JSC “BTA Bank” (formerly JSC “Bank TuranAlem”) and subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2008

Together with Report on review of interim condensed consolidated financial statements

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of JSC "BTA Bank" (formerly JSC "Bank TuranAlem"):

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "BTA Bank" (formerly JSC "Bank TuranAlem") (the "Bank") as of 30 June 2008, comprising the interim condensed consolidated balance sheet as of 30 June 2008 and the related interim condensed consolidated statement of income, cash flows and changes in equity for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Bank are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

26 August 2008

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

(Millions of Kazakhstani tenge)

	Notes	*30 June 2008 (unaudited)*	*31 December 2007*
Assets			
Cash and cash equivalents	3	**136,267**	99,723
Obligatory reserves	4	**177,768**	168,242
Financial assets at fair value through profit or loss	5	**168,647**	112,175
Amounts due from credit institutions	6	**123,311**	107,589
Derivative financial assets	7	**52,931**	31,397
Available-for-sale investment securities	8	**69,453**	26,422
Loans to customers	9	**2,464,933**	2,379,810
Investments in associates		**56,946**	67,767
Property and equipment		**13,796**	13,433
Goodwill		**37,552**	37,557
Current income tax asset		**1,244**	110
Deferred tax assets		–	683
Other assets		**53,396**	19,709
Total assets		**3,356,244**	3,064,617
Liabilities			
Amounts due to the Government and the NBK	12	**1,043**	913
Amounts due to credit institutions	13	**900,389**	835,304
Derivative financial liabilities	7	**9,286**	5,528
Amounts due to customers	14	**747,705**	652,508
Debt securities issued	15	**1,180,783**	1,084,445
Current tax liability		**433**	–
Deferred tax liability		**1,417**	–
Other liabilities		**40,826**	33,888
Total liabilities		**2,881,882**	2,612,586
Equity	16		
Share capital-common shares		**303,456**	303,427
Treasury shares		**(4,932)**	(555)
Securities revaluation reserve		**(1,085)**	(195)
Foreign currency translation reserve		**(99)**	104
Retained earnings		**156,576**	129,938
Equity attributable to shareholders of the parent		**453,916**	432,719
Minority interest		**20,446**	19,312
Total equity		**474,362**	452,031
Total liabilities and equity		**3,356,244**	3,064,617

Signed and authorized for release on behalf of the Management Board of the Bank

Roman V. Solodchenko — Chairman of the Board

Alma B. Maxutova — Chief Accountant

26 August 2008

The accompanying notes on pages 7 to 42 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

(Millions of Kazakhstani tenge)

		Six-month period ended 30 June	
	Notes	*2008 (unaudited)*	*2007 (unaudited)*
Interest income			
Loans		**173,340**	120,052
Securities		**5,665**	7,610
Deposits with other banks		**8,724**	6,673
		187,729	134,335
Interest expense			
Debt securities issued		**(47,804)**	(37,229)
Deposits from customers		**(23,554)**	(17,439)
Deposits and loans from credit institutions		**(30,932)**	(22,339)
		(102,290)	(77,007)
Net interest income before impairment		**85,439**	57,328
Impairment charge	6,9	**(40,960)**	(13,833)
Net interest income		**44,479**	43,495
Fee and commission income		**16,370**	14,044
Fee and commission expense		**(763)**	(764)
Fees and commissions		**15,607**	13,280
Net trading income/(loss)	18	**687**	(777)
Gains less losses from foreign currencies:			
- dealing		**1,589**	3,570
- translation differences		**1,604**	10,900
Income from insurance operations		**6,492**	4,528
Expense from insurance operations		**(5,829)**	(4,058)
Share of income of associates	2	**3,092**	1,573
Other income		**2,759**	246
Non interest income		**10,394**	15,982
Salaries and other employee benefits	19	**(12,841)**	(12,036)
Administrative and other operating expenses	19	**(11,641)**	(9,547)
Depreciation and amortisation		**(2,005)**	(1,013)
Taxes other than income tax		**(1,563)**	(966)
Other provisions	10	**(6,245)**	(2,128)
Obligatory insurance of individuals' deposits		**(1,397)**	(875)
Non interest expense		**(35,692)**	(26,565)
Income before income tax expense		**34,788**	46,192
Income tax expense	11	**(6,958)**	(5,824)
Net income after income tax		**27,830**	40,368
Attributable to:			
Equity holders of the parent		**26,638**	38,082
Minority interest in net income		**1,192**	2,286
Net income		**27,830**	40,368
Basic and diluted earnings per share (in Kazakhstani Tenge)	20	**3,182**	5,895

The accompanying notes on pages 7 to 42 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

(Millions of Kazakhstani Tenge)

	Share Capital-Common Shares	*Treasury shares*	*Securities Revaluation Reserve*	*Foreign currency translation reserve*	*Retained Earnings*	*Total*	*Minority Interest*	*Total Equity*
1 January 2007	116,451	(2,840)	335	(45)	68,584	182,485	12,133	194,618
Fair value change of available-for-sale securities, net of tax (unaudited)	–	–	154	–	–	154	48	202
Amortization of revaluation loss on available-for-sale securities reclassified to held-to-maturity securities (unaudited)	–	–	106	–	–	106	–	106
Foreign currency translation (unaudited)	–	–	–	24	–	24	–	24
Total income recognized directly in equity (unaudited)	–	–	260	24	–	284	48	332
Net income (unaudited)	–	–	–	–	38,082	38,082	2,286	40,368
Total income (unaudited)	–	–	260	24	38,082	38,366	2,334	40,700
Issue of common shares (unaudited)	123,309	–	–	–	–	123,309	–	123,309
Issue of treasury shares (unaudited)	–	1,330	–	–	–	1,330	–	1,330
Purchase of treasury shares (unaudited)	–	(101)	–	–	–	(101)	–	(101)
Minority interest on acquisition (unaudited)	–	–	–	–	–	–	1,233	1,233
30 June 2007	239,760	(1,611)	595	(21)	106,666	345,389	15,700	361,089

The accompanying notes on pages 7 to 42 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008 (CONTINUED)

(Millions of Kazakhstani Tenge)

	Share Capital-Common Shares	*Treasury shares*	*Securities Revaluation Reserve*	*Foreign currency translation reserve*	*Retained Earnings*	*Total*	*Minority Interest*	*Total Equity*
30 June 2007	239,760	(1,611)	595	(21)	106,666	345,389	15,700	361,089
Fair value change of available-for-sale securities, net of tax (unaudited)	–	–	(98)	–	–	(98)	–	(98)
Release of available-for-sale securities revaluation reserve on disposal of previously revalued assets (unaudited)	–	–	(692)	–	–	(692)	–	(692)
Foreign currency translation (unaudited)	–	–	–	125	–	125	–	125
Total income recognized directly in equity (unaudited)	–	–	(790)	125	–	(665)	–	(665)
Net income (unaudited)	–	–	–	–	23,272	23,272	1,065	24,337
Total income (unaudited)	–	–	(790)	125	23,272	22,607	1,065	23,672
Issue of common shares (unaudited)	63,667	–	–	–	–	63,667	–	63,667
Issue of treasury shares (unaudited)	–	4,600	–	–	–	4,600	–	4,600
Purchase of treasury shares (unaudited)	–	(3,544)	–	–	–	(3,544)	–	(3,544)
Contribution to subsidiaries (unaudited)	–	–	–	–	–	–	8,515	8,515
Minority interest on acquisition (unaudited)	–	–	–	–	–	–	(245)	(245)
Minority interest on disposal (unaudited)	–	–	–	–	–	–	(5,723)	(5,723)
31 December 2007	303,427	(555)	(195)	104	129,938	432,719	19,312	452,031

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008 (CONTINUED)

(Millions of Kazakhstani Tenge)

	Share capital-common shares	*Treasury shares*	*Securities revaluation reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Total*	*Minority interest*	*Total equity*
1 January 2008	**303,427**	**(555)**	**(195)**	**104**	**129,938**	**432,719**	**19,312**	**452,031**
Fair value change of available-for-sale securities, net of tax	–	–	529	–	–	529	(18)	511
Release of available-for-sale securities revaluation reserve on disposal of previously revalued assets (unaudited)	–	–	(65)	–	–	(65)	(9)	(74)
Share of changes recognized directly in equity (unaudited)	–	–	(1,354)	–	–	(1,354)	–	(1,354)
Foreign currency translation (unaudited)	–	–	–	(203)	–	(203)	(31)	(234)
Total income (loss) recognized directly in equity (unaudited)	–	–	(890)	(203)	–	(1,093)	(58)	(1,151)
Net income (unaudited)	–	–	–	–	26,638	26,638	1,192	27,830
Total income (unaudited)	–	–	(890)	(203)	26,638	25,545	1,134	26,679
Issue of common shares (unaudited)	29	–	–	–	–	29	–	29
Purchase of treasury shares (unaudited)	–	(4,393)	–	–		(4,393)	–	(4,393)
Issue of treasury shares (unaudited)	–	16	–	–		16	–	16
30 June 2008	**303,456**	**(4,932)**	**(1,085)**	**(99)**	**156,576**	**453,916**	**20,446**	**474,362**

The accompanying notes on pages 7 to 42 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

(MILLIONS OF KAZAKHSTANI TENGE)

	Notes	*Six-month periods ended 30 June* *2008 (unaudited)*	*2007 (unaudited)*
Cash flows from operating activities:			
Interest received		**138,680**	105,797
Interest paid		**(99,658)**	(65,134)
Income received from trading in foreign currencies		**1,589**	3,874
Fee and commission received		**14,003**	13,872
Fee and commission paid		**(960)**	(240)
Cash paid for insurance operations		**(1,506)**	(759)
Cash received from insurance operations		**4,928**	5,699
Cash paid to employees		**(9,807)**	(8,384)
Recovery of loans previously written-off		**1,795**	4,671
Cash paid for obligatory deposits insurance		**(1,397)**	(875)
Operating expenses paid		**(10,326)**	(10,733)
Cash flows provided by operating activities before changes in operating assets and liabilities		**37,341**	47,788
Net cash increase/(decrease) from operating assets and liabilities			
Net increase in obligatory reserves		**(2,374)**	(23,076)
Net increase in financial assets at fair value at profit or loss		**(53,770)**	29,364
Net increase in due from credit institutions		**(13,992)**	(5,853)
Net increase in loans to customers		**(68,426)**	(860,589)
Net increase in other assets		**(31,984)**	(20,338)
Net increase/(decrease) in due to the Government		**113**	(72)
Net increase in due to credit institutions		**49,762**	263,170
Net increase in due to customers		**93,290**	224,489
Income tax paid		**(5,791)**	(2,748)
Net decrease in other liabilities		**(5,111)**	(1,702)
Net cash used in operating activities		**(942)**	(349,567)
Cash flows from investing activities			
Acquisition of investment securities available-for-sale		**(41,873)**	(13,885)
Proceeds from disposal of investment securities available-for-sale		**11,488**	18,737
Acquisition/disposal of subsidiaries		**(12)**	–
Investment in associates		**622**	(37,544)
Acquisition of property and equipment		**(3,185)**	(4,337)
Proceeds from disposal of property and equipment		**922**	1,289
Net cash used in investing activities		**(32,038)**	(35,740)
Cash flows from financing activities			
Redemption of debt securities issued		**(34,270)**	(26,688)
Proceeds from debt securities issued		**107,016**	270,448
Proceeds from sale of common shares		**29**	123,309
Purchase of treasury shares		**(4,393)**	(101)
Proceeds from sale of treasury shares		**16**	1,330
Net cash from financing activities		**68,398**	368,298
Effect of exchange rate changes on cash and cash equivalents		**1,126**	2,896
Net increase/(decrease) in cash and cash equivalents		**36,544**	(14,113)
Cash and cash equivalents at beginning of the year		**99,723**	193,640
Cash and cash equivalents at the end of the year	**3**	**136,267**	179,527
Non-cash transactions:			
Transfer of Investments in associates to available-for-sale securities		**(11,937)**	–

The accompanying notes on pages 7 to 42 are an integral part of these interim condensed consolidated financial statements

(Millions of Kazakhstani Tenge)

1. Principal activities

JSC "BTA Bank" (formerly JSC "Bank TuranAlem") and its subsidiaries (together the "Group") provide retail and corporate banking services, insurance services, leasing and other financial services in Kazakhstan, Kyrgyzstan and Russian Federation. The parent company of the Group is joint stock company "BTA Bank" (the "Bank"). It was renamed from JSC "Bank TuranAlem" in January 2008. The Bank is incorporated and domiciled in the Republic of Kazakhstan. Note 2 lists the Bank's subsidiaries.

