

JSC BTA Bank and subsidiaries
Unaudited Interim Condensed
Consolidated Financial Statements

30 June 2010

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":

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "BTA Bank" and its subsidiaries (the "Group") as of 30 June 2010, comprising the interim condensed consolidated statement of financial position as of 30 June 2010 and the related interim condensed consolidated income statement and interim condensed consolidated statements of comprehensive income for the six-month period then ended, and the related 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 Financial Reporting Standard IAS 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 Group are not prepared, in all material respects, in accordance with IAS 34.

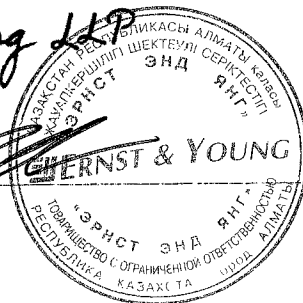
Ernst & Young LLP

Zhemaletdinov Evgeny

Zhemaletdinov Evgeny
Auditor / General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

1 September 2010



Auditor Qualification Certificate No. 0000553
dated 24 December 2003

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

(Millions of Kazakhstani Tenge)

	Note	30 June 2010 (unaudited)	31 December 2009
Assets			
Cash and cash equivalents	7	134,299	78,215
Obligatory reserves		36	145
Trading securities	8	84,901	115,784
Amounts due from credit institutions	9	67,568	31,444
Derivative financial assets	10	8,476	25,980
Available-for-sale investment securities	11	23,995	19,019
Held-to-maturity investment securities	12	7,213	-
Loans to customers	13	748,435	1,040,773
Bonds of NWF Samruk-Kazyna	14	517,413	512,246
Investments in associates		86,074	85,088
Property and equipment		9,110	9,911
Goodwill	15	1,841	1,841
Current income tax asset		6,271	5,708
Deferred tax assets	17	2,993	5,267
Other assets		42,162	37,238
Total assets		1,740,787	1,968,659
Liabilities			
Amounts due to the Government and the National Bank	18	376,173	406,595
Amounts due to credit institutions	19	800,703	836,384
Derivative financial liabilities	10	2,466	3,974
Amounts due to customers	20	682,424	655,963
Debt securities issued	21	1,557,843	1,668,602
Provisions	16	32,957	59,127
Other liabilities		37,181	27,834
Total liabilities		3,489,747	3,658,479
Equity deficit			
Issued capital: common shares	22	515,551	515,551
Additional paid-in capital		(38,798)	(38,798)
Treasury shares		(4,270)	(6,383)
Available-for-sale investment securities revaluation reserve		(217)	(2,352)
Foreign currency translation reserve		(641)	(448)
Accumulated deficit		(2,224,688)	(2,144,271)
Equity attributable to:			
Shareholders of the parent		(1,753,063)	(1,676,701)
Non-controlling interest		4,103	(13,119)
Total equity deficit		(1,748,960)	(1,689,820)
Total liabilities and equity		1,740,787	1,968,659

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

Anvar Saidenov

Chairman of the Board

Alma Maxutova

Chief Accountant



1 September 2010

The accompanying notes on pages 6 to 34 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2010

(Millions of Kazakhstani Tenge)

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (unaudited)
Interest income			
Loans		71,862	151,781
Bonds of NWF Samruk-Kazyna		18,067	10,462
Investment securities		1,416	1,335
Amounts due from credit institutions		3,988	5,357
		95,333	168,935
Trading securities		2,652	6,222
		97,985	175,157
Interest expense			
Amounts due to the Government and the National Bank		(14,044)	(8,142)
Amounts due to credit institutions		(13,225)	(22,480)
Due to customers		(18,701)	(26,162)
Debt securities issued		(70,223)	(69,185)
		(116,193)	(125,969)
Net interest (expense) / income before impairment		(18,208)	49,188
Impairment charge	9, 13	(102,076)	(357,392)
Net interest expense		(120,284)	(308,204)
Fee and commission income		8,293	11,153
Fee and commission expense		(3,762)	(810)
Fees and commissions		4,531	10,343
Net trading loss	24	(32,646)	(17,725)
Gains less losses from foreign currencies:			
- dealing		(1,438)	32,753
- translation differences		29,098	(306,845)
Net income from insurance operations		525	1,741
Share of income of associates		2,181	2,832
Impairment loss on available-for-sale investment securities		(458)	(574)
Impairment loss on goodwill		-	(12,582)
Excess of the purchaser's share in net fair value of identifiable assets and liabilities of purchased company over the cost	5	10,169	-
Income/(loss) on disposal of subsidiaries	6	38,590	(535)
Other income		1,029	1,000
Non interest income / (loss)		47,050	(299,935)
Salaries and other employee benefits	25	(10,672)	(11,663)
Other administrative and operating expenses	25	(13,587)	(11,442)
Depreciation and amortisation		(2,213)	(2,489)
Taxes other than income tax		(2,753)	(1,230)
Loss on realization of collaterals		(3,776)	-
Other provisions	16	23,163	(3,305)
Obligatory insurance of individuals' deposits		(1,357)	(681)
Other expenses		(2,036)	(1,228)
Non interest expense		(13,231)	(32,038)
Loss before income tax expense		(81,934)	(629,834)
Income tax expense	17	(518)	(3,738)
Net loss after income tax expense		(82,452)	(633,572)
Attributable to:			
Share holders of the parent		(80,417)	(625,704)
Non-controlling interest		(2,035)	(7,868)
Net loss		(82,452)	(633,572)
Basic and diluted loss per share (in Kazakhstani Tenge)	26	(2,585)	(21,666)

The accompanying notes on pages 6 to 34 are an integral part of these interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2010

(Millions of Kazakhstani Tenge)

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss for the reporting period	(82,452)	(633,572)
Other comprehensive income/ (loss):		
Fair value change of available-for-sale investment securities	3,326	(3,845)
Release of available-for-sale investment securities revaluation reserve on disposal of previously revalued assets	(741)	21
Share of changes recognized directly in equity of an associate	(413)	239
Foreign exchange revaluation	(253)	911
Other comprehensive income/(loss) for the reporting period, net of tax	1,919	(2,674)
Total comprehensive loss for the reporting period	(80,533)	(636,246)
Attributable to:		
- Shareholders of the parent	(78,475)	(628,530)
- Non-controlling interest	(2,058)	(7,716)
	(80,533)	(636,246)

The accompanying notes on pages 6 to 34 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

(Millions of Kazakhstani Tenge)

	Issued capital- common shares	Additional paid-in capital	Treasury shares	Available- for-sale investment securities revaluation reserve	Foreign currency translation reserve	Accumula- ted deficit	Total	Non- controlling interest	Total equity deficit
1 January 2009	303,456	-	(1,568)	(1,112)	(948)	(1,057,646)	(757,818)	15,039	(742,779)
Total comprehensive loss for the period (unaudited)	-	-	-	(3,585)	759	(625,704)	(628,530)	(7,716)	(636,246)
Issue of common shares (unaudited)	212,095	-	-	-	-	-	212,095	-	212,095
Additional paid-in capital (unaudited)	-	(38,798)	-	-	-	-	(38,798)	-	(38,798)
Purchase of treasury shares (unaudited)	-	-	(2,017)	-	-	-	(2,017)	-	(2,017)
Sale of treasury shares (unaudited)	-	-	965	-	-	-	965	-	965
Contribution of non-controlling interests to subsidiaries equity (unaudited)	-	-	-	-	-	-	-	605	605
Change of non-controlling interest from redistribution of participation share in subsidiaries (unaudited)	-	-	-	-	-	-	-	535	535
30 June 2009 (unaudited)	515,551	(38,798)	(2,620)	(4,697)	(189)	(1,683,350)	(1,214,103)	8,463	(1,205,640)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	2,345	(259)	(460,921)	(458,835)	(20,113)	(478,948)
Purchase of treasury shares (unaudited)	-	-	(3,939)	-	-	-	(3,939)	-	(3,939)
Non-controlling interest at purchase (unaudited)	-	-	176	-	-	-	176	-	176
Contribution of non-controlling interests to subsidiaries equity (unaudited)	-	-	-	-	-	-	-	14	14
Non-controlling interest at disposal (unaudited)	-	-	-	-	-	-	-	(1,191)	(1,191)
Purchase of non-controlling interest (unaudited)	-	-	-	-	-	-	-	(292)	(292)
31 December 2009	515,551	(38,798)	(6,383)	(2,352)	(448)	(2,144,271)	(1,676,701)	(13,119)	(1,689,820)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	2,135	(193)	(80,417)	(78,475)	(2,058)	(80,533)
Business combinations (unaudited)	-	-	(95)	-	-	-	(95)	-	(95)
Disposal of subsidiary (unaudited)	-	-	2,208	-	-	-	2,208	15,948	18,156
Purchase of non-controlling interest (unaudited)	-	-	-	-	-	-	-	3,332	3,332
30 June 2010 (unaudited)	515,551	(38,798)	(4,270)	(217)	(641)	(2,224,688)	(1,753,063)	4,103	(1,748,960)

The accompanying notes on pages 6 to 34 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2010

(Millions of Kazakhstani Tenge)

