

JSC BTA Bank and subsidiaries
Unaudited Interim Condensed Consolidated Financial Statements
30 June 2011
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 BTA Bank JSC and its subsidiaries (together the "Group") as at 30 June 2011, comprising of the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended and selected notes to the financial statements.

Management of the Group 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 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the interim condensed consolidated financial statements which indicates that the Group's total liabilities exceeded its total assets by KZT 216,681 million as at 30 June 2011. This condition, along with other matters described in Note 2, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young LLP



Evgeny Zhemaletdinov
Auditor / General Director
Ernst and 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

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

9 September 2011

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

(Millions of tenge)

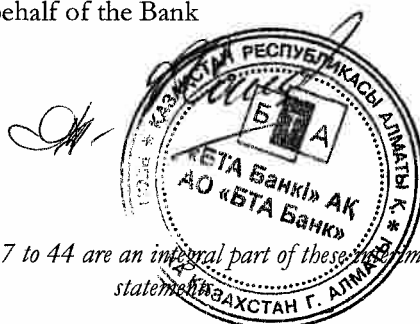
	Notes	30 June 2011 (unaudited)	31 December 2010
Assets			
Cash and cash equivalents	5	81,707	100,790
Obligatory reserves		56	40
Trading securities	6	62,446	82,257
Amounts due from credit institutions	7	24,639	25,177
Derivative financial assets	8	6,033	4,795
Investment securities:			
- available-for-sale	9	25,344	21,110
- held-to-maturity	9	6,903	7,321
Loans to customers	10	773,869	787,618
Bonds of NWF Samruk-Kazyna	11	183,275	142,017
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	11	350,386	388,946
Investments in associates		90,977	90,326
Property and equipment		8,773	10,664
Goodwill		3,786	3,786
Current corporate income tax assets	13	5,339	5,366
Deferred corporate income tax assets	13	97,538	159,735
Other assets		65,570	65,762
Total assets		1,786,641	1,895,710
Liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	14	403,445	450,025
Amounts due to credit institutions	15	124,168	155,644
Derivative financial liabilities	8	2	1
Amounts due to customers	16	765,515	683,301
Debt securities issued	17	676,564	672,650
Provisions	12	1,008	1,192
Other liabilities		32,620	37,410
Total liabilities		2,003,322	2,000,223
Equity deficit			
Issued capital: common shares	18	1,187,023	1,187,023
Additional paid-in capital		(130,029)	(130,029)
Treasury shares		(8,252)	(8,260)
Available-for-sale investment securities revaluation reserve		(1,180)	(713)
Foreign currency translation reserve		(3,227)	(651)
Accumulated deficit		(1,262,334)	(1,156,236)
Equity attributable to:			
Shareholders of the parent		(217,999)	(108,866)
Non-controlling interest		1,318	4,353
Total equity deficit		(216,681)	(104,513)
Total liabilities and equity		1,786,641	1,895,710

Signed and authorised for release on behalf of the Bank

Anvar Saidenov

Alma Maxutova

9 September 2011



Chairman of the Board of Directors

Chief Accountant

The accompanying selected notes on pages 7 to 44 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED INCOME
STATEMENT**
For the six months ended 30 June 2011
(Millions of tenge)

	Notes	Six months ended 30 June	
		2011 (unaudited)	2010 (unaudited)
Interest income			
Loans to customers		58,705	71,862
Bonds of NWF Samruk-Kazyna		5,320	6,254
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements		10,277	11,813
Investment securities		1,258	1,416
Amounts due from credit institutions		1,004	3,988
		<u>76,564</u>	<u>95,333</u>
Trading securities		1,874	2,652
		<u>78,438</u>	<u>97,985</u>
Interest expense			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan		(14,090)	(14,044)
Amounts due to credit institutions		(6,518)	(13,225)
Amounts due to customers		(28,138)	(18,701)
Debt securities issued		(34,477)	(70,223)
		<u>(83,223)</u>	<u>(116,193)</u>
Net interest expense before impairment		(4,785)	(18,208)
Impairment charge	7, 10	(5,989)	(102,076)
Net interest expense		<u>(10,774)</u>	<u>(120,284)</u>
Fee and commission income		8,786	8,293
Fee and commission expense		(9,228)	(3,762)
Net fee and commission (expense)/ income		<u>(442)</u>	<u>4,531</u>
Net trading income /(loss)	20	226	(32,646)
Gains less losses from foreign currencies:			
- dealing		1,273	(1,438)
- translation differences		729	29,098
Net income from insurance operations		1,218	525
Share in income of associates		2,168	2,181
Impairment charge on available-for-sale investment securities		(1,004)	(458)
Excess of the acquirer's share in net fair value of identifiable assets and liabilities of acquiree over the cost		-	10,169
Gain from disposal of subsidiaries		-	38,590
Other income		850	1,029
Non-interest income		<u>5,460</u>	<u>47,050</u>
Personnel expenses	21	(10,054)	(10,672)
Other operating expenses	21	(14,511)	(13,587)
Depreciation and amortization		(1,566)	(2,213)
Taxes other than income tax		(2,029)	(2,753)
Loss from realization of collateral		(608)	(3,776)
Other impairment and provisions	12	(168)	23,163
Obligatory insurance of individuals' deposits		(2,190)	(1,357)
Other expenses		(2,962)	(2,036)
Non-interest loss		<u>(34,088)</u>	<u>(13,231)</u>
Loss before corporate income tax expense		<u>(39,844)</u>	<u>(81,934)</u>
Corporate income tax expense	13	(62,718)	(518)
Net loss after corporate income tax expense		<u>(102,562)</u>	<u>(82,452)</u>
Attributable to:			
Equity holders of the parent		(102,321)	(80,417)
Non-controlling interest		(241)	(2,035)
Net loss		<u>(102,562)</u>	<u>(82,452)</u>
Basic and diluted loss per share (in tenge)	22	(2.35)	(2,585)

The accompanying selected notes on pages 7 to 44 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 2011
(Millions of tenge)

	<i>Six months ended</i>	
	<i>30 June</i>	
<i>Notes</i>	<i>2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss for the reporting period	(102,562)	(82,452)
Other comprehensive (loss) /income		
Fair value change of available-for-sale investment securities	484	2,868
Release of available-for-sale investment securities revaluation reserve on disposal of previously revalued assets	20 (546)	(741)
Impairment of available-for-sale investment securities	1,004	458
Share of changes recognized directly in equity of an associate	(1,382)	(413)
Foreign exchange revaluation	(2,590)	(253)
Other comprehensive (loss) /income for the reporting Period	(3,030)	1,919
Total comprehensive loss for the period	(105,592)	(80,533)
Attributable to:		
- Equity holders of the parent	(105,364)	(78,475)
- Non-controlling interest	(228)	(2,058)
	(105,592)	(80,533)

