan from 27 foreign banks and financial organizations of USD 80 million with interest of 6 months LIBOR plus 2.2%. The loan was obtained for a term of one year with an option of prolongation for the same period. The loan exceeded 38% of the Bank's equity.

As of 31 December 2005 the Bank had an unsecured loan facility from Morgan Stanley Bank of KZT 22.5 billion with interest of 9.55%. The loan was obtained for a term of one and a half years. The loan exceeded 80% of the Bank's equity.

As of 31 December 2005 the Bank had entered into an unsecured loan facility agreement with a syndicate of foreign banks led by Deutsche Bank A.G, London Branch and ING Bank N.V. of USD 170 million with interest of LIBOR plus 1.8-2.25%. The loan was obtained by two tranches for a term of one and two years with an option of prolongation for one year each. The loan exceeded 81% of the Bank's equity.

As of 31 December 2004 the Group had a short-term syndicated loan from a group of banks from several European countries and Canada of USD 23,500 thousand with interest of 3 months LIBOR plus 3%. The loan exceeded 10% of the Group's equity. As of 31 December 2003 there were not any loans from banks which individually exceeded 10% of the Group's equity.

As at 31 December 2005 assets held-for-trading included Bonds of the Ministry of Finance of the RK, Notes of NBRK, Bonds of Banque Europeene D'Inves, Government of United States of America totally amounting to KZT 28,893 million pledged in different banks. All the agreements have maturity within 1-9 months (Note 14).

As at 31 December 2005 investments available-for-sale included KFW structural notes amounting to KZT 2,676 million pledged in Hypo Bank with maturity June 2006 (Note 18).

24 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Notes of NBRK	5,111	16,342	931
Bonds of the Ministry of Finance of the Republic of Kazakhstan	1,150	-	200
Bank CenterCredit bonds	-	250	-
Total securities sold under agreements to repurchase	6,261	16,592	1,131

As of 31 December 2005, 2004 and 2003 included in securities sold under agreements to repurchase was accrued interest expense amounting to KZT 1 million, KZT 2 million and KZT 2 million, respectively. The carrying amount of securities sold under agreements to repurchase approximates their market value.

As of 31 December 2005 assets held-for-trading included Notes of NBRK, Bonds of the Ministry of Finance of the Republic of Kazakhstan totally amounting to KZT 5,910 million pledged under repurchase agreement with other banks (Note 14). As of 17 January 2006 all the repurchase agreements expired.

As of 31 December 2005 investments available-for-sale included bonds of the Ministry of Finance of the Republic of Kazakhstan amounting to KZT 350,000 thousand pledged under repurchase agreement with other banks (Note 18). As of 25 January 2006 all the repurchase agreements expired.

25 CUSTOMER ACCOUNTS

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Time deposits	100,347	49,451	28,376
Repayable on demand	29,852	14,427	5,489
Guarantee deposits	6,522	3,052	2,408
Accrued interest expense on customer accounts	1,233	524	612
Total customer accounts	137,954	67,454	36,885

As of 31 December 2005, 2004 and 2003, 10 customers approximated 16%, 21% and 29% of total liabilities, respectively, which represents significant concentration.

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Analysis by sector:			
Private sector	40,199	21,226	11,636
Finance services	29,831	10,026	11,962
Other services	16,318	5,896	-
Metallurgy	13,488	440	869
Trade	12,967	7,457	318
Agriculture	5,295	6,056	1,449
Transport and communication	4,622	5,254	5,570
State administration	4,405	4,407	-
Construction	4,312	2,114	1,676
Real estate	1,825	41	13
Arts	1,081	-	
Energy	552	-	-
Education	467	433	826
Consumer production	382	547	-
Food production	303	207	491
Machinery	198	58	-
Hotel business	77	-	
Health care and social services	41	28	550
Chemical industry	1	149	-
Fuel	-	1,726	3
Other	357	865	910
Accrued interest expense on customers accounts	1,233	524	612
Total customer accounts	137,954	67,454	36,885

26 DEBT SECURITIES ISSUED

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Kazakhstan bonds	6,975	1,971	296
Eurobonds	46,134	-	-
Accrued interest expense on debt securities issued	379	28	-
Total debt securities issued	53,488	1,999	296

In October 2003 the Bank issued 2 billion coupon bonds with a face value of KZT 1 each. The bonds were issued with a total discount of KZT 48 million. The interest rate on these bonds is 8.5% per annum, with a circulation period of 3 years.

In April 2005 the Bank issued 5 billion coupon bonds with a face value of KZT 1,000 each. The interest rate on these bonds is 7% per annum, with a circulation period of 3 years.

In June 2005 the Bank issued and fully placed coupon Eurobonds of USD 150 million with a face value of USD 10,000 each. The interest rate on these Eurobonds is 9% per annum, with a circulation period of 3 years.

In September 2005 the Bank had a public offering of 1 billion coupon bonds with a face value of KZT 1,000 each. As of 31 December 2005 the bonds of KZT 405 million were partially placed with a total discount of KZT 1 million. The interest rate on these bonds is 7%

In December 2005 the wholly owned subsidiary ALB Finance B.V. issued and fully placed coupon Eurobonds of USD 200 million with a total discount of USD 1,966,000. The interest rate on these Eurobonds is 9%.

The discount on the bonds is amortized over the life of the bond and is recorded in interest expense on debt securities issued using the effective interest method.

27 SUBORDINATED DEBT

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Subordinated bonds	5,292	3,847	2,678
Accrued interest expense on subordinated bonds	57	26	9
Total subordinated debt	5,349	3,873	2,687

In December 2002 the Bank issued 3 billion coupon subordinated bonds with a face value of KZT 1 each. The bonds were issued with a discount amounting to KZT 94 million. The interest rate on these bonds is 9% per annum, with a circulation period of 7 years.

In October 2004 the Bank had a public offering of 3 billion coupon subordinated bonds with a face value of KZT 1 each. As of 31 December 2004 the bonds were partially placed in the amount of 1,483 million bonds with a discount amounting to KZT 69 million. As of 31 March 2005 the bonds were fully placed with a total discount of KZT 224 million. The interest rate on these bonds is 8.5% per annum, with a circulation period of 7 years.

The discount on the bonds is amortized over the life of the bond and is recorded in interest expense on debt securities issued using the effective interest method.

28 SHARE CAPITAL

As of 31 December 2005 the Bank's share capital comprised the following:

	Authorized share capital KZT mln	Unissued and unpaid share capital KZT mln	Treasury shares KZT mln	Total share capital KZT mln
Ordinary shares	27,500	(3,093)	-	24,407
Preference shares	500	-	(7)	493
Total share capital	28,000	(3,093)	(7)	24,900

As of 31 December 2004 the Bank's share capital comprised the following:

	Authorized share capital KZT mln	Unissued and unpaid share capital KZT mln	Treasury shares KZT mln	Total share capital KZT mln
Ordinary shares	27,500	(12,881)	(130)	14,489
Preference shares	500	-	-	500
Total share capital	28,000	(12,881)	(130)	14,989

As of 31 December 2003 the Bank's share capital comprised the following:

	Authorized share capital KZT mln	Unissued and unpaid share capital KZT mln	Total share capital KZT mln
Ordinary shares	4,000	(425)	3,575
Preference shares	-	-	-
Total share capital	4,000	(425)	3,575

Ordinary shares: As of 31 December 2005 2,750,000 shares were authorized, 2,440,715 shares were issued and fully paid. As of 31 December 2004 2,750,000 shares were authorized, 1,461,871 shares were issued and fully paid, 12,955 shares were repurchased with value of KZT 9,600. As of 31 December 2003 400,000 shares were authorized, 357,500 shares were issued and fully paid. All ordinary shares are with par value of KZT 10,000 and carry one vote.

Preference shares: As of 31 December 2005 50,000 shares were authorized, issued and fully paid, 740 shares were repurchased with total premium of KZT 1 million. All preference shares are with par value of KZT 10,000 with dividend of KZT 1,000 per share. As of 31 December 2004 50,000 shares were authorized, issued and fully paid with par value of KZT 10,000 each with dividend of 12% per share. As of 31 December 2003 the Bank did not issue preference shares. All preference shares carry one vote.

The below table provides a reconciliation of the number of shares outstanding at the beginning and at the end of each year:

	Ordinary shares Share'000	Preference shares Share'000	Total Share'000
31 December 2003	358	-	358
Issue of ordinary shares	1,104	-	1,104
Issue of preference shares	-	50	50
Shares repurchased	(13)	-	(13)
31 December 2004	1,449	50	1,499
Issue of ordinary shares	992	-	992
Share capital repurchased	-	(1)	(1)
31 December 2005	2,441	49	2,490

29 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

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

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2005, 2004 and 2003, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2005		31 December 2004		31 December 2003	
	Nominal Amount KZT mln	Risk Weighted Amount KZT mln	Nominal Amount KZT mln	Risk Weighted Amount KZT mln	Nominal Amount KZT mln	Risk Weighted Amount KZT mln
Guarantees and similar commitments issued	35,255	35,255	4,445	4,445	1,772	1,772
Letters of credit	5,350	2,675	694	347	60	30

As of 31 December 2005, 2004 and 2003, guarantees and similar commitments issued of KZT 286 million, KZT 509 million and KZT 30 million, respectively, were secured by cash deposited at customer accounts.

As of 31 December 2005, 2004 and 2003, standby letters of credit of KZT 1,782 million, KZT 42 million and KZT 42 million, respectively, were secured by cash deposited at customer accounts.

The Group has made a provision of KZT 176 million, KZT 46 million and KZT 20 million against commitments under guarantees issued as of 31 December 2005, 2004 and 2003, respectively.

30 FINANCIAL COMMITMENTS

Capital commitments – The Group had no material capital commitments outstanding as of 31 December 2005.

Operating leases – The Group's future minimum rental payments under non-cancellable operating leases of buildings for the next 5 years as of 31 December 2005 are presented in the table below:

	31 December 2005 KZT mln	31 December 2004 KZT mln	31 December 2003 KZT mln
Not later than 1 year	2	-	-
Later than 1 year and not later than 5 years	734	476	74
Later than 5 years	201	60	79
Total operating lease commitments	937	536	153

Operating environment – The Group's principal activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to frequent changes and the Group's assets and operations could be at a risk due to negative changes in the political and business environment.

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 financial statements.

Taxes – Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Bank may be assessed additional taxes, penalties and interest. The Bank's management believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

31 TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 "Related Party Disclosure", are those counterparties that represent:

a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, (this includes holding companies, subsidiaries and fellow subsidiaries);
b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence., This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
f) Parties with joint control over the Group;
g) Joint ventures in which the Group is a venture; and
h) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 31 December 2005, 2004 and 2003:

	31 December 2005 KZT mln		31 December 2004 KZT mln		31 December 2003 KZT mln	
	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
Loans and advances to customers, gross	5,517	187,652	374	55,915	752	32,301
- ultimate shareholders	4,060		159		660	
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	930		-		-	
- individuals influencing the Group's operations, and their close family members	155		-		-	
- key management personnel of the Group	200		158		89	
- close family members of the key management personnel of the Group	172		57		3	
Allowance for impairment losses on loans and advances to customers	230	7,555	21	2,606	2	1,631
- ultimate shareholders	192		2		-	
- individuals influencing the Group's operations, and their close family members	35		-		-	
- key management personnel of the Group	1		-		2	
- close family members of the key management personnel of the Group	2		19		-	
Customer accounts	754	137,954	139	67,454	609	36,885
- ultimate shareholders	90		63		-	
- who directly or indirectly, through one or several intermediaries, control the Group	-		-		490	
- who are under common control jointly with the Group	-		-		-	
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	439		-		-	
- individuals influencing the Group's operations, and their close family members	41		-		-	
- key management personnel of the Group	84		22		13	
- close family members of the key management personnel of the Group	100		54		106	

During the years ended 31 December 2005, 2004 and 2003 the Group originated loans and advances to customers - related parties amounting to KZT 8,244 million, KZT 241 million and KZT 29 million, respectively, and received loans and advances repaid of KZT 3,100 million, KZT 619 million and KZT 1,940 million, respectively. The Group has interest income accrued in respect of loans and advances granted to related parties totalling KZT 154 million, KZT 4 million, KZT 5 million, respectively, as of 31 December 2005, 2004 and 2003.

