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In 1Q2008 Alliance Bank demonstrates stable growth of interest and commission income

Almaty, June 25, 2008 – Alliance Bank (LSE: ALLB) disclosed its 1Q2008 performance highlights based on IFRS audited consolidated financials. One of the main achievements of the Bank for the reported period was growth of its net interest income before reserves by 22% against same period of 2007. As of 1Q2008 it amounted to KZT 20 579 million (USD 170,9 million).

Strategy of the Bank targeted at business efficiency increase, allowed to see increase of interest as well as commission income. As of 1Q2008 net commission income of the Bank totaled KZT 176 million against losses of KZT 154 million for the same period of 2007. Main portion of commission income of the Bank are income cash settlement operations, which grew 2,5 times and comprised KZT 2 205 million (USD 18,3 million) as well as documentary operations income, increased 2,5 times and totaling KZT 793 million (USD 6,6 million) against same period of 2007.

Maintaining high profitability of operational activity, the Bank pays close attention to adequate liquidity levels, retaining liquid assets at the level of 20-23% of total assets. Within 1Q2008 level of liquid assets increased by 4% as opposed to the indicator of 2007 and totaled KZT 251 million (USD 2,1 million). At the same time the Bank's liquidity ratio since beginning of 2008 grew by 1.3% reaching 22.1%.

Liquidity k4 and k5 ratios under prudential norms of NBK comprised 443,7% and 181,6% accordingly while minimum requirements are 30% and 50% respectively.

"In the first quarter of 2008, we primarily focused on maintenance of the Bank's adequate liquidity level and scheduled repayment of our liabilities to foreign investors. The Bank's foreign indebtedness in 2008 is USD 1 billion 22 million, while 70% of this amount falls due and will be repaid before July 1, 2008. In the current environment of insufficient liquidity, the Bank has the PIL scheduled repayments as the main source of funding. As of April 1 the assets with less than one year maturity made up KZT 531 billion, which significantly exceeds liabilities with less than one year maturity totaling KZT 375 billion. As a result, we are successfully managing all our short-term liabilities repayment, despite challenges connected with fundraising from international markets," said Erik Sultankulov, CEO of Alliance Bank.

As was previously announced, as a result of environment change in international capital markets in 2007, the Bank has corrected it's development strategy in order to settle new objectives. The Bank's new strategic targets encompass maintenance of stable growth and strengthening its position in the market as well as improvement of the service quality and

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operational efficiency. Maximum use of the stored knowledge, know how and technologies are aimed to attract more customers to the Bank. Alliance Bank will continue to be the leader and an innovator in retail banking. Customer service efficiency coupled with increased service quality are among the Bank's main priorities.

Alliance Bank's key financial performance highlights in 1Q2008:

- Assets comprised KZT 1 137 billion (USD 9,4 billion) against KZT1 161 billion (USD9,6 billion). At the same time liquid assets increased by 4% against end of 2007 and comprised KZT251 billion (USD2 083 million). The Bank Liquidity ratio from beginning of 2008 grew by 1.3% to 22.1%. Liquidity k4 and k5 ratios under prudential norms of NBK comprised 443,7% and 181,6% accordingly while requirements are 30% and 50% respectively.

- Loan portfolio was contracted by 6% to KZT 770 billion (USD 6 383 million), including retail loans reducing by 9.7% to KZT 367,1 billion (USD 3 042 million).
- To cover possible loan losses from NPLs, the bank has generated loan loss reserves in amount of KZT 48 685 million (USD 403.4 million). In addition, equity of the Bank includes additional reserve capital for possible losses for the amount of KZT 10 billion, thus, total reserves stand at 7.2% of loan book and fully cover non-performing loan level.

- In 1Q2008 the Bank has repaid a part of its indebtedness to the foreign investors for a total amount of USD 171 million. The Bank is repaying another USD 510 million of foreign liabilities, thus meeting it's obligations by approximately 70% of its total debt for the whole year of 2008. The remaining portion of its foreign liabilities due until end of 2008 makes up USD 342 million.
- The Bank's shareholders' equity increased by 2.6% to KZT 163 billion (USD 1 352 million) against KZT 159 billion (USD 1 321 million) in 2007.
- Total capital and T1 capital adequacy ratios under Basel methodology stood at 19.4% and 17.7% accordingly, while minimum requirements are 6% and 12% respectively.
- K1 and K2 general capital adequacy ratios under prudential standards of NBK totalled 14.9% and 16.2% while required levels are 5 % and 10% accordingly
- The Bank's net profit totaled KZT 4 220 million (USD 35.0 million) in comparison with KZT 8 307 million (USD 66.5 million) in 1Q2007. On a contrary, the Bank's net interest income grew by 22% against same period last year and comprised KZT 20 579 million (USD 170, 9 million).
- Net commission income made up KZT 176 million (USD 1, 5 million) compared to losses of KZT 154 million for the same period of 2007. The main portion of the

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income came from cash settlement operations, which increased 2.5 times and amounted to KZT 793 million (USD 6,6 million) against 1Q 2007.