The accompanying selected notes on pages 7 to 44 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2011

(Millions of tenge)

	Issued capital: common shares	Additional paid-in capital	Treasury shares	Available-for- sale investment securities revaluation reserve	Foreign currency translation reserve	Accumulated deficit	Total	Non- controlling interest	Total equity deficit
1 January 2010	515,551	(38,798)	(6,383)	(2,552)	(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)
Disposal of a subsidiary (unaudited)	-	-	2,208	-	-	-	2,208	15,948	18,156
Acquisition of subsidiaries (unaudited)	-	-	(95)	-	-	-	(95)	3,332	3,237
30 June 2010 (unaudited)	515,551	(38,798)	(4,270)	(217)	(641)	(2,224,688)	(1,753,063)	4,103	(1,748,960)
Total comprehensive (loss) / income for the period (unaudited)	-	-	-	(496)	(10)	1,068,452	1,067,946	250	1,068,196
Issue of common shares (unaudited) (Note 18)	671,472	-	-	-	-	-	671,472	-	671,472
Additional paid-in capital (unaudited)	-	(91,231)	-	-	-	-	(91,231)	-	(91,231)
Net purchase of treasury shares (unaudited)	-	-	(3,990)	-	-	-	(3,990)	-	(3,990)
31 December 2010	1,187,023	(130,029)	(8,260)	(713)	(651)	(1,156,236)	(108,866)	4,353	(104,513)
Total comprehensive loss for the period (unaudited)	-	-	-	(467)	(2,576)	(102,321)	(105,364)	(228)	(105,592)
Sale of treasury shares (unaudited)	-	-	8	-	-	-	8	-	8
Purchase of non-controlling interest (unaudited)	-	-	-	-	-	(3,777)	(3,777)	(2,807)	(6,584)
30 June 2011 (unaudited)	1,187,023	(130,029)	(8,252)	(1,180)	(3,227)	(1,262,334)	(217,999)	1,318	(216,681)

The accompanying selected notes on pages 7 to 44 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS**
For six months ended 30 June 2011
(Millions of tenge)

	<i>Six months ended</i>	
	<i>30 June</i>	
<i>Notes</i>	<i>2011</i>	<i>2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities:		
Interest received	45,773	60,563
Interest paid	(58,497)	(35,156)
Income received from dealing in foreign currencies	2,752	10,339
Income received / (loss paid) on transactions with securities	686	(7,308)
Fees and commissions received	8,433	7,927
Fees and commissions paid	(7,119)	(3,758)
Cash paid for insurance operations	(1,696)	(1,582)
Cash received from insurance operations	5,184	3,888
Cash paid to employees	(9,152)	(9,691)
Cash paid for obligatory deposits insurance	(2,190)	(1,357)
Operating expenses paid	(11,808)	(23,555)
Net cash (used in) / from operating activities before changes in operating assets and liabilities	(27,634)	310
Net increase / decrease in cash from operating assets and liabilities		
Net (increase) / decrease in obligatory reserves	(16)	109
Net decrease / (increase) in trading securities	14,442	(4,832)
Net increase in amounts due from credit institutions	(9)	(7,808)
Net decrease in loans to customers	33,357	29,029
Net increase in other assets	(9,605)	(15,542)
Net decrease in due to the Government and the National Bank of the Republic of Kazakhstan	(46,600)	(30,701)
Net decrease in amounts due to credit institutions	(34,809)	(6,303)
Net increase in amounts due to customers	70,075	96,829
Net (increase) / decrease in derivative financial instruments	(324)	1,638
Net (decrease) / increase in other liabilities	(7,195)	13,339
Net cash (used in) / from operating activities before corporate income tax	(8,318)	76,068
Corporate income tax paid	(494)	(554)
Net cash (used in) / from operating activities	(8,812)	75,514
Cash flows from investing activities:		
Purchase of available-for-sale investment securities	(5,961)	–
Disposal of available-for-sale investment securities	5,549	1,889
Redemption of held-to-maturity investment securities	354	400
Net cash received from acquisition of subsidiaries	–	5
Cash of disposed subsidiaries	–	(12,437)
Purchase of property and equipment	(1,042)	(1,965)
Proceeds from disposal of property and equipment	605	581
Dividends received	–	423
Net cash used in investing activities	(495)	(11,104)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (continued)**
FOR SIX MONTHS ENDED 30 JUNE 2011
(Millions of tenge)

	<i>Notes</i>	<i>Six months ended</i>	
		<i>30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from financing activities:			
Proceeds from debt securities issued		329	–
Redemption of debt securities issued		(3,885)	(7,163)
Proceeds from sale of treasury shares		8	–
Purchase of non-controlling interest		(6,584)	–
Net cash used in financing activities		(10,132)	(7,163)
Effect of exchange rate changes on cash and cash equivalents		356	(1,163)
Net (decrease) / increase in cash and cash equivalents		(19,083)	56,084
Cash and cash equivalents at the beginning of the period	5	100,790	78,215
Cash and cash equivalents at the end of the period	5	81,707	134,299

The accompanying selected notes on pages 7 to 44 are an integral part of these interim condensed consolidated financial statements.

(Millions of tenge)

1. Principal activities

JSC BTA Bank and its subsidiaries (hereinafter – the “Group”) provide retail and corporate banking services, insurance services, leasing and other financial services in Kazakhstan, Armenia, Belorussia, Georgia, the Russian Federation, and Ukraine. The parent company of the Group is BTA Bank (hereinafter – 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 legal registered address of the Bank is: 97 Zholdasbekov Street, Samal-2, Almaty, 050051, the Republic of Kazakhstan.

The Bank accepts deposits from the public and extends credits, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers in accordance with license No. 242 issued on 4 March 2008 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (hereinafter – the “FMSA”). In addition, the Group is authorized to accept pension fund deposits. The Group’s securities have a primary listing in the Kazakhstan Stock Exchange (hereinafter – the “KASE”). Certain of the Group’s securities are listed on the Luxemburg Stock Exchange with a secondary listing on the KASE. Its head office is located in Almaty, Kazakhstan. As at 30 June 2011 the Bank had 22 regional branches and 220 cash settlement units (as at 31 December 2010 the Bank had 22 regional branches and 227 cash settlement units), located throughout Kazakhstan and representative offices in Shanghai, China; Moscow, Russia; Dubai, United Arab Emirates; London, Great Britain.

National Welfare Fund Samruk-Kazyna JSC is the parent (hereinafter – the “Parent”) of the Group. The ultimate shareholder of the Group is the Government of the Republic of Kazakhstan.