Included in the profit and loss account for the years ended 31 December 2005, 2004 and 2003 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2005 KZT mln		**Year ended 31 December 2004 KZT mln**		**Year ended 31 December 2003 KZT mln**	
	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	290	17,562	21	6,973	18	4,292
- ultimate shareholders	203		15		9	
- related companies	56		-		-	
- key management personnel and directors	31		6		9	
Interest expense	301	11,777	6	4,205	12	2,611
- ultimate shareholders	-		-		6	
- related companies	301		2		-	
- key management personnel and directors	-		4		6	
Fee and commission income	3	3,411	-	1,380	-	616
- ultimate shareholders	2		-		-	
- related companies	1		-		-	
Operating expense	140	4,188	44	2,261	35	1,464
- key management personnel and directors	140		44		35	

Transactions with related parties entered into by the Group during the years ended 31 December 2005, 2004 and 2003 and outstanding as of 31 December 2005, 2004 and 2003 were made in the normal course of business and mostly on terms equivalent to those that prevail in arm's length transactions.

32 SEGMENT REPORTING

The Group is organized on the basis of three main business segments:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

Corporate banking – representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency products, guarantees and letters of credit.
Investment banking – representing financial instruments trading, structured financing.

Transactions between the business segments are conducted 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 funds attracted. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Retail banking	**Corporate banking**	**Investment banking**	**Eliminations**	**Year ended 31 December 2005 KZT mln**
External interest income	4,758	9,972	3,137	(305)	17,562
External interest expense	(2,574)	(6,945)	(2,563)	305	(11,777)
Provision for impairment losses on interest bearing assets	(1,533)	(3,388)	-	-	(4,921)
Net gain on assets held-for-trading	-	-	278	-	278
Net gain on foreign exchange operations	278	342			620
Net fee and commission income	876	2,535	-	-	3,411
Net fee and commission expenses	(110)	(75)	(255)		(440)
Net loss on derecognition of investments available-for-sale	-	-	(6)	-	(6)
Other income	214	626	-	-	840
Operating expenses	(1,708)	(2,473)	(7)		(4,188)
Operating profit	201	594	584	-	1,379
Other provisions	-	(139)	-	-	(139)
Profit before income tax	201	455	584	-	1,240
Income tax benefit	240	116	-	-	356
Net profit	441	571	584	-	1,596
Total assets	52,042	213,995	94,893	(28,172)	332,758
Total liabilities	40,199	226,313	65,098	(26,884)	304,726

Additional information

	Retail banking	**Corporate banking**	**Investment banking**	**Eliminations**	**Year ended 31 December 2005 KZT mln**
Capital additions and expenditures	569	449	-	-	1,018
Depreciation and amortization of segment assets	109	162	-	-	271

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2004 KZT mln
External interest income	752	5,274	947	6,973
External interest expense	(1,427)	(2,273)	(505)	(4,205)
Provision for impairment losses on interest bearing assets	(321)	(984)	-	(1,305)
Net gain on assets held-for-trading	-	-	129	129
Net gain on foreign exchange operations	138	(92)	-	46
Net fee and commission income	216	1,164	-	1,380
Net fee and commission expenses	(19)	(85)	(9)	(113)
Net loss on derecognition of investments available-for-sale	-	-	(1)	(1)
Other income	145	101	-	246
Operating expenses	(832)	(1,429)	-	(2,261)
Operating profit	(1,348)	1,676	561	889
Other provisions	-	(28)	-	(28)
Profit before income tax	(1,348)	1,648	561	861
Income tax expense	-	-	-	-
Net profit	(1,348)	1,648	561	861
Total assets	10,514	65,110	44,236	119,860
Total liabilities	21,453	80,417	2,002	103,872

Additional information

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2004 KZT mln
Capital additions and expenditures	186	271	-	457
Depreciation and amortization of segment assets	57	98	-	155

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2003 KZT mln
External interest income	259	3,389	644	4,292
External interest expense	(886)	(1,481)	(244)	(2,611)
Provision for impairment losses on interest bearing assets	(185)	(903)	-	(1,088)
Net gain on assets held-for-trading	-	-	141	141
Net gain on foreign exchange operations	73	162	-	235
Net fee and commission income	45	571	-	616
Net fee and commission expenses	(12)	(50)		(62)
Other income	(24)	206	-	182
Operating expenses	(472)	(992)	-	(1,464)
Operating profit	(1,202)	902	541	241
Other provisions	-	(6)	-	(6)
Share results in associates	-	-	2	2
Profit before income tax	(1,202)	896	543	237
Income tax expense	-	(29)	-	(29)
Net profit	(1,202)	867	543	208
Total assets	2,704	34,368	13,202	50,274
Total liabilities	8,757	36,446	1,341	46,544

Additional information

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2003 KZT mln
Capital additions and expenditures	126	264	-	390
Depreciation and amortization of segment assets	21	45	-	66

The Group's secondary level of segment reporting segments is based on geographical location. The Group's primary geographical area is Kazakhstan, with limited activities outside of this area.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

31 December 2005	31 December 2004	31 December 2003

	Current value KZT mln	Fair value KZT mln	Current value KZT mln	Fair value KZT mln	Current value KZT mln	Fair value KZT mln
Cash and balances with the National bank of the Republic of Kazakhstan	42,327	42,327	19,631	19,631	2,378	2,378
Precious metals	3	3	2	2	1	1
Assets held-for-trading	79,283	79,283	31,324	31,324	1,564	1,564
Loans and advances to banks, less allowance for impairment losses	10,182	10,182	892	892	2,242	2,242
Securities purchased under agreements to resell	4,038	4,038	6,421	6,421	401	401
Loans and advances to customers, less allowance for impairment losses	180,097	180,097	53,309	53,309	30,670	30,670
Investment available-for-sale	11,109	11,109	5,467	5,467	4,904	4,904
Investment held-to-maturity	463	472	1,260	1,264	6,884	6,892
Investment in associated companies	-	-	-	-	50	50
Other assets, less allowance for impairment losses	2,516	2,516	402	402	389	389
Due to the budget of the Republic of Kazakhstan	129	129	284	284	538	538
Deposit from the Bank of the Republic of Kazakhstan	6,000	6,000	4,000	4,000	1,000	1,000
Loans and advances from banks	94,656	94,656	9,463	9,463	3,931	3,931
Securities sold under repurchase agreements	6,261	6,261	16,592	16,592	1,131	1,131
Customer accounts	137,954	137,954	67,454	67,454	36,885	36,885
Debt securities issued	53,488	54,537	1,999	2,006	296	296
Subordinated debt	5,349	5,858	3,873	4,231	2,687	2,691

The fair value of loans to banks and loans to customers can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

34 SUBSEQUENT EVENTS

As of 18 January 2006 the Group paid dividends on preference shares for the year 2005 1,000 KZT per share. The total amount of dividends, paid, is KZT 49 million.

In February 2006 the Group placed ordinary shares with total amount of KZT 3,093 million.

35 REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The capital is calculated as the amount of restricted and free components of the shareholders' capital plus the Group's provisions for the principal risks on condition that the general provision for losses does not exceed 1.25% of the risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the National Bank of the Republic of Kazakhstan
0%	State debt securities in KZT
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
0%	Standby letters of credit secured by customer funds
50%	Other standby letters of credit and other transaction related contingent obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Guarantees issued and similar commitments

The Group actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	For Capital Adequacy purposes KZT mln	Ratio For Capital Adequacy purposes	Minimum Required Ratio
As of 31 December 2005			
Total capital	32,750	13.32%	8%
Tier 1 capital	27,336	11.12%	4%
As of 31 December 2004			
Total capital	19,813	27.06%	8%
Tier 1 capital	15,877	21.68%	4%
As of 31 December 2003			
Total capital	5,318	14.79%	8%
Tier 1 capital	3,654	10.16%	4%

As of 31 December 2005 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. The debt matures in four-six years and bears an interest rate of 9-10.3% per annum. In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

36 RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The main risks inherent to the Group operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

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

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Management Department performs determination of the optimal structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

Cash flow interest rate risk

Cash flow interest rate risk – the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Bank to avoid negative interest margin. Risk Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group previous experience indicate that these deposits is a stable and long-term source of finance for the Group.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	2005			
	KZT	USD	EURO	RUR
ASSETS				
Balances with the National Bank of the Republic of Kazakhstan	3.5%	-	-	-
Loans and advances to banks	-	3%	-	-
Assets held-for-trading	3.40%	6.10%	3.54%	-
Securities purchased under agreement to resell	8.10%	-	-	-
Loans and advances to customers	14.80%	10.90%	12.70%	-
Investments available-for-sale	2.10%	12.20%	-	-
Investments held-to-maturity	5.90%	-	-	-
LIABILITIES				
Loans and advances from banks	7.29%	6.02%	4.82%	-
Securities sold under agreements to repurchase	1.40%	-	-	-
Customer accounts	9.05%	7.10%	6.50%	2%
Debt securities issued	8.50%	10.20%	-	-
Subordinated debt	10.20%	-	-	-

	2004			
	KZT	USD	EURO	RUR
ASSETS				
Assets held-for-trading	7.16%	5.33%	3.85%	-
Securities purchased under agreement to resell	5.56%	-	-	-
Loans and advances to customers	14.00%	12.25%	13.40%	-
Investments available-for-sale	9.10%	4.05%	-	-
Investments held-to-maturity	5.39%	8.50%	-	-
LIABILITIES				
Loans and advances from banks	6.97%	3.94%	4.96%	-
Securities sold under agreements to repurchase	5.70%	-	-	-
Customer accounts	9.70%	7.35%	6.57%	1%
Debt securities issued	9.30%	-	-	-
Subordinated debt	9.32%	-	-	-

	2003	
	KZT	USD
ASSETS		
Assets held-for-trading	6.3%	-
Loans and advances to banks	-	3.6%
Securities purchased under agreement to resell	7.1%	-
Loans and advances to customers	15.1%	15.3%
Investments available-for-sale	9.5%	11.6%
Investments held-to-maturity	3.5%	8.5%
LIABILITIES		
Loans and advances from banks	8%	6.1%
Securities sold under agreements to repurchase	5.1%	-
Customer accounts	9.1%	8.2%
Debt securities issued	-	-
Subordinated debt	-	9%