The address of the Bank's registered office is: 97 Zholdasbekov Street, Samal-2, Almaty, 050051, Republic of Kazakhstan.

The Bank accepts deposits from the public and extends credit, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. In addition, the Group is authorized to provide asset management and custodian services, as well as to accept pension fund deposits. The Bank has a primary listing in the Kazakhstani Stock Exchange ("KASE"). Certain of the Group's debt securities are listed on the Luxemburg Stock Exchange and London Stock Exchange with a secondary listing on the KASE. Its head office is located in Almaty, Kazakhstan. At 30 June 2008, it had 22 regional branches and 280 cash settlement units (2007 – 22 regional branches and 289 cash settlement units) located throughout Kazakhstan and representative offices in Shanghai, China; Moscow, Russia; Kiev, Ukraine; and Dubai, United Arab Emirates.

As of 30 June 2008, members of the Board of Directors and Management Board owned 60,353 common shares or 0.72% of issued capital (2007 - 79,897 shares or 0.95%).

2. Basis of preparation

General

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Accordingly, they do not include all of the information required by International Financial Reporting Standards ("IFRS") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and provisions) considered necessary for a fair presentation have been included. Operating results for the six-month period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008.

These interim condensed consolidated financial statements are presented in millions of Kazakh Tenge ("KZT"), except per share amounts and unless otherwise indicated. The KZT is utilized as the shareholders, the managers and the regulators measure the Group's performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Group. Significant foreign currency positions are maintained as they are necessary to meet customers' requirements, manage foreign currency risks and achieve a proper assets and liabilities structure for the Group's balance sheet. Transactions in other currencies are treated as transactions in foreign currencies.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2007, considering the effect of the adoption of the new IFRSs and revision of the existing International Accounting Standards ("IAS").

Reclassifications

The following reclassifications have been made to 2007 balances to conform to the 2008 presentation:

30 June 2007

	As previously reported	*Reclassification*	*As reported herein*	*Comment*
Statement of income:				
Net trading income	(1,081)	304	(777)	Reclassification of the trading gain from interest rate instruments from Gains less losses from foreign currencies to Net trading income
Gains less losses from foreign currencies - dealing	3,874	(304)	3,570	
Balance sheet:				
Current income tax asset	–	110	110	Reclassification of Current income tax asset from Other assets
Other assets	19,819	(110)	19,709	

(Millions of Kazakhstani Tenge)

2. Basis of preparation (continued)

Consolidated subsidiaries

The interim condensed consolidated financial statements include the following subsidiaries:

Subsidiary	*Holding, %* *30 June 2008*	*Holding, %* *31 December 2007*	*Country*	*Date of incorpo-ration*	*Industry*	*Date of acquisi-tion*
JSC Subsidiary of JSC BTA TuranAlem Securities	**100.00%**	100.00%	Kazakhstan	17.10.97	Securities trading and asset management	13.12.97
JSC Subsidiary of JSC BTA Accumulative Pension Fund BTA Kazakhstan	**76.83%**	76.83%	Kazakhstan	11.12.97	Pension fund	16.09.98
JSC BTA Ipoteka Subsidiary Mortgage company of JSC BTA	**100.00%**	100.00%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00
JSC Subsidiary Life Insurance company of BTA BTA Zhizn	**100.00%**	100.00%	Kazakhstan	22.07.99	Life and annuity insurance	30.03.01
JSC Subsidiary insurance company of BTA BTA Zabota	**98.17%**	98.17%	Kazakhstan	10.09.96	Health insurance	04.04.01
TuranAlem Finance B.V. LLP	**100.00%**	100.00%	Netherlands	22.05.01	Capital markets	22.05.01
LLC Subsidiary of JSC BTA Bank TuranAlem Finance	**100.00%**	100.00%	Russia	22.06.04	Capital markets	28.09.04
JSC Subsidiary of JSC BTA Insurance Company London-Almaty	**99.66%**	99.55%	Kazakhstan	20.11.97	Property and Liability insurance	5.08.04
BTA Finance Luxembourg S.A.	**86.11%**	86.11%	Luxemburg	05.01.06	Capital markets	06.03.06
JSC Subsidiary company of BTA BTA Insurance	**100.00%**	100.00%	Kazakhstan	08.09.98	Property and Liability insurance	21.12.06
JSC Subsidiary of JSC BTA TemirBank	**64.32%**	64.32%	Kazakhstan	26.03.92	Bank activities	29.12.06
CJSC BTA Bank, Kyrgyzstan	**71.00%**	71.00%	Kyrgyzstan	02.12.96	Bank activities	19.11.07
TemirCapital B.V.	**100.00%**	100.00%	Netherlands	29.05.01	Operations on capital markets	29.12.06
First Kazakh Securitization Company	**–**	–	Netherlands	08.12.05	Securitization of financial assets	–
Second Kazakh Securitization Company	**–**	–	Netherlands	25.09.07	Securitization of financial assets	–
BTA DPR Finance Company	**–**	–	Cayman Islands	02.09.07	Financial services	02.09.07

Associates accounted for under equity method

The following associates are accounted for under the equity method and included into investments in associates:

30 June 2008 (unaudited) *Associates*	*Holding, %*	*Country*	*Activities*	*Share in net income / (loss)*	*Total assets*	*Total liabilities*	*Equity*
BTA Bank CJSC (formerly CJSC Astanaeximbank)	**48.94%**	**Belorussia**	**Bank**	**50**	**13,955**	**12,094**	**1,861**
BTA Bank JSC (formerly JSC BTA Silk Road Bank)	**49.00%**	**Georgia**	**Bank**	**153**	**13,321**	**10,050**	**3,271**
BTA InvestBank CJSC	**48.87%**	**Armenia**	**Bank**	**(141)**	**5,317**	**3,477**	**1,840**
JSCB BTA Kazan OJSC	**47.32%**	**Russia**	**Bank**	**212**	**52,647**	**45,788**	**6,859**
BTA ORIX Leasing JSC	**45.00%**	**Kazakhstan**	**Leasing**	**68**	**7,359**	**5,145**	**2,214**
Temir Leasing JSC	**36.16%**	**Kazakhstan**	**Leasing**	**25**	**4,354**	**2,507**	**1,847**
Sekerbank	**33.98%**	**Turkey**	**Bank**	**2,725**	**717,611**	**631,643**	**85,968**

In March 2008 Oranta NJSIC OJSC has issued additional shares in the amount of UAH 79.7 million. The Bank did not use its pre-emptive right to purchase these shares and as a result the Bank's share in Oranta has decreased from 25.00% as of 31 December 2007 to 14.01% as of 30 June 2008.

In April 2008 Astanaeximbank CJSC was renamed to BTA Bank CJSC (Belarussia).

In May 2008 BTA Silk Road Bank JSC was renamed to BTA Bank JSC (Georgia).

In June 2008 Temirbank JSC, the Bank's subsidiary, sold 118,647 shares of its associate Temir Leasing JSC at the secondary securities market. As a result Temirbank JSC's ownership interest has decreased from 43.87% as of 31 December 2007 to 36.16% as of 30 June 2008.

(Millions of Kazakhstani Tenge)

2. Basis of preparation (continued)

Associates accounted for under equity method

31 December 2007 ***Associates***	***Holding, %***	***Country***	***Activities***	***Share in net income for six-month period ended 30 June 2007***	***Total assets***	***Total liabilities***	***Equity***
Astanaeximbank CJSC	49.00%	Belorussia	Bank	55	10,707	9,263	1,444
BTA Silk Road Bank JSC	49.00%	Georgia	Bank	29	13,330	10,679	2,651
BTA InvestBank CJSC	48.87%	Armenia	Bank	(22)	7,114	4,911	2,203
JSCB BTA Kazan OJSC	47.32%	Russia	Bank	138	43,028	36,831	6,197
BTA ORIX Leasing JSC	45.00%	Kazakhstan	Leasing	57	7,390	5,323	2,067
Temir Leasing JSC	43.87%	Kazakhstan	Leasing	25	7,643	3,032	4,611
Sekerbank	33.98%	Turkey	Bank	1,223	626,637	537,603	89,034
Oranta NJSIC OJSC	25.00%	Ukraine	Insurance Company	–	15,526	6,630	8,896

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of new Standards and Interpretations, noted below:

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The adoption of this Interpretation did not have any effect on the financial position or performance of the Group.

3. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2008 (unaudited)	***31 December 2007***
Time deposits with contractual maturity of less than 90 days	**43,947**	40,602
Current accounts with other financial institutions	**39,261**	29,816
Reverse repurchase agreements with contractual maturity of less than 90 days	**32,596**	16,479
Cash on hand	**10,455**	12,826
Time deposits with the National Bank of Kazakhstan ("NBK")	**10,008**	–
Cash and cash equivalents	**136,267**	99,723

Interest rates on time deposits, reverse repurchase agreements and loans are as follows:

	30 June 2008 (unaudited)	***31 December 2007***
	Interest rate	
Time deposits with contractual maturity of less than 90 days	**2.5%-14.0%**	1.5%-11.5%
Reverse repurchase agreements with contractual maturity of less than 90 days	**1.2%-14.0%**	5.0%-16.0%
Time deposits with the NBK	**5.5%**	–

The Group has entered into reverse repurchase agreements with Kazakhstani banks. The subject of these agreements was mainly treasury bills of the Ministry of Finance and notes of the NBK and other corporate securities.

(Millions of Kazakhstani Tenge)

4. Obligatory reserves

Obligatory reserves comprise:

	30 June 2008 (unaudited)	*31 December 2007*
Deposits with the NBK	**149,999**	139,366
Cash on hand allocated to obligatory reserves	**27,769**	28,876
Obligatory reserves	**177,768**	168,242

Under Kazakh legislation, the Group is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Group. Historically, such reserves were held in either non-interest bearing deposits with the NBK or in physical cash or held on current accounts and maintained based on average monthly balances of the aggregate of deposits with the NBK and physical cash. The use of such funds is, therefore, subject to certain restrictions.

5. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	30 June 2008 (unaudited)	*31 December 2007*
Debt securities:		
Corporate bonds	**52,802**	46,241
Notes of the NBK	**29,953**	3,707
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**26,077**	19,156
Treasury bills of the Ministry of Finance of the USA	**11,807**	–
Bonds of Kazakhstan financial agencies	**8,946**	6,881
Sovereign bonds of OECD countries	**7,351**	6,694
Bonds of international financial organizations	**276**	76
Treasury bills of the Ministry of Finance of the Russian Federation	**3**	3
Municipal bonds	**–**	264
	137,215	83,022
Equity securities	**31,432**	29,100
Mutual funds shares	**–**	53
Financial assets at fair value through profit or loss	**168,647**	112,175
Subject to repurchase agreements	**61,633**	60,129

Interest rates and maturity of debt securities follow:

	30 June 2008 (unaudited)		*31 December 2007*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	**7.0%-11.0%**	**2008-2016**	7.0%-8.9%	2009-2015
Notes of the NBK	**4.6%-4.7%**	**2008**	7.3%	2008
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**5.5%-8.5%**	**2008-2015**	5.5%-6.4%	2008-2010
Treasury bills of the Ministry of Finance of the USA	**3.5%**	**2018**	–	–
Bonds of Kazakhstan financial agencies	**6.0%-8.0%**	**2013-2026**	6.0%-12.2%	2013-2026
Sovereign bonds of OECD countries	**4.0%**	**2018**	4.0%	2037
Bonds of international financial organizations	**4.4%-5.5%**	**2012-2013**	4.4%-5.5%	2012-2013
Treasury bills of the Ministry of Finance of the Russian Federation	**7.5%**	**2030**	7.5%	2030
Municipal bonds	**–**	**–**	8.5%	2008

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2008 (unaudited)	*31 December 2007*
Loans	**95,178**	88,221
Deposits	**28,919**	19,491
	124,097	107,712
Less – Allowance for impairment	**(786)**	(123)
Amounts due from credit institutions	**123,311**	107,589

(Millions of Kazakhstani Tenge)

6. Amounts due from credit institutions (continued)

Interest rates and maturities of amounts due from credit institutions follow:

	30 June 2008 (unaudited)		31 December 2007	
	%	Maturity	%	Maturity
Loans	**7.6%-15.0%**	**2008-2015**	7.0%-14.0%	2008-2026
Deposits	**8.0%-14.0%**	**2008-2010**	6.2%-14.0%	2008-2010

The movements in allowance for impairment of amounts due from credit institutions were as follows:

1 January 2007	80
Impairment charge	311
Write-offs	(42)
30 June 2007	349
Impairment charge	85
Write-offs	(313)
Amounts arising on business combination	2
31 December 2007	**123**
Impairment charge	**461**
Recoveries	**176**
Revaluation	**26**
30 June 2008	**786**

7. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of 30 June and 31 December and are indicative of neither the market risk nor the credit risk.

	30 June 2008 (unaudited)			31 December 2007		
	Notional principal	Fair values		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Currency swaps	**369,581**	**41,239**	**3,852**	358,631	22,004	1,501
Forwards and futures	**191,435**	**11,377**	**4,594**	204,128	6,391	247
Interest rate swaps	**340,146**	**14**	**840**	392,888	2,739	3,780
Options	**3,259**	**301**	**–**	5,177	263	–
Total derivative assets/liabilities		**52,931**	**9,286**		31,397	5,528

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates.

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

(Millions of Kazakhstani Tenge)

8. Available-for-sale investment securities

Available-for-sale investment securities comprise:

	30 June 2008 (unaudited)	*31 December 2007*
Bonds of international financial organizations	**35,708**	–
Corporate bonds	**13,860**	14,179
Treasury bills of the Ministry of Finance of Kyrgyzstan	**337**	410
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**293**	–
Bonds of Kazakhstan financial agencies	**19**	24
Notes of the NBK	–	1,165
Notes of the National Bank of Kyrgyzstan	–	1,390
Sovereign bonds of OECD countries	–	3,697
	50,217	20,865
Equity securities	**19,236**	5,557
Available-for-sale investment securities	**69,453**	26,422

Interest rates and maturities of debt securities are:

	30 June 2008 (unaudited)		*31 December 2007*	
	%	*Maturity*	*%*	*Maturity*
Bonds of international financial organizations	**2.6%-5.5%**	**2011-2014**	–	–
Corporate bonds	**7.0%-21.0%**	**2008-2019**	8.5%-16.0%	2008-2015
Treasury bills of the Ministry of Finance of the Kyrgyzstan	**6.5%-15.8%**	**2008-2010**	5.7%-14.6%	2008-2009
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**14.0%**	**2009**	–	–
Bonds of Kazakhstan financial agencies	**16.7%**	**2014**	12.2%	2014
Notes of the NBK	–	–	7.3%	2008
Notes of the NB of Kyrgyzstan	–	–	8.2%-9.2%	2008
Sovereign bonds of OECD countries	–	–	5.3%-6.0%	2008-2009

9. Loans to customers

Loans to customers comprise:

	30 June 2008 (unaudited)	*31 December 2007*
Corporate lending	**1,835,455**	1,669,648
Small and medium business lending	**288,026**	300,325
Individuals lending	**511,971**	546,880
Gross loans to customers	**2,635,452**	2,516,853
Less – Allowance for impairment	**(170,519)**	(137,043)
Loans to customers	**2,464,933**	2,379,810

As of 30 June 2008 the annual interest rates charged by the Group ranged from 12% to 20% per annum for KZT-denominated loans (2007 – from 12% to 19%) and from 12% to 21% per annum for US Dollar-denominated loans (2007 – from 12% to 20%).

Gross loans have been extended to the following types of customers:

	30 June 2008 (unaudited)	*31 December 2007*
Private companies	**2,116,880**	1,963,281
Individuals	**511,971**	546,880
State companies	**6,532**	6,609
Other	**69**	83
Loans to customers, gross	**2,635,452**	2,516,853

(Millions of Kazakhstani Tenge)

9. Loans to customers (continued)

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Corporate lending 2008	*Small and medium business lending 2008*	*Individuals lending 2008*	*Total 2008*
At 1 January 2008	**111,502**	**23,231**	**2,310**	**137,043**
Charge for the year	**28,112**	**(623)**	**13,010**	**40,499**
Amounts written off	**(3,724)**	**(2,634)**	**(2,675)**	**(9,033)**
Recoveries	**271**	**736**	**612**	**1,619**
Revaluation	**308**	**43**	**40**	**391**
At 30 June 2008	**136,469**	**20,753**	**13,297**	**170,519**
Individual impairment	**71,298**	**11,506**	**10,660**	**93,464**
Collective impairment	**65,171**	**9,247**	**2,637**	**77,055**
	136,469	**20,753**	**13,297**	**170,519**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**260,715**	**44,813**	**24,105**	**329,633**

	Corporate lending 2007	*Small and medium business lending 2007*	*Individuals lending 2007*	*Total 2007*
At 1 January 2007	60,759	8,336	1,095	70,190
Charge for the period	8,373	3	5,146	13,522
Amounts written off	(5,016)	(408)	(1,056)	(6,480)
Recoveries	3,487	602	509	4,598
At 30 June 2007	67,603	8,533	5,694	81,830
Individual impairment, 30 June 2007	48,249	–	–	48,249
Collective impairment, 30 June 2007	19,354	8,533	5,694	33,581
	67,603	8,533	5,694	81,830
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	205,555	17,157	–	222,712
Charge for the period	43,540	13,743	(3,391)	53,892
Amounts written off	(5,115)	(1,957)	(351)	(7,423)
Recoveries	5,373	2,798	321	8,492
Amounts arising from business combination	101	114	37	252
31 December 2007	111,502	23,231	2,310	137,043
Individual impairment, 31 December 2007	56,334	4,248	–	60,582
Collective impairment, 31 December 2007	55,168	18,983	2,310	76,461
	111,502	23,231	2,310	137,043
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	264,893	18,868	–	283,761

9. Loans to customers (continued)

Individually impaired loans

Interest income accrued on loans, for which individual impairment allowances have been recognized, as of 30 June 2008, comprised KZT 61,906 million (2007- KZT 20,073 million).

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 30 June 2008 amounts to KZT 658,854 million (31 December 2007- KZT 604,772 million). In accordance with the NBK requirements, loans may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables,
- For retail lending, mortgages over residential properties, charges over transport, cash and cash equivalents and guarantees.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As of 30 June 2008 and 31 December 2007, the Group took possession of collateral with an estimated value of KZT 528 million and KZT 503 million, respectively, which the Group is in the process of selling. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

As of 30 June 2008 loans to customers include loans of KZT 65,636 million, which are pledged as collateral for the mortgage-backed bonds (31 December 2007 – KZT 62,724 million).

Derecognition of a loan portfolio

The Group has been periodically selling part of its mortgage loan portfolio to Kazakhstan Mortgage Company ("KMC"), with full recourse to the Group for any default loan. The Group has determined that, as a result of this transaction, not substantially all the risks and rewards of the portfolio have been transferred to KMC. Therefore, the Group continues to recognise these loans as an asset on its consolidated balance sheet with the corresponding liability recorded in loans from financial institutions for the same amount. As of 30 June 2008 these loans amounted to KZT 8,471 million (2007 - KZT 7,595 million).

Concentration of loans to customers

As of 30 June 2008, the Group had a concentration of loans represented by KZT 333,582 million due from the ten largest borrowers that comprised 12.7% of the total gross loan portfolio (2007 – KZT 274,080 million, 11%) and represented 70% of the Group's total equity (2007 – 61%). Allowances amounting to KZT 23,568 million were recognised against these loans as of 30 June 2008 (2007 – KZT 7,750 million).

As of 31 December 2007 mortgage loans issued to individuals in the aggregate amount of KZT 610 million were pledged under the financing received by the Group from OECD based banks. As of 30 June 2008 there were no such loans pledged due to settlement of the financing received from OECD based banks.

As of 30 June 2008 the Group had loans in the amount of KZT 453,647 million (2007-KZT 345,142 million) with interest and principal repayable at maturity.