Below is the list of major shareholders as at:

Shareholders	<i>30 June 2011</i> <i>(unaudited), %</i>	<i>31 December 2010,</i> <i>%</i>
NWF Samruk-Kazyna JSC	81.48	81.48
Other	18.52	18.52
	100.00	100.00

2. Going concern

In 2008 there was a significant deterioration in the consolidated 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 FMSA. In addition, in February 2009 Kazakh Tenge has devalued against US dollar by 23%. 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 2011 exceeded its total assets by KZT 216,681 million (31 December 2010: KZT 104,513 million). Moreover, during the six months ended 30 June 2011 the Group has incurred net losses of KZT 102,562 million (2010 – KZT 82,452 million) and negative cash flows of the Group from operating activities amounted to KZT 8,812 million (2010 – positive cash flows from operating activities amounted to KZT 75,514 million).

Starting from February 2009, the Parent and the Bank’s current management have been taking measures to improve the liquidity and enabling the Group to continue its operations:

On 16 September 2010 the Bank completed the restructuring process of its financial liabilities, in accordance to the decision of the Specialized financial court of Almaty dated 31 August 2010. As a result, the Group’s external debt amounting to US Dollar 11,647 million was settled by cash of US Dollar 945 million, new senior debt of US Dollar 3,242 million, new subordinated debt of US Dollar 773 million and revolving committed trade finance facility of US Dollar 698 million as well as recovery notes, which provide the holders with 50% of the qualified bad assets, which the Bank recovers in the future. As a result of the restructuring the Bank’s regulatory capital increased to comply with the standards of the regulatory bodies.

On 27 October 2010, Standard&Poor’s rating agency increased the Bank’s rating from “D” to “B-” on long-term rating in foreign currency and on 10 December 2010, rating agency Fitch has increased the Bank’s rating from “RD” to “B-” on long-term credit rating of issuer’s default in foreign currency.

On 25 May 2011, Moody’s Investors Service rating agency raised the long-term deposit ratings of BTA in the national and foreign currency from «Caa3» to «B3». On 21 June 2011, rating agency Fitch Ratings affirmed the long-term issuer default rating in foreign currency at the level «B-».

The increase in ratings reflects improvement of the Bank’s solvency as the result of completion of debt restructuring as well as current financial support, which the Bank obtains from the Government of the Republic of Kazakhstan.

(Millions of tenge)

2. Going concern (continued)

However, despite a successful completion of the Bank's financial liabilities' restructuring process, which has resulted in a considerable recovery of the Group's equity and the Bank's regulatory capital, the Group continues to run a capital deficit totalling KZT 216,681 million as at 30 June 2011.

The Bank's management has started implementing a new business model. The implementation is on its early stage, preventing the Bank's management from objectively measuring the Bank's actual results compared to plan. Thus, there is still a material uncertainty with respect to achieving targets and objectives included in the Bank's new business model.

Combination of the above circumstances indicates that there is still an uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

These interim condensed consolidated financial statements of the Group were prepared based on the going concern principle, assuming ongoing adequate support from the Bank's Parent.

These interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary if adequate additional resources are not available and/or the Bank is unable to continue as a going concern.

3. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements as at 31 December 2010.

These interim condensed consolidated financial statements are presented in millions of tenge (hereinafter – "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. Transactions in other currencies are treated as transactions in foreign currencies.

*(Millions of tenge)***3. Basis of Preparation (continued)****Consolidated subsidiaries**

These interim condensed consolidated financial statements include the following subsidiaries:

<i>Subsidiary</i>	<i>Holding</i>		<i>Country</i>	<i>Date of incurrence</i>	<i>Industry</i>	<i>Date of acquisition</i>
	<i>30 June 2011 (unaudited)</i>	<i>31 December 2010</i> <i>ғоға</i>				
JSC Subsidiary of JSC BTA Bank BTA Securities	100.00%	100.00%	Kazakhstan	17.10.97	Securities trading and asset management	13.12.97
JSC Accumulative Pension Fund BTA Kazakhstan Subsidiary of JSC BTA Bank	–	86.05%	Kazakhstan	11.12.97	Pension fund	16.09.98
JSC Subsidiary Mortgage Company of JSC BTA Bank BTA Ipoteka	100.00%	100.00%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00
JSC Subsidiary Life Insurance Company of BTA Bank BTA Life	100.00%	100.00%	Kazakhstan	22.07.99	Life insurance	30.03.01
TuranAlem Finance B.V. LLC Subsidiary of JSC BTA Bank TuranAlem Finance	100.00%	100.00%	Netherlands	22.05.01	Capital markets	22.05.01
JSC Subsidiary of JSC BTA Bank TuranAlem Finance	100.00%	100.00%	Russia	22.06.04	Capital markets	28.09.04
JSC Subsidiary of JSC BTA Bank 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 Bank BTA Insurance	99.89%	99.98%	Kazakhstan	08.09.98	Property and liability insurance	21.12.06
TemirCapital B.V.	100.00%	100.00%	Netherlands	29.05.01	Capital markets	29.12.06
BTA Bank CJSC	99.71%	99.71%	Belorussia	25.04.02	Bank activities	30.10.08
JSC Accumulative Pension Fund Ular-Umit	93.85%	75.00%	Kazakhstan	23.01.98	Pension fund	13.01.10
LLP Titan Inkassatsiya	100.00%	100.00%	Kazakhstan	22.08.02	Encashment	05.01.10
JSC Pension Asset Management Company Zhetysu	100.00%	75.00%	Kazakhstan	05.03.98	Pension assets investment management	14.01.10
Logopark Khajibey LLC	100.00%	100.00%	Ukraine	26.10.07	Logistics business	01.07.10
First Kazakh Securitization Company	–	–	Netherlands	08.12.05	Securitization of financial assets	–
Second Kazakh Securitization Company	–	–	Netherlands	25.09.07	Securitization of financial assets	–

On 8 April 2011, the Bank acquired additional shares of JSC Accumulative Pension Fund Ular-Umit (hereinafter – "Ular-Umit") and JSC Pension Asset Management Company Zhetysu (hereinafter – "Zhetysu"), increasing its ownership of these organizations from 75.00% to 100.00%.

On 29 April 2011, the Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (hereinafter - the "FMSC") adopted a resolution to grant a permission for voluntary reorganization of Ular-Umit and JSC Accumulative Pension Fund BTA Kazakhstan Subsidiary of JSC BTA Bank (hereinafter – "BTA Kazakhstan"), through joining of BTA Kazakhstan to Ular-Umit. Ular-Umit on the basis of the act of transfer and acceptance took over the property, rights and obligations of BTA Kazakhstan. The process of pension funds merging was performed through the placement of shares to existing shareholders in proportion to the ratio of sale price of shares of BTA Kazakhstan to the issue price of Ular-Umit shares. The exchange of shares was started in May 2011. As a result of these exchange procedures the Bank's share in the capital of Ular-Umit decreased from 100.00% to 93.85%.