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 Total KZT mln
ASSETS							
Cash and balances with the National Bank of the Republic of Kazakhstan	33,006	-	-	-	-	-	33,006
Assets held-for trading	79,283	-	-	-	-	-	79,283
Loans and advances to banks, less allowance for impairment losses	9,671	274	237	-	-	-	10,182
Securities purchased under agreements to resell	572	3,466	-	-	-	-	4,038
Loans and advances to customers, less allowance for impairment losses	7,106	4,568	30,857	118,161	17,964	-	178,656
Investments available-for-sale	-	-	57	3,324	7,652	-	11,033
Investments held-to-maturity	-	-	417	46	-	-	463
Total interest bearing assets	129,638	8,308	31,568	121,531	25,616	-	316,661
Cash and balances with the National Bank of the Republic of Kazakhstan	9,321	-	-	-	-	-	9,321
Precious metals	3	-	-	-	-	-	3
Overdue loans and advances to customers, less allowance for impairment losses	143	35	15	709	539	-	1,441
Investments available-for-sale		-		-	76	-	76
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	2,181	2,181
Income tax assets	559	-	-	-	-	-	559
Other assets, less allowance for impairment losses	2,516	-	-	-	-	-	2,516
TOTAL ASSETS	142,180	8,343	31,583	122,240	26,231	2,181	332,758
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	3	24	9	93	-	-	129
Deposits from the National Bank of the Republic of Kazakhstan	4,000	2,000	-	-	-	-	6,000
Loans and advances from banks	4,343	11,445	43,831	35,037	-	-	94,656
Securities sold under agreements to repurchase	6,261	-	-	-	-	-	6,261
Customer accounts	17,933	12,267	37,590	40,198	446	-	108,434
Debt securities issued	-	-	2,334	51,154	-	-	53,488
Subordinated debt	-	-	57	-	5,292	-	5,349
Total interest bearing liabilities	32,540	25,736	83,821	126,482	5,738	-	274,317
Customer accounts	29,520	-	-	-	-	-	29,520
Dividends payable	49	-	-	-	-	-	49
Other liabilities	840	-	-	-	-	-	840
TOTAL LIABILITIES	62,949	25,736	83,821	126,482	5,738	-	304,726
Liquidity gap	79,231	(17,393)	(52,238)	(4,242)	20,493		
Interest sensitivity gap	97,098	(17,428)	(52,253)	(4,951)	19,878		
Cumulative interest sensitivity gap	97,098	79,670	27,417	22,466	42,344		
Cumulative interest sensitivity gap as a percentage of total assets	29.2%	23.9%	8.2%	6.8%	12.7%		

	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 2004 Total KZT mln
ASSETS							
Assets held-for trading	31,324	-	-	-	-	-	31,324
Loans and advances to banks, less allowance for impairment losses	892	-	-	-	-	-	892
Securities purchased under agreements to resell	6,421	-	-	-	-	-	6,421
Loans and advances to customers, less allowance for impairment losses	2,073	5,203	10,750	30,443	4,011	-	52,480
Investments available-for-sale	-	2,827	2,592	-	-	-	5,419
Investments held-to-maturity	-	-	804	456	-	-	1,260
Total interest bearing assets	40,710	8,030	14,146	30,899	4,011	-	97,796
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631	-	-	-	-	-	19,631
Precious metals	2	-	-	-	-	-	2
Loans and advances to customers less allowance for impairment losses	7	97	209	488	28	-	829
Investments available-for-sale	-	-	-	-	48	-	48
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	1,036	1,036
Income tax assets	116	-	-	-	-	-	116
Other assets, less allowance for impairment losses	402	-	-	-	-	-	402
TOTAL ASSETS	60,868	8,127	14,355	31,387	4,087	1,036	119,860
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	6	55	223	-	-	284
Deposits from the National Bank of the Republic of Kazakhstan	-	4,000	-	-	-	-	4,000
Loans and advances from banks	3,266	1,246	4,761	190	-	-	9,463
Securities sold under agreements to repurchase	16,592	-	-	-	-	-	16,592
Customer accounts	15,158	5,808	22,442	16,553	44	-	60,005
Debt securities issued	-	-	-	1,999	-	-	1,999
Subordinated debt	-	-	-	2,459	1,414	-	3,873
Total interest bearing liabilities	35,016	11,060	27,258	21,424	1,458	-	96,216
Customer accounts	7,449	-	-	-	-	-	7,449
Dividends payable	60	-	-	-	-	-	60
Other liabilities	147	-	-	-	-	-	147
TOTAL LIABILITIES	42,672	11,060	27,258	21,424	1,458	-	103,872
Liquidity gap	18,196	(2,933)	(12,903)	9,963	2,629		
Interest sensitivity gap	5,694	(3,030)	(13,112)	9,475	2,553		
Cumulative interest sensitivity gap	5,694	2,664	(10,448)	(973)	1,580		
Cumulative interest sensitivity gap as a percentage of total assets	4.8%	2.2%	(8.7%)	(0.8%)	1.3%		

	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 2003 Total KZT mln
ASSETS							
Assets held-for trading	1,564	-	-	-	-	-	1,564
Loans and advances to banks, less allowance for impairment losses	2,089	-	143	-	10	-	2,242
Securities purchased under agreements to resell	401	-	-	-	-	-	401
Loans and advances to customers, less allowance for impairment losses	3,459	2,360	11,649	11,486	1,022	-	29,976
Investments available-for-sale	-	301	1,164	2,420	780	-	4,665
Investments held-to-maturity	-	49	5,039	1,290	506	-	6,884
Total interest bearing assets	7,513	2,710	17,995	15,196	2,318	-	45,732
Cash and balances with the National Bank of the Republic of Kazakhstan	2,378	-	-	-	-	-	2,378
Precious metals	1	-	-	-	-	-	1
Loans and advances to customers less allowance for impairment losses	67	83	32	492	20		694
Investment in associated companies	-	-	-	-	50	-	50
Investments available-for-sale	-	-	-	-	239	-	239
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	748	748
Income tax assets	43	-	-	-	-	-	43
Other assets, less allowance for impairment losses	343	2	44	-	-	-	389
TOTAL ASSETS	10,345	2,795	18,071	15,688	2,627	748	50,274
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	12	-	526	-	-	538
Deposits from the National Bank of the Republic of Kazakhstan	-	-	1,000	-	-	-	1,000
Loans and advances from banks	413	596	2,890	32	-	-	3,931
Securities sold under agreements to repurchase	1,131	-	-	-	-	-	1,131
Customer accounts	7,297	8,480	12,298	3,615	97	-	31,787
Debt securities issued				296	-	-	296
Subordinated debt	-	9	-	194	2,484	-	2,687
Total interest bearing liabilities	8,841	9,097	16,188	4,663	2,581	-	41,370
Customer accounts	1,196	1,276	2,017	593	16	-	5,098
Dividends payable	-	-	-	-	-	-	-
Other liabilities	76	-	-	-	-	-	76
TOTAL LIABILITIES	10,113	10,373	18,205	5,256	2,597	-	46,544
Liquidity gap	232	(7,578)	(134)	10,432	30		
Interest sensitivity gap	(1,328)	(6,387)	1,807	10,533	(263)		
Cumulative interest sensitivity gap	(1,328)	(7,715)	(5,908)	4,625	4,362		
Cumulative interest sensitivity gap as a percentage of total assets	(2.6%)	(15.3%)	(11.8%)	9.2%	8.7%		

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1= KZT 133.77	EURO EUR 1 = KZT 158.54	Other currencies	31 December 2005 Total KZT mln
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	38,754	3,047	420	106	42,327
Precious metals	-	-	-	3	3
Assets held-for-trading	35,997	42,996	160	130	79,283
Loans and advances to banks, less allowance for impairment losses	2,173	6,383	635	991	10,182
Securities purchased under agreements to resell	4,038	-	-	-	4,038
Loans and advances to customers, less allowance for impairment losses	88,230	89,082	2,785	-	180,097
Investments available-for-sale	3,792	7,317	-	-	11,109
Investments held-to-maturity	418	45	-	-	463
Fixed and intangible assets, less accumulated depreciation and amortization	2,181	-	-	-	2,181
Income tax assets	559	-	-	-	559
Other assets, less allowance for impairment losses	1,284	1,196	29	7	2,516
TOTAL ASSETS	177,426	150,066	4,029	1,237	332,758
LIABILITIES					
Due to the budget of the Republic of Kazakhstan	17	112	-	-	129
Deposits from the National Bank of the Republic of Kazakhstan	6,000	-	-	-	6,000
Loans and advances from banks	22,672	69,203	2,773	8	94,656
Securities sold under agreements to repurchase	6,261	-	-	-	6,261
Customer accounts	105,544	31,005	1,255	150	137,954
Debt securities issued	6,591	46,897	-	-	53,488
Dividends payable	49	-	-	-	49
Other liabilities	774	43	23	-	840
Subordinated debt	2,826	2,523	-	-	5,349
TOTAL LIABILITIES	150,734	149,783	4,051	158	304,726
OPEN BALANCE SHEET POSITION	26,692	283	(22)	1,079	

	KZT	USD USD 1= KZT 130.00	EURO EUR 1 = KZT 177.10	Other currencies	31 December 2004 Total KZT mln
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	18,536	822	204	69	19,631
Precious metals	-	-	-	2	2
Assets held-for-trading	30,089	1,235	-	-	31,324
Loans and advances to banks, less allowance for impairment losses		808	16	68	892
Securities purchased under agreements to resell	6,421	-	-	-	6,421
Loans and advances to customers, less allowance for impairment losses	33,173	18,688	1,448	-	53,309
Investments available-for-sale	3,333	2,134	-	-	5,467
Investments held-to-maturity	1,216	44	-	-	1,260
Fixed and intangible assets, less accumulated depreciation and amortization	1,036	-	-	-	1,036
Income tax assets	116	-	-	-	116
Other assets, less allowance for impairment losses	317	83	2	-	402
TOTAL ASSETS	94,237	23,814	1,670	139	119,860
LIABILITIES					
Due to the budget of the Republic of Kazakhstan	21	263	-	-	284
Deposits from the National Bank of the Republic of Kazakhstan	4,000	-	-	-	4,000
Loans and advances from banks	1,520	7,621	322	-	9,463
Securities sold under agreements to repurchase	16,592	-	-	-	16,592
Customer accounts	53,624	12,315	1,485	30	67,454
Debt securities issued	1,999	-	-	-	1,999
Dividends payable	60	-	-	-	60
Other liabilities	143	2	2	-	147
Subordinated debt	1,441	2,432	-	-	3,873
TOTAL LIABILITIES	79,400	22,633	1,809	30	103,872
OPEN BALANCE SHEET POSITION	14,837	1,181	(139)	109	