(Millions of Kazakhstani Tenge)

9. Loans to customers (continued)

Loans are made to the following sectors:

	30 June 2008 (unaudited)	*%*	*31 December 2007*	*%*
Individuals	**511,971**	**19.4%**	546,880	21.7%
Real estate investments	**419,211**	**15.9%**	365,741	14.5%
Wholesale trade	**388,786**	**14.8%**	415,817	16.5%
Housing construction	**367,784**	**14.0%**	316,222	12.6%
Construction of roads and industrial buildings	**227,832**	**8.6%**	154,495	6.1%
Oil & gas	**171,234**	**6.5%**	173,948	6.9%
Agriculture	**135,660**	**5.1%**	139,615	5.6%
Retail trade	**80,019**	**3.0%**	71,836	2.9%
Chemical industry	**55,168**	**2.1%**	47,869	1.9%
Food industry	**41,513**	**1.6%**	48,401	1.9%
Mining	**30,953**	**1.2%**	30,325	1.2%
Financial services	**26,321**	**1.0%**	8,024	0.3%
Transport	**24,862**	**0.9%**	50,650	2.0%
Telecommunication	**24,303**	**0.9%**	24,233	1.0%
Metallurgical industry	**18,549**	**0.7%**	11,174	0.5%
Production of machinery and equipment	**12,817**	**0.5%**	16,664	0.7%
Hospitality	**12,240**	**0.5%**	10,689	0.4%
Energy	**8,179**	**0.3%**	7,971	0.3%
Textile and leather industry	**4,974**	**0.2%**	4,134	0.2%
Publishing	**995**	**0.0%**	3,072	0.1%
Production of rubber and plastic articles	**960**	**0.0%**	731	0.0%
Research & development	**582**	**0.0%**	724	0.0%
Other	**70,539**	**2.8%**	67,638	2.7%
	2,635,452	**100.0%**	2,516,853	100.0%

Loans to Individuals consisted of the following:

	30 June 2008 (unaudited)	*31 December 2007*
Consumer loans	260,762	292,463
Mortgage loans	251,209	254,417
	511,971	546,880

Finance lease receivable

Net investment in finance leases consisted of the following:

	30 June 2008 (unaudited)	*31 December 2007*
Minimum lease payments receivable	**19,331**	13,295
Less: Unearned finance income	**(4,301)**	(2,619)
Net investment in finance leases	**15,030**	10,676
Allowance for uncollectible minimum lease payments receivable	**(1,540)**	(187)
	13,490	10,489
Current portion of net investment in finance leases	**4,615**	3,604
Long-term portion of net investment in finance leases	**10,415**	7,072
	15,030	10,676

(Millions of Kazakhstani Tenge)

10. Other impairment and provisions

The movements in allowances for other losses and provisions were as follows:

	Other assets	*Other provisions*	*Total*
1 January 2007	341	5,997	6,338
Impairment charge	23	2,105	2,128
Write-offs	(317)	–	(317)
Recoveries	66	–	66
30 June 2007	113	8,102	8,215
Impairment charge	107	2,470	2,577
Write-offs	–	–	–
Recoveries	139	–	139
Amounts arising on business combination	1	5	6
31 December 2007	**360**	**10,577**	**10,937**
Impairment charge	**158**	**6,087**	**6,245**
Write-offs	**(49)**	**–**	**(49)**
Recoveries	**–**	**–**	**–**
Revaluation	**–**	**50**	**50**
30 June 2008	**469**	**16,714**	**17,183**

Allowances for impairment of assets are deducted from the related assets. Other provisions consist of provisions for letters of credit and guarantees, and are recorded within other liabilities.

11. Taxation

The corporate income tax expense comprises:

	30 June 2008 (unaudited)	*30 June 2007 (unaudited)*
Current tax charge	**(5,090)**	(5,824)
Deferred tax charge- origination and reversal of temporary differences	**(1,868)**	–
Income tax expense	**(6,958)**	(5,824)

12. Amounts due to the Government and the NBK

Amounts due to the Government and the NBK consist of the following:

	30 June 2008 (unaudited)	*31 December 2007*
Amounts due to the Government:		
Interest bearing – KZT denominated	**523**	370
Interest bearing – EUR denominated	**191**	212
Interest bearing – USD denominated	**178**	174
Interest bearing – Kyrgyzstani Soms denominated	**103**	107
Loans from the NBK	**28**	28
Loans from the National Bank of Kyrgyzstan	**20**	22
Amounts due to the Government and the NBK	**1,043**	913

Interest rates and maturity of the amounts due to the Government and the NBK follow:

	30 June 2008 (unaudited)		*31 December 2007*	
	Interest rate	*Maturity*	*Interest rate*	*Maturity*
Amounts due to the Government:				
Interest bearing:				
KZT denominated	**3.0%-11.0%**	**2008-2022**	3.0%-11.0%	2008-2022
EUR denominated	**5.0%**	**2010**	5.0%	2010
USD denominated	**4.0%-6.1%**	**2021-2022**	5.6%-6.3%	2021-2022
KGS denominated	**18.8%**	**2018-2021**	7.3%	2018-2021
Loans from the NBK	**–**	**2015-2020**	–	2008-2020
Loans from the National Bank of Kyrgyzstan	**4.7%**	**2008-2017**	7.4%	2008-2010

(Millions of Kazakhstani Tenge)

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2008 (unaudited)	*31 December 2007*
Loans from OECD based banks and financial institutions	**595,704**	455,384
Syndicated bank loans	**175,317**	241,157
Loans from Kazakh banks and financial institutions	**47,895**	51,329
Pass-through loans	**19,361**	9,482
Loans from other banks and financial institutions	**15,852**	26,609
	854,129	783,961
Interest-bearing placements from Kazakh banks	**33,281**	46,021
Loro accounts	**6,565**	1,288
Interest-bearing placements from non OECD banks	**6,414**	4,034
	46,260	51,343
Amounts due to credit institutions	**900,389**	835,304
Subject to repurchase agreements	**61,633**	60,129

Interest rates and maturities of amounts due to credit institutions follow:

	30 June 2008 (unaudited)		*31 December 2007*	
	%	*Maturity*	*%*	*Maturity*
Loans from OECD based banks and financial institutions	**1.9%-12.4%**	**2008-2017**	3.7%-8.8%	2008-2017
Syndicated bank loans	**4.3%-4.9%**	**2008-2010**	1.5%-6.8%	2008-2010
Loans from Kazakh banks and financial institutions	**4.3%-11.1%**	**2009-2027**	6.6%-17.8%	2008-2027
Loans from other banks and financial institutions	**3.8%-7.5%**	**2008-2010**	3.0%-7.2%	2008-2010
Pass-through loans	**5.7%-6.1%**	**2011-2017**	6.9%-8.9%	2008-2011
Loro accounts	**up to 2.0%**	**–**	up to 2.0%	–
Interest-bearing placements from non OECD based banks	**4.2%-8.0%**	**2008**	6.0%-8.0%	2008
Interest-bearing placements from Kazakh banks	**1.5%-10.0%**	**2008**	3.8%-10.0%	2008

Financial covenants

In accordance with the contractual terms of the foreign bank loans, the Group is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy, and lending exposures. In addition, and in accordance with the terms of certain of those loans, the Group is required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Management believes that as at 30 June 2008 and 31 December 2007 the Group is in compliance with the covenants of all debt agreements the Group has with other banks and financial institutions.

14. Amounts due to customers

The amounts due to customers included balances in customer current accounts, time deposits, and certain other liabilities, and include the following:

	30 June 2008 (unaudited)	*31 December 2007*
Time deposits	**510,289**	463,450
Current accounts	**206,615**	165,685
Guarantee and restricted deposits	**30,801**	23,373
Amounts due to customers	**747,705**	652,508

Guarantee and restricted deposits represent customer's collateral under letters of credit and guarantees issued by the Bank on behalf of clients.

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14. Amounts due to customers (continued)

Interest rates and maturities of amounts due to customers follow:

	30 June 2008 (unaudited)		*31 December, 2007*	
	KZT denominated	***Foreign currency denominated***	***KZT denominated***	***Foreign currency denominated***
	%	*%*	*%*	*%*
Time deposits	**6.9%-14.0%**	**2.0%-11.0%**	2.5%-14.0%	2.5%-10.5%
Current accounts	**up to 2.0%**	**up to 1.0%**	up to 2.0%	up to 1.0%
Guarantee and other restricted deposits	**up to 14.0%**	**up to 10.5%**	up to 14.0%	up to 10.0%

Current accounts are due on demand. Maturities of other amounts due to customers follow:

	30 June 2008 (unaudited)		*31 December 2007*	
	KZT denominated	***Foreign currency denominated***	***KZT denominated***	***Foreign currency denominated***
	Maturity	***Maturity***	***Maturity***	***Maturity***
Time deposits	**2008-2011**	**2008-2011**	2008-2010	2008-2011
Guarantee and other restricted deposits	**2008-2013**	**2008-2013**	2008-2010	2008-2011

As of 30 June 2008 and 31 December 2007, the Bank's ten largest customers accounted for approximately 23.13% and 20.45%, respectively, of the total amounts due to customers.

The amounts due to customers included balances in customer current accounts and term deposits, and were analysed as follows:

	30 June 2008 (unaudited)	*31 December 2007*
Time deposits:		
Commercial entities	**172,960**	130,973
Individuals	**261,481**	235,620
Governmental entities	**75,848**	96,857
Current accounts:		
Commercial entities	**156,280**	125,400
Individuals	**34,305**	31,222
Governmental entities	**16,030**	9,063
Guarantee and other restricted deposits:		
Commercial entities	**17,655**	9,121
Individuals	**12,912**	13,583
Governmental entities	**234**	669
Amounts due to customers	**747,705**	652,508

Included in time deposits are deposits of individuals in the amount of KZT 261,481 million (2007 – KZT 235,620 million). In accordance with the Civil Code of the Republic of Kazakhstan, the Group is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

(Millions of Kazakhstani Tenge)

14. Amounts due to customers (continued)

An analysis of customer accounts by sector follows:

	30 June 2008 (unaudited)	*%*	*31 December 2007*	*%*
Individuals	**308,698**	**41.3%**	280,425	43.0%
Oil and gas	**109,923**	**14.7%**	86,213	13.2%
Non-credit financial organizations	**55,259**	**7.4%**	38,578	5.9%
Wholesale trading	**51,581**	**6.9%**	52,003	8.0%
Transportation	**38,759**	**5.2%**	41,388	6.3%
Construction	**35,044**	**4.7%**	33,623	5.2%
State administration	**15,476**	**2.1%**	11,071	1.7%
Machinery and equipment production	**12,633**	**1.7%**	6,652	1.0%
Metallurgy	**11,098**	**1.5%**	12,024	1.8%
Research and development	**8,219**	**1.1%**	6,622	1.0%
Mining	**7,434**	**1.0%**	3,688	0.6%
Chemical processing	**7,116**	**1.0%**	5,720	0.9%
Agriculture	**6,528**	**0.9%**	6,596	1.0%
Education	**6,035**	**0.8%**	5,938	0.9%
Retail trade	**4,727**	**0.6%**	8,691	1.3%
Energy industry	**4,146**	**0.6%**	3,978	0.6%
Communication	**3,338**	**0.4%**	2,429	0.4%
Entertainment	**2,379**	**0.3%**	1,207	0.2%
Food industry	**1,577**	**0.2%**	3,620	0.6%
Textile and leather industry	**1,385**	**0.2%**	1,235	0.2%
Hotel and hospitality	**258**	**0.0%**	454	0.1%
Other	**56,092**	**7.4%**	40,353	6.1%
	747,705	**100%**	652,508	100.0%

15. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2008 (unaudited)	*31 December 2007*
USD notes with fixed rate	**472,617**	434,793
USD notes with floating rate	**155,224**	169,471
USD and KZT subordinated notes with fixed rate	**174,395**	104,720
EUR notes with fixed rate	**97,059**	90,108
KZT notes with fixed rate	**49,655**	66,762
USD perpetual financial instruments fixed rate	**54,617**	54,420
JPY notes with floating rate	**51,904**	48,520
GBP notes with fixed rate	**49,780**	48,072
KZT notes with floating rate	**39,558**	35,187
JPY notes with fixed rate	**22,983**	21,886
KZT subordinated notes with floating rate	**21,756**	21,715
CHF notes with floating rate	**24,083**	21,598
RUR notes with fixed rate	**15,756**	15,023
PLZ notes with floating rate	**11,413**	9,846
USD promissory notes with floating rate	**606**	604
	1,241,406	1,142,725
Own KZT notes held by the Group	**(2,866)**	(2,780)
Own USD notes held by the Group	**(4,865)**	(5,579)
Own USD and KZT subordinated notes held by the Group	**(17,864)**	(21,506)
	1,215,811	1,112,860
Plus unamortized premium	**804**	983
Less unamortized cost of issuance	**(4,680)**	(4,548)
Less unamortized discount	**(31,152)**	(24,850)
Debt securities issued	**1,180,783**	1,084,445

(Millions of Kazakhstani Tenge)

15. Debt securities issued (continued)

The interest rates and maturities of these debt securities issued follow:

	30 June 2008 (unaudited)		*31 December 2007*	
	%	*Maturity*	*%*	*Maturity*
USD notes with fixed rate	**7.8%-9.5%**	**2009-2037**	7.8%-9.5%	2009-2037
USD notes with floating rate	**3 month Libor+0.9%- 1 month Libor+3.8%**	**2008-2029**	3 month Libor+0.9%- 1 month Libor+3.8%	2008-2029
USD and KZT subordinated notes with fixed rate	**7.0%-12.0%**	**2008-2036**	7.0%-12.0%	2008-2036
EUR notes with fixed rate	**6.3%**	**2011**	6.3%	2011
KZT notes with fixed rate	**7%-9.8%**	**2008-2021**	7.6%-9.8%	2008-2021
USD perpetual financial instruments with fixed rate	**8.3%-10.0%**	**Perpetual with call option in 2016**	8.3%-10.0%	Perpetual with call option in 2016
JPY notes with floating rate	**3 month Libor+2.9%-3 month Libor+5.4%**	**2017**	3 month Libor+2.9%-3 month Libor+5.4%	2017
GBP notes with fixed rate	**7.1%**	**2009**	7.1%	2009
KZT notes with floating rate	**15.0%-inflation - ***	**2010-2016**	15.0%-inflation - *	2010-2016
JPY notes with fixed rate	**4.3%**	**2016**	4.3%	2016
KZT subordinated notes with floating rate	**Inflation +2.0%**	**2013-2014**	Inflation +2.0%	2013-2014
CHF notes with floating rate	**3 month CHF Libor +3.4%**	**2017**	3 month CHF Libor +3.4%	2017
RUR notes with fixed rate	**7.8%**	**2009**	7.8%	2009
PLZ notes with floating rate	**3 month Libor+2.7%**	**2011**	3 month Libor+2.7%	2011
USD promissory notes with floating rate	**6 month Libor+1%**	**2008**	6 month Libor+1%	2008

* The Group reconsiders every 6 months, but not less than 5%

The subordinated notes at 30 June 2008 and 31 December 2007 are unsecured obligations of the Group and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Group.

In January 2006 the Group issued Perpetual financial instruments for the total amount of USD 400,000 thousand, with a call option after ten years time from the issue date.

In accordance with the terms of the debt securities issued, the Bank is required to maintain certain financial ratios particularly with regard to its liquidity, capital adequacy, and lending exposures. Management believes that the Bank was in compliance with these ratios as of 30 June 2008.

16. Equity

As of 30 June 2008 and 31 December 2007 share capital comprise:

	Common shares		
	Number of authorized shares	*Number of shares issued*	*Placement value (KZT)*
31 December 2006	5,363,050	5,363,050	116,451
Increase in issued capital	**3,007,108**	**3,007,108**	**186,976**
31 December 2007	**8,370,158**	**8,370,158**	**303,427**
Increase in issued capital	**467**	**467**	**29**
30 June 2008	**8,370,625**	**8,370,625**	**303,456**

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16. Equity (continued)

At 30 June 2008 the Group held 71,808 shares of the Bank's shares as treasury shares (31 December 2007 –10,146).

At an Extraordinary General Meeting of the Bank held on 14 May 2008, the Bank's shareholders approved the issue of 100,000 convertible preferred shares ("CPS"), which was registered on 9 June 2008 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA"). Placement value was set at KZT 122,302.5 per share and approved by the Board of Directors of the Bank. There are no CPS issued as of 30 June 2008.

17. Commitments and contingencies

Financial commitments and contingencies

As of 30 June 2008 and 31 December 2007 the Group's financial commitments and contingencies comprised the following:

	30 June 2008 (unaudited)	*31 December 2007*
Undrawn loan commitments	**419,241**	334,171
Commercial letters of credit	**162,602**	150,644
Guarantees	**159,127**	141,931
	740,970	626,746
Operating lease commitments		
Not later than 1 year	**545**	217
Later than 1 year but not later than 5 years	**3,098**	1,873
Later than 5 years	**6,417**	4,792
	10,060	6,882
Less: cash collateral	**(30,801)**	(23,373)
Less: provisions (Note 10)	**(16,714)**	(10,577)
Financial commitments and contingencies	**703,515**	599,678

The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank arise, including change of the refinance rate, inflation, exchange rates and others.

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the bank, government's and international prime financial organisations' securities, and other assets.

Trust activities

The Group provides custody services for third parties which involve the Group making allocation and purchase and sales decisions in relation to securities. Those securities that are held in a fiduciary capacity are not included in these interim condensed consolidated financial statements. As of 30 June 2008 such securities held in this capacity were KZT 365,271 (31 December 2007 – KZT 282,908).

18. Net trading income

Net trading income for the six months periods ended 30 June comprised the following:

	Six-month periods ended 30 June	
	2008 (unaudited)	*2007 (unaudited)*
Securities	**1,673**	(1,081)
Interest rate instruments	**(986)**	304
	687	(777)

Securities income includes the effect of buying and selling, and changes in the fair value of financial assets at fair value through profit or loss and effect of buying and selling of available-for-sale investment securities. The results of trading and changes in fair value of interest rate swaps are recorded under income from interest rate instruments.

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19. Salaries and administrative and other operating expenses

Salaries and other employee benefits and administrative and other operating expenses comprise:

	Six-month periods ended 30 June	
	2008 (unaudited)	*2007 (unaudited)*
Salaries and bonuses	**11,397**	10,603
Social security costs	**1,023**	976
Other payments	**421**	457
Salaries and other employee benefits	**12,841**	12,036
Occupancy and rent	**3,234**	2,019
Marketing and advertising	**1,619**	1,245
Transportation expenses	**952**	598
Repair and maintenance of property and equipment	**822**	582
Communications	**772**	715
Security	**734**	459
Legal services and consultancy	**640**	762
Business travel and related expenses	**524**	440
Encashment	**417**	313
Plastic cards	**374**	413
Agency services	**233**	122
Office supplies	**196**	184
Data processing	**138**	249
Insurance expense	**46**	752
Loss on disposals of property and equipment	**4**	–
Other	**936**	694
Administrative and other operating expenses	**11,641**	9,547

20. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations for the six-month periods ended 30 June:

	30 June 2008 (unaudited)	*30 June 2007 (unaudited)*
Net income attributable to common shareholders for basic earnings per share, being net income less dividends declared on non-redeemable convertible preferred shares	**26,638**	38,082
Net income attributable to common and potential common shareholders for diluted earnings per share	**26,638**	38,082
Weighted average number of common shares for basic earnings per share	**8,370,295**	6,460,585
Weighted average number of common and potential common shares for diluted earnings per share	**8,370,295**	6,460,585
Basic earnings per share (in Kazakhstani Tenge)	**3,182**	5,895
Diluted earnings per share (in Kazakhstani Tenge)	**3,182**	5,895

A reconciliation of the weighted average number of common shares and the weighted average number of potential common shares for the six months period ended 30 June is as follows:

	30 June 2008 (unaudited)	*30 June 2007 (unaudited)*
Weighted average number of common shares for basic earnings per share	**8,370,295**	6,460,585
Weighted average number of common shares resulting from the potential conversion of the non-redeemable convertible preferred shares into common shares	**–**	–
	8,370,295	6,460,585

(Millions of Kazakhstani Tenge)

21. Risk management policies

Introduction

The Group as a combination of financial organizations is exposed to certain types of risks.

Risk management structure is arranged for prompt identification and assessment of risks associated with one or another line of activity. Management understands the high importance of risk management process as an integral part of day-to-day activities of the Group.

Of particular priority is liquidity risk, credit risk, market risk, the latter being subdivided into trading and non-trading risks and operating risks that could affect the equity and income of the Group.

Risk management structure

The Board of Directors

The risk management process is directly subordinated to and accountable to the Board of Directors. The Board of Directors is responsible for the overall risk management approach and for approving the risk management policies and adoption strategic decisions on risk management.

Risk Committee

The Risk Committee oversees the Group's activities on risk management, adopts managerial decisions as related to approval of normative documents, defining lines of activity of subdivisions and limits approval for certain operations.

Risk Management Unit

Risk management units are responsible for identification, assessment and monitoring of risks. Daily activities of these units are governed by internal regulations. Within the Group certain units responsible for management of credit, operating, liquidity and market risks are defined. These units are accountable to Risk Committee.

Risk Monitoring

Risk Monitoring Units control over compliance with risk principles, policies and limits, across the Group. Each business group has a decentralised unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Internal Audit Function

Internal audit is the most important component of internal control, including risk control. Internal audit function regularly examines adequacy of the internal procedures of the Group. The results are submitted to the Board of Directors, the latter adopts relevant decisions to eliminate shortages.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

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21. Risk management policies (continued)

Risk measurement and reporting systems (continued)

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Group on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has Credit committees, which are responsible for credit risk management and which set limits on borrowers and on loan portfolio.

Financing of borrowers is done by through procedures of primary selection of borrowers, preliminary structuring of transaction, project assessment, monitoring and control of risks. Decision on financing of borrowers is made by the respective Credit committee.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

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21. Risk management policies (continued)

Credit risk (continued)

Credit-related commitments risks

The Group makes available to its customers guarantees and letters of credit, which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the contracts. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	*Gross maximum exposure 30 June 2008 (unaudited)*	*Gross maximum exposure 31 December 2007*
Cash and cash equivalents (excluding cash on hand)	3	**125,812**	86,897
Financial assets at fair value through profit or loss	5	**168,647**	112,175
Amounts due from credit institutions	6	**123,311**	107,589
Derivative financial assets	7	**52,931**	31,397
Available-for-sale investment securities	8	**69,453**	26,422
Loans to customers	9	**2,464,933**	2,379,810
Other assets		**53,396**	19,709
		3,058,483	2,763,999
Financial commitments and contingencies	17	**693,455**	592,796
Total credit risk exposure		**3,751,938**	3,356,795

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 9.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings. The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Group's credit rating system.