Although the Group did not own any shares in First Kazakh Securitisation Company and Second Kazakh Securitisation Company as at 30 June 2011 and 31 December 2010, they are treated, in accordance with SIC-12 "Consolidation – Special Purpose Entities", as subsidiaries, because at those dates the Group controlled and benefited directly from operations of these entities.

*(Millions of tenge)***3. Basis of Preparation (continued)****Associates accounted for under equity method**

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

<i>At 30 June 2011 (unaudited)</i>	<i>Share in net income for the six months period ended 30 June 2011 (unaudited)</i>	<i>Total assets</i>	<i>Total liabilities</i>	<i>Equity</i>			
					<i>Associate</i>	<i>Holding</i>	<i>Country</i>
BTA Bank PJSC	49.99%	Ukraine	Bank	329	88,591	60,784	27,807
BTA Bank JSC (Georgia)	49.00%	Georgia	Bank	33	9,358	6,503	2,855
BTA Bank CJSC (Armenia)	48.93%	Armenia	Bank	44	3,591	1,429	2,162
JSCB BTA Kazan OJSC	47.32%	Russia	Bank	29	82,905	71,418	11,487
SK Leasing JSC	45.00%	Kazakhstan	Leasing	61	3,198	1,485	1,713
Temir Leasing JSC	35.52%	Kazakhstan	Leasing	5	3,938	2,007	1,931
Oranta NJSIC	35.17%	Ukraine	Insurance	2	19,713	5,298	14,415
Sekerbank	33.98%	Turkey	Bank	1,665	1,257,322	1,140,887	116,435
AMT Bank LLC	22.26%	Russia	Bank	*	*	*	*

In March 2011, Sekerbank declared dividends on common shares of KZT 1,182 million. On 30 June 2011 dividends of KZT 788 million were paid in the form of common shares. The remaining part of dividends of KZT 394 million will be paid in cash during 2011.

On 30 June 2011 the share capital of Sekerbank increased from 750,000,000 common shares to 1,000,000,000 common shares due to the distribution of dividends in the form of common shares. As at 30 June 2011 the share of Subsidiary of BTA Bank JSC BTA Securities JSC in the authorized capital of Sekerbank has not changed and equals to 33.98%.

In April 2011, the Bank's share in capital of Oranta NJSIC increased from 30.39% to 35.17% as a result of foreclosure of common shares of Oranta NJSIC in the amount of 6,331,503 shares as partial customer debt service payment to the Bank.

In May 2011, the Bank's share in capital of Temirleasing JSC increased from 26.92% to 35.52% as a result of foreclosure of common shares of Temirleasing JSC in the amount of 134,084 shares as partial customer debt service payment to the Bank.

* On 21 July 2011, the Central Bank of the Russian Federation revoked the license on banking operations from AMT Bank LLC. As at 30 June 2011, there were no reliable financial statements of AMT Bank LLC.

<i>At 31 December 2010</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>Associate</i>	<i>Holding</i>	<i>Country</i>
BTA Bank PJSC	(6)	71,012	42,573	28,439			
BTA Bank JSC	(411)	8,780	6,135	2,645			
BTA Bank CJSC	31	3,345	1,233	2,112			
JSCB BTA Kazan OJSC	21	67,862	57,229	10,633			
SK Leasing JSC	(69)	3,197	1,618	1,579			
Temir Leasing JSC	13	3,669	1,746	1,923			
Oranta NJSIC	16	21,381	6,529	14,852			
Sekerbank	2,586	1,103,699	976,682	127,017			
AMT Bank LLC	–	219,074	167,968	51,106			

(Millions of tenge)

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 the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of new Standards and Interpretations, noted below.

Changes in accounting policies

Amendment to IAS 32 "Financial Instruments: Presentation": Classification of Rights Issues"

In October 2009, the IASB issued amendment to IAS 32. These amendments are effective for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. These amendments did not have any impact on interim condensed consolidated financial statements of the Group.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This interpretation had no impact on the Group's interim condensed consolidated financial statements.

Improvement to IFRSs

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" did not have any impact on interim condensed consolidated financial statements of the Group, except for amendments to IAS 34 "Interim Financial Reporting".

- *IFRS 3 Business combinations*: has changed the methods of assessment of non-controlling interests. The amendment indicates that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable assets. All other components are measured at their fair value at the acquisition date.
- *IFRS 7 "Financial Instruments: Disclosures"*; was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- *IAS 34 Interim Financial Reporting*: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets..
- IFRS 1, IAS 1, IAS 27 and IFRIC 13 had no impact on the accounting policies, financial position or performance of the Group.

*(Millions of tenge)***5. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Cash on hand	42,649	41,742
Current accounts with other financial institutions	23,600	30,746
Amounts due from the NBK	13,150	25,219
Reverse repurchase agreements with contractual maturity of 90 days or less	1,425	1,722
Current accounts with national banks of foreign countries	883	487
Loans with contractual maturity of 90 days or less	–	674
Time deposits with other financial institutions with contractual maturity of 90 days or less	–	200
Cash and cash equivalents	81,707	100,790

The Group has entered into reverse repurchase agreements on the KASE. The objects of these agreements were mainly treasury bills of the Ministry of Finance of the Republic of Kazakhstan. Fair value of securities held as collateral under reverse repurchase agreements as at 30 June 2011 was KZT 1,394 million (as at 31 December 2010 – KZT 1,799 million).

As at 30 June 2011 the ten largest balances with banks accounted for 32.24% of total cash and cash equivalents (as at 31 December 2010 – 25.39%).

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Historically, such reserves must be held in either non-interest bearing deposits with the National Bank of Kazakhstan (hereinafter – the “NBK”) or in physical cash computed based on average balances of the aggregate of non-interest bearing deposits with the NBK and physical cash in national and hard currencies during the period. As at 30 June 2011 minimum reserve requirements were established at 2.5% on domestic liabilities and 4.5% on foreign liabilities (as at 31 December 2010 - 1.5% and 2.5%, respectively).

As at 30 June 2011 the Bank was in compliance with obligatory reserve requirements for the second tier banks amounting to KZT 45,564 million (as at 31 December 2010 – KZT 23,803 million). These funds can be used by the Bank for its current needs.