- Cost to Income ratio stood at 29.3% as of April 1, 2008.

Alliance Bank's IFRS full audited consolidated financials are available at:

http://www.alb.kz/cgi-bin/index.cgi?f63&dbid=null&version=en

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Alliance Bank's 1Q2008 Key Highlights

PROFIT

The Bank's net profit comprised KZT 4 220 million (USD 35,0 million) as compared to KZT 8 307 million (USD 66,5 million) in 1Q2007. The net profit decreased mainly due to the increase of provisioning as well as revaluation of foreign exchange operations.

The Bank's net interest income (before loan loss reserves) **increased by 22% as compared to the same period of previous year and totaled KZT 20 579 million** (USD 170,9 million). Growth of net interest income took place due to increase of high-yielding retail loans in the loan portfolio structure, as well as growth of loan portfolio against same period of 2007.

Net commission income is positive totaling KZT 176 million (USD 1,5 million), including income from cash settlement operations, increased 2,5 times up to KZT 2 205 million (USD 18.3 million), income from documentary operations, increased 2,5 times to KZT 793 million (USD 6.6 million) against same period of 2007. At the same time commission expenses totaled KZT 2,6 billion (USD 22 million). Less insurance premiums, the Bank's net commission income, grew by 68.9% and amounted to KZT 2 823 million (USD 23,4 million).

ROAE and ROAA, calculated on annual average basis, totaled 10.5% and 1.5% as of April 1, 2008.

Cost to Income ratio stood at 29.3% as of April 1, 2008.

ASSETS

In the course of 1Q2008**, the Bank's assets** insignificantly decreased and as of April 1, 2008, amounted to KZT 1 137,3 billion (USD 9,4 billion) against KZT 1 161 billion (USD 9,7 billion) as of early 2007. Slight decline of the Bank's assets in 1Q12008 has not had any material effect on the Bank's ranking in the rating chart, and following the reported period, the Bank maintains its position among five top Kazakhstani banks. Alliance Bank makes up approximately 9,8% of total Kazakhstani banking assets (according to FMSA data).

Liquid assets of the Bank increased by 4% to KZT 251,4 billion (USD 2 083 million) against the year end 2007. The Bank's liquidity ratio from beginning of 2008 grew by 1.3% to 22.1%. Bank's liquidity ratios k4 and k5, calculated in compliance with the NBK prudential norms, made up 443,7% and 181,6% while NBK requirements were 30% and

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50% respectively. Structure of liquid assets is primarily comprised, at 57%, by highly liquid securities. Cash on correspondent accounts with the National Bank amounted to 24% of the Bank's liquid assets.

Loan portfolio of the Bank (less reserves) decreased by 6% to KZT 770 billion (USD 6 383 million), including decrease of loans to individuals by 9.4% to KZT 367,1 billion (USD 3 042 million). 55% or KZT 200,7 billion (USD 1,663 million) are the high-yielding consumer loans in the retail portfolio structure. In order to mitigate risks in Kazakhstani property sector, the Bank maintains relatively small share of mortgage loans to individuals in the loan portfolio structure. As of the end of reporting period the mortgage loans share amounted to 16% or KZT 60,3 billion (USD 499,6 million).

Loan portfolio quality. As of April 1, 2008 the amounted to 6,4% in comparison with 3,8% as of 2007-end.

To cover possible loan losses from NPLs, the bank has generated loan loss reserves in amount of KZT 48 685 million (USD 403.4 million). In addition, equity of the Bank includes additional reserve capital for possible losses for the amount of KZT 10 billion, thus, total reserves stand at 7.2% of loan book and fully cover non-performing loan level.