	KZT	USD USD 1= KZT 144.22	EURO EUR 1 = KZT 180.23	Other currencies	31 December 2003 Total KZT mln
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	1,738	556	52	32	2,378
Precious metals	-	-	-	1	1
Assets held-for-trading	1,564	-	-	-	1,564
Loans and advances to banks, less allowance for impairment losses	-	1,821	392	29	2,242
Securities purchased under agreements to resell	401	-	-	-	401
Loans and advances to customers, less allowance for impairment losses	22,861	7,758	51	-	30,670
Investments available-for-sale	2,240	2,664	-	-	4,904
Investments held-to-maturity	6,884	-	-	-	6,884
Investment in associated companies	50	-	-	-	50
Fixed and intangible assets, less accumulated depreciation and amortization	748	-	-	-	748
Income tax assets	43	-	-	-	43
Other assets, less allowance for impairment losses	209	180	-	-	389
TOTAL ASSETS	36,738	12,979	495	62	50,274
LIABILITIES					
Due to the budget of the Republic of Kazakhstan	92	446	-	-	538
Deposits from the National Bank of the Republic of Kazakhstan	1,000	-	-	-	1,000
Loans and advances from banks	-	3,860	71	-	3,931
Securities sold under agreements to repurchase	1,131	-	-	-	1,131
Customer accounts	26,574	9,910	371	30	36,885
Debt securities issued	296	-	-	-	296
Other liabilities	76	-	-	-	76
Subordinated debt	147	2,540	-	-	2,687
TOTAL LIABILITIES	29,316	16,756	442	30	46,544
OPEN BALANCE SHEET POSITION	7,422	(3,777)	53	32	

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to market risks of its products which are subject to general and specific market fluctuations.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, to industry and geographical segments. Limits on the level of credit risk by borrower, product, industry sector and by region are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	The Republic of Kazakhstan	OECD countries	Other non-OECD countries	31 December 2005 Total KZT mln
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	42,327	-	-	42,327
Precious metals	-	3	-	3
Assets held-for-trading	41,435	37,719	129	79,283
Loans and advances to banks, less allowance for impairment losses	6,797	2,865	520	10,182
Securities purchased under agreements to resell	4,038	-	-	4,038
Loans and advances to customers, less allowance for impairment losses	173,513	216	6,368	180,097
Investments available-for-sale	5,742	5,367	-	11,109
Investments held-to-maturity	463	-	-	463
Fixed and intangible assets, less accumulated depreciation and amortization	2,181	-	-	2,181
Income tax assets	559	-	-	559
Other assets, less allowance for impairment losses	1,576	940	-	2,516
TOTAL ASSETS	278,631	47,110	7,017	332,758
LIABILITIES				
Due to the budget of the Republic of Kazakhstan	129	-	-	129
Deposits from the National Bank of the Republic of Kazakhstan	6,000	-	-	6,000
Loans and advances from banks	7,387	86,343	926	94,656
Securities sold under agreements to repurchase	6,261	-	-	6,261
Customer accounts	135,628	53	2,273	137,954
Debt securities issued	6,591	46,897	-	53,488
Dividends payable	49	-	-	49
Other liabilities	840	-	-	840
Subordinated debt	5,349	-	-	5,349
TOTAL LIABILITIES	168,234	133,293	3,199	304,726
NET BALANCE SHEET POSITION	110,397	(86,183)	3,818	

	The Republic of Kazakhstan	OECD countries	Other non-OECD countries	31 December 2004 Total KZT mln
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631	-	-	19,631
Precious metals	-	2	-	2
Assets held-for-trading	30,804	520	-	31,324
Loans and advances to banks, less allowance for impairment losses	8	816	68	892
Securities purchased under agreements to resell	6,421	-	-	6,421
Loans and advances to customers, less allowance for impairment losses	52,860	-	449	53,309
Investments available-for-sale	5,467	-	-	5,467
Investments held-to-maturity	1,260	-	-	1,260
Fixed and intangible assets, less accumulated depreciation and amortization	1,036	-	-	1,036
Income tax assets	116	-	-	116
Other assets, less allowance for impairment losses	353	42	7	402
TOTAL ASSETS	117,956	1,380	524	119,860
LIABILITIES				
Due to the budget of the Republic of Kazakhstan	284	-	-	284
Deposits from the National Bank of the Republic of Kazakhstan	4,000	-	-	4,000
Loans and advances from banks	5,060	4,319	84	9,463
Securities sold under agreements to repurchase	16,592	-	-	16,592
Customer accounts	66,308	992	154	67,454
Debt securities issued	1,999	-	-	1,999
Dividends payable	60	-	-	60
Other liabilities	147	-	-	147
Subordinated debt	3,873	-	-	3,873
TOTAL LIABILITIES	98,323	5,311	238	103,872
NET BALANCE SHEET POSITION	19,633	(3,931)	286	

	The Republic of Kazakhstan	OECD countries	Other non-OECD countries	31 December 2003 Total KZT mln
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	2,378	-	-	2,378
Precious metals	-	1	-	1
Assets held-for-trading	1,564	-	-	1,564
Loans and advances to banks, less allowance for impairment losses	327	1,591	324	2,242
Securities purchased under agreements to resell	401	-	-	401
Loans and advances to customers, less allowance for impairment losses	30,653	-	17	30,670
Investments available-for-sale	4,904	-	-	4,904
Investments held-to-maturity	6,884	-	-	6,884
Investment in associated companies	50	-	-	50
Fixed and intangible assets, less accumulated depreciation and amortization	748	-	-	748
Income tax assets	43	-	-	43
Other assets, less allowance for impairment losses	389	-	-	389
TOTAL ASSETS	48,341	1,592	341	50,274
LIABILITIES				
Due to the budget of the Republic of Kazakhstan	538	-	-	538
Deposits from the National Bank of the Republic of Kazakhstan	1,000	-	-	1,000
Loans and advances from banks	1,339	2,261	331	3,931
Securities sold under agreements to repurchase	1,131	-	-	1,131
Customer accounts	36,885	-	-	36,885
Debt securities issued	296	-	-	296
Dividends payable	-	-	-	-
Other liabilities	76	-	-	76
Subordinated debt	2,687	-	-	2,687
TOTAL LIABILITIES	43,952	2,261	331	46,544
NET BALANCE SHEET POSITION	4,389	(669)	10	

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

The following statement, which should be read in conjunction with the independent accountants' responsibilities stated in the review report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent accountant's in relation to the condensed consolidated interim financial statements of Joint-Stock Company Alliance Bank and its subsidiaries (the "Group").

Management is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the consolidated financial position of the Group at 30 June 2006, the consolidated results of its operations, consolidated cash flows and changes in equity for the six-month period then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the condensed consolidated interim financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- preparing the condensed consolidated interim 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 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 the 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 consolidated interim financial statements for the six-month period ended 30 June 2006 were authorized for issue on 28 July 2006 by the Group's Management Board.

On behalf of the Board:

Yertayev Zh. Zh.	**Mamyrbekov A. T.**
Chairman of the Board	**Chief Accountant**
28 July 2006	28 July 2006
Almaty	Almaty

JOINT-STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

	Notes	Six-month period ended 30 June 2006 (unaudited) KZT mln	Six-month period ended 30 June 2005 (unaudited) KZT mln
Interest income	4, 26	24,808	5,730
Interest expense	4, 26	(14,326)	(4,194)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		10,482	1,536
Provision for impairment losses on interest bearing assets	5	(6,747)	(1,282)
NET INTEREST INCOME		3,735	254
Net (loss)/gain on assets held-for-trading		(270)	375
Net gain on foreign exchange operations		424	111
Fee and commission income	6, 26	2,777	1,314
Fee and commission expense		(485)	(110)
Other income		180	133
NET NON-INTEREST INCOME		2,626	1,823
OPERATING INCOME		6,361	2,077
OPERATING EXPENSES	7, 26	(3,749)	(1,485)
OPERATING PROFIT		2,612	592
Other provisions	5	(227)	(16)
PROFIT BEFORE INCOME TAX		2,385	576
Income tax expense	8	(746)	(62)
NET PROFIT		1,639	514
Attributable to:			
Preference Shareholders		-	25
Ordinary Shareholders		1,639	489
		1,639	514
EARNINGS PER SHARE BASIC AND DILUTED (KZT)	9	614.04	326.19

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

28 July 2006
Almaty

Mamyrbekov A. T.
Chief Accountant

28 July 2006
Almaty

The notes on pages 8-36 form an integral part of these interim condensed financial statements. The Review Report is on Page 2.

JOINT-STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	10	25,458	42,327
Precious metals		4	3
Assets held-for-trading	11	113,925	79,283
Loans and advances to banks	12	20,312	10,182
Securities purchased under agreements to resell	13	1,627	4,038
Loans and advances to customers, less allowance for impairment losses	14, 26	337,189	180,097
Investments available-for-sale	15	11,067	11,109
Investments held-to-maturity	16	446	463
Fixed and intangible assets, less accumulated depreciation and amortization		3,269	2,181
Derivative financial instruments		831	-
Income tax assets		-	559
Other assets, less allowance for impairment losses		5,521	2,516
TOTAL ASSETS		519,649	332,758
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to the budget of the Republic of Kazakhstan	17	68	129
Deposit from the National Bank of the Republic of Kazakhstan		6,000	6,000
Loans and advances from banks	18	182,733	94,656
Securities sold under agreements to repurchase	19	22,110	6,261
Customer accounts	20, 26	163,821	137,954
Debt securities issued	21	82,660	53,488
Dividends on preference shares		25	49
Derivative financial instruments		21	-
Income tax liability		22	-
Other liabilities		2,517	840
Subordinated debt	22	26,258	5,349
Total liabilities		486,235	304,726
EQUITY:			
Share capital	23	27,500	24,900
Share premium		1,224	4
Investments available-for-sale fair value reserve		127	204
Fixed assets revaluation reserve		491	491
Retained earnings		4,072	2,433
Total equity		33,414	28,032
TOTAL LIABILITIES AND EQUITY		519,649	332,758

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

28 July 2006
Almaty

Mamyrbekov A. T.
Chief Accountant

28 July 2006
Almaty

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JOINT-STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

	Share capital	Share Premium	Investments available-for-sale fair value reserve	Fixed assets revaluation reserve	Retained earnings	Total equity
	KZT mln	KZT mln	KZT mln	KZT mln	KZT mln	KZT mln
31 December 2004	14,989	5	38	73	883	15,988
Gain on revaluation of investments available-for-sale	-	-	143	-	-	143
Net income recognized directly in equity	-	-	143	-	-	143
Net profit	-	-	-	-	514	514
Total recognised income for the period	-	-	143	-	514	657
Dividends declared on preference shares	-	-	-	-	(25)	(25)
Share capital repurchased	(10)	(3)	-	-	-	(13)
30 June 2005 (unaudited)	14,979	2	181	73	1,372	16,607
Gain on revaluation of fixed assets	-	-	-	421	-	421
Depreciation of fixed assets revaluation reserve	-	-	-	(3)	3	-
Gain on revaluation of investments available-for-sale	-	-	29	-	-	29
Loss transferred to profit and loss accounts on sale of investments available- for-sale	-	-	(6)	-	-	(6)
Net income recognized directly in equity	-	-	23	418	3	444
Net profit	-	-	-	-	1,082	1,082
Total recognised income for the period	-	-	23	418	1,085	1,526
Dividends declared on preference shares	-	-	-	-	(24)	(24)
Issue of ordinary shares	9,921	2	-	-	-	9,923
31 December 2005	24,900	4	204	491	2,433	28,032
Loss on revaluation of investments available-for-sale	-	-	(77)	-	-	(77)
Net income recognized directly in equity	-	-	(77)	-	-	(77)
Net profit	-	-	-	-	1,639	1,639
Total recognised income for the period	-	-	(77)	-	1,639	1,562
Issue of preference shares	3,500	857	-	-	-	4,357
Reclassification of preference shares	(3,993)	363	-	-	-	(3,630)
Issue of ordinary shares	3,093	-	-	-	-	3,093
30 June 2006 (unaudited)	27,500	1,224	127	491	4,072	33,414

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

28 July 2006
Almaty

АЛЬЯНС БАНК

Mamyrbekov A. T.
Chief Accountant

28 July 2006
Almaty

The notes on pages 8-36 form an integral part of these interim condensed financial statements. The Review Report is on Page 2.