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
<i>Note</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities:		
Interest received	60,563	77,699
Interest paid	(35,156)	(103,232)
Income/ (loss) paid for foreign currencies dealing	10,339	(1,087)
(Loss)/ income received from transactions with securities	(7,308)	2,935
Fee and commission received	7,927	3,803
Fee and commission paid	(3,758)	(812)
Cash paid for insurance operations	(1,582)	(1,723)
Cash received from insurance operations	3,888	3,262
Cash paid to employees	(9,691)	(10,128)
Reimbursement of previously written-off loans	-	1,049
Cash paid for obligatory deposits insurance	(1,357)	(681)
Operating expenses paid	(23,555)	(16,125)
Net cash provided by/ (used in) operating activities before changes in operating assets and liabilities	310	(45,040)
Net increase/decrease in cash from operating assets and liabilities		
Net decrease in obligatory reserves	109	493
Net increase in trading securities	(4,832)	(16,334)
Net (increase)/ decrease in amounts due from credit institutions	(7,808)	17,917
Net decrease in loans to customers	29,029	87,675
Net (increase)/ decrease in other assets, including prepaid taxes	(15,542)	4,042
Net (decrease)/ increase in due to the Government and National Bank	(30,701)	355,717
Net decrease in amounts due to credit institutions	(6,303)	(220,328)
Net increase/ (decrease) in amounts due to customers	96,829	(229,399)
Net increase/ (decrease) in derivative financial instruments	1,638	(3,930)
Net increase/ (decrease) in other liabilities	13,339	(2,720)
Net cash provided by/ (used in) operating activities before income tax	76,068	(51,907)
Income tax paid	(554)	(1,277)
Net cash provided by/ (used in) operating activities	75,514	(53,184)
Cash flows from investing activities		
Purchase of available-for-sale investment securities	-	(931)
Disposal of available-for-sale investment securities	1,889	-
Purchase of bonds of NWF Samruk-Kazyna	-	(645,000)
Disposal of held-to-maturity securities	400	-
Investments in associates	-	(3,477)
Purchase of non-controlling interest	-	(452)
Acquisition of subsidiaries, less cash received	5	-
Cash of disposed subsidiaries	6	(12,437)
Purchase of property and equipment	(1,965)	(3,026)
Proceeds from disposal of property and equipment	581	1,140
Dividends received	423	-
Net cash used in investing activities	(11,104)	(651,746)
Cash flows from financing activities		
Proceeds from debt securities issued	-	645,000
Repayment of debt securities issued	(7,163)	(213,139)
Proceeds from issue of common shares	-	212,095
Purchase of treasury shares	-	(2,017)
Proceeds from sale of treasury shares	-	965
Net cash (used in)/ provided by financing activities	(7,163)	642,904
Effect of exchange rate changes on cash and cash equivalents	(1,163)	7,049
Net increase/ (decrease) in cash and cash equivalents	56,084	(54,977)
Cash and cash equivalents at the beginning of the period	7	78,215
Cash and cash equivalents at the end of the period	7	134,299

The accompanying notes on pages 6 to 34 are an integral part of these interim condensed consolidated financial statements

(Millions of Kazakh Tenge)

1. Principal activities

JSC BTA Bank and its subsidiaries (together the “Group”) provide retail and corporate banking services, insurance services, leasing and other financial services in Kazakhstan, Armenia, Georgia, Belorussia, Ukraine and Russian Federation. The parent company of the Group is BTA Bank (the “Bank”), a joint stock company. The Bank is incorporated and domiciled in the Republic of Kazakhstan. Note 3 lists the Bank’s subsidiaries and associates

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 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. The Bank’s head office is located in Almaty, Kazakhstan. As of 30 June 2010 the Bank had 22 regional branches and 227 cash settlement units (as at 31 December 2009 – 22 regional branches and 230 cash settlement units), located throughout Kazakhstan and representative offices in Shanghai, China; Moscow, Russia; Kiev, Ukraine; Dubai, United Arab Emirates; London, Great Britain.

National Welfare Fund Samruk-Kazyna is the ultimate parent (the “Parent” or the “Controlling shareholder”) of the Group.

As of 30 June 2010 members of the Board of Directors and Management Board owned 39 common shares or 0.0001% of issued capital (31 December 2009: 37 common shares or 0.0001 %).

2. Going concern

During the fourth quarter of 2008 there was a significant deterioration in the financial position of BTA Bank and its subsidiaries principally resulting from loss events related to loan portfolio. This led to a breach by the Bank and the Group of certain prudential requirements including those related to capital adequacy set by the Financial Markets Supervision Agency (the “FMSA”). In addition, in February 2009 Kazakh Tenge has devalued against US dollar from 120 to 150 Tenge per 1 US dollar. This also has negatively affected the Bank and its customers, resulting in further deterioration of the Bank’s assets. As a result of these loss events the Group’s total liabilities as at 30 June 2010 exceeded its total assets by KZT 1,748,960 million (31 December 2009: KZT 1,689,820 million) and the Group incurred a net loss of KZT 82,452 million for the six-month period ended 30 June 2010 (30 June 2009: KZT 633,572 million). This led the Bank to non-compliance of certain ratios, including capital adequacy ratio as calculated in accordance with Basel Capital Accord 1988 requirements.

As at 30 June 2010 the amounts drawn by the Group under bond programs and loan facilities amounted to KZT 2,358,546 million (31 December 2009: KZT 2,504,986 million). In accordance with the contractual terms of these bond programs and loan facilities, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major international rating agencies.

As at 30 June 2010 and 31 December 2009 the Bank was in breach of capital adequacy and lending exposure covenants on syndicated loans, bond programs and certain other facilities. In addition, in April 2009, the credit ratings of the Bank from major international rating agencies have been decreased to default levels.

Starting from February 2009 the Controlling shareholder and the Bank’s current management has been taking measures to improve the financial position and liquidity of the Bank among other issues through the process of restructuring of the Bank’s financial debt.

The Restructuring plan of the financial debt was approved at the Creditors’ meeting on 28 May 2010 by the creditors possessing the Bank’s liabilities totaling KZT 2,247,353 million, which comprise 92.03% of the total amount of financial debt that should be restructured.

On 1 September 2010 the Bank successfully completed the process of restructuring its debt in the amount totaling KZT 2,441,988 million, equivalent of USD 16,647 million. The relevant decision was issued on 31 August 2010 by the Specialized financial court of Almaty based on the facts testifying the successful implementation of all steps of the Restructuring plan of the Bank (see Note 31).

These interim condensed consolidated financial statements of the Group were prepared based on the going concern principle, assuming restructuring of non-current debt and ongoing adequate support from the Bank’s Controlling shareholder.

(Millions of Kazakh Tenge)

3. 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-months period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010.

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 statement of financial position. 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 2009, considering the effect of the adoption of the new IFRSs and revision of the existing International Accounting Standards (“IAS”).

Consolidated subsidiaries

The interim condensed consolidated financial statements include the following subsidiaries:

<i>Subsidiary</i>	<i>Holding, %</i>		<i>Country</i>	<i>Date of Incorporation</i>	<i>Industry</i>	<i>Date of acquisition</i>
	<i>30 June 2010</i>	<i>31 December 2009</i>				
JSC Subsidiary of JSC BTA Bank - BTA Securities	100%	100%	Kazakhstan	17.10.97	Securities trading and asset management	13.12.97
JSC Subsidiary of JSC BTA Bank Accumulative Pension Fund BTA Kazakhstan	86.05%	86.05%	Kazakhstan	11.12.97	Pension Fund	16.09.98
JSC BTA Ipoteka Subsidiary Mortgage company of JSC BTA	100%	100%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00
JSC Subsidiary Life Insurance company of BTA BTA Life	100%	100%	Kazakhstan	22.07.99	Life insurance	30.03.01
JSC Subsidiary Insurance company of BTA Bank JSC BTA Zabota	98.17%	98.17%	Kazakhstan	10.09.96	General insurance	04.04.01
“TuranAlem Finance B.V.”	100%	100%	Netherlands	22.05.01	Capital markets	22.05.01
LLC Subsidiary of JSC BTA Bank TuranAlem Finance	100%	100%	Russia	22.06.04	Capital markets	28.09.04
JSC Subsidiary of JSC BTA Insurance Company London-Almaty	99.53%	99.53%	Kazakhstan	20.11.97	Property and liability insurance	05.08.04
“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%	100%	Kazakhstan	08.09.98	Property and liability insurance	21.12.06
“TemirCapital B.V.”	100%	100%	Netherlands	29.05.01	Capital market activities	29.12.06
CJSC BTA Bank	99.71%	99.29%	Belorussia	25.04.02	Bank activities	30.10.08
JSC Accumulative Pension Fund Ular-Umit	75.00%	–	Kazakhstan	23.01.98	Pension fund	13.01.10
JSC Insurance Company Atlanta-Polis LLP Titan Inkassatsiya	75.28%	–	Kazakhstan	06.06.95	Property and liability insurance	25.03.10
JSC Pension Asset Management company Zhetysu	100%	–	Kazakhstan	22.08.02	Encashment	05.01.10
JSC Temirbank	75.00%	–	Kazakhstan	05.03.98	Pension assets	14.01.10
First Kazakh Securitization Company	0.07%	70.51%	Kazakhstan	26.03.92	investment management	29.12.06
Second Kazakh Securitization Company	–	–	Netherlands	08.12.05	Banking activity	–
	–	–	Netherlands	25.09.07	Securitization of financial assets	–

*(Millions of Kazakh Tenge)***3. Basis of preparation (continued)****Consolidated subsidiaries (continued)**

In January 2010 the Bank obtained 75.00% share in JSC Accumulative Pension Fund Ular-Umit (“Ular-Umit”) and 75.00% share in JSC Pension Asset Management company Zhetysu JSC (“Zhetysu”) in connection with the discharge of liabilities to the Bank of certain clients of the Group. The main activity of Ular-Umit is attraction of pension contributions and the implementation of pension payments to its depositors. The main activity of Zhetysu is pension assets investment management.