30 June 2008 (unaudited)	*Notes*	*Neither past due nor impaired*	*Past due or individually impaired*	*Total*
Loans to customers	9			
Corporate lending		**1,557,209**	**278,246**	**1,835,455**
Small and medium business lending		**235,473**	**52,553**	**288,026**
Individuals lending		**478,345**	**33,626**	**511,971**
Total		**2,271,027**	**364,425**	**2,635,452**

(Millions of Kazakhstani Tenge)

21. Risk management policies (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

31 December 2007	*Notes*	*Neither past due not impaired*	*Past due or individually impaired*	*Total*
Loans to customers	9			
Corporate lending		1,395,497	274,151	1,669,648
Small and medium business lending		278,460	21,865	300,325
Individuals lending		541,510	5,370	546,880
Total		2,215,467	301,386	2,516,853

Past due loans to customers include those that are only past due by a few days. An analysis of past due but not impaired loans, by age, is provided below.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not impaired loans per class of financial assets

	Less than 30 days	
	30 June 2008 (unaudited)	*31 December 2007*
Loans to customers		
Corporate lending	**3,402**	26
Small and medium business lending	**737**	513
Individuals lending	**5,536**	3,956
Total	**9,675**	4,495

Of the total aggregate amount of gross past due but not impaired loans to customers, the fair value of collateral that the Group held as of 30 June 2008 was KZT 62,558 million (2007- KZT 36,068 million). See 'Collateral and other credit enhancements' in Note 9 for the details of types of collateral held.

See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

	30 June 2008 (unaudited)	*31 December 2007*
Loans to customers		
Corporate lending	**116,409**	60,437
Small and medium business lending	**7,139**	3,340
Individuals lending	**1,492**	488
Total	**125,040**	64,265

(Millions of Kazakhstani Tenge)

21. Risk management policies (continued)

Credit risk (continued)

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

The geographical concentration of Group's monetary assets and liabilities is set out below:

	30 June 2008 (unaudited)			
	Kazakhstan	*OECD*	*CIS and other non OECD countries*	*Total*
Assets:				
Cash and cash equivalents	**88,956**	**26,371**	**20,940**	**136,267**
Obligatory reserves	**176,508**	**-**	**1,260**	**177,768**
Financial assets at fair value through profit or loss	**142,369**	**26,278**	**-**	**168,647**
Amounts due from credit institutions	**33,953**	**3,714**	**85,644**	**123,311**
Derivative financial instruments	**11,685**	**24,303**	**16,943**	**52,931**
Available for sale securities	**15,424**	**35,196**	**18,833**	**69,453**
Loans to customers	**1,422,951**	**390,101**	**651,881**	**2,464,933**
Other assets	**49,112**	**658**	**3,626**	**53,396**
	1,940,958	**506,621**	**799,127**	**3,246,706**
Liabilities:				
Amounts due to the Government and the NBK	**758**	**–**	**285**	**1,043**
Amounts due to credit institutions	**225,102**	**200,971**	**474,316**	**900,389**
Amounts due to customers	**723,219**	**13,620**	**10,866**	**747,705**
Debt securities issued	**937,666**	**226,735**	**16,382**	**1,180,783**
Derivative financial liabilities	**8,433**	**802**	**51**	**9,286**
Other liabilities	**31,668**	**5,144**	**4,014**	**40,826**
	1,926,846	**447,272**	**505,914**	**2,880,032**
Net balance sheet position	**14,112**	**59,349**	**293,213**	**366,674**
Off-balance sheet position	**363,630**	**204,827**	**182,573**	**751,030**

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21. Risk management policies (continued)

Credit risk (continued)

	31 December 2007			
	Kazakhstan	***OECD***	***CIS and other non OECD countries***	***Total***
Assets:				
Cash and cash equivalents	48,560	42,473	8,690	99,723
Obligatory reserves	166,048	–	2,194	168,242
Financial assets at fair value through profit or loss	97,989	14,186	–	112,175
Amounts due from credit institutions	33,168	–	74,421	107,589
Derivative financial instruments	6,391	18,085	6,921	31,397
Available for sale securities	15,996	3,700	6,726	26,422
Loans to customers	1,501,465	118,048	760,297	2,379,810
Deferred tax asset	683	–	–	683
Other assets	16,852	1,231	1,626	19,709
	1,887,152	197,723	860,875	2,945,750
Liabilities:				
Amounts due to the Government and the NBK	627	–	286	913
Amounts due to credit institutions	150,953	628,449	55,902	835,304
Amounts due to customers	641,094	–	11,414	652,508
Debt securities issued	189,193	880,229	15,023	1,084,445
Derivative financial liabilities	395	3,735	1,398	5,528
Other liabilities	25,137	2,430	6,321	33,888
	1,007,399	1,514,843	90,344	2,612,586
Net balance sheet position	879,753	(1,317,120)	770,531	333,164
Off-balance sheet position	379,068	59,560	195,000	633,628

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its obligations when due. Liquidity risk management is one of the main directions in the Group's risk management process. When managing the liquidity risk the Group follows two main directions:

1. conformity with the liquidity norms established by the regulatory bodies; and
2. liquidity management by means of the "financial pool method" and "fund conversion method".

Under the "financial pool method" the Bank's monetary assets are considered as one pool, which are split to the primary and the secondary sources for liquidity purposes. The primary source consists of cash and balances on correspondent accounts, and the secondary source consists of highly liquid assets, which have high turnover and readily available for sale. The primary and the secondary sources are considered as not profit bearing and profit bearing, respectively.

"Fund conversion method" is the distribution of all financing sources depending on the accounts' turnover and reserve requirement for financing of the related assets.

The management of the Asset and Liability Management Committee (ALMC) analyzes the operational data on a weekly basis and make decisions concerning liquidity management. Frequency of the ALMC meetings may vary depending on the situation. ALMC considers the following issues: GAP analysis of the assets and liabilities broken down by maturity and currencies, duration of assets and liabilities and analysis of future cash flows. All business functions and risk management departments are involved in the process of the Group's liquidity management to provide the information support.

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21. Risk management policies (continued)

Liquidity risk and funding management (continued)

The Management regularly monitors high-liquid assets that may be disposed at any time. The Bank builds portfolio consisting of high-liquid assets, predominantly debt financial instruments issued by the states with high credit ratings. In addition, the Bank keeps obligatory reserves in the National Bank of Kazakhstan in the amount of 8% of certain external borrowings and 6% of the certain domestic borrowings.

The following table demonstrates the FMSA requirements to the Bank and conformity of the Bank with said norms to ensure general and currency liquidity:

	30 June 2008 (unaudited), %	*31 December 2007,%*
K4 "Current Liquidity Ratio" (monthly average highly liquid assets/ average monthly liabilities repayable on demand), min 30.0%	**140.3%**	148.5%
K5 "Short-term Liquidity Ratio" (monthly average assets maturing within three months, including highly liquid assets/monthly average liabilities maturing within three months, including on demand liabilities), min 50.0%	**117.2%**	109.5%
Current liquidity ratios by currencies (monthly average highly liquid assets in foreign currency/highly liquid average monthly liabilities in foreign currencies, min 90.0%*	**437.8%**	527.4%
USD	**136.6%**	285.3%
EUR	**447.1%**	346.6%
Short-term currency liquidity ratios (monthly average assets maturing within three months in foreign currency/monthly average liabilities maturing within three months in same currency, 80.0%*	**135.9%**	142.2%
USD	**68.2%**	97.2%
EUR	**439.2%**	179.9%
Mid-term currency liquidity ratios (average monthly assets maturing within 1 year in foreign currency/average monthly liabilities maturing within 1 year in same currency), min 60.0%*	**91.1%**	116.1%
USD	**61.8%**	95.5%
EUR	**119.7%**	109.4%

* Current, short-term and mid-term currency liquidity ratios were introduced since 27 May, 2006

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21. Risk management policies (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2008 and 31 December 2007 based on contractual undiscounted repayment obligations.

Financial liabilities as of *30 June 2008 (unaudited)*	***On demand***	***Less than 1 month***	***1 to 3 months***	***3 to 12 months***	***1 to 3 years***	***Over 3 years***	***Total***
Amounts due to the Government and the NBK	**–**	**6**	**9**	**235**	**448**	**454**	**1,152**
Amounts due to credit institutions	**10,338**	**78,059**	**71,099**	**281,328**	**344,245**	**277,669**	**1,062,738**
Derivative financial instruments	**–**	**949**	**4,307**	**760**	**4,577**	**495**	**11,088**
Amounts due to customers	**193,496**	**64,173**	**104,915**	**174,805**	**202,420**	**64,241**	**804,050**
Debt securities issued	**–**	**8,484**	**9,980**	**172,830**	**378,776**	**1,169,522**	**1,739,592**
Deferred tax liability	**1**	**1,417**	**–**	**–**	**107**	**–**	**1,525**
Other liabilities	**45,982**	**1,570**	**924**	**5,459**	**4,940**	**7,302**	**66,177**
Total undiscounted financial liabilities	**249,817**	**154,658**	**191,234**	**635,417**	**935,513**	**1,519,683**	**3,686,322**

Financial liabilities as of *31 December 2007*	***On demand***	***Less than 1 month***	***1 to 3 months***	***3 to 12 months***	***1 to 3 years***	***Over 3 years***	***Total***
Amounts due to the Government and the NBK	30	7	6	87	438	446	1,014
Amounts due to credit institutions	4,881	70,690	122,905	186,308	390,368	168,737	943,889
Derivative financial instruments	–	300	165	2,665	446	1,953	5,529
Amounts due to customers	167,357	77,455	54,432	190,424	170,847	54,228	714,743
Debt securities issued	–	8,413	10,790	144,807	350,851	1,122,719	1,637,580
Other liabilities	25,724	3,420	584	3,271	2,366	3,032	38,397
Total undiscounted financial liabilities	197,992	160,285	188,882	527,562	915,316	1,351,115	3,341,152

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies.

	On demand	***Less than 1 month***	***1 to 3 months***	***3 to 12 months***	***1 to 3 years***	***Over 3 years***	***Past due***	***Total***
30 June 2008 (unaudited)	**11,133**	**26,079**	**33,153**	**166,359**	**338,843**	**165,352**	**51**	**740,970**
31 December 2007	17,775	16,478	28,756	146,621	250,623	166,493	–	626,746

(Millions of Kazakhstani Tenge)

21. Risk management policies (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

30 June 2008 (unaudited)	*On demand*	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Past due*	*Total*
Assets:								
Cash and cash equivalents	**43,832**	**77,015**	**9,507**	**5,913**	**–**	**–**	**–**	**136,267**
Obligatory reserves	**14,232**	**10,092**	**8,127**	**29,596**	**40,981**	**74,740**	**–**	**177,768**
Financial assets at fair value through profit or loss	**168,647**	**–**	**–**	**–**	**–**	**–**	**–**	**168,647**
Amounts due from credit institutions	**21**	**27,456**	**24,943**	**11,865**	**49,398**	**9,069**	**559**	**123,311**
Derivative financial assets	**–**	**1,063**	**38**	**–**	**31,611**	**20,219**	**–**	**52,931**
Available-for-sale Securities	**–**	**–**	**1,051**	**1,484**	**4,267**	**62,651**	**–**	**69,453**
Loans to customers	**548**	**65,272**	**166,133**	**408,418**	**722,008**	**1,068,575**	**33,979**	**2,464,933**
	227,280	**180,898**	**209,799**	**457,276**	**848,265**	**1,235,254**	**34,538**	**3,193,310**
Liabilities:								
Amounts due to the Government and NBK	**–**	**95**	**–**	**121**	**402**	**425**	**–**	**1,043**
Amounts due to credit institutions	**11,293**	**71,028**	**38,243**	**215,223**	**337,129**	**227,473**	**–**	**900,389**
Derivative financial liabilities	**–**	**722**	**–**	**3,924**	**4,577**	**63**	**–**	**9,286**
Amounts due to customers	**215,996**	**66,982**	**92,312**	**144,862**	**162,063**	**65,490**	**–**	**747,705**
Debt securities issued	**–**	**–**	**492**	**110,925**	**156,393**	**912,973**	**–**	**1,180,783**
	227,289	**138,827**	**131,047**	**475,055**	**660,564**	**1,206,424**	**–**	**2,839,206**
Net position	**(9)**	**42,071**	**78,752**	**(17,779)**	**187,701**	**28,830**	**34,538**	**354,104**
Accumulated gap	**(9)**	**42,062**	**120,814**	**103,035**	**290,736**	**319,566**	**354,104**	