	(unaudited) KZT mln	(unaudited) KZT mln
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	2,385	576
Adjustments for:		
Provision for impairment losses on interest bearing assets	6,747	1,282
Other provisions	227	16
Unrealized gain/(loss) and amortization of discounts on securities	1,167	(496)
Amortization of discount on issued securities	132	17
Depreciation and amortization of fixed and intangible assets	262	128
Foreign exchange rate change	53	31
Change in interest accruals, net	(2,222)	84
Net change in fair value of derivative financial instruments	(810)	-
Changes in operating assets and liabilities:		
Loans and advances to banks	5,115	(20,281)
Assets held-for-trading	(35,640)	(19,917)
Securities purchased under agreements to resell	2,411	(3,574)
Loans and advances to customers	(159,808)	(50,252)
Other assets	(3,087)	(1,319)
Due to the budget of the Republic of Kazakhstan	(61)	(73)
Deposit from National Bank of Republic of Kazakhstan	-	2,000
Loans and advances from banks	86,967	23,875
Securities sold under agreements to repurchase	15,828	9,975
Customer accounts	26,003	39,129
Other liabilities	1,559	363
	(52,772)	(18,436)
Income tax paid	(165)	(37)
Net cash outflow from operating activities	(52,937)	(18,473)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and intangible assets	(1,354)	(235)
Proceeds on sale of fixed and intangible assets	4	4
Net proceeds/(outflow) on sale of investment available-for-sale	(73)	(897)
Net proceeds on sale of investment held-to-maturity	17	798
Net cash outflow from investing activities	(1,406)	(330)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

	Notes	Six-month period ended 30 June 2006 (unaudited) KZT mln	Six-month period ended 30 June 2005 (unaudited) KZT mln
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of ordinary shares		3,093	-
Proceeds from issue of preference shares		4,357	
Shares repurchased		-	(13)
Proceeds from debt securities issued		28,383	23,895
Issue of subordinated debt		16,933	1,476
Dividends paid in preference shares		(49)	(60)
Net cash inflow from financing activities		52,717	25,298
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,626)	6,495
CASH AND CASH EQUIVALENTS, at beginning of the period	10	45,195	20,449
Effect of foreign exchange rate changes on cash and cash equivalents		(2)	(4)
CASH AND CASH EQUIVALENTS, at the end of the period	10	43,567	26,940

Interest paid and received by the Group during the six-month period ended 30 June 2006 amounted to KZT 12,303 million and KZT 20,586 million, respectively.

Interest paid and received by the Group during the six-month period ended 30 June 2005 amounted to KZT 3,451 million and KZT 5,070 million, respectively.

On behalf of the Board:

Yertayev Zh. Zh.
Chairman of the Board

28 July 2006
Almaty

Mamyrbekov A. T.
Chief Accountant

28 July 2006
Almaty

The notes on pages 8-36 form an integral part of these interim condensed financial statements. The Review Report is on Page 2.

1. ORGANIZATION

Joint Stock Company Alliance Bank (the "Bank") was incorporated in the Republic of Kazakhstan in 1999 under the name of Irtyshbusinessbank as a result of a merger of OJSC Semipalatinsk Municipal Joint-Stock Bank and OJSC Irtyshbusinessbank. The registered address of the Head Office is 80, Satpayev St., 050046, Almaty, Republic of Kazakhstan. The Bank's activity is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan on Financial Market and Financial Organizations Supervision and Regulation ("Supervisory Agency"). The Bank conducts its business under the license No. 250 issued by Supervisory Agency on 31 May 2004 for performing operations in tenge and foreign currencies stipulated by the banking legislation. In accordance with a decision made by the Bank's Shareholders the Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with a subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 the Bank was re-registered as Joint Stock Company Alliance Bank.

In 2002, the Bank joined the Kazakhstani Customer Loans Insurance Fund and obtained an insurance coverage for the deposits received from individuals.

At the end of June 2006, the Bank had 19 branches located in the territory of the Republic of Kazakhstan.

The Bank's primary business is related to commercial banking activity, originating loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

The Bank is a parent company of the banking group (the "Group") which includes the following enterprise consolidated in the financial statements:

Name	Country of operation	The Group ownership interest 2006	Type of operation
ALB Finance B.V.	Kingdom of Netherlands	100%	Raising funds for the Group on international capital markets

ALB Finance B.V. is a limited liability partnership (B.V.) and operates under laws of the Kingdom of Netherlands since October 2005. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets.

As of 30 June 2006, the following shareholders individually owned more than 5% of the issued shares.

Shareholders	%
Ultimate shareholders:	
Margulan Seisembayev	23.84
Erlan Seisembayev	23.83
Askar Galin	23.83
Total ultimate shareholders	71.50
Other (individually hold less than 5%)	28.50
Total	100

2. BASIS OF PRESENTATION

Accounting basis

The condensed consolidated interim financial statements of the Group have been prepared by management in compliance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Accordingly, certain information and disclosures normally included in the notes to the annual financial statements as required by International Financial Reporting Standards (IFRS) have been omitted or condensed.

The preparation of the 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 condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for losses on loans and impairment and the fair value of financial instruments.

Interim reporting

The condensed consolidated interim financial statements should be read in conjunction with the 2005 annual consolidated financial statements of the Group, which were authorized for issue on 21 February 2006.

Since the results of the Group's operation closely relate to and depend on changing market conditions, the results of the Group's operation for the interim period do not necessarily reflect a trend for the total year end results.

Functional currency – The functional currency of these condensed consolidated interim financial statements is the Kazakhstani Tenge ("KZT"), which is the currency of the primary economic environment in which the Bank operates.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed consolidated interim financial statements the Group has applied the same accounting principles as those applied in the consolidated financial statements of the Group for the year ended 31 December 2005.

4. NET INTEREST INCOME

	Six-month period ended 30 June 2006 (unaudited) KZT mln	Six-month period ended 30 June 2005 (unaudited) KZT mln
Interest income		
Interest on loans and advances to customers	22,033	4,595
Interest on securities	2,318	1,064
Interest on loans and advances to banks	370	36
Interest on reverse repurchase transactions	87	35
Total	24,808	5,730
Interest expenses		
Interest on customer accounts	7,442	3,233
Interest on loans and advances from banks	4,648	533
Interest on securities	1,423	140
Interest on subordinated debt	292	255
Interest on repurchase transactions	91	24
Other interest	430	9
Total	14,326	4,194
Net interest income before provision for impairment losses on interest bearing assets	10,482	1,536

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets and other provisions were as follows:

	Interest bearing assets KZT mln	Other transactions KZT mln
31 December 2004	2,606	69
Provisions/(recoveries) for the period	1,282	16
Write off of assets	(37)	-
30 June 2005 (unaudited)	3,851	85
Provisions/(recoveries) for the period	3,639	113
Write off of assets	(2)	-
Recoveries of assets previously written-off	67	-
31 December 2005	7,555	198
Provisions for the period	6,747	227
Write off of assets	(432)	-
Recoveries of assets previously written-off	60	-
30 June 2006 (unaudited)	13,930	425

Service of customer accounts		
For origination of loans and advances to customers	834	432
Guarantees issued	351	197
Documentary operations	187	33
Foreign exchange operations	171	96
Trust operations	37	36
Other operations	199	62
Total fee and commission income	2,777	1,314

7. OPERATING EXPENSES

	Six-month period ended 30 June 2006 (unaudited) KZT mln	Six-month period ended 30 June 2005 (unaudited) KZT mln
Staff costs	1,407	418
Taxes, other than income tax	614	160
Advertising and marketing expenses	513	184
Expenses on rent	263	117
Depreciation and amortization	262	128
Social tax	191	187
Business trip and related expenses	78	34
Repairs and maintenance expenses	69	26
Communication	68	42
Security services	36	20
Office maintenance	35	20
Insurance	33	23
Audit and consulting	30	50
Transportation expenses	11	12
Information services	11	8
Representative expenses	7	-
Other	121	56
Total operating expenses	3,749	1,485

8. INCOME TAX

The Group provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards.

The Group has certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred tax reflects 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 of 30 June 2006 and 31 December 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences at 30 June 2006, 31 December 2005, 30 June 2005 and 31 December 2004 were as follows:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln	30 June 2005 (unaudited) KZT mln	31 December 2004 KZT mln
Deferred assets:				
Accrued interests on loans, written off	678	296	244	148
Taxes, other than income tax	-	-	14	-
Commissions on loans	-	1,493	-	-
Total deferred assets	678	1,789	258	148
Deferred liabilities:				
Fixed assets and intangibles, less accumulated depreciation and amortization	(611)	(229)	(74)	(114)
Total deferred liabilities	(611)	(229)	(74)	(114)
Net deferred assets	67	1,560	184	34
Deferred tax assets at the statutory rate (30%)	20	468	55	10
Valuation allowance	-	-	(55)	(10)
Net deferred tax assets	20	468	-	-

Relationships between tax expenses and accounting profit for the periods ended 30 June 2006 and 30 June 2005 are explained as follows:

	Six-month period ended 30 June 2006 (unaudited) KZT mln	Six-month period ended 30 June 2005 (unaudited) KZT mln
Profit before income tax	2,385	576
Statutory tax rate	30%	30%
Tax at the statutory rate	716	173
Tax effect of permanent differences	30	(111)
Income tax expense	746	62
Current income tax expense	298	17
Deferred income tax (benefit)/expense	448	-
Change in valuation allowances	-	45
Income tax expense	746	62

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Deferred income tax assets		
At beginning of the period	468	-
Decrease / (increase) in income tax assets for the period	(448)	468
At end of the period	20	468

Income tax assets and liabilities as of 30 June 2006 and 31 December 2005 consist of the following:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Current income tax (liabilities)/assets	(42)	91
Deferred income tax assets	20	468
Income tax (liabilities)/assets	(22)	559

9. EARNINGS PER SHARE

	Six-month period ended 30 June 2006 (unaudited) KZT mln	Six-month period ended 30 June 2005 (unaudited) KZT mln
Profit:		
Net profit for the period	1,639	514
Less:		
Dividends on preference shares	-	(25)
Income less dividends on preference shares	1,639	489
Weighted average number of ordinary shares for basic and diluted earnings per share (pieces)	2,669,200	1,499,110
Earnings per share – basic and diluted (KZT)	614.04	326.19

10. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Cash in vault	7,515	5,715
Balance with the NBRK	17,943	36,606
Accrued interest income on balances with the NBRK	-	6
Total cash and balances with the national bank of the Republic of Kazakhstan	25,458	42,327

Minimum reserves are determined as a percentage from deposits in accordance with the requirements of the NBRK. As of 30 June 2006 and 31 December 2005, the Group was in compliance with the NBRK requirements by maintaining an average balance in the accounts. Thus, the Group was able to use the amounts without any restrictions.