6. Trading securities

Trading securities comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Debt securities:		
Corporate bonds	26,118	28,153
Bonds of Kazakhstan non-financial institutions	4,198	5,387
Bonds of Kazakhstan financial institutions	2,562	5,457
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	2,404	5,668
Bonds of Kazakhstan state bodies	609	13
Treasury bills of the Ministry of Finance of the Russian Federation	3	3
Sovereign bonds of OECD countries	–	8,863
Bonds of international financial institutions	–	97
	35,894	53,641
Equity securities	26,552	28,616
Trading securities	62,446	82,257

*(Millions of tenge)***7. Amounts due from credit institutions**

Amounts due from credit institutions comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Loans	63,515	60,567
Deposits	29,019	29,026
Amounts due from credit institutions, gross	92,534	89,593
Less – allowance for impairment	(67,895)	(64,416)
Amounts due from credit institutions	24,639	25,177

As at 30 June 2011 amounts due from the ten largest credit institutions comprised 90.14% of total amounts due from credit institutions (as at 31 December 2010 – 72.72%).

As at 30 June 2011 cash of KZT 5,418 million placed with other credit institutions was restricted in use (as at 31 December 2010 – zero).

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

At 1 January 2010	52,457
Impairment charge (unaudited)	28,720
Write-offs (unaudited)	(29)
Foreign currency revaluation (unaudited)	(444)
At 30 June 2010 (unaudited)	80,704
Recoveries (unaudited)	(13,858)
Write-offs (unaudited)	(1,951)
Disposal of a subsidiary (unaudited)	(62)
Foreign currency revaluation (unaudited)	(417)
At 31 December 2010	64,416
Impairment charge (unaudited)	759
Recovery of amounts previously written-off (unaudited)	30
Foreign currency revaluation (unaudited)	2,690
At 30 June 2011 (unaudited)	67,895

8. 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 30 June 2011 and 31 December 2010, and are indicative of neither the market risk nor the credit risk.

	<i>30 June 2011 (unaudited)</i>			<i>31 December 2010</i>		
	<i>Notional</i> <i>principal</i>	<i>Fair value</i>		<i>Notional</i> <i>principal</i>	<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>		<i>Assets</i>	<i>Liabilities</i>
Options	41,221	3,609	–	76,073	4,795	–
Forwards and futures	46,415	2,424	–	347	–	–
Currency swaps	1,008	–	(2)	1,730	–	(1)
Total derivative assets / (liabilities)		6,033	(2)		4,795	(1)

*(Millions of tenge)***8. Derivative financial instruments (continued)***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 2011 and 31 December 2010, the Bank had certain loans where principal payments are linked to foreign currencies. 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 comprising 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 consolidated financial statements.

Swaps

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

Due to the announcement of moratorium for payment of principal amount from 20 April 2009 and interest from 22 July 2009 under external liabilities of the Bank, a number of counterparties have taken a privilege to cancel their swap contracts with the Group. During the first 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 as a net loss from trading operations (Note 20).

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.

9. Investment securities

Available-for-sale investment securities comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	12,372	9,683
Corporate bonds	10,716	8,514
Bonds of Kazakhstan non-financial institutions	754	760
Bonds of Kazakhstan financial institutions	312	148
Bonds of Kazakhstan state bodies	181	–
Notes of the NBK	92	1,054
	<u>24,427</u>	<u>20,159</u>
Equity securities	917	951
Available-for-sale investment securities	<u>25,344</u>	<u>21,110</u>

During the six months ended 30 June 2011, the Group has recognized an impairment loss on available-for-sale investment securities in the amount of KZT 1,004 million. During the six months ended 30 June 2010, the Group has recognized an impairment loss on available-for-sale investment securities in the amount of KZT 458 million.

*(Millions of tenge)***9. Investment securities (continued)**

Held-to-maturity investment securities comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,064	3,191
Corporate bonds	2,343	2,520
Bonds of Kazakhstan financial institutions	966	963
Bonds of Kazakhstan state bodies	530	533
Notes of the NBK	–	114
Held-to-maturity investment securities	6,903	7,321

10. Loans to customers

Loans to customers comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Corporate lending	1,905,401	2,344,957
Individuals lending	233,979	249,454
Small and medium business lending	171,108	161,631
Loans to customers, gross	2,310,488	2,756,042
Less – allowance for impairment	(1,536,619)	(1,968,424)
Loans to customers	773,869	787,618

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

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Private companies	2,075,701	2,505,538
Individuals	233,979	249,454
State bodies	776	778
Other	32	272
Loans to customers, gross	2,310,488	2,756,042

*(Millions of tenge)***10. Loans to customers (continued)***Allowance for impairment of loans to customers*

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

	<i>Corporate lending</i>	<i>Small and medium business lending</i>	<i>Individuals lending</i>	<i>Total</i>
At 1 January 2011	1,927,932	24,447	16,045	1,968,424
(Reversal) / charge (unaudited)	(933)	(12,599)	18,762	5,230
Amounts written-off (unaudited)	(448,527)	(1,169)	(713)	(450,409)
Recovery of amounts previously written-off (unaudited)	4,037	10,797	1,586	16,420
Foreign currency revaluation (unaudited)	(2,709)	(119)	(218)	(3,046)
At 30 June 2011 (unaudited)	1,479,800	21,357	35,462	1,536,619
Individual impairment (unaudited)	1,471,259	7,022	23,779	1,502,060
Collective impairment (unaudited)	8,541	14,335	11,683	34,559
	1,479,800	21,357	35,462	1,536,619
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance, 30 June 2011 (unaudited)	1,804,926	15,043	50,944	1,870,913
At 1 January 2010	1,984,210	62,802	76,396	2,123,408
Charge / (reversal) (unaudited)	81,485	(4,484)	(3,645)	73,356
Amounts written-off (unaudited)	(36,739)	(22,733)	(6,125)	(65,597)
Recovery of amounts previously written-off (unaudited)	290	1,585	3,604	5,479
Amounts arising on 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 (unaudited)	1,956,036	17,408	5,037	1,978,481
Collective impairment (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 30 June 2010 (unaudited)	1,973,149	23,520	18,772	2,015,441
Charge (unaudited)	(12,323)	(24,018)	(6,160)	(42,501)
Amounts written-off (unaudited)	(56,470)	22,733	1,604	(32,133)
Recovery of amounts previously written-off (unaudited)	6,723	3,607	1,563	11,893
Amounts arising on disposal of subsidiaries (unaudited)	-	-	1	1
Foreign currency revaluation (unaudited)	16,853	(1,395)	265	15,723
At December 31, 2010	1,927,932	24,447	16,045	1,968,424
Individual impairment	1,919,479	12,464	6,164	1,938,107
Collective impairment	8,453	11,983	9,881	30,317
	1,927,932	24,447	16,045	1,968,424
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance, 31 December 2010	2,247,613	18,717	9,255	2,275,585

(Millions of tenge)

10. Loans to customers (continued)

Individually impaired loans

During the first half of 2011, the quality of the Bank's loan portfolio was not significantly affected due to the following reasons:

- Under restructuring process in 2010, the Bank temporarily ceased financing of investment projects that require significant capital investments. It caused suspension of operating and investment activities of the Bank's borrowers and resulted in deterioration of the credit quality of a number of loans to customers.
- Significant scope of claims within Kazakhstan and beyond continues to affect the timing of recovery of problem debts by the Bank.
- Ongoing unfavourable real estate market conditions continues to increase the periods of sales of pledged property in Kazakhstan and CIS.