On 25 March 2010 the Bank obtained 75.28% of JSC Insurance Company Atlanta-Polis (“Atlanta-Polis”) by the decision of the Specialized regional court of Almaty in consideration with the discharge of liabilities to the Bank of LLP NSK-Capital. The main activity of Atlanta-Polis is obligatory and voluntary insurance.

In May 2010 the Parent has purchased unallocated shares from JSC Temirbank (“Temirbank”) totaling to 75,933 thousand shares, as the result of which the Bank’s share has decreased to 14.02 % of the total allocated shares of Temirbank. In June 2010 Temirbank has declared additional emission totaling 20,000,000 thousands shares, of which the Parent has purchased 15,905,000 thousand shares. Whereby, the Bank did not purchase shares of the additional emission, that affected the further decrease of the Bank’s share in Temirbank’s equity to 0.07%.

In January 2010 the Bank obtained 100% share in LLP Titan-Inkassatsiya (“Titan-Inkassatsiya”). The main activity of Titan-Inkassatsiya is encashment and transfer of banknotes, coins and valuables.

Associates accounted for under equity method

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

<i>30 June 2010 (unaudited)</i>	<i>Share in net income/ (loss) for the six-month period ended 30 June 2010 (unaudited)</i>	<i>Total assets</i>	<i>Total liabilities</i>	<i>Equity</i>			
					<i>Holding, %</i>	<i>Country</i>	<i>Activities</i>
<i>Associates</i>							
BTA Bank PJSC	(6)	64,451	35,756	28,695	49.99%	Ukraine	Bank
BTA Bank JSC (Georgia)	(411)	8,427	6,183	2,244	49.00%	Georgia	Bank
BTA Bank CJSC (Armenia)	31	3,364	1,160	2,204	48.93%	Armenia	Bank
JSCB BTA Kazan OJSC	21	55,551	45,182	10,369	47.32%	Russia	Bank
BTA ORIX Leasing JSC	(69)	3,579	2,369	1,210	45.00%	Kazakhstan	Leasing
Oranta NJSIC OJSC	16	21,246	6,837	14,409	30.39%	Ukraine	Insurance
Sekerbank	2,586	973,368	855,978	117,390	33.98%	Turkey	Bank
Temir Leasing JSC	13	3,244	1,305	1,939	26.75%	Kazakhstan	Leasing
AMT Bank LLC (former BTA Bank LLC)	–	202,724	154,440	48,284	22.26%	Russia	Bank

In January 2010 BTA Bank Open Joint Stock Company (Ukraine) was renamed to BTA Bank Public Joint Stock Company (Ukraine).

In March 2010 BTA Bank LLC (Russia) was renamed to AMT Bank LLC (Russia).

*(Millions of Kazakh Tenge)***3. Basis of preparation (continued)****Associates accounted for under equity method (continued)**

In April 2010 Sekerbank announced dividends on common shares of KZT 8,436 million. In May 2010 dividends of KZT 423 million were paid in cash. The remaining part of dividends of KZT 8,013 million was paid in July 2010, in the form of common shares.

In May 2010 BTA Securities JSC has transferred 169,893,540 common shares of Sekerbank comprising 33.98% of Sekerbank's total placed shares to trust management to the Parent. However, BTA Securities JSC has retained the right of ownership and control over these shares.

<i>31 December 2009</i>	<i>Share in net income/ (loss) for the six-months period ended 30 June 2009 (unaudited)</i>	<i>Total assets</i>	<i>Total liabilities</i>	<i>Equity</i>			
					<i>Associates</i>	<i>Holding, %</i>	<i>Country</i>
BTA Bank OJSC	49.99%	Ukraine	Bank	–	58,270	30,938	27,332
BTA Bank JSC (Georgia)	49.00%	Georgia	Bank	(160)	12,992	9,652	3,340
BTA Bank CJSC (Armenia)	48.93%	Armenia	Bank	52	3,307	1,306	2,001
JSCB BTA Kazan OJSC	47.32%	Russia	Bank	39	54,592	43,764	10,828
BTA ORIX Leasing JSC	45.00%	Kazakhstan	Leasing	(40)	4,193	2,345	1,848
Oranta NJSIC OJSC	30.39%	Ukraine	Insurance	–	22,219	7,830	14,389
Sekerbank	33.98%	Turkey	Bank	2,918	909,678	788,890	120,788
Temir Leasing JSC	45.80%	Kazakhstan	Leasing	23	3,222	1,300	1,922
BTA Bank LLC	22.26%	Russia	Bank	–	223,129	163,306	59,823

4. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended December 31, 2009, except for the adoption of the new standards and interpretations, noted below in "Changes in accounting policy" section.

Allowances for impairment of financial assets*Amounts due from credit institutions and loans to customers*

For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

(Millions of Kazakh Tenge)

4. Summary of significant accounting policies (continued)

Allowances for impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers (continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Changes in accounting policy

Improvements to IFRSs

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Group, except the following amendments resulting in changes to accounting policies, as described below.

- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group continues to disclose this information.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment had no impact on the Group as the annual impairment test is performed before aggregation.

The following new or revised standards and interpretations effective from 2010 did not have any impact on the accounting policies, financial position or performance of the Group:

- Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items
- Amendment to IFRS 2 "Share-based Payment" - Group Cash-settled Share-based Payment Transactions
- IFRIC 17 "Distribution of Non-Cash Assets to Owners".

*(Millions of Kazakh Tenge)***5. Business combination**

As described above in Note 3, during 2010 the Bank obtained 75.00% share in Ular-Umit, 75.00% share in Zhetysu, 75.28% in Atlanta-Polis and 100% share in Titan-Inkassatsiya.

The information on fair value of identifiable assets and liabilities of Ular-Umit, Zhetysu, Atlanta-Polis and Titan-Inkassatsiya as at the purchase date is presented below:

	<i>Ular-Umit</i>	<i>Zhetysu</i>	<i>Atlanta-Polis</i>	<i>Titan-Inkassatsiya</i>
Assets				
Cash and cash equivalents	134	62	33	56
Amounts due from credit institutions	206	–	–	–
Investments securities	6,242	4,248	806	–
Reverse REPO	–	–	207	–
Trading securities	–	–	58	–
Property and equipment	886	20	107	357
Current income tax asset	576	273	–	–
Deferred tax assets	319	757	–	–
Other assets	206	54	487	147
	8,569	5,414	1,698	560
Liabilities				
Accounts payable	(1,422)	(11)	–	–
Other liabilities	(184)	–	(726)	(117)
	(1,606)	(11)	(726)	(117)
Total identifiable net assets measured at fair value				
	6,963	5,403	972	443
Non-controlling interest at fair value	1,741	1,351	240	–
Negative goodwill	(5,222)	(4,052)	(452)	(443)
Consideration transferred at acquisition	–	–	280	–

An independent valuation of the fair value of identifiable assets and liabilities of the acquired companies was not necessary because the Bank's management believes that the carrying value of identifiable assets and liabilities that are liquid or have a short maturity approximates their fair value.

The Group decided to evaluate non-controlling interest in Ular-Umit, Zhetysu and Atlanta-Polis based on proportional share of non-controlling interest in their identifiable net assets.

Consideration transferred at acquisition

Cash paid at acquisition	280
Undertaken obligations	–
Total consideration transferred	280

Analysis of cash flows at acquisition

Transaction costs at acquisition (included into cash flows from operating activity)	–
Net cash acquired in subsidiary (included into cash flows from investing activity)	285
Cash paid at acquisition (included into cash flows from investing activity)	(280)
Net cash inflow	5

If the business combination had taken place at the beginning of 2010, the total net operating income for the six-month period ended 30 June 2010 for the Group would have been KZT 185 million less at KZT 125,269 million and the total loss for the six-months period ended 30 June 2010 would have been KZT 179 million less at KZT 82,273 million.

*(Millions of Kazakh Tenge)***6. Disposal of subsidiaries**

In May 2010 the Parent purchased unallocated shares from Temirbank totaling to 75,933,000 shares, as the result of which the Bank's share decreased to 14.02% of the total allocated shares of Temirbank. In June 2010 Temirbank declared an additional emission totaling 20,000 million shares, of which the Parent purchased 15,905 million shares. Whereby, the Bank did not purchase shares of the additional emission, that affected the further decrease of the Bank's share in Temirbank's equity to 0.07%. As at 30 June 2010 the fair value of investments in Temirbank amounted to KZT 452 million.

Below is the carrying value of liabilities and goodwill as at the control derecognition date:

	<i>Carrying value</i>
	<i>Temirbank</i>
	<i>11 May 2010</i>
Cash and cash equivalents	12,437
Amounts due from credit institutions	2,590
Trading securities	21,991
Loans to customers	187,938
Property and equipment	1,531
Derivative financial instruments	308
Other assets	5,712
Total assets	232,507
Amounts due to credit institutions	65,071
Amounts due to customers	184,067
Debt securities issued	35,815
Provisions	3
Other liabilities	1,637
Total liabilities	286,593
Net assets value	(54,086)
Investments	(452)
Non-controlling interest	15,948
Group's share in fair value of net assets	(38,590)
Gain from disposal	38,590
Total cash received	-
Cash of disposed organization	(12,437)
Total cash outflow	(12,437)

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2010</i>	<i>31 December</i>
	<i>(unaudited)</i>	<i>2009</i>
Cash on hand	50,038	41,492
Current accounts with other financial institutions	11,075	22,955
Current accounts with national banks	70,536	7,462
Time deposits with contractual maturity of 90 days or less	94	1,231
Reverse repurchase agreements with contractual maturity of 90 days or less	2,056	3,706
Time loans with contractual maturity of less than 90 days from the date of origination	500	1,369
Cash and cash equivalents	134,299	78,215

The Group has entered into reverse repurchase agreements with Kazakhstani Stock Exchange. The subject of these agreements was mainly treasury bills of Ministry of Finance and other liquid securities. Fair value of the collateral as at 30 June 2010 was KZT 2,110 million (2009: KZT 3,573 million).