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln	30 June 2005 (unaudited) KZT mln	31 December 2004 KZT mln
Cash and balances with the NBRK	25,458	42,327	17,495	19,631
Loans and advances to banks in OECD countries	18,105	2,865	9,442	816
Other cash equivalents	4	3	3	2
Total cash and cash equivalents	43,567	45,195	26,940	20,449

11. ASSETS HELD-FOR-TRADING

	Interest to nominal %	30 June 2006 (unaudited) KZT mln	Interest to nominal %	31 December 2005 KZT mln
US Treasury bills	2.38-4.13	56,486	3.5-4.1	36,887
Notes of the NBRK	-	25,958	-	23,414
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.5-6.2	7,648	3.8-7.0	6,201
Bonds of JSC BTA Ipoteka	8.6-9.9	2,748	8.3-8.9	2,671
Bonds of JSC ATF Bank	8.13-10.9	2,631	8.13-8.50	1,476
Bonds of "Kazkommerts Int. B.V."	5.13-8.50	2,372	9	741
Bonds of JSC Bank CenterCredit	8.5-10.4	2,124	7.0-9.4	1,669
Bonds of the Kazakhstan Temir Zholy	6.5-7.0	1,985	-	-
Bonds KFW International Finanse	7	1,888	-	-
Bonds of JSC UMZ	8	1,500	8	100
Bonds of JSC Kazakhstani Mortgage Company	4.9-7.5	1,095	8	105
Bonds of JSC Almaty Kus	10	1,005	10	1,126
Bonds HSBK Europe BV	8	844	-	-
Bonds of JSC Halyk Bank	5.0-11.8	680	5.0-11.8	682
Bonds Europen Investment Group	7	668	-	-
Banque Europeene	5	564	5	672
Bonds of "TuranAlem Finance B.V."	10	478	10	142
Bonds of JSC Texaka Bank	11	474	11	472
Bonds of JSC KazTransKom	8	436	8	435
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	11	415	11	484
Bonds of JSC Nurbank	9	364	9	696
Bonds of "CenterCredit Int. B.V."	8	364	-	-
Bonds Kreditanstalt fur Wiederaufbau	2	351	-	-
Bonds of JSC KazAtomprom	9	307	9	341
Bonds of JSC TuranAlem Bank	11	264	10	297
Bonds of JSC Kazpost	8	149	8	149
Bonds of JSC Kazkommertcbank	8	127	8	144
Bonds of ValutTransit Bank	-	-	9	89
Bonds of Poland	-	-	6	129
Bonds of Germany	-	-	3	161
Total assets held-for-trading		113,925		79,283

As of 30 June 2006 and 31 December 2005 included in assets held-for-trading was accrued interest income on debt securities amounting to KZT 502 million and KZT 381 million, respectively.

12. LOANS AND ADVANCES TO BANKS

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Correspondent accounts in banks	4,142	3,992
Overnight deposits to banks	-	1,471
Short-term deposits to banks	16,118	4,672
Long-term deposits to banks	30	30
Accrued interest income on loans and advances to banks	22	17
Total loans and advances to banks	20,312	10,182

13. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Share of Kaztranskom JSC	1,502	-
Halyk Bank Bonds	100	50
Kazakhstan Kagazy Bonds	25	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	378
RG Brands Bonds	-	143
Kaztranscom bonds	-	3,461
ATF Bank Bonds	-	6
Total securities purchased under agreements to resell	1,627	4,038

As of 30 June 2006 and 31 December 2005 securities purchased under agreements to resell comprised accrued interest income amounting to KZT 2 million and KZT 2 million, respectively. The carrying amount of securities approximates to the market value.

14. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Originated loans	346,400	184,709
Accrued interest income on loans and advances to customers	8,505	4,420
Discount on loans and advances to customers	(3,786)	(1,477)
	351,119	187,652
Less allowance for impairment losses	(13,930)	(7,555)
Total loans and advances to customers, net	337,189	180,097

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Loans collateralized by real estate	195,919	113,802
Uncollateralized consumer loans	63,088	16,442
Loans collateralized by transport vehicles	18,920	19,261
Loans collateralized by goods	11,316	5,586
Loans collateralized by guarantees	8,033	5,419
Loans collateralized by liquid securities	7,786	8,394
Finance lease	5,556	2,863
Loans collateralized by deposits	4,732	6,188
Loans collateralized by equipment	1,715	4,902
Other	29,335	1,852
Accrued interest income on loans and advances to customers	8,505	4,420
Discount on loans and advances to customers	(3,786)	(1,477)
	351,119	187,652
Less allowance for impairment losses	(13,930)	(7,555)
Total income on loans and advances to customers, net	337,189	180,097

Movements in allowances for impairment losses for the six months ended 30 June 2006 and year ended 31 December 2006 are disclosed in Note 5.

As of 30 June 2006 and 2005 the Group had loans to customers 5 and 5 totaling KZT 33,545 million and KZT 23,490 million, respectively, balance of each individually exceeded 10% of the Group's equity.

As of 30 June 2006 and 2005 included in loans and advances to customers are non-accrual loans amounting to KZT 8,041 and KZT 3,400 million, respectively.

As of 30 June 2006 and 2005 the Group had loans totaling KZT 217,019 and KZT 128,444 million, respectively, which represent significant geographical concentration in Almaty forming 63 per cent and 68 per cent of the loan portfolio, respectively.

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Analysis by sector:		
Consumer loans	132,788	50,366
Construction	49,558	19,744
Wholesale	44,583	35,466
Population related services	32,093	12,710
Real estate operations	16,711	13,717
Transportation	13,527	14,960
Paper manufacturing	11,064	1,877
Retail trading	8,725	5,113
Agriculture	5,623	3,865
Finance lease	5,556	2,863
Finance services	4,315	3,686
Food	4,140	3,271
Entertainment and recreational services	3,389	1,066
Chemical industry	2,391	1,059
Services related to oil and gas extraction	1,969	423
Coal mining	1,827	7,311
Publications	1,443	-
Heavy industry	941	1,074
Mail and communications	726	608
Production of metal goods	592	1,105
Other	4,439	4,425
Accrued interest income on loans and advances to customers	8,505	4,420
Discount on loans and advances to customers	(3,786)	(1,477)
	351,119	187,652
Less allowance for impairment losses	(13,930)	(7,555)
Total income on loans and advances to customers, net	337,189	180,097

Included in originated loans are the following amounts relating to financial leases:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Total minimum lease payments	7,281	3,538
Less: unearned finance income	(1,725)	(675)
Total	5,556	2,863
Current portion	1,240	1,050
Long-term portion	6,041	2,488
Total	7,281	3,538

The present value of future minimum lease payments due from customers under finance lease as at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Not later than one year	774	995
Later than one year not later than five years	4,402	1,768
After five years	380	100
Total	5,556	2,863

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 11% per cent per annum. Material leasing arrangements were concluded with customers for purchases of vehicles and equipments, which represent the collateral for such arrangements.

15. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	30 June 2006 (unaudited) KZT mln	Interest to nominal %	31 December 2005 KZT mln
Debt securities				
KFW structural notes	7.13-8	4,763	7.1-8	5,366
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.1-6.5	1,355	5.7-6.09	1,444
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	11	1,278	11.13	1,490
JSC Kazakhstan Kagazi notes	10	604	10.4	611
Kazakhstan Mortgage Company bonds	9.4-10.7	488	8.9-9.7	501
ATF Bank bonds	9	416	8.5	417
Bank CenterCredit bonds	15	322	13.5	313
Nurbank bonds	9-9.9	313	8.3-9	278
RG Brand bonds	10	267	10	269
Halyk Bank Euronotes	8	248	8.1	291
Development Bank of Kazakhstan bonds	9	39	8.5	43
Bank TuranAlem bonds	10	10	9.9	10
		10,103		11,033

	Share %	30 June 2006 (unaudited) KZT mln	Share %	31 December 2005 KZT mln
Equity securities				
JSC FinanceCreditBank (Kyrgyzstan)	100	888	-	-
LLP First Credit Office	18.4	37	18.4	37
JSC Alliance Policy	5.4	27	5.4	27
JSC Processing Center	1,37	10	1,37	10
JSC Kazakhstan Stock Exchange	1.8	2	1.8	2
		964		76
Total investments available-for-sale		11,067		11,109

As of 30 June 2006 and 31 December 2005 investments available-for-sale included accrued interest income on debt securities of KZT 115 million and KZT 104 million, respectively.

As of 30 June 2006 JSC FinanceCreditBank (Kyrgyzstan) was classified as investment available-for-sale as there is forward sale contract on 100% shares of the Bank.

16. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	30 June 2006 (unaudited) KZT mln	Interest to nominal %	31 December 2005 KZT mln
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.6-7	406	6.6-7	418
Astana municipal bonds	8.5	40	8.5	45
Total investments held-to-maturity		446		463

As of 30 June 2006 and 31 December 2005 included in investments held-to-maturity was accrued interest income on debt securities amounting to KZT 6 million and KZT 6 million, respectively.

17. DUE TO THE BUDGET OF THE REPUBLIC OF KAZAKHSTAN

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Due to the Ministry of Finance of the Republic of Kazakhstan in relation to ADB loan	52	110
Due to regional budgets	15	17
Accrued interest expenses	1	2
Total due to the budget of the Republic of Kazakhstan	68	129

The Group participated in various lending programs financed from local budgets. As at 30 June 2006 and 31 December 2005, the amount due to regional budgets comprised:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Ust-Kamenogorsk Oblast	14	13
Pavlodar Oblast	-	2
Eastern-Kazakhstan Oblast	1	2
Total	15	17

18. LOANS AND ADVANCES FROM BANKS

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Correspondent accounts of other banks	767	121
Short-term loans and advances from banks	82,189	63,757
Long-term loans and advances from banks	98,240	30,351
	181,196	94,229
Accrued interest expense on loans and advances from banks	1,537	427
Total loans and advances from banks	182,733	94,656

19. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Notes of NBRK	10,912	5,111
US Treasury Bills	5,595	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3,200	1,150
Bonds of KFM Inter Finanse	1,849	-
Bonds of the Banque Europeene	554	-
Total securities sold under agreements to repurchase	22,110	6,261

As of 30 June 2006 and 31 December 2005 included in securities sold under agreements to repurchase was accrued interest expense amounting to KZT 22 million and KZT 1 million, respectively. The carrying amount of securities sold under agreements to repurchase approximates to the market value.

20. CUSTOMER ACCOUNTS

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Time deposits	112,315	100,347
Repayable on demand	37,480	29,852
Guarantee deposits	11,746	6,522
Creditors on documentary settlements	1,183	-
Accrued interest expenses on customer accounts	1,097	1,233
Total customer accounts	163,821	137,954

As of 30 June 2006 and 31 December 2005, 10 customers approximated 8% and 16% of total liabilities, respectively, which represent significant concentration.