31 December 2007	*On demand*	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Past due*	*Total*
Assets:								
Cash and cash equivalents	62,634	31,890	4,634	565	–	–	–	99,723
Obligatory reserves	11,608	9,593	10,919	20,146	47,087	68,889	–	168,242
Financial assets at fair value through profit or loss	112,175	–	–	–	–	–	–	112,175
Amounts due from credit institutions	20	1,061	15,298	42,459	20,951	27,547	253	107,589
Derivative financial assets	–	375	–	–	13,094	17,928	–	31,397
Available-for-sale Securities	–	2,099	132	5,980	4,685	13,526	–	26,422
Loans to customers	–	38,630	109,458	394,504	653,172	1,168,076	15,970	2,379,810
	186,437	83,648	140,441	463,654	738,989	1,295,966	16,223	2,925,358
Liabilities:								
Amounts due to the Government and NBK	–	37	–	58	395	423	–	913
Amounts due to credit institutions	2,709	59,908	58,230	134,753	378,057	201,647	–	835,304
Derivative financial liabilities	–	–	394	1,514	253	3,367	–	5,528
Amounts due to customers	165,211	77,852	110,360	106,380	136,031	56,674	–	652,508
Debt securities issued	–	–	–	66,912	214,143	803,390	–	1,084,445
	167,920	137,797	168,984	309,617	728,879	1,065,501	–	2,578,698
Net position	18,517	(54,149)	(28,543)	154,037	10,110	230,465	16,223	346,660
Accumulated gap	18,517	(35,632)	(64,175)	89,862	99,972	330,437	346,660	

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21. Risk management policies (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading and non-trading portfolio is managed and monitored based on sensitivity analysis. Except for the concentrations within foreign currency, the Group has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2008 and 2007. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 30 June 2008 and 2007 for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve. Changes in basis points value used for calculations were based on interest rate changes for respective historical periods.

	30 June 2008 (unaudited)		
Currency	***Increase in basis points***	***Sensitivity of net interest income***	***Sensitivity of equity***
LIBOR:			
USD	**+37**	**(1,519)**	**(490)**
KZT	**+37**	**(656)**	**(116)**
EUR	**+37**	**25**	**–**
JPY	**+37**	**(192)**	**–**

	30 June 2007 (unaudited)		
Currency	***Increase in basis points***	***Sensitivity of net interest income***	***Sensitivity of equity***
LIBOR:			
USD	+13	(158)	(1)
KZT	+13	(211)	(36)
EUR	+14	8	(1)
JPY	+15	(45)	–

The effective average interest rates by currencies for interest generating/ bearing monetary financial instruments were as follow:

	30 June 2008 (unaudited)		*31 December 2007*	
	KZT	***Foreign currency***	***KZT***	***Foreign currency***
Financial assets at fair value through profit or loss	**7.8%**	**4.2%**	6.6%	5.9%
Amounts due from credit institutions	**9.9%**	**7.7%**	7.6%	10.1%
Available-for-sale securities	**14.2%**	**6.1%**	11.2%	3.7%
Loans to customers	**15.4%**	**13.6%**	17.8%	13.0%
Amounts due to the Government and the NBK	**4.9%**	**7.4%**	5.8%	4.3%
Amounts due to credit institutions	**7.0%**	**7.2%**	8.4%	7.1%
Amounts due to customers	**9.6%**	**7.5%**	8.8%	6.3%
Debt securities issued	**14.7%**	**7.5%**	9.8%	9.2%

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21. Risk management policies (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Risk Committee has set limits on positions by currency based on the FMSA regulations. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Group had significant exposure at 30 June 2008 and 2007 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the income statement. The effect on equity does not differ from the effect on the income statement. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	30 June 2008 (unaudited)		*30 June 2007 (unaudited)*	
Currency	***Change in currency rate in %***	***Effect on profit before tax***	***Change in currency rate in %***	***Effect on profit before tax***
USD	**1.8**	**1,599**	3.5	4,563
EUR	**6.7**	**(2,044)**	4.9	(32)
RUR	**3.9**	**1,564**	3.8	1,204
CHF	**8.9**	**(2,051)**	5.4	1
JPY	**-9.5**	**5,548**	-6.5	4,277
GBP	**5.6**	**129**	5.7	(2,736)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Bank's investment and trading portfolios.

The effect on profit before tax and equity (as a result of a change in the fair value of financial assets at fair value through profit or loss and equity instruments held as available-for-sale at 30 June 2008 and 2007) due to a reasonably possible change in equity indices using Capital Asset Pricing Model, with all other variables held constant, is as follows:

	30 June 2008 (unaudited)		*30 June 2007 (unaudited)*	
Market index	***Increase in indices, %***	***Effect on profit before tax and equity***	***Increase in indices, %***	***Effect on profit before tax and equity***
KASE	**1.9**	**589**	11.0	104
RTS	**0.3**	**241**	0.5	188
PFTS (Ukraine)	**33.4**	**34**	96.4	58
MSCI World Index	**14.0**	**1,956**	7.5	1,273
FTSE 100	**11.0**	**308**	5.9	103
DAX	–	–	20.6	12
Toronto SE 300 Composite Index	**3.9**	**3**	7.7	(1)

	30 June 2008 (unaudited)		*31 December 2007*	
Market index	***Decrease in indices, %***	***Effect on profit before tax and equity***	***Decrease in indices, %***	***Effect on profit before tax and equity***
KASE	**-1.9**	**586**	-11.0	47
RTS	**-0.3**	**240**	-0.5	188
PFTS (Ukraine)	**-33.4**	**9**	-96.4	(15)
MSCI World Index	**-14.0**	**477**	-7.5	554
FTSE 100	**-11.0**	**(404)**	-5.9	(206)
DAX	–	–	-20.6	(13)
Toronto SE 300 Composite Index	**-3.9**	**3**	-7.7	5

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21. Risk management policies (continued)

Market risk (continued)

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. Having analyzed historical data on repayments, the Group has defined the most reasonable amount of assets and liabilities that could be early repaid. The effect on profit before tax assuming 5% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Effect on net interest income	
	30 June 2008 (unaudited)	*30 June 2007 (unaudited)*
KZT	**(4,083)**	(3,584)
USD	**(5,788)**	(5,110)
EUR	**(219)**	(115)
Other	**309**	287

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

22. Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2008 (unaudited)			31 December 2007		
	Carrying value 2008	*Fair value 2008*	*Unrecognised gain/(loss) 2008*	*Carrying value 2007*	*Fair value 2007*	*Unrecognised gain/(loss) 2007*
Financial assets						
Cash and cash equivalents	**136,267**	**136,267**	**–**	99,723	99,723	–
Obligatory reserves	**177,768**	**177,768**	**–**	168,242	168,242	–
Financial assets at fair value through profit or loss	**168,647**	**168,647**	**–**	112,175	112,175	–
Amounts due from credit institutions	**123,311**	**123,311**	**–**	107,589	107,589	–
Derivative financial assets	**52,931**	**52,931**	**–**	31,397	31,397	–
Loans to customers	**2,464,933**	**2,495,372**	**30,439**	2,379,810	2,385,763	5,953
Available-for-sale investment securities	**69,453**	**69,453**	**–**	26,422	26,422	–
Financial liabilities						
Amounts due to the Government and the NBK	**1,043**	**1,043**	**–**	913	913	–
Amounts due to credit institutions	**900,389**	**939,346**	**(38,957)**	835,304	848,660	(13,356)
Derivative financial liabilities	**9,286**	**9,286**	**–**	5,528	5,528	–
Amounts due to customers	**747,705**	**747,705**	**–**	652,508	652,508	–
Debt securities issued	**1,180,783**	**1,119,754**	**61,029**	1,084,445	1,016,976	67,469
Total unrecognised change in unrealised fair value			**52,511**			60,066

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23. Segment analysis

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on a basis of five main business segments:

Corporate banking – representing other than small and medium size legal entities direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Small and medium business – representing individual entrepreneurs and small enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Investment activity - representing financial assets and liabilities used for trading or investment purposes, financing, and merger and acquisitions transaction support.

Asset management- principally providing investment products and services to institutional investors and intermediaries.

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23. Segment analysis (continued)

Segment information for the main reportable business segments of the Group for the six-month periods ended 30 June 2008 and 2007 on the results of segment operations and as of 30 June 2008 and 31 December 2007 on the segment financial positions is set out below:

Six-month period ended 30 June 2008	***Corporate banking***	***Small and medium business***	***Retail banking***	***Investing activity***	***Asset management***	***Unallocated amounts***	***Elimination***	***Total***
External interest income	**104,475**	**21,336**	**40,478**	**21,440**	–	–	–	**187,729**
Internal interest income	**24,305**	**15,023**	**19,852**	**108,372**	–	**2,906**	**(170,458)**	–
External interest expense	**(9,010)**	**(1,609)**	**(17,090)**	**(74,581)**	–	–	–	**(102,290)**
Internal interest expense	**(95,327)**	**(12,861)**	**(23,027)**	**(39,243)**	–	–	**170,458**	–
Net interest income before impairment	**24,443**	**21,889**	**20,213**	**15,988**	–	**2,906**	–	**85,439**
Impairment charge	**(8,343)**	**(19,515)**	**(12,641)**	**(461)**	–	–	–	**(40,960)**
Net interest (loss)/income after impairment	**16,100**	**2,374**	**7,572**	**15,527**	–	**2,906**	–	**44,479**
Net commission and non-interest income	**10,193**	**5,437**	**9,020**	**2,977**	**119**	**(215)**	**(4,622)**	**22,909**
Non-interest expenses	**(11,955)**	**(5,645)**	**(9,326)**	**(2,931)**	**(45)**	**(4,167)**	**4,622**	**(29,447)**
Other provisions	**(6,269)**	**(259)**	**(5)**	**(30)**	–	**318**	–	**(6,245)**
Income from associate organizations	–	–	–	**3,092**	–	–	–	**3,092**
Income before income tax expense	**8,069**	**1,907**	**7,261**	**18,635**	**74**	**(1,158)**	–	**34,788**
Income tax expense	–	–	–	–	–	**(6,958)**	–	**(6,958)**
Net income after income tax	**8,069**	**1,907**	**7,261**	**18,635**	**74**	**(8,116)**	–	**27,830**
Total assets as of 30 June 2008	**1,835,549**	**250,524**	**481,850**	**1,813,088**	–	**244,320**	**(1,269,087)**	**3,356,244**
Total liabilities as of 30 June 2008	**468,862**	**156,848**	**373,070**	**3,008,424**	–	**22,231**	**(1,147,553)**	**2,881,882**