As at 30 June 2010 balances with ten banks accounted for 5.58% of total cash and cash equivalents (as at 31 December 2009 balances with ten banks accounted for 15.63% of total cash and cash equivalents).

*(Millions of Kazakh Tenge)***8. Trading securities**

Financial assets at fair value through profit or loss comprise:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December</i> <i>2009</i>
Debt securities:		
Corporate bonds	30,295	39,359
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	9,291	20,642
Sovereign bonds of OECD countries	8,262	8,679
Bonds of Kazakhstan non-financial institutions	4,991	4,921
Bonds of Kazakhstan financial institutions	4,984	5,278
Bonds of international financial organizations	99	97
Notes of the NBK	58	–
Treasury bills of the Ministry of Finance of Russian Federation	3	3
	<u>57,983</u>	<u>78,979</u>
Equity securities	26,918	36,805
Trading securities	<u>84,901</u>	<u>115,784</u>
Subject to repurchase agreements	–	4,420

In March 2010 the Bank received common and preferred shares of Alliance Bank JSC in exchange of bonds of Alliance Bank JSC held in the Bank's trading securities portfolio, within the Restructuring plan of Alliance Bank JSC as the result of application of order of allocation and reallocation of claims.

The Groups' counterparties under repurchase agreements have no rights to sell or repledge securities held as collateral under these agreements as at 31 December 2009.

9. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December</i> <i>2009</i>
Deposits	86,436	18,652
Loans	61,836	65,249
Amounts due from credit institutions, gross	<u>148,272</u>	<u>83,901</u>
Less – Allowance for impairment	(80,704)	(52,457)
Amounts due from credit institutions	<u>67,568</u>	<u>31,444</u>

As at 30 June 2010 amounts due from ten largest credit institutions comprised 59.86% of total amounts due from credit institutions (at 31 December 2009 amounts due from ten largest credit institutions comprised 30.59%).

As at 30 June 2010 the amount of frozen deposit accounts amounted to KZT 3,399 million.

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

1 January 2009	4,439
Impairment charge (unaudited)	30,096
Revaluation of foreign currency (unaudited)	600
30 June 2009 (unaudited)	<u>35,135</u>
Impairment charge (unaudited)	17,214
Write-offs (unaudited)	(336)
Revaluation of foreign currency (unaudited)	444
31 December 2009	<u>52,457</u>
Impairment charge (unaudited)	28,720
Write-offs (unaudited)	(29)
Revaluation of foreign currency (unaudited)	(444)
30 June 2010 (unaudited)	<u>80,704</u>

*(Millions of Kazakh Tenge)***10. 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 at the 30 June 2010 and 31 December 2009 and are indicative of neither the market risk nor the credit risk.

	30 June 2010 (unaudited)			31 December 2009		
	Notional principal	Fair value		Notional principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency swaps	1,400	1	(1)	1,429	-	(1)
Forwards and futures	157	-	(4)	1,456	-	(33)
Interest rate swaps	176,594	-	(2,461)	255,463	11,797	(3,940)
Options	115,316	8,475	-	109,369	14,183	-
Total derivative assets/liabilities		8,476	(2,466)		25,980	(3,974)

Swaps

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

During 2010 the number of counterparties of the Bank has taken a privilege to cancel their swap contracts with the Group due to the announcement of moratorium for payment of principal amount of external liabilities from 20 April 2009 and interest from 22 July 2009. During the six months of 2010 swap contracts for the total amount of KZT 255,463 million were early terminated, as a result of which the Group has recognized loss totalling KZT 10,357 million in the interim condensed consolidated statement of income within net trading loss (Note 24). The liabilities on interest rate swaps of KZT 2,461 million represent unpaid amount of liabilities under the early terminated swap contracts as at 30 June 2010, which were written-off subsequent to the reporting date as a result of restructuring of the Bank's financial liabilities.

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.

As at 30 June 2010 and 31 December 2009 the Bank had certain loans that are foreign currencies linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Bank has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the loans issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level.

The Bank believes that the above feature comprises an embedded foreign currency option is an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the financial statements.

*(Millions of Kazakh Tenge)***11. Available-for-sale investment securities**

Available-for-sale investment securities comprise:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December</i> <i>2009</i>
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	12,790	6,215
Corporate bonds	9,125	10,441
Notes of the NBK	980	940
Bonds of Kazakhstan financial institutions	–	897
	<u>22,895</u>	<u>18,493</u>
Equity securities	1,100	526
Available-for-sale investment securities	<u>23,995</u>	<u>19,019</u>

During the six months of 2010 the Group has recognized an impairment loss on available-for-sale investment securities in the amount of KZT 458 million (2009 – KZT 574 million).

12. Held-to-maturity investment securities

Held-to-maturity investment securities comprise:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,286	–
Corporate bonds	2,990	–
Agent bonds	937	–
Held-to-maturity investment securities	<u>7,213</u>	<u>–</u>

13. Loans to customers

Loans to customers comprise:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Corporate lending	2,324,530	2,476,199
Small and medium business lending	176,761	216,445
Individuals lending	262,585	471,537
Gross loans to customers	<u>2,763,876</u>	<u>3,164,181</u>
Less – Allowance for impairment	<u>(2,015,441)</u>	<u>(2,123,408)</u>
Loans to customers	<u>748,435</u>	<u>1,040,773</u>

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

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Private companies	2,500,000	2,684,843
Individuals	262,585	471,537
State companies	1,071	7,574
Other	220	227
Loans to customers, gross	<u>2,763,876</u>	<u>3,164,181</u>

*(Millions of Kazakh Tenge)***13. Loans to customers (continued)***Allowance for impairment of loans to customer*

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

	<i>Corporate lending</i>	<i>Small and medium business lending</i>	<i>Individuals lending</i>	<i>Total</i>
At 1 January 2010	1,984,210	62,802	76,396	2,123,408
Charge/ (reversal) for the period (unaudited)	81,485	(4,484)	(3,645)	73,356
Amounts written off (unaudited)	(36,739)	(22,733)	(6,125)	(65,597)
Recoveries (unaudited)	290	1,585	3,604	5,479
Amount arisen from disposal of subsidiaries (unaudited)	(26,310)	(13,295)	(51,175)	(90,780)
Foreign currency revaluation (unaudited)	(29,787)	(355)	(283)	(30,425)
At 30 June 2010 (unaudited)	1,973,149	23,520	18,772	2,015,441
Individual impairment, 30 June 2010 (unaudited)	1,956,036	17,408	5,037	1,978,481
Collective impairment, 30 June 2010 (unaudited)	17,113	6,112	13,735	36,960
	1,973,149	23,520	18,772	2,015,441
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance, 30 June 2010 (unaudited)	2,241,365	30,079	13,440	2,284,884
At 1 January 2009	1,174,310	21,162	21,806	1,217,278
Charge for the period (unaudited)	283,143	20,068	24,085	327,296
Amounts written off (unaudited)	(1,220)	(2,119)	(3,852)	(7,191)
Recoveries (unaudited)	13	163	863	1,039
Foreign currency revaluation (unaudited)	243,803	6,576	7,182	257,561
At 30 June 2009 (unaudited)	1,700,049	45,850	50,084	1,795,983
Individual impairment, 30 June 2009 (unaudited)	1,677,166	34,969	43,150	1,755,285
Collective impairment, 30 June 2009 (unaudited)	22,883	10,881	6,934	40,698
	1,700,049	45,850	50,084	1,795,983
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance, 30 June 2009 (unaudited)	1,932,292	53,994	71,547	2,057,833
At 30 June 2009 (unaudited)	1,700,049	45,850	50,084	1,795,983
Charge for the period (unaudited)	309,445	35,778	34,425	379,648
Amounts written off (unaudited)	(36,292)	(12,496)	(8,242)	(57,030)
Recoveries (unaudited)	(10)	17	2,387	2,394
Foreign currency revaluation (unaudited)	11,253	(6,087)	(2,221)	2,945
Amounts arising on subsidiaries disposal (unaudited)	(235)	(260)	(37)	(532)
At 31 December 2009	1,984,210	62,802	76,396	2,123,408
Individual impairment	1,974,495	35,917	51,173	2,061,585
Collective impairment	9,715	26,885	25,223	61,823
	1,984,210	62,802	76,396	2,123,408
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance, 31 December 2009	2,274,681	52,845	107,205	2,434,731

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13. Loans to customers (continued)

Individually impaired loans

In 2010, the quality of the Bank's loan portfolio continued to deteriorate as a result of the following circumstances:

- Due to restructuring of its financial liabilities the Bank froze further financing investment projects that requires significant capital investments. This led to suspension of operating and investment activities of the Bank's borrowers and resulted in deterioration of quality of certain loans to customers.
- Significant increase of timing of claims process within Kazakhstan and abroad led to extension of the expected timing of recovery of bad loans and sale of collateral.
- Continuing unfavourable conditions in real estate market resulted in increase of, the expected timing of sale of collateral in Kazakhstan and CIS.

In addition, the ongoing financial crisis has affected the borrowers' ability to service their obligations and the value of collateral.

Interest income accrued on loans, for which individual impairment allowances have been recognized, as at 30 June 2010, comprised KZT 215,606 million (as at 31 December 2009 – KZT 468,795 million).