Analysis by sector:	**30 June 2006 (unaudited) KZT mln**	**31 December 2005 KZT mln**
Individuals	55,654	40,199
Finance services	55,346	29,831
Trade	12,838	12,967
Construction	6,946	4,312
Metallurgy	5,530	13,488
Hotel business	3,825	77
Transport and communication	3,008	4,622
Energy	1,529	552
Agriculture	568	5,295
Food production	281	303
Real estate	250	1,825
Machinery	62	198
Arts	56	1,081
Other services	-	16,318
State administration	-	4,405
Education	-	467
Consumer production	-	382
Health care and social services	-	41
Other	16,831	358
Accrued interest expense on customers accounts	1,097	1,233
Total customer accounts	163,821	137,954

21. DEBT SECURITIES ISSUED

	30 June 2006 (unaudited) KZT mln	**31 December 2005 KZT mln**
Kazakhstan bonds	11,385	6,975
Eurobonds	70,239	46,134
Accrued interest expense on debt securities issued	1,036	379
Total debt securities issued	82,660	53,488

22. SUBORDINATED DEBT

	30 June 2006 (unaudited) KZT mln	**31 December 2005 KZT mln**
Perpetual Eurobonds	17,193	-
Kazakhstan subordinated bonds	5,032	5,292
Preference shares	3,630	-
Accrued interest expense on subordinated bonds	403	57
Total subordinated debt	26,258	5,349

23. SHARE CAPITAL

Ordinary shares: As of 30 June 2006 3,250,000 shares were authorized, 2,750,000 shares were issued and fully paid. As of 31 December 2005 2,750,000 shares were authorized, 2,440,715 shares were issued and fully paid. All ordinary shares are with par value of KZT 10,000 and carry one vote.

The below table provides a reconciliation of the number of shares outstanding as of 30 December 2005 and 30 June 2006:

	Ordinary shares Share'000
31 December 2005	2,441
Issue of ordinary shares	309
30 June 2006	2,750

Preference shares: As of 30 June 2006 687,500 shares were authorized, 399,260 shares were issued and fully paid, during six months of 2006 350,000 shares were issued and fully paid with premium to nominal KZT 2,450 per share. All preference shares are with par value of KZT 10,000 with dividend of KZT 1,000 per share. As of 31 December 2005 50,000 shares were authorized, issued and fully paid, 740 shares were repurchased with total premium of KZT 1 million.

IAS 32 «Financial instruments: Presentation» requires that preference shares or their component parts are classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. As of 30 June 2006 the Group reclassified prior year and current period issuance of preference shares in amount of KZT 3,630 million as a subordinated debt to comply with the requirements of IAS 32.

24. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless is represented by the contractual amounts of those instruments.

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

The risk-weighted amount is obtained by applying credit conversion factors and counterpart risk weightings according to the principles employed by the Basle Committee on Grouping Supervision.

As of 30 June 2006 and 31 December 2005, the nominal or contract amounts and the risk-weighted credit equivalents of instruments with off-balance sheet risks were:

	30 June 2006 (unaudited)		31 December 2005	
	Nominal Amount KZT mln	Risk Weighted Amount KZT mln	Nominal Amount KZT mln	Risk Weighted Amount KZT mln
Guarantees and similar commitments issued	126,779	126,779	35,255	35,255
Letters of credit	10,458	5,229	5,350	2,675

The Group has made a provision of KZT 321 million and KZT 176 million against commitments under guarantees issued as of 30 June 2006 and 31 December 2005, respectively.

25. FINANCIAL COMMITMENTS

Capital commitments

The Group had no material capital commitments outstanding as of 30 June 2006.

Operating leases

The Group's future minimum rental payments under non-cancellable operating leases of buildings for the next 5 years as of 30 June 2006 are presented in the table below:

	30 June 2006 (unaudited) KZT mln	31 December 2005 KZT mln
Not later than 1 year	3	2
Later than 1 year and not later than 5 years	720	734
Later than 5 years	336	201
Total operating lease commitments	1,059	937

Operating environment

The Group's principal activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to frequent changes and the Group's assets and operations could be at a risk due to negative changes in the political and business environment.

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 financial statements.

Taxes

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group's management believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

26. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24 "Related Party Disclosure", are those counterparties that represent:

a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, (this includes holding companies, subsidiaries and fellow subsidiaries);

b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);

e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence., This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;

f) Parties with joint control over the Group;

g) Joint ventures in which the Group is a venture; and

h) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 30 June 2006 and 31 December 2005:

	30 June 2006 (unaudited) KZT mln		31 December 2005 KZT mln	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers	7,757	351,119	5,517	187,652
-ultimate shareholders	5,594		4,060	
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	1,476		930	
- individuals influencing the Group's operations, and their close family members	167		155	
- key management personnel of the Group	307		200	
- close family members of the key management personnel of the Group	213		172	
Allowance for impairment losses	187	13,930	230	7,555
-ultimate shareholders	156		192	
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	1		-	
- individuals influencing the Group's operations, and their close family members	16		35	
- key management personnel of the Group	4		1	
- close family members of the key management personnel of the Group	10		2	
Customer accounts	1,192	163,821	754	137,954
-ultimate shareholders	-		90	
- who are under common control jointly with the Group	-		-	
- enterprises in which a substantial interest in the voting power is directly or indirectly owned by key management personnel and close members of their families	264		439	
- individuals influencing the Group's operations, and their close family members	539		41	
- key management personnel of the Group	245		84	
- close family members of the key management personnel of the Group	144		100	

Included in the profit and loss account for the years ended 30 June 2006 and 30 June 2005 are the following amounts which arose due to transactions with related parties:

	Six-month period ended 30 June 2006 (unaudited) KZT mln		Six-month period ended 30 June 2005 (unaudited) KZT mln	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	192	24,808	82	5,730
- *ultimate shareholders*	105		57	
- *related companies*	68		17	
- *key management personal and directors*	19		8	
Interest expense	16	14,326	16	4,194
- *ultimate shareholders*	-		-	
- *related companies*	16		11	
- *key management personal and directors*	-		5	
Fee and commission income	2	2,777	1	1,314
- *ultimate shareholders*	1		1	
- *related companies*	1		-	
Operating expenses	64	3,749	45	1,485
- *key management personal and directors*	64		45	

27. SEGMENT REPORTING

The Group is organized on the basis of three main business segments:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

Corporate banking – representing current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency products, guarantees and letters of credit.

Investment banking – representing financial instruments trading, structured finance.

Transactions between the business segments are conducted 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 funds attracted. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding items such as taxation and borrowings. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Investment banking	Eliminations	Period ended 30 June 2006 KZT mln
External interest income	9,753	15,038	2,406	(2,389)	24,808
External interest expense	(2,329)	(10,072)	(4,314)	2,389	(14,326)
Provision for impairment losses on interest bearing assets	(5,636)	(1,111)	-	-	(6,747)
Net gain on assets held-for-trading	-	-	(270)	-	(270)
Net gain on foreign exchange operations	168	256	-	-	424
Net fee and commission income	697	2,080	-	-	2,777
Net fee and commission expenses	(275)	(210)	-	-	(485)
Other income	129	51	-	-	180
Operating expenses	(2,062)	(1,446)	(241)	-	(3,749)
Operating profit	445	4,586	(2,419)	-	2,612
Other provision	-	(227)	-	-	(227)
Profit before income tax	445	4,359	(2,419)	-	2,385
Income tax expense	(117)	(629)	-	-	(746)
Net profit	328	3,730	(2,419)	-	1,639
Total assets	149,675	243,254	126,720	-	519,649
Total liabilities	64,720	294,117	127,398	-	486,235

Additional information

	Retail banking	Corporate banking	Investment banking	Eliminations	Period ended 30 June 2006 KZT mln
Capital additions and expenditures	959	411	-	-	1,370
Depreciation and amortization of segment assets	144	118	-	-	262

	Retail banking	Corporate banking	Investment banking	Period ended 30 June 2005 KZT mln
External interest income	1,547	2,999	1,184	5,730
External interest expense	(918)	(2,772)	(504)	(4,194)
Provision for impairment losses on interest bearing assets	(399)	(883)	-	(1,282)
Net gain on assets held-for-trading	-	-	375	375
Net gain on foreign exchange operations	49	62	-	111
Net fee and commission income	337	977	-	1,314
Net fee and commission expense	(28)	(82)	-	(110)
Other income	34	99	-	133
Operating expenses	(606)	(879)	-	(1,485)
Operating profit	16	(479)	1,055	592
Other provision	-	(16)	-	(16)
Profit before income tax	16	(495)	1,055	576
Income tax expense	(16)	(46)	-	(62)
Net profit	-	(541)	1,055	514
Total assets	22,780	137,442	61,719	221,941
Total liabilities	29,616	149,828	25,889	205,333

Additional information

	Retail banking	Corporate banking	Investment banking	Eliminations	Period ended 30 June 2005 KZT mln
Capital additions and expenditures	129	106	-	-	235
Depreciation and amortization of segment assets	50	78	-	-	128

28. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Groups' operations. The main risks inherent to the Group operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

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

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Management Department performs determination of the optimal structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Management Department performs monitoring of liquidity ratios.

The following table presents an analysis of interest rate risk and liquidity risk on balance sheet. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June2006 (unaudited) Total KZT mln
ASSETS							
Assets held-for-trading	103,331	-	1,038	-	9,556	-	113,925
Loans and advances to banks	19,908	374	-	30	-	-	20,312
Securities purchased under agreements to resell	1,627	-	-	-	-	-	1,627
Loans and advances to customers, less allowance for impairment losses	585	6,668	35,469	211,844	78,429	-	332,995
Investments available-for-sale	-	-	-	10,103	-	-	10,103
Investments held-to-maturity	-	-	-	446	-	-	446
Total interest bearing assets	*125,451*	*7,042*	*36,507*	*222,423*	*87,985*	-	*479,408*
Cash and balances with the National bank of the Republic of Kazakhstan	25,458	-	-	-	-	-	25,458
Precious metals	4						4
Overdue loans and advances to customers, less allowance for impairment losses	-	-	1,687	1,075	1,432	-	4,194
Derivative financial instruments	831	-	-	-	-	-	831
Investments available-for-sale	-	-	-	-	964	-	964
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	3,269	3,269
Other assets, less allowance for impairment losses	138	161	3,729	1,417	76	-	5,521
Total assets	151,882	7,203	41,923	224,915	90,457	3,269	519,649
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	-	-	68	-	-	-	68
Deposits from National bank of the Republic of Kazakhstan	-	-	-	6,000	-	-	6,000
Loans and advances from banks	19,119	11,930	88,169	61,227	2,288	-	182,733
Securities sold under agreements to repurchase	22,110	-	-	-	-	-	22,110
Customer accounts	7,000	9,839	40,193	68,844	1,776	-	127,652
Debt securities issued	-	-	1,813	4,173	76,674	-	82,660
Subordinated debt	-	-	-	2,645	19,983	3,630	26,258
Total interest bearing liabilities	48,229	21,769	130,243	142,889	100,721	3,630	447,481
Customer accounts	36,169	-	-	-	-	-	36,169
Dividends on preference shares	25	-	-	-	-	-	25
Derivative financial instruments	21	-	-	-	-	-	21
Income tax liability	22	-	-	-	-	-	22
Other liabilities	993	-	19	1,505	-	-	2,517
Total liabilities	85,459	21,769	130,262	144,394	100,721	3,630	486,235
Liquidity gap	66,423	(14,566)	(88,339)	80,521	(10,264)		
Interest sensitivity gap	77,222	(14,727)	(93,736)	79,534	(12,736)		
Cumulative interest sensitivity gap	77,222	62,495	(31,241)	48,293	35,557		
Cumulative interest sensitivity gap as a percentage of total assets	14.9%	12.0%	(6.0%)	9.3%	6.8%		