As at 30 June 2011 interest income accrued on loans, for which individual impairment allowances have been recognized comprised KZT 259,552 million (as at 31 December 2010 – KZT 228,852 million).

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 determined during its review of the adequacy of the allowance for loan impairment.

The Group took possession of collateral with an estimated value of KZT 26,064 million as at 30 June 2011 (as at 31 December 2010 – KZT 25,625 million). 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 claims on loans to customers. In general, the Group does not occupy repossessed properties for business use.

Derecognition of a loan portfolio

The Group has been periodically selling part of its mortgage loan portfolio to Kazakhstan Mortgage Company (hereinafter – the "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 the KMC. Thus, the Group continues to recognize these loans as an asset in its consolidated statement of financial position. A corresponding liability for the same amount is recorded within loans obtained from credit institutions. As at 30 June 2011, these loans amounted to KZT 5,449 million (as at 31 December 2010 – KZT 6,090 million).

As at 30 June 2011 loans to customers include loans of KZT 21,875 million, which are pledged as collateral for the mortgage-backed bonds (as at 31 December 2010 – KZT 43,254 million).

During the six months ended 30 June 2011 and 2010, loans together with the associated allowance in the total amount of KZT 450,409 million and KZT 65,597 million, respectively, were written off by the Group as there was no real opportunity to recover these assets.

*(Millions of tenge)***10. Loans to customers (continued)***Concentration of loans to customers*

As at 30 June 2011 the Group had a concentration of loans represented by KZT 386,648 million due from the ten largest borrowers that comprised 16.7% of the total gross loan portfolio (as at 31 December 2010 – KZT 465,380 million, 16.9%). Allowances amounting to KZT 299,250 million were recognised against these loans as at 30 June 2011 (as at 31 December 2010 – KZT 423,936 million).

As at 30 June 2011 the Group had loans to customers in the amount of KZT 409,419 million (as at 31 December 2010 – KZT 537,964 million), with interest and principal amounts repayable at maturity. Allowances amounting to KZT 314,226 million were recognised against these loans as at 30 June 2011 (as at 31 December 2010 – KZT 449,895 million).

The structure of the loan portfolio by sectors is presented below:

	30 June 2011 <i>(unaudited)</i>	%	31 December 2010	%
Housing construction	436,749	18.9%	462,001	16.7%
Real estate investments	426,837	18.5%	501,768	18.2%
Individuals	233,979	10.1%	249,454	9.0%
Wholesale trade	231,387	10.0%	333,232	12.1%
Construction of roads and industrial buildings	201,121	8.7%	238,497	8.6%
Oil and gas	182,696	7.9%	352,715	12.8%
Agriculture	152,472	6.6%	164,973	6.0%
Chemical industry	68,008	2.9%	65,543	2.4%
Energy	61,200	2.7%	67,505	2.4%
Transportation	41,544	1.8%	39,505	1.4%
Telecommunication	40,892	1.8%	40,587	1.5%
Food industry	40,047	1.7%	40,204	1.5%
Retail trade	33,725	1.5%	37,590	1.4%
Metallurgical industry	32,718	1.4%	28,775	1.0%
Mining	27,593	1.2%	31,878	1.2%
Production of machinery and equipment	12,266	0.5%	10,416	0.4%
Textile and leather industry	11,561	0.5%	11,518	0.4%
Hospitality	7,752	0.4%	12,833	0.5%
Production of rubber and plastic articles	1,527	0.1%	1,480	0.1%
Publishing	654	0.0%	573	0.0%
Research and development	550	0.0%	301	0.0%
Financial services	324	0.0%	1,413	0.1%
Other	64,886	2.8%	63,281	2.3%
	2,310,488	100.0%	2,756,042	100.0%

Loans to individuals are presented as follows:

	30 June 2011 <i>(unaudited)</i>	31 December 2010
Mortgage loans	132,933	133,663
Consumer loans	101,046	115,791
	233,979	249,454

*(Millions of tenge)***10. Loans to customers (continued)***Finance lease receivables*

Net investments in finance lease comprise:

	<i>Not later than 1 year</i>	<i>1 to 5 years</i>	<i>Later than 5 years</i>	<i>Total</i>
30 June 2011 (unaudited)				
Finance lease receivables	13,156	5,662	379	19,197
Unearned finance income on finance lease of future periods	(4,409)	(1,090)	(153)	(5,652)
Net investment in finance leases	8,747	4,572	226	13,545
	<i>Not later than 1 year</i>	<i>1 to 5 years</i>	<i>Later than 5 years</i>	<i>Total</i>
31 December 2010				
Finance lease receivables	10,913	8,602	447	19,962
Unearned finance income on finance lease of future periods	(3,572)	(2,131)	(147)	(5,850)
Net investment in finance leases	7,341	6,471	300	14,112

11. Bonds of Samruk-Kazyna

Bonds of NWF Samruk-Kazyna represent 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 decrease of additional paid-in capital in the Group's consolidated statement of changes in equity for 2009.

On 11 August 2010 the Parent significantly modified the terms of these debt securities through prolongation of maturity from the period between 6 and 15 years to 15 years. In accordance with IAS 39, the Bank derecognized previously issued debt securities of the Parent with the carrying value of KZT 511,909 million and recognized new bonds at fair value of KZT 521,652 million. The difference of KZT 9,743 million was recognized in the Group's consolidated statement of changes in equity for 2010 as increase of additional paid-in-capital.

As at 30 June 2011 the book value of these debt securities was KZT 533,661 million (as at 31 December 2010 – KZT 530,963 million).

As at 30 June 2011 the carrying value of debt securities, pledged under repurchase agreements amounted to KZT 350,386 million (as at 31 December 2010 – KZT 388,946 million). The NBK has the right to sell or re-pledge these securities during the agreement period. As at 30 June 2011 the fair value of these debt securities was KZT 401,105 million (as at 31 December 2010 – KZT 333,731 million).