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 30 June 2010, comprised KZT 316,182 million (as at 31 December 2009 – KZT 493,947 million). The fair value of collateral as at 30 June 2010 decreased mainly due to the events, disclosed above, as well as due to the disposal of Temirbank during the first six months of 2010. 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 of third parties.

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

Management 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.

During the six-months period ended 30 June 2010, the Group took possession of collateral with an estimated value of KZT 2,576 million, which the Group is in the process of selling (as at December 31, 2009 – KZT 3,348 million), and which is included in other assets. 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.

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 at 30 June 2010, was KZT 52,568 million (in 2009: KZT 55,345 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 these transactions, substantially all the risks and rewards of the portfolio have not been transferred to KMC. Therefore, the Group continues to recognise these loans as an asset on its consolidated statement of financial position with the corresponding liability recorded in loans from financial institutions for the same amount. As at 30 June 2010, these loans amounted to KZT 6,504 million (in 2009: KZT 6,994 million).

As at 30 June 2010 loans to customers include loans of KZT 49,123 million, which are pledged as collateral for the mortgage-backed bonds (at 31 December 2009: KZT 52,427 million).

During the six months ended 30 June 2010 and 2009 loans together with the associated allowance in the total amount of KZT 65,597 million and KZT 7,191 million, respectively, were written off as the Group completed all possible procedures on recovery of assets.

*(Millions of Kazakh Tenge)***13. Loans to customers (continued)***Concentration of loans to customers*

As at 30 June 2010 the Group had a concentration of loans represented by KZT 442,086 million due from the ten largest borrowers that comprised 16.0% of the total gross loan portfolio (in 2009 – KZT 478,875 million, 15.0%). Allowances amounting to KZT 430,073 million were recognised against these loans as at 30 June 2010 (in 2009 – KZT 437,103 million).

As at 30 June 2010 the Group had loans in the amount of KZT 366,657 million (in 2009: KZT 508,966 million), with interest and principal repayable at maturity. Allowances amounting to KZT 293,422 million were recognised against these loans as at 30 June 2010 (at 31 December 2009 – KZT 391,732 million).

Loans are made to the following sectors:

	<i>30 June 2010 (unaudited)</i>	<i>%</i>	<i>31 December 2009</i>	<i>%</i>
Real estate investments	527,014	19.1%	536,224	16.9%
Housing construction	469,031	17.0%	492,138	15.6%
Oil & Gas	353,289	12.8%	382,103	12.1%
Wholesale trade	333,246	12.1%	359,531	11.4%
Individuals	262,585	9.5%	471,537	14.9%
Construction of roads and industrial buildings	238,038	8.6%	274,311	8.7%
Agriculture	142,545	5.2%	153,401	4.8%
Energy	68,124	2.4%	68,895	2.2%
Chemical industry	61,029	2.2%	64,452	2.0%
Food industry	40,863	1.5%	41,037	1.3%
Retail trade	40,765	1.5%	49,552	1.6%
Transport	36,429	1.3%	39,453	1.2%
Mining	34,202	1.2%	38,991	1.2%
Telecommunication	31,445	1.1%	33,940	1.1%
Metallurgical industry	26,731	1.0%	28,534	0.9%
Hospitality	12,560	0.4%	16,102	0.5%
Textile and leather industry	11,381	0.4%	12,514	0.4%
Production of machinery and equipment	10,583	0.4%	9,136	0.3%
Financial services	1,738	0.1%	8,896	0.3%
Production of rubber and plastic articles	1,439	0.0%	992	0.0%
Publishing	721	0.0%	645	0.0%
Research & development	457	0.0%	584	0.0%
Other	59,661	2.2%	81,213	2.6%
	2,763,876	100.0%	3,164,181	100.0%

Loans to individuals are presented as follows:

	<i>30 June 2010 (unaudited)</i>	<i>31 December 2009</i>
Mortgage loans	174,817	229,778
Consumer loans	87,768	241,759
	262,585	471,537

*(Millions of Kazakh Tenge)***13. Loans to customers (continued)***Finance lease receivable*

Net investments in finance lease comprised:

30 June 2010 (unaudited)	<i>Later than one year and not later than five years</i>			Total
	<i>Not later than one year</i>	<i>later than five years</i>	<i>Later than five years</i>	
Finance lease receivables	8,460	11,526	8,460	28,446
Unearned finance income on finance lease of future periods	(1,293)	(2,953)	(1,803)	(6,049)
Net investment in finance leases	7,167	8,573	6,657	22,397

31 December 2009	<i>Later than one year and not later than five years</i>			Total
	<i>Not later than one year</i>	<i>later than five years</i>	<i>Later than five years</i>	
Finance lease receivables	1,986	17,871	13,123	32,980
Unearned finance income on finance lease of future periods	(94)	(4,506)	(2,741)	(7,341)
Net investment in finance leases	1,892	13,365	10,382	25,639

14. Bonds of NWF Samruk-Kazyna

As at 30 June 2010 the balance of bonds of NWF Samruk-Kazyna represents non-trading debt securities of the Parent, purchased by the Bank during 2009 at their nominal value of KZT 645,000 million. These debt securities were initially recorded at their fair value of KZT 496,595 million. The difference between the nominal value of these debt securities and their fair value in the amount of KZT 148,405 million was recorded as additional paid-in capital in the Group's consolidated statement of changes in equity.

As at 30 June 2010 these debt securities in the quantity of 394,651 thousands (as at 31 December 2009 – 426,251 thousands) were pledged under repurchase agreements with the NBK for the one month term with the renewal right. The fair value of these debt securities as at 30 June 2010 amounted to KZT 335,055 million (as at 31 December 2009 – KZT 359,058 million).

15. Goodwill*Impairment testing of goodwill*

The impairment is largely the result of uncertainties in the Kazakhstan economy, especially in the retail and mortgage sectors and deterioration of the subsidiaries' financial position. The Group performed an impairment test of goodwill as at 30 June 2010 and, since goodwill recoverable amount exceeds its carrying value, the Group has concluded that there is no impairment of goodwill.

Goodwill acquired through business combinations with indefinite lives have been allocated to two individual cash-generating units, which are also reportable segments, for impairment testing as follows:

- Corporate Banking; and
- Retail Banking.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	30 June 2010 (unaudited)	31 December 2009
Corporate Banking	1,031	1,031
Retail Banking	810	810
	1,841	1,841

*(Millions of Kazakh Tenge)***16. Other impairment and provisions**

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

	<i>Other assets</i>	<i>Guarantees and letters of credit</i>	<i>Total</i>
At 1 January 2010	8,478	59,127	67,605
Impairment charge /(reversal) (unaudited)	5,848	(29,011)	(23,163)
Write-offs (unaudited)	(10,696)	–	(10,696)
Recoveries (unaudited)	137	–	137
Foreign currency revaluation (unaudited)	112	2,844	2,956
Disposal of subsidiary (unaudited)	(290)	(3)	(293)
At 30 June 2010 (unaudited)	3,589	32,957	36,546
	<i>Other assets</i>	<i>Guarantees and letters of credit</i>	<i>Total</i>
At 1 January 2009	1,387	104,893	106,280
Impairment charge (unaudited)	2,295	1,010	3,305
Write-offs (unaudited)	(448)	–	(448)
Recoveries (unaudited)	10	–	10
Foreign currency revaluation (unaudited)	(299)	24,337	24,038
At 30 June 2009 (unaudited)	2,945	130,240	133,185
Impairment charge (unaudited)	5,850	(71,606)	(65,756)
Write-offs (unaudited)	(607)	(3)	(610)
Recoveries (unaudited)	3	–	3
Foreign currency revaluation (unaudited)	287	496	783
At 31 December 2009	8,478	59,127	67,605

Allowances for impairment of other assets are deducted from the related assets.

17. Taxation

The corporate income tax expense comprises:

	<i>30 June 2010 (unaudited)</i>	<i>30 June 2009 (unaudited)</i>
Current tax charge	845	528
Deferred tax (benefit)/ expense	(327)	3,210
Income tax expenses	518	3,738

As at 30 June 2010 and 31 December 2009 the balance of the Group was:

	<i>30 June 2010 (unaudited)</i>	<i>31 December 2009</i>
Deferred tax assets less deferred tax liabilities	393,645	383,433
Unrecognised deferred tax asset	(390,652)	(378,166)
Net deferred tax asset	2,993	5,267

The deferred tax asset as at 30 June 2010 was mainly comprised of losses carried forward as a result of allowance for bad debts.

In accordance with IAS 12 a deferred tax asset was recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary difference can be utilized. As at 30 June 2010 a deferred tax asset in the amount of KZT 390,652 million was not recognized as due to restructuring, the Group was not able to reliably assess whether it will be able to generate future taxable income against which these temporary differences could be utilized.

*(Millions of Kazakh Tenge)***18. Amounts due to the Government and the National Bank**

Amounts due to the Government and the National Bank consist of the following:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December</i> <i>2009</i>
Loans from the NBK in KZT	375,762	405,487
Amounts due to the Government:		
KZT denominated	355	1,002
EUR denominated	36	86
USD denominated	20	20
Amounts due to the Government and NBK	376,173	406,595

Loans from the NBK represent repurchase agreements under the pledge of debt securities of the Parent. As at 30 June 2010 the fair value of these debt securities was KZT 335,055 million (at 31 December 2009 – KZT 359,058 million).

19. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Loans from OECD based banks and financial institutions	440,534	442,778
Syndicated bank loans	168,711	163,053
Loans from Kazakh banks and financial institutions	152,649	190,438
Pass-through loans	18,580	18,429
Loans from other banks and financial institutions	18,383	19,293
	798,857	833,991
Interest-bearing placements from Kazakh banks	1,257	1,600
Loro accounts	571	772
Interest-bearing placements from non OECD banks	18	21
	1,846	2,393
Amounts due to credit institutions	800,703	836,384
Subject to repurchase agreements	–	4,430

Financial covenants

In accordance with the contractual terms of loan facilities, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major international rating agencies. As at 30 June 2010 and 31 December 2009 the Bank was in breach of capital adequacy, lending exposure and cross default covenants on these loan facilities.

On 1 September 2010 the Bank has successfully completed the process of restructuring its debt in the amount totaling KZT 2,441,988 million, equivalent of USD 16,647 million, thus allowing the Bank to comply with capital adequacy ratio (see Note 31).

20. 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:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Time deposits	501,401	373,802
Current accounts	171,194	270,221
Guarantee and restricted deposits	9,829	11,940
Amounts due to customers	682,424	655,963

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

At 30 June 2010, the Bank's ten largest customers accounted for approximately 56.58% of the total amounts due to customers (at 31 December 2009 – 56.61%).

*(Millions of Kazakh Tenge)***20. Amounts due to customers (continued)**

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

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Time deposits:		
Commercial entities	31,824	32,016
Individuals	161,949	151,318
Governmental entities	301,776	184,448
Non-commercial entities	5,852	6,020
Current accounts:		
Commercial entities	83,009	66,057
Individuals	33,400	29,314
Governmental entities	50,721	173,132
Non-commercial entities	4,064	1,718
Guarantees and restricted deposits:		
Commercial entities	6,824	8,557
Individuals	2,906	3,345
Governmental entities	98	37
Non-commercial entities	1	1
Amounts due to customers	682,424	655,963

As at 30 June 2010 included in time deposits are deposits of individuals in the amount of KZT 161,949 million (31 December 2009 – KZT 151,318 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 a considerably lower interest rate depending on the terms specified in the agreement.

An analysis of customer accounts by sector follows:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>%</i>	<i>31 December 2009</i>	<i>%</i>
Individuals	198,255	29.1%	183,977	28.0%
Amounts due to NWF Samruk Kazyna	193,361	28.3%	160,454	24.5%
Oil and gas production	163,487	24.0%	183,478	28.0%
Construction	26,382	3.9%	25,405	3.9%
Wholesale trading	16,769	2.5%	18,668	2.8%
Non-credit financial organizations	11,951	1.7%	19,635	3.0%
Research and development	7,945	1.2%	5,772	0.9%
Retail trading	4,341	0.6%	3,320	0.5%
Energy	3,938	0.6%	1,454	0.2%
Transportation	3,773	0.6%	3,328	0.5%
Machinery and equipment production	3,525	0.5%	1,975	0.3%
Chemical processing	3,348	0.5%	2,845	0.4%
Agriculture	2,616	0.4%	2,484	0.4%
Education	2,372	0.3%	1,945	0.3%
Entertainment	1,611	0.2%	517	0.1%
Food industry	1,524	0.2%	759	0.1%
Textile and leather industry	1,367	0.2%	1,065	0.2%
State administration bodies	1,242	0.2%	13,035	2.0%
Mining	709	0.1%	849	0.1%
Metallurgy	694	0.1%	749	0.1%
Communication	514	0.1%	411	0.1%
Hotel and hospitality	330	0.0%	155	0.0%
Other	32,370	4.7%	23,683	3.6%
	682,424	100.0%	655,963	100.0%

*(Millions of Kazakh Tenge)***21. Debt securities issued**

Debt securities issued consisted of the following:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December</i> <i>2009</i>
KZT bonds with fixed rate	585,826	578,684
USD bonds with fixed rate	392,083	501,749
USD and KZT subordinated bonds with fixed rate	168,899	165,334
EUR bonds with fixed rate	98,386	120,618
JPY bonds with floating rate	75,174	70,938
USD perpetual financial instruments with fixed rate	65,985	68,699
GBP bonds with fixed rate	62,163	41,422
USD bonds with floating rate	54,642	53,048
JPY bonds with fixed rate	34,442	32,748
CHF bonds with floating rate	28,592	29,654
KZT bonds with floating rate	25,259	49,956
KZT subordinated bonds with floating rate	23,612	22,762
RUR bonds with fixed rate	14,707	15,268
PLZ bonds with fixed rate	11,021	11,558
RUR deposit certificate	5	14
	1,640,796	1,762,452
USD treasury bonds held by the Group	(2,206)	(3,615)
KZT treasury bonds held by the Group	(5,175)	(4,297)
USD and KZT treasury subordinated bonds held by the Group	(57,907)	(64,053)
	1,575,508	1,690,487
Plus unamortized premium	100	124
Less unamortized cost of issuance	(305)	(663)
Less unamortized discount	(17,460)	(21,346)
Debt securities issued	1,557,843	1,668,602

As at 30 June 2010 and 31 December 2009 subordinated notes 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.

During the first six months of 2010 Temir Capital BV has restructured obligations on Eurobonds issued for the total amount USD 772 million.

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. Furthermore, the Bank is required to maintain a certain level of credit rating from major rating agencies. As at 30 June 2010 and 31 December 2009, the Bank was in breach of capital adequacy, lending exposure and cross-default covenants on debt securities issued.

On 1 September 2010 the Bank has successfully completed the process of restructuring its debt in the amount totaling KZT 2,441,988 million, equivalent of USD 16,647 million, thus allowing the Bank to comply with the required FMSA capital adequacy ratio (see Note 31).

22. Equity

As at 30 June 2010 and 31 December 2009 share capital comprises:

	<i>Common shares</i>		
	<i>Number of</i> <i>authorized</i> <i>shares</i>	<i>Number of</i> <i>shares issued</i>	<i>Placement</i> <i>value (KZT)</i>
1 January 2009	8,370,625	8,370,625	303,456
Increase in issued capital	29,915,425	25,246,343	212,095
31 December 2009	38,286,050	33,616,968	515,551
Increase in issued capital (unaudited)	–	–	–
30 June 2010 (unaudited)	38,286,050	33,616,968	515,551

At an Extraordinary General Meeting of the Bank held on 14 May 2008, the Bank's shareholders approved the issue of 100,000 convertible cumulative preferred shares ("CPS"), which was registered on 9 June 2008 by the FMSA. As at 30 June 2010 and 31 December 2009 no CPS were issued.

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22. Equity (continued)

In accordance with the restructuring plan, at the annual general meeting of shareholders of the Bank held on 22 June 2010, it was decided to increase the quantity of authorized common shares up to 55,219,743,695 common shares. As at 30 June 2010 documents for additional issue of these shares were under FMSA consideration.

Dividends on CPS

The dividends on convertible preferred shares authorised in 2008 were established at the rate of 11.00% per annum of placement value of shares. No convertible preferred shares were outstanding as at 30 June 2010 and 31 December 2009. Accordingly, no dividends on CPS were accrued or paid.

Unrealised gains (losses) on investment securities available-for-sale

This reserve records fair value changes on available-for-sale investments.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Movements in treasury stock were presented as follows:

At 1 January 2009	30,586
Number of purchased treasury shares (unaudited)	229,113
Number of sold treasury share (unaudited)	(37,343)
30 June 2009 (unaudited)	222,356
Number of purchased treasury shares (unaudited)	1,350,627
Number of sold treasury share (unaudited)	(55,895)
31 December 2009	1,517,088
Number of treasury shares appeared as result of business combination (unaudited)	1,065
Number of disposed treasury share as result of disposal of subsidiary (unaudited)	(126,026)
30 June 2010 (unaudited)	1,392,127

23. Commitments and contingencies

Political and economic environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Also, the borrowers may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Group. Due to the fall in prices in global and Kazakhstani securities markets, the Group may face a significant decrease in the fair value of securities pledged as collateral against loans extended by the Group. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

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23. Commitments and contingencies (continued)

Legal actions and claims

The Group is subject to various legal proceedings related to business operations. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities mentioned above.

"BTA Bank" (Kyrgyzstan)

The Bank is in the process of a legal dispute with CJSC Investment Holding Company ("IHC"), a Kyrgyzstan registered entity. The total amount of this dispute is GBP 30,418,144 equivalent to KZT 6,737 million.

In June 2009, Central Asia Investment Company ("CAIC"), a Kyrgyzstan registered entity and a 100% subsidiary of IHC, obtained a loan from its parent, IHC, of GBP 8,670,000 with an intended use to purchase Kyrgyzstan state securities. CAIC, in violation of the intended purpose of the loan from its parent, used these funds to purchase bonds of TuranAlem Finance B.V. (TAF B.V.), the Bank's subsidiary, at significant discount on the market. The nominal value of purchased bonds was GBP 28,395,000 and accrued interest was GBP 2,023,144. CAIC defaulted on its loan payable to IHC. As a result, IHC filed a lawsuit against BTA Bank, BTA Bank Kyrgyzstan and TAF B.V. claiming a repayment of the full nominal value and interest accrued on bonds of TAF B.V. In accordance with the decision of Bishkek's district court, Bishkek's municipal Court of appeals and the Supreme Court of Kyrgyzstan dated 11 September 2009 the Bank is obliged to pay the full amount and IHC started to collect the funds from the Bank, a guarantor on bonds of TAF B.V., including the Bank's shares in BTA Bank Kyrgyzstan and amounts due to the Bank by BTA Bank Kyrgyzstan.

This decision was made even though in September 2009 the Bank was in process of negotiating the restructuring of its debts.