Loans and advances to banks, less allowance for impairment losses	9,671	274	237	-	-	-	10,182
Securities purchased under agreements to resell	572	3,466	-	-	-	-	4,038
Loans and advances to customers, less allowance for impairment losses	7,106	4,568	30,857	118,161	17,964	-	178,656
Investments available-for-sale	-	-	57	3,324	7,652	-	11,033
Investments held-to-maturity	-	-	417	46	-	-	463
Total interest bearing assets	129,638	8,308	31,568	121,531	25,616	-	316,661
Cash and balances with the National bank of the Republic of Kazakhstan	9,321	-	-	-	-	-	9,321
Precious metals	3						3
Overdue loans and advances to customers, less allowance for impairment losses	143	35	15	709	539	-	1,441
Investments available-for-sale	-	-	-	-	76	-	76
Fixed and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	2,181	2,181
Income tax assets	559	-	-	-	-	-	559
Other assets, less allowance for impairment losses	2,516	-	-	-	-		2,516
TOTAL ASSETS	142,180	8,343	31,583	122,240	26,231	2,181	332,758
LIABILITIES							
Due to the budget of the Republic of Kazakhstan	3	24	9	93	-	-	129
Deposits from the National bank of the Republic of Kazakhstan	4,000	2,000	-	-	-	-	6,000
Loans and advances from banks	4,343	11,445	43,831	35,037	-	-	94,656
Securities sold under agreements to repurchase	6,261	-	-	-	-	-	6,261
Customer accounts	17,933	12,267	37,590	40,198	446	-	108,434
Debt securities issued	-	-	2,334	51,154	-	-	53,488
Subordinated debt	-	-	57	-	5,292	-	5,349
Total interest bearing liabilities	32,540	25,736	83,821	126,482	5,738	-	274,317
Customer accounts	29,520	-	-	-	-	-	29,520
Dividends on preference shares	49	-	-	-	-	-	49
Other liabilities	840	-	-	-	-	-	840
TOTAL LIABILITIES	62,949	25,736	83,821	126,482	5,738	-	304,726
Liquidity gap	79,231	(17,393)	(52,238)	(4,242)	20,493		
Interest sensitivity gap	97,098	(17,428)	(52,253)	(4,951)	19,878		
Cumulative interest sensitivity gap	97,098	79,670	27,417	22,466	42,344		
Cumulative interest sensitivity gap as a percentage of total assets	29.2%	23.9%	8.2%	6.8%	12.7%		

Cash flow interest rate risk

Cash flow interest rate risk – the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Bank to avoid negative interest margin. Risk Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Group previous experience indicate that these deposits is a stable and long-term source of finance for the Group.

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	30 June 2006			**31 December 2005**			
	KZT	**USD**	**EURO**	**KZT**	**USD**	**EURO**	**RUR**
ASSETS							
Cash and balances with the National bank of the Republic of Kazakhstan	-	-	-	3.5%	-	-	-
Loans and advances to banks	6.3%	5.1%	3.5%	-	3%	-	-
Assets held-for-trading	3.3%	5.9%	3.5%	3.40%	6.1%0	3.54%	
Securities purchased under agreement to resell	-	-	-	8.10%	-	-	-
Loans and advances to customers	17.4%	12.1%	12.3%	14.80%	10.90%	12.70%	-
Investments available-for-sale	2.1%	12.0%	-	2.10%	12.20%	-	-
Investments held-to- maturity	5.9%	-	-	5.9%	-	-	
LIABILITIES							
Loans and advances from banks	7.6%	8.2%	7.9%	7.29%	6.02%	4.82%	-
Securities sold under agreements to repurchase	-	-	-	1.40%	-	-	-
Customer accounts	9.1%	7.1%	6.5%	9.05%	7.10%	6.50%	2%
Subordinated debt	10.6%	13.4%	-	10.20%	-	-	-
Debt securities issued	8.6%	10.2%	-	8.50%	10.20%	-	-

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1= KZT 118.69	EURO EUR 1 = KZT 148.81	Other currencies	30 June 2006 (unaudited) Total KZT mln
ASSETS					
Cash and balances with the National bank of the Republic of Kazakhstan	21,780	2,522	1,038	118	25,458
Precious metals	-	-	-	4	4
Assets held-for-trading	42,507	70,251	1,167	-	113,925
Loan and advances to banks	4,850	14,229	1,075	158	20,312
Securities purchased under agreements to resell	1,627	-	-	-	1,627
Loans and advances to customers, less allowance for impairment losses	188,441	140,221	8,519	8	337,189
Investments available-for-sale	3,853	6,326	-	888	11,067
Investments held-to-maturity	446	-	-	-	446
Fixed and intangible assets, less accumulated depreciation and amortization	3,269	-	-	-	3,269
Derivative financial instruments	-	661	3	167	831
Other assets, less allowance for impairment losses	1,348	3,959	21	193	5,521
TOTAL ASSETS	268,121	238,169	11,823	1,536	519,649
LIABILITIES					
Due to the budget of the Republic of Kazakhstan	16	52	-	-	68
Deposits from National bank of the Republic of Kazakhstan	6,000	-	-	-	6,000
Loans and advances from banks	48,589	123,472	10,664	8	182,733
Securities sold under agreements to repurchase	14,112	7,998	-	-	22,110
Customer accounts	142,300	19,836	1,608	77	163,821
Debt securities issued	11,586	71,074	-	-	82,660
Dividends on preference shares	25	-	-	-	25
Derivative financial instruments	3	18	-	-	21
Income tax liability	22	-	-	-	22
Other liabilities	1,495	814	174	34	2,517
Subordinated debt	6,480	19,778	-	-	26,258
TOTAL LIABILITIES	230,628	243,042	12,446	119	486,235
OPEN BALANCE SHEET POSITION	37,493	(4,873)	(623)	1,417	

Derivative financial instruments

Fair value of derivative financial instruments is included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments as at 30 June 2006:

	KZT	USD	EURO	Other currency	30 June 2006 (unaudited) Total KZT mln
Accounts payable on forward and spot contracts	(360)	(34,306)	(309)	(888)	(35,863)
Accounts receivable on forward and spot contracts	357	34,949	312	1,055	36,673
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(3)	643	3	167	
TOTAL OPEN POSITION	37,490	(4,230)	(620)	1,584	

	KZT	USD USD 1= KZT 133.77	EURO EUR 1 = KZT 158.54	Other currencies	31 December 2005 Total KZT mln
ASSETS					
Cash and balances with the National bank of the Republic of Kazakhstan	38,754	3,047	420	106	42,327
Precious metals	-	-	-	3	3
Assets held-for-trading	35,997	42,996	160	130	79,283
Loans and advances to banks, less allowance for impairment losses	2,173	6,383	635	991	10,182
Securities purchased under agreements to resell	4,038	-	-	-	4,038
Loans and advances to customers, less allowance for impairment losses	88,230	89,082	2,785	-	180,097
Investments available-for-sale	3,792	7,317	-	-	11,109
Investments held-to-maturity	418	45	-	-	463
Fixed and intangible assets, less accumulated depreciation and amortization	2,181	-	-	-	2,181
Income tax assets	559	-	-	-	559
Other assets, less allowance for impairment losses	1,284	1,196	29	7	2,516
TOTAL ASSETS	177,426	150,066	4,029	1,237	332,758
LIABILITIES					
Due to the budget of the Republic of Kazakhstan	17	112	-	-	129
Deposits from National bank of the Republic of Kazakhstan	6,000	-	-	-	6,000
Loans and advances from banks	22,672	69,203	2,773	8	94,656
Securities sold under agreements to repurchase	6,261	-	-	-	6,261
Customer accounts	105,544	31,005	1,255	150	137,954
Debt securities issued	6,591	46,897	-	-	53,488
Dividends on preference shares	49	-	-	-	49
Other liabilities	774	43	23	-	840
Subordinated debt	2,826	2,523	-	-	5,349
TOTAL LIABILITIES	150,734	149,783	4,051	158	304,726
OPEN BALANCE SHEET POSITION	26,692	283	(22)	1,079	

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to market risks of its products which are subject to general and specific market fluctuations.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, to industry and geographical segments. Limits on the level of credit risk by borrower, product, industry sector and by region are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving new loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan KZT mln	OECD Countries KZT mln	Other non-OECD countries KZT mln	30 June 2006 (unaudited) Total KZT mln
ASSETS				
Cash and balances with the National bank of the Republic of Kazakhstan	25,458	-	-	25,458
Precious metals	-	4	-	4
Assets held-for-trading	49,908	64,017	-	113,925
Loans and advances to banks	3,482	16,346	484	20,312
Securities purchased under agreements to resell	1,627	-	-	1,627
Loans and advances to customers, less allowance for impairment losses	330,533	5,886	770	337,189
Investments available-for-sale	5,417	5,650	-	11,067
Investments held-to-maturity	446	-	-	446
Fixed and intangible assets, less accumulated depreciation and amortization	3,269	-	-	3,269
Derivative financial instruments	831	-	-	831
Other assets, less allowance for impairment losses	4,857	649	15	5,521
TOTAL ASSETS	425,828	92,552	1,269	519,649
LIABILITIES				
Due to the budget of the Republic of Kazakhstan	68	-	-	68
Deposits from National bank of the Republic of Kazakhstan	6,000	-	-	6,000
Loans and advances from banks	7,369	175,263	101	182,733
Securities sold under agreements to repurchase	14,112	7,998	-	22,110
Customer accounts	161,010	-	2,811	163,821
Debt securities issued	11,586	71,074	-	82,660
Dividends on preference shares	25	-	-	25
Derivative financial instruments	21	-	-	21
Income tax liability	22	-	-	22
Other liabilities	2,517	-	-	2,517
Subordinated debt	26,258	-	-	26,258
TOTAL LIABILITIES	228,988	254,335	2,912	486,235
NET POSITION	196,840	(161,783)	(1,643)	

	Republic of Kazakhstan	OECD Countries	Other non-OECD countries	31 December 2005 Total KZT mln
ASSETS				
Cash and balances with the National bank of the Republic of Kazakhstan	42,327	-	-	42,327
Precious metals	-	3	-	3
Assets held-for-trading	41,435	37,719	129	79,283
Loans and advances to banks	6,797	2,865	520	10,182
Securities purchased under agreements to resell	4,038	-	-	4,038
Loans and advances to customers, less allowance for impairment losses	173,513	216	6,368	180,097
Investments available-for-sale	5,742	5,367	-	11,109
Investments held-to-maturity	463	-	-	463
Fixed and intangible assets, less accumulated depreciation and amortization	2,181	-	-	2,181
Income tax assets	559	-	-	559
Other assets, less allowance for impairment losses	1,576	940	-	2,516
TOTAL ASSETS	278,631	47,110	7,017	332,758
LIABILITIES				
Due to the budget of the Republic of Kazakhstan	129	-	-	129
Deposits from the National bank of the Republic of Kazakhstan	6,000	-	-	6,000
Loans and advances from banks	7,387	86,343	926	94,656
Securities sold under agreements to repurchase	6,261	-	-	6,261
Customer accounts	135,628	53	2,273	137,954
Debt securities issued	6,591	46,897	-	53,488
Dividends on preference shares	49	-	-	49
Other liabilities	840	-	-	840
Subordinated debt	5,349	-	-	5,349
TOTAL LIABILITIES	168,234	133,293	3,199	304,726
NET POSITION	110,397	(86,183)	3,818	

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