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23. Segment analysis (continued)

Six-month period ended 30 June 2007	*Corporate banking*	*Small and medium business*	*Retail banking*	*Investing activity*	*Asset management*	*Unallocated amounts*	*Elimination*	*Total*
External interest income	70,388	17,188	33,159	12,011	–	1,589	–	134,335
Internal interest income	9,880	649	10,405	88,437	–	5,928	(115,299)	–
External interest expense	(6,501)	(585)	(12,538)	(51,074)	–	(6,309)	–	(77,007)
Internal interest expense	(53,231)	(8,436)	(13,356)	(38,236)	–	(2,040)	115,299	–
Net interest income before impairment	20,536	8,816	17,670	11,138	–	(832)	–	57,328
Impairment charge	(6,822)	(2,404)	(4,598)	(10)	–	1	–	(13,833)
Net interest (loss)/income after impairment	13,714	6,412	13,072	11,128	–	(831)	–	43,495
Net commission and non-interest income	7,920	2,240	7,750	19,937	85	(2,606)	(7,637)	27,689
Non-interest expenses	(2,007)	(2,399)	(7,585)	(16,411)	(30)	(3,642)	7,637	(24,437)
Other provisions	(1,297)	(457)	(397)	(3)	–	26	–	(2,128)
Income from associate organizations	–	–	–	1,573	–	–	–	1,573
Income before income tax expense	18,330	5,796	12,840	16,224	55	(7,053)	–	46,192
Income tax expense	–	–	–	–	–	(5,824)	–	(5,824)
Net income after income tax	18,330	5,796	12,840	16,224	55	(12,877)	–	40,368
Total assets as of 31 December 2007	1,642,359	295,840	526,287	1,526,106	33	245,343	(1,171,351)	3,064,617
Total liabilities as of 31 December 2007	329,158	140,980	346,719	2,836,257	3	10,837	(1,051,368)	2,612,586

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23. Segment analysis (continued)

Segment information for the main geographical segments of the Group for the six-month periods ended 30 June 2008 and 2007 on the results of segment operations as of 30 June 2008 and 31 December 2007 on the segment financial positions is set out below:

	Kazakhstan	*OECD*	*Non OECD*	*Total*
2008				
Segment assets	**2,098,828**	**572,309**	**843,083**	**3,514,220**
External revenues	**206,784**	**76,621**	**114,125**	**397,530**
Capital expenditure	**(3,370)**	**–**	**–**	**(3,370)**
Commitments to extend credit	**225,560**	**123,674**	**70,007**	**419,241**
2007				
Segment assets	2,003,504	208,669	976,537	3,188,710
External revenues	100,447	88,503	40,045	228,995
Capital expenditure	(4,337)	–	–	(4,337)
Commitments to extend credit	256,166	20,476	57,529	334,171

External revenues, assets and commitments to extend credit have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

24. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties, except those, who are subject to the restriction of the legislation, may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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24. Related party transactions (continued)

As of 30 June 2008 and 31 December 2007 the Group had the following transactions with related parties:

	30 June 2008				*31 December 2007*			
	Share-holders	***Associates***	***Key mana-gement personnel***	***Other related parties***	***Share-holders***	***Associates***	***Key mana-gement personnel***	***Other related parties***
Loans outstanding at 1 January, gross	**–**	**–**	**8,210**	**1,352**	–	–	8,683	6,510
Loans issued during the period	**–**	**–**	**1,276**	**3**	–	–	7,742	5,790
Loan repayments during the period	**–**	**–**	**(7,830)**	**(1,333)**	–	–	(8,215)	(10,948)
Loans outstanding at the end of the period	**–**	**–**	**1,656**	**22**	–	–	8,210	1,352
Less: allowance for impairment	**–**	**–**			–	–	–	–
Loans outstanding at the end of the period, net	**–**	**–**	**1,656**	**22**	–	–	8,210	1,352
Amounts due from credit institutions (deposits)								
Deposits at 1 January	**–**	**5,096**	**–**	**5,582**	–	2,246	–	6,570
Deposits placed during the period	**–**	**7,865**	**–**	**219**	–	8,307	–	19,887
Deposits withdrawn during the period	**–**	**(6,444)**	**–**	**(5,749)**	–	(5,457)	–	(20,875)
Deposits at the end of the period	**–**	**6,517**	**–**	**52**	–	5,096	–	5,582
Amounts due from credit institutions (loans)								
Loans at 1 January	**–**	**9,497**	**–**	**8,398**	–	12,625	–	3,190
Loans placed during the period	**–**	**1,630**	**–**	**41,414**	–	17,892	–	9,374
Loans withdrawn during the period	**–**	**(5,018)**	**–**	**(9,186)**	–	(21,020)	–	(4,166)
Loans at the end of the period	**–**	**6,109**	**–**	**40,626**	–	9,497	–	8,398
Amounts due to credit institutions								
Loans at 1 January	**–**	**430**	**–**	**558**	7,312	3,529	–	17,481
Loans received during the period	**–**	**61,987**	**–**	**143,059**	–	79,809	–	329,572
Loans repaid during the period	**–**	**(59,552)**	**–**	**(139,429)**	(7,312)	(82,908)	–	(346,495)
Loans at the end of the period	**–**	**2,865**	**–**	**4,188**	–	430	–	558

(Millions of Kazakhstani Tenge)

24. Related party transactions (continued)

	30 June 2008				*31 December, 2007*			
	Share-holders	*Associates*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Associates*	*Key mana-gement personnel*	*Other related parties*
Financial assets at fair value through profit or loss								
Deposits at 1 January	**–**	**1,619**	**–**	**–**	–	1,620	–	–
Deposits received during the period	**–**	**75**	**–**	**–**	–	336	–	–
Deposits repaid during the period	**–**	**(177)**	**–**	**–**	–	(337)	–	–
Deposits at the end of the period	**–**	**1,517**	**–**	**–**	–	1,619	–	–
Cash and cash equivalents								
Deposits at 1 January	**–**	**1**	**–**	**1,281**	–	128	–	617
Deposits received during the period	**–**	**5,148**	**–**	**264,185**	–	48,639	–	358,894
Deposits repaid during the period	**–**	**(3,572)**	**–**	**(263,393)**	–	(48,766)	–	(358,230)
Deposits at the end of the period	**–**	**1,577**	**–**	**2,073**	–	1	–	1,281
Amounts due to customers								
Deposits at 1 January	**18**	**–**	**4,151**	**4,796**	4,583	–	982	500
Deposits received during the period	**11**	**–**	**9,015**	**1,093**	55,158	–	78,375	18,901
Deposits repaid during the period	**(2)**	**–**	**(11,938)**	**(986)**	(59,723)	–	(75,206)	(14,605)
Deposits at the end of the period	**27**	**–**	**1,228**	**4,903**	18	–	4,151	4,796
Commitments and guarantees issued	**–**	**4,141**	**5**	**11,901**	–	3,796	4,824	9,158
Commitments and guarantees received	**–**	**529**	**–**	**1,837**	–	503	8	1,456

(Millions of Kazakhstani Tenge)

24. Related party transactions (continued)

	Six-month periods ended 30 June							
	2008(unaudited)				*2007(unaudited)*			
	Share-holders	*Associates*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Associates*	*Key mana-gement personnel*	*Other related parties*
Interest income on deposits up to 90 days	**–**	**17**	**–**	**9**	–	13	–	2
Interest income on loans	**–**	**–**	**122**	**2**	–	–	846	439
Interest income on due from credit institutions	**–**	**704**	**–**	**1,721**	–	710	–	534
Interest expense on due to credit institutions	**–**	**(91)**	**–**	**(17)**	–	(15)	–	(8)
Interest expense on due to customers	**–**	**–**	**(73)**	**(16)**	–	–	(92)	–
Interest income on financial assets	**–**	**73**	**–**	**–**	–	–	–	–
Fee and commission income	**–**	**59**	**–**	**68**	–	26	–	16
Other income	**–**	**25**	**–**	**–**	–	–	–	–
Fee and commission expense	**–**	**–**	**–**	**–**	–	–	–	–

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors for the six month period ended 30 June 2008 was KZT 302 million (30 June 2007 - KZT 219 million).

Included in the table above are the following transactions with related parties outstanding as of 30 June 2008 and 31 December 2007:

- Operations with associates such as: loans - including provisioning matters, due from credit institutions (loans issued and deposits placed) with the Group and guarantees and letters of credit to investees, and mutual investments.
- Shareholders: loans - including provisioning matters, deposits placed with the Group.
- Members of Board of Directors: loans - including provisioning matters, deposits attracted with the Group, total remuneration paid during the period.

25. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSA in supervising the Bank.

During the past year, the Group had complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

(Millions of Kazakhstani Tenge)

25. Capital adequacy (continued)

FMSA capital adequacy ratio

FMSA requires banks to maintain a tier 1 capital adequacy ratio of 6% of assets and general capital adequacy of 12% of risk-weighted assets. In 2008 and 2007 risk-weighted assets calculated in accordance with the FMSA requirements were derived from the Bank's stand-alone financial statements prepared in accordance with Kazakhstani Accounting Standards. As of 30 June 2008 and 31 December 2007, the Bank's capital adequacy ratio on this basis was as follows:

	30 June 2008	*31 December 2007*
Tier 1 capital	**450,736**	401,831
Tier 2 capital	**167,654**	136,818
Less: deductions from capital	**(64,356)**	(64,356)
Total capital	**554,034**	474,293
Total assets	**2,939,690**	2,648,603
Risk weighted assets	**3,952,839**	3,436,493
Less: deductions from assets	**(39)**	(1,700)
Capital adequacy ratio tier 1	**14.0%**	13.6%
General capital adequacy ratio	**14.0%**	13.8%

Capital adequacy ratio under Basel Capital Accord 1988

The Group's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines, as of 30 June 2008 and 31 December 2007 exceeded the minimum ratio of 8% recommended by the Basle Accord for Tier 1 and Tier 2 capital adequacy ratio and assessed based on credit risks approach.

	Balance Sheet Notional Amount		*Risk Weighted Amount*	
	30 June 2008	*31 December 2007*	*30 June 2008*	*31 December 2007*
Total assets	**3,986,002**	3,575,462	**2,932,485**	2,730,706

	Capital		*BIS%*	
	30 June 2008	*31 December 2007*	*30 June 2008*	*31 December 2007*
Tier 1 capital	**485,949**	462,320	**16.57%**	16.93%
Tier 2 capital	**151,564**	85,168		
Gross available capital	**637,513**	547,488	**–**	–
Less investments	**(56,946)**	(67,767)	**–**	–
Tier 1 + Tier 2 capital	**580,567**	479,721	**19.80%**	17.57%

26. Subsequent events

In July 2008 the Bank has finalised the acquisition of additional 38.6% equity interest in LLC BTA Bank (Russia) (formerly Slavinvestbank) for KZT 10,645,614 thousand. As a result of the acquisition the Bank's interest in LLC BTA Bank (Russia) increased to 52.8%, which provided the Bank with effective control and allowed the Bank to treat LLC BTA Bank (Russia) as a subsidiary starting from July 2008.