In December 2009, an officer of the court foreclosed on shares held by the Bank in BTA Bank Kyrgyzstan. The management of the Bank believes that the decision of Kyrgyzstan courts was not in compliance with international laws and legislation between the Republic of Kazakhstan and Kyrgyzstan. Moreover, the foreclosure was executed with violations of the Law of Kyrgyzstan.

On 5 November 2009 the Bank with support of its controlling shareholder filed a claim with the Kyrgyzstan government for compensation of GBP 30,418,144 and USD 38,891,000 for damages incurred as a result of illegal acts of Kyrgyz legal and government entities.

During the first six months of 2010 the Bank continued claims process its with the Government of Kyrgyzstan on recovery of assets.

At the present, the National Security Services of the Republic of Kyrgyzstan is investigating a criminal case concerning illegal confiscation of BTA Bank Kyrgyzstan shares that belong to the Bank.

As of the date of these interim condensed consolidated financial statements the management of the Bank could not make a reasonable estimate of possible outcome of this litigation, amount or affect on these interim condensed consolidated financial statements.

The Group is subject to various legal proceedings related to business operations. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these interim condensed financial statements for any of the contingent liabilities mentioned above.

*(Millions of Kazakh Tenge)***23. Commitments and contingencies (continued)****Tax contingencies**

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Group believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 30 June 2010. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, not reasonably determinable, or both.

Commitments and contingencies

As at 30 June 2010 and 31 December 2009 the Group's commitments and contingencies comprised the following:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Undrawn loan commitments	111,788	431,767
Commercial letters of credit	22,665	42,652
Guarantees	60,564	77,239
	195,017	551,658
Operating lease commitments		
Not later than 1 year	1,455	1,348
Later than 1 year but not later than 5 years	1,714	1,661
Later than 5 years	1,022	2,747
	4,191	5,756
Less: cash collateral	(9,829)	(11,940)
Less: provisions (Note 16)	(32,957)	(59,127)
Commitments and contingencies	156,422	486,347

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 at 30 June 2010 such securities held in this capacity were KZT 490,120 million (31 December 2009 – KZT 242,835 million). The increase was due to acquisition of Ular-Umit and Zhetyysu.

*(Millions of Kazakh Tenge)***24. Net trading loss**

Net trading loss for the six-months periods ended 30 June, comprises:

	<i>Six month periods ended</i>	
	<i>30 June 2010</i>	<i>30 June 2009</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Securities :		
Trading securities	(23,631)	(18,318)
Available-for-sale investment securities	741	(21)
Interest rate instruments (Note 10)	(10,357)	(2,321)
Income from purchase of own debt securities issued	601	2,935
	(32,646)	(17,725)

Securities income/ (loss) includes the effect of buying and selling, and changes in the fair value of trading securities and effect of buying and selling of available-for-sale investment securities as well as changes in fair value of forward transactions with securities. The results of trading and changes in fair value of interest rate swaps are recorded under income from interest rate instruments.

In March 2010 the Bank received common and preferred shares of Alliance Bank JSC in exchange of bonds of Alliance Bank JSC held in the Bank's trading securities portfolio, within the Restructuring plan of Alliance Bank JSC as the result of application of order of allocation and reallocation of claims. As a result the Group recognised a loss of KZT 7,052 million in the income statement for the six months ended 30 June 2010.

25. Salaries and administrative and other operating expenses

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

	<i>Six months periods ended</i>	
	<i>30 June 2010</i>	<i>30 June 2009</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries and bonuses	(9,445)	(10,230)
Social security costs	(978)	(1,092)
Other payments	(249)	(341)
Salaries and other employee benefits	(10,672)	(11,663)
Legal services and consultancy	(5,048)	(1,011)
Occupancy and rent	(2,288)	(2,867)
Insurance expense	(933)	(532)
Loss on disposal of assets	(829)	(202)
Repair and maintenance of property and equipment	(640)	(874)
Communications	(548)	(682)
Security	(544)	(718)
Encashment	(403)	(467)
Marketing and advertising	(357)	(605)
Plastic cards	(257)	(552)
Data processing	(239)	(201)
Business travel and related expenses	(222)	(207)
Transportation expenses	(175)	(529)
Office supplies	(119)	(141)
Mail and express services	(112)	(84)
Penalties	(85)	(1,206)
State duty	(64)	(70)
Agency services	(28)	(98)
Other	(696)	(396)
Administrative and other operating expenses	(13,587)	(11,442)

*(Millions of Kazakh Tenge)***26. Loss per share**

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>30 June 2009</i> <i>(unaudited)</i>
Net loss attributable to common shareholders for calculation of basic income per share representing net income less dividends declared on irredeemable convertible preferred shares	(80,417)	(625,704)
Weighted average number of common shares for basic and diluted earnings per share	31,108,827	28,879,368
Basic and diluted loss per share (in Kazakh Tenge)	(2,585)	(21,666)

27. Fair values of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

The table does not contain the fair value of non-financial assets and non-financial obligations.

	<i>30 June 2010 (unaudited)</i>			<i>31 December 2009</i>		
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>Financial assets</i>						
Trading securities	84,058	843	–	106,158	9,626	–
Derivative financial assets	–	8,476	–	–	25,980	–
Available-for-sale investments securities	23,438	557	–	18,578	441	–
<i>Financial liabilities</i>						
Derivative financial liabilities	–	2,466	–	–	3,974	–

28. Segment analysis

For management purposes, the Group is organised into four operating 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.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income tax is managed on a Group basis and is not allocated to operating segments.

*(Millions of Kazakh Tenge)***28. Segment analysis (continued)**

Segment information for the main reportable operating segments of the Group for the six-month periods ended 30 June 2010 and 2009, following the results of segment activity and as at 30 June 2010 and 31 December 2009 according to segment's financial position is set out below:

	Corporate banking	Small and medium business	Retail banking	Investing activity	Unallocated amounts	Elimination	Total
Six-month period ended 30 June 2010 (unaudited)							
External interest income	31,025	9,987	22,481	34,416	76	-	97,985
Internal interest income	6,330	2,091	7,479	59,447	19,474	(94,821)	-
External interest expense	(1,273)	(2,583)	(12,541)	(99,724)	(72)	-	(116,193)
Internal interest expense	(62,393)	(4,386)	(5,188)	(8,593)	(14,261)	94,821	-
Net interest income / (expense) before impairment	(26,311)	5,109	12,231	(14,454)	5,217	-	(18,208)
Impairment charge	(110,205)	4,484	3,645	-	-	-	(102,076)
Net interest (expense) / income	(136,516)	9,593	15,876	(14,454)	5,217	-	(120,284)
Net commission and non-interest income / (expense)							
Depreciation and amortizations	52,100	1,862	925	(5,133)	1,797	(1,693)	49,858
Non-interest expense	(631)	(294)	(877)	(188)	(223)	-	(2,213)
Other provisions	(11,188)	(3,834)	(11,924)	(3,359)	(5,569)	1,693	(34,181)
Share in net income of associates	25,207	(135)	(25)	(1,882)	(2)	-	23,163
Impairment loss on available-for-sale investment securities	-	-	-	2,181	-	-	2,181
Loss before income tax expense	(71,028)	7,192	3,975	(23,265)	1,192	-	(81,934)
Income tax expense	-	-	-	-	(518)	-	(518)
Net loss after income tax expense	(71,028)	7,192	3,975	(23,265)	674	-	(82,452)
Total assets at 30 June 2010	417,884	119,884	245,216	1,943,574	45,259	(1,031,030)	1,740,787
Total liabilities at 30 June 2010	412,434	131,070	286,059	3,640,058	27,717	(1,007,591)	3,489,747
Other segment information at 30 June 2010							
Investments in associates	-	-	-	86,074	-	-	86,074
Capital expenditures	9	22	102	5	-	-	138

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28. Segment analysis (continued)

	Corporate banking	Small and medium business	Retail banking	Investing activity	Unallocated amounts	Elimination	Total
Six-month period ended 30 June 2009 (unaudited)							
External interest income	93,465	15,734	31,671	34,215	72	—	175,157
Internal interest income	48,735	2,928	12,102	16,996	—	(80,761)	—
External interest expense	(9,497)	(1,830)	(16,305)	(98,013)	(324)	—	(125,969)
Internal interest expense	(45,696)	(6,773)	(14,318)	(13,974)	—	80,761	—
Net interest income/ (expense) before impairment	87,007	10,059	13,150	(60,776)	(252)	—	49,188
Impairment charge	(313,239)	(20,068)	(24,085)	—	—	—	(357,392)
Net interest (expense)/income	(226,232)	(10,009)	(10,935)	(60,776)	(252)	—	(308,204)
Net commission and non-interest (loss)/ income	(245,937)	11,514	9,869	(49,551)	(4,813)	(350)	(279,268)
Depreciation and amortizations	(294)	(229)	(845)	(985)	(136)	—	(2,489)
Non-interest expense	(6,948)	(4,421)	(12,902)	(2,048)	(275)	350	(26,244)
Other provisions	(4,538)	(903)	2,222	60	(146)	—	(3,305)
Share in net income of associates	—	—	—	2,832	—	—	2,832
Impairment loss on available-for-sale investment securities	—	—	—	(560)	(14)	—	(574)
Impairment loss on goodwill	—	—	—	(12,582)	—	—	(12,582)
Loss before income tax expense	(483,949)	(4,048)	(12,591)	(123,610)	(5,636)	—	(629,834)
Income tax expense	—	—	—	—	(3,738)	—	(3,738)
Net loss after income tax expense	(483,949)	(4,048)	(12,591)	(123,610)	(9,374)	—	(633,572)
Total assets at 31 December 2009	717,017	176,367	406,188	1,962,827	30,502	(1,324,242)	1,968,659
Total liabilities at 31 December 2009	470,574	121,456	272,448	3,979,476	254	(1,185,729)	3,658,479
Other segment information at 31 December 2009							
Investments in associate	—	—	—	85,088	—	—	85,088
Capital expenditure	74	120	1,367	60	—	—	1,621

*(Millions of Kazakh Tenge)***29. 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.