LIABILITIES

Liabilities of the Bank decreased by 2,8% and amounted to KZT 974,1 billion (USD 8 071 million). Decrease of the Bank's liabilities in 1Q2008 was caused by scheduled repayment of foreign liabilities**.** Pursuant to the repayment schedule Alliance Bank's foreign indebtedness for a total amount of USD 1 billion 22 million is to be repaid for the whole year of 2008. In 1Q2008 the Bank's scheduled repayment of foreign liabilities amounted to USD 171 million. 2Q2008 sees another USD 510 million, thus approximately 70% of total foreign liabilities will be repaid then. After all scheduled repayments in 1H2008 the Bank will have just USD 342 million-worth of foreign liabilities to meet before the end of the year. Main source of external repayment are planned PIL scheduled repayments.

Customer accounts for the 1Q2008 decreased by 10,9% to KZT 215,5 billion (USD 1 785 million) impacted by continuing liquidity deficit in domestic banking sector. Alliance Bank expects increase of this balance item by offering deposit products with attractive interest rates to the market of corporate and individual customers, which is possible due to high profitability of the loan portfolio and high net interest margin as well as due to optimization of marketing expenses of these products.

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EQUITY

Equity of the Bank for the reporting period increased by KZT 4,2 billion and amounted to KZT 163 billion (USD 1 352 million). Growth of the Bank's equity in 1Q2008 was caused by capitalization of the Bank's profit for 2007 that demonstrates commitment of the major shareholder– SAFC – to business development of the Bank.

Tier one capital adequacy and total capital adequacy ratios calculated under Basel Committee methodology as of April 1, 2008 were 17.7% and 19.4% while minimum requirements are 6% and 12% accordingly.

K1 and K2 general capital adequacy ratios under prudential standards of NBK totaled 14.9% and 16.2% while required levels are 5 % and 10% accordingly

ADDITIONAL INFORMATION

International ratings

Alliance Bank has the following ratings assigned by international rating agencies:

- **Moody's Investors Service**: long-term foreign currency rating «Ba2», short-term foreign currency rating is «NP» and financial strength "E+";
- **Fitch Ratings**: long-term foreign currency issuer default rating is "BB-" with "Stable" outlook, short-term foreign currency issuer default rating is "B", individual is "D", supporting rating is "3" and supporting long-term issuer default rating is "BB-";
- **Standard & Poor's**: long-term counterparty rating is «B+», short-term rating is «B».

Customer base

Customer base accounts for over 2,1 million clients, 15,4 thousand of which are corporate customers.

Branch network

Bank's regional network is comprised of 21 branches and 177 mini-branches in 63 cities and rural settlements of Kazakhstan.

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Table 1. Alliance Bank's key financial highlights in 2007.

	KZT billion			USD million		
	IQ2008	**2007**	**2006**	**IQ2008**	**2007**	**2006**
Assets	1 137,3	1 160,9	920,8	9 423,2	9 650,3	7 250,0
Net loan debt	770,4	819,2	619,8	6 382,9	6 809,6	4 880,3
Equity	163,1	159,0	80,0	1 351,7	1 321,5	630,2
Net profit	4,2	42,7	14	35,0	348,3	111,1
			24,9			
Cost-to- Income,%	29,3%	21,4%	%			
Net interest margin (NIM),%	8,1%	9,7%	7,1%			
RoAE,%	10,5%	35,7%	25,9			
RoAA,%	1,5%	4,1%	2,2%			

Note: assets and liabilities of the Bank are calculated in US dollars at the NBK rate which as of April 1, 2008 was KZT 120,69 per USD 1 (as of January 1, 2007 – KZT 127 per 1 USD, as of January 1, 2006 – KZT 133,77 per 1 USD); profit and income per share are calculated under average US dollar exchange rate for 1Q2008, according to the rate provided by NBK – KZT 120,45 per 1 USD (in 2007 – KZT 122,55 per 1 USD, in 2006 – 126,09 per 1 USD).

About Alliance Bank

Alliance Bank is one of the leading Kazakhstani banks. Established in 1993, the Bank is currently among five top Kazakhstani banks in terms of asset and equity size.

Alliance Bank has been developing as a universal financial institution in all business segments, primarily focusing on retail market including card business and SME lending. Bank is represented by a wide regional network of 21 branches and 177 outlets in 63 cities and rural settlements with a customer base over 2 million people. At present, the Bank's ATM network totals 1 237 machines throughout Kazakhstan.

Alliance Bank has been awarded by Euromoney as the "Best Retail Bank in Kazakhstan" in 2005 and 2007, "Leading Bank in Corporate Governance Emerging Europe" in 2006 as well as the "Most reliable partner in retail banking in Kazakhstan" in 2008.

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