12. 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>Other liabilities</i>	<i>Total</i>
At 1 January 2011	5,156	223	969	6,348
Impairment charge / (reversal) (unaudited)	305	(137)	–	168
Write-offs (unaudited)	(173)	(48)	–	(221)
Recovery of amounts previously written-off (unaudited)	84	–	–	84
Foreign currency revaluation (unaudited)	(2)	1	–	(1)
At 30 June 2011 (unaudited)	5,370	39	969	6,378

*(Millions of tenge)***12. Other impairment and provisions (continued)**

	<i>Other assets</i>	<i>Guarantees and letters of credit</i>	<i>Other liabilities</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)
Recovery of amounts previously written-off (unaudited)	137	–	–	137
Foreign currency revaluation (unaudited)	112	2,844	–	2,956
Disposal of a subsidiary (unaudited)	(291)	(3)	–	(294)
At 30 June 2010 (unaudited)	3,588	32,957	–	36,545
Impairment charge (unaudited)	410	(32,812)	969	(31,433)
Write-offs (unaudited)	1,272	–	–	1,272
Recovery of amounts previously written-off (unaudited)	(39)	3,143	–	3,104
Foreign currency revaluation (unaudited)	(75)	(3,065)	–	(3,140)
At 31 December 2010	5,156	223	969	6,348

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

13. Taxation

The corporate income tax expense comprises:

	<i>30 June 2011 (unaudited)</i>	<i>30 June 2010 (unaudited)</i>
Current corporate income tax expense	521	845
Deferred corporate income tax expense / (benefit) – origination and reversal of temporary differences	62,197	(327)
Corporate income tax expense	62,718	518

As at 30 June 2011 and 31 December 2010 the balance of deferred corporate income tax assets was:

	<i>30 June 2011 (unaudited)</i>	<i>31 December 2010</i>
Deferred corporate income tax assets less deferred corporate income tax liabilities	381,262	379,792
Unrecognised deferred corporate income tax assets	(283,724)	(220,057)
Net deferred corporate income tax assets	97,538	159,735

As at 30 June 2011 and 31 December 2010 deferred corporate income tax assets were mainly comprised of losses carried forward as a result of allowance for bad debts.

As at 30 June 2011 the Group had current corporate income tax assets at the amount of KZT 5,339 million (as at 31 December 2010 – KZT 5,366 million).

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 future against which the deductible temporary difference can be utilized. The increase in unrecognized deferred corporate income tax assets relates to the increased period of recovery of allowances for loans in the first half of 2011.

*(Millions of tenge)***14. Amounts due to the Government and the National Bank of the Republic of Kazakhstan**

Amounts due to the Government and the National Bank of the Republic of Kazakhstan comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Loans from the NBK in KZT	403,227	449,756
Amounts due to the Government:		
KZT denominated	198	249
USD denominated	20	20
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	403,445	450,025

Loans from the NBK represent repurchase agreements under the pledge of debt securities of the Parent (Note 11). As at 30 June 2011 the fair value of these debt securities was KZT 401,105 million (as at 31 December 2010 – KZT 333,731 million).

15. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Revolving Committed Trade Finance Facility	70,503	92,784
Loans from Kazakhstan banks and financial institutions	38,604	41,587
Loans from non-OECD based banks and financial institutions	10,800	11,821
Loans from OECD based banks and financial institutions	2,278	6,972
	122,185	153,164
Interest-bearing placements from Kazakhstan banks	1,276	1,750
Loro accounts	687	710
Interest-bearing placements from non-OECD based banks	20	20
	1,983	2,480
Amounts due to credit institutions	124,168	155,644

In accordance with the contractual terms of these new bonds programs and loan facilities the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. As at 30 June 2011 the Bank was in compliance with these restricting financial conditions and financial ratios established by the FMSC for the second tier banks.

On 31 March 2011, the Bank repaid the first tranche of Revolving Committed Trade Finance Facility Agreement in accordance with the repayment schedule. This allows the Bank to utilize the settled amounts through issue of trade finance instruments.

16. Amounts due to customers

Amounts due to customers include balances on customer current accounts, time deposits, and certain other liabilities and include the following:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Time deposits	626,188	552,237
Current accounts	130,066	124,270
Guarantees and restricted deposits	9,261	6,794
Amounts due to customers	765,515	683,301

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

As at 30 June 2011 the Bank's ten largest customers accounted for 46.0% of the total amounts due to customers (as at 31 December 2010 – 47.7%).

*(Millions of tenge)***16. Amounts due to customers (continued)**

Amounts due to customers were analysed as follows:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Time deposits:		
Commercial entities	53,290	29,669
Individuals	260,809	223,395
Government institutions	305,084	292,310
Non-commercial entities	7,005	6,863
Current accounts:		
Commercial entities	80,596	74,741
Individuals	35,526	32,472
Government institutions	12,125	14,325
Non-commercial entities	1,819	2,732
Guarantees and other restricted deposits:		
Commercial entities	5,490	3,493
Individuals	3,666	3,195
Government institutions	104	105
Non-commercial entities	1	1
Amounts due to customers	765,515	683,301

As at 30 June 2011, included in time deposits are deposits of individuals in the amount of KZT 260,809 million (as at 31 December 2010 – KZT 223,395 million). In accordance with the Civil Code of the Republic of Kazakhstan, the Group is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

An analysis of customer accounts by sector follows:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>%</i>	<i>31 December 2010</i>	<i>%</i>
Amounts due to NWF Samruk-Kazyna	300,798	39.3%	296,165	43.3%
Individuals	300,001	39.2%	259,062	37.9%
Oil and gas	29,144	3.8%	11,299	1.7%
Construction	20,400	2.7%	15,528	2.3%
Non-credit financial institutions	19,633	2.6%	12,145	1.8%
Wholesale trade	17,419	2.3%	16,656	2.4%
Non-commercial entities	8,825	1.1%	9,596	1.4%
Research and development	7,394	1.0%	8,511	1.3%
Education	5,104	0.7%	2,017	0.3%
Production of machinery and equipment	5,042	0.6%	5,348	0.8%
Mining	4,455	0.6%	2,150	0.3%
Retail trade	3,627	0.5%	5,100	0.7%
Transportation	3,294	0.4%	3,598	0.5%
Chemical processing	2,889	0.4%	1,673	0.2%
Agriculture	2,576	0.3%	2,830	0.4%
State administration bodies	2,029	0.3%	734	0.1%
Entertainment	1,612	0.2%	632	0.1%
Communications	1,397	0.2%	1,075	0.2%
Energy	1,274	0.2%	1,145	0.2%
Textile and leather industry	1,263	0.2%	1,307	0.2%
Metallurgy	1,168	0.1%	916	0.1%
Food industry	1,045	0.1%	1,167	0.2%
Hotel and hospitality	316	0.0%	270	0.0%
Other	24,810	3.2%	24,377	3.6%
	765,515	100.0%	683,301	100.0%