As at 30 June 2010 and 31 December 2009 the Group had the following transactions with related parties:

	<i>30 June 2010 (unaudited)</i>					<i>31 December 2009</i>				
	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Associates</i>	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Associates</i>	<i>Key management personnel</i>	<i>Other related parties</i>
Loans to customers										
Loans outstanding at 1 January, gross	–	4,476	–	585	3	–	–	–	1,295	7
Loans issued during the period	–	1,886	–	125	10	–	15,575	–	153	7
Loan repayments during the period	–	(4,925)	–	(12)	(3)	–	(11,099)	–	(863)	(11)
Loans outstanding at the end of the period, gross	–	1,437	–	698	10	–	4,476	–	585	3
Less: allowance for impairment	–	(4)	–	–	–	–	–	–	–	–
Loans outstanding at end of the period, net	–	1,433	–	698	10	–	4,476	–	585	3
Amounts due from credit institutions (deposits)										
Deposits at 1 January	–	–	3,233	–	–	–	–	6,359	–	–
Deposits placed during the period	–	57,652	3,661	–	–	–	–	11,430	–	–
Deposits withdrawn during the period	–	–	(2,750)	–	–	–	–	(14,556)	–	–
Deposits at the end of the period, gross	–	57,652	4,144	–	–	–	–	3,233	–	–
Less: allowance for impairment	–	(28,826)	(179)	–	–	–	–	–	–	–
Deposits at the end of the period, net	–	28,826	3,965	–	–	–	–	3,233	–	–
Amounts due from credit institutions (loans)										
Loans at 1 January	–	–	5,998	–	–	–	–	7,329	–	–
Loans issued during the period	–	–	3,278	–	–	–	–	7,840	–	–
Loan repayments during the period	–	–	(4,712)	–	–	–	–	(9,171)	–	–
Loans at the end of the period, gross	–	–	4,564	–	–	–	–	5,998	–	–
Less: allowance for impairment	–	–	(2,205)	–	–	–	–	(615)	–	–
Loans at the end of the period, net	–	–	2,359	–	–	–	–	5,383	–	–

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29. Related party transactions (continued)

	30 June 2010 (unaudited)					31 December 2009				
	Shareholders	Entities under common control	Associates	Key management personnel	Other related parties	Shareholders	Entities under common control	Associates	Key management personnel	Other related parties
Amounts due to credit institutions										
Loans at 1 January	-	41,590	994	-	-	-	-	6,883	-	-
Loans received during the period	-	2,780	18,337	-	-	-	138,445	73,974	-	-
Loans repaid during the period	-	(5,608)	(17,803)	-	-	-	(96,855)	(79,863)	-	-
Loans at 30 June	-	38,762	1,528	-	-	-	41,590	994	-	-
Bonds of NWF Samruk-Kazyna	517,413	-	-	-	-	512,246	-	-	-	-
Trading securities										
Balances at 1 January	-	48,209	-	-	-	-	-	-	-	-
Securities purchased during the period	-	27,980	-	-	-	-	115,377	-	-	-
Securities sold during the period	-	(34,338)	-	-	-	-	(67,168)	-	-	-
Securities at the end of the period	-	41,851	-	-	-	-	48,209	-	-	-
Available-for-sale investment securities										
Balances at 1 January	-	-	-	-	-	-	-	-	-	-
Securities purchased during the period	-	113	-	-	-	-	-	-	-	-
Securities sold during the period	-	-	-	-	-	-	-	-	-	-
Securities at the end of the period	-	113	-	-	-	-	-	-	-	-
Cash and cash equivalents										
Deposits at 1 January	-	-	788	-	-	-	-	695	-	-
Deposits placed during the period	-	3,978	1,552	-	-	-	47,841	43,025	-	-
Deposits withdrawn during the period	-	(3,977)	(2,202)	-	-	-	(47,841)	(42,932)	-	-
Deposits at the end of the period	-	1	138	-	-	-	-	788	-	-
Amounts due to customers										
Deposits at 1 January	165,829	192,345	-	25	7	6	-	-	705	287
Deposits placed during the period	150,492	847,404	-	51	15	165,829	2,617,811	-	562	383
Deposits withdrawn during the period	(122,713)	(877,489)	-	(50)	(14)	(6)	(2,425,466)	-	(1,242)	(663)
Deposits at the end of period	193,608	162,260	-	26	8	165,829	192,345	-	25	7
Commitments and guarantees issued	-	79	1,038	-	-	-	94	1,165	3	-
Less: allowance	-	-	(881)	-	-	-	-	(1,107)	-	-
Commitments issued, net	-	79	157	-	-	-	94	58	3	-
Commitments and guarantees received	-	-	-	-	-	-	80	234	-	-

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29. Related party transactions (continued)

	<i>Six month periods ended 30 June</i>									
	<i>2010 (unaudited)</i>					<i>2009 (unaudited)</i>				
	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Associates</i>	<i>Key management personnel</i>	<i>Other related parties</i>	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Associates</i>	<i>Key management personnel</i>	<i>Other related parties</i>
Interest income on loans	-	349	-	36	-	-	435	-	65	-
Interest income on due from credit institutions	-	1,371	289	-	-	-	-	484	-	-
Interest expense on due to credit institutions	-	(1,493)	(147)	-	-	-	(1,321)	(152)	-	-
Interest income on bonds of NWF Samruk-Kazyna	18,067	-	-	-	-	10,462	-	-	-	-
Interest income on trading securities	-	1,903	-	-	-	-	2,001	-	-	-
Interest income on available-for-sale investment securities	-	2	-	-	-	-	-	-	-	-
Interest income on deposits up to 90 days	-	-	74	-	-	-	-	31	-	-
Interest expense on due to customers	(3,920)	(2,291)	-	(1)	-	(2,322)	(1,352)	-	(14)	(7)
Fee and commission income	-	2	-	-	-	-	-	58	-	-
Other income	-	-	11	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	(30)	-	-

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors for the six months ended 30 June 2010 was KZT 176 million (30 June 2009: KZT 313 million).

Included in the table above are the following transactions with related parties outstanding as at 30 June 2010 and 31 December 2009:

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

30. 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.

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.

In accordance with terms of debt securities issued and loan agreements the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy, and lending exposures. Furthermore, the Bank is required to maintain a certain level of credit rating from major rating agencies.

As at 30 June 2010 the Bank is in breach of capital adequacy covenants calculated in accordance with the Basel Capital Accord 1988 and the ratios established by the FMSA in supervising the Bank.

On 1 September 2010 the Bank has successfully completed the process of restructuring its debt in the amount totaling KZT 2,441,988 million, equivalent of USD 16,647 million, thus allowing the Bank to comply with capital adequacy ratio (see Note 31)

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31. Subsequent events

On 1 July 2010 the Specialized financial court of Almaty has issued a decree according to which the Restructuring plan for the Bank, comprised into Information memorandum dated 1 May 2010, amended as of 19 May 2010 and 27 May 2010, was approved.

On 23 July 2010 FMSA registered increase in the quantity of the Bank's common shares up to 55,258,029,745.

On 29 July 2010 the Bank increased the quantity of the Bank's authorized common shares up to 55,258,029,745.

On 16 August 2010 the High Court of Justice of England and Wales by relevant Order has sustained its previous Order dated 18 December 2009 on granting delay under all claims filed by the creditors against the Bank.

On 19 August 2010 the Bank has placed 44,175,794,956 of previously announced common shares within the framework of the Bank's debt restructuring process. These shares were issued as result of converting all of the Bank's previously issued debt securities within the Bank's two bonds programs belonging to the Parent to the total amount of KZT 671,472 million.

On 20 August 2010 the Bank has repurchased its 8,179,148,436 placed common shares from the Parent at the price of KZT 0.00000000122 per share for the total amount KZT 1. As a result, creditors obtained 18.5% share in the Bank's share capital and the share of the Parent increased from 75.10% to 81.48% of the Bank's share capital.

On 31 August 2010 Specialized financial court of Almaty made a judicial decision on completion of the restructuring. On 1 September 2010 the Bank successfully completed the process of restructuring its debt in the amount totalling KZT 2,441,988 million, equivalent of USD 16,647 million. As result the Bank recognized a restructuring gain of KZT 992,341 million.

As result of debt restructuring, the Bank has cancelled all its previously issued debt securities and other liabilities and has paid to creditors KZT 138,991 million in cash in return and issued the following debt securities: recovery notes of KZT 768,343 million, senior notes of KZT 339,025 million, original issue discount notes of KZT 63,150 million and subordinated notes KZT 113,750 million, and entered into Agreement on revolving credit facility on trade finance of KZT 102,738 million. As the result of the debt restructuring the amount of the Bank's financial debt decreased from KZT 2,441,988 million to KZT 618,663 million and with simultaneous increase in the maturity of the debt from 8 to 20 years at the same time.

Conclusion of all procedures specified by the Restructuring plan in addition has resulted in the Bank's capital improving by KZT 105,613 million. The Bank's regulatory capital amounts to KZT 283,282 million, allowing the Bank to comply with the required FMSA capital adequacy ratio.