*(Millions of tenge)***17. Debt securities issued**

Debt securities issued consisted of the following:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
USD senior notes	303,998	307,376
USD recovery notes	124,065	119,787
EUR discount notes	92,313	86,058
USD subordinated notes	72,424	73,253
USD discount notes	56,122	56,765
KZT subordinated notes with fixed rate	36,930	36,930
KZT senior notes	35,008	35,009
KZT bonds with floating rate	25,219	25,213
EUR subordinated notes	5,963	5,559
USD bonds with floating rate	3,539	4,318
Belorussian rouble bonds with floating rate	141	–
KZT bonds with fixed rate	–	513
	755,722	750,781
USD treasury bonds held by the Group	(130)	(192)
USD and KZT treasury subordinated bonds held by the Group	(50)	(1)
KZT treasury bonds held by the Group	(8,873)	(6,214)
	746,669	744,374
Plus unamortised premium	16,969	16,640
Less unamortised discount	(87,074)	(88,209)
Less unamortised cost of issuance	–	(155)
Debt securities issued	676,564	672,650

In accordance with the contractual terms of the new bonds programs and loan facilities, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. As at 30 June 2011 the Bank was in compliance with these restricting financial conditions and financial ratios established by the FMSC for the second tier banks.

On 27 December 2010 new KZT notes of the Bank were included in the KASE listing. On 22 February 2011, GDRs and new notes of the Bank, denominated in foreign currencies, were included into Luxemburg Stock Exchange listing, and starting from 23 February 2011 these securities were accepted for trading on a specialized trading floor of Luxembourg Stock Exchange - Euro MTF Market.

18. Equity

As at 30 June 2011 and 31 December 2010 the Group's share capital comprises:

	<i>Common shares</i>			<i>Non-redeemable convertible preferred shares</i>	
	<i>Number of authorized shares</i>	<i>Number of shares outstanding</i>	<i>Placement value in KZT million</i>	<i>Number of authorized shares</i>	<i>Number of shares outstanding</i>
At 31 December 2009	38,286,050	33,616,968	515,551	100,000	–
Issue of share capital	55,219,743,695	44,175,794,956	671,472	–	–
At 31 December 2010	55,258,029,745	44,209,411,924	1,187,023	100,000	–
Issue of share capital (unaudited)	–	–	–	–	–
At 30 June 2011 (unaudited)	55,258,029,745	44,209,411,924	1,187,023	100,000	–

As at 30 June 2011 no convertible preferred shares (hereinafter – the “CPS”) were issued.

Dividends on CPS

The dividends on CPS authorised in 2008 were established at the rate of 11.0% per annum of placement value of shares. As at 30 June 2011 and 31 December 2010, no CPS were issued. As at 30 June 2011, dividend on CPS were not declared or paid.

*(Millions of tenge)***18. Equity (continued)***Available-for-sale investment securities revaluation reserve*

This reserve includes fair value changes on available-for-sale investment securities.

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 2010	1,517,088
Number of treasury shares acquired as a result of business combination (unaudited)	1,065
Number of disposed treasury shares as result of disposal of subsidiary (unaudited)	(126,026)
30 June 2010 (unaudited)	1,392,127
Number of treasury shares purchased from the Parent (unaudited)	8,179,148,436
Number of treasury shares distributed to creditors in accordance with the Restructuring plan (unaudited)	(7,793,485,182)
Number of treasury shares obtained as a result of restructuring of debt securities held in subsidiaries' portfolios (unaudited)	76,113,588
Number of treasury shares sold (unaudited)	(420,375)
31 December 2010	462,748,594
Number of treasury shares distributed to creditors in accordance with the Restructuring plan (unaudited)	(102,905,828)
Number of treasury shares sold (unaudited)	(1,661,308)
Number of treasury shares purchased as partial repayment of the client's debt (unaudited)	368,954
30 June 2011 (unaudited)	358,550,412

19. Financial 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. 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.

Besides, such factors as increase in unemployment level in Kazakhstan, reduction in liquidity and profitability of entities and increase in number of insolvency cases both entities and individuals affected the ability of the Group's borrowers to repay the amounts due to the Group. Changes in economic conditions also resulted in decrease in value of collateral on loans and other obligations.

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.

(Millions of tenge)

19. Financial 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 interim condensed consolidated financial statements for any of the contingent liabilities mentioned above.

"BTA Bank" (Kyrgyzstan)

In June 2009, Central Asia Investment Company (hereinafter – the "CAIC"), a Kyrgyzstan registered entity and a 100% subsidiary of CJSC Investment Holding Company (hereinafter – the "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. (hereinafter – the "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 2,023,143. CAIC defaulted on its loan payable to IHC. As a result, IHC filed a lawsuit against CAIC, BTA Bank, BTA Bank Kyrgyzstan and TAF B.V. claiming a repayment of the full nominal value and interest accrued on debt securities 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 from BTA Bank Kyrgyzstan.

In December 2009, an officer of the court foreclosed on shares held by the Bank in CJSC BTA Bank (Kyrgyzstan), belonging to the Bank, which resulted in a loss of control over JSC 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 Parent had filed a claim with the Kyrgyzstan government for compensation of GBP 30,418,143 and USD 38,891,000 for damages incurred as a result of illegal acts of Kyrgyz legal and government entities.

Subsequently, a number of claims were filed to the Provisional and subsequently functional Government of the Kyrgyz Republic regarding compensation of damage done.

At the present, the National Security Services of the Republic of Kyrgyzstan has transferred to the court a criminal case concerning illegal alienation of BTA Bank Kyrgyzstan shares that belong to the Bank, that is currently joint with other criminal cases and is aimed at elimination of prosecution omissions.

Also, the Bank engaged a legal company - advisor to support arbitration proceedings initiated against the Government of the Kyrgyz Republic regarding compensation of damage done.

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 or amount of potential recovery.

*(Millions of tenge)***19. Financial 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 Kazakh 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, may be in excess of the amount expensed to date and accrued at 30 June 2011. 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.

Financial commitments and contingencies

As at 30 June 2011 and 31 December 2010 financial commitments and contingencies of the Bank comprise:

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December</i> <i>2010</i>
Undrawn loan commitments	92,739	109,346
Commercial letters of credit	3,942	3,569
Guarantees	27,460	29,419
	<u>124,141</u>	<u>142,334</u>
Operating lease commitments		
Not later than 1 year	1,180	263
Later than 1 year but not later than 5 years	2,030	1,435
Later than 5 years	778	1,002
	<u>3,988</u>	<u>2,700</u>
Less: cash collateral (Note 16)	(9,261)	(6,794)
Less: provisions (Note 12)	(39)	(223)
Financial commitments and contingencies	<u><u>118,829</u></u>	<u><u>138,017</u></u>

The undrawn 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 2011 such securities held in this capacity were KZT 379,843 million (as at 31 December 2010 – KZT 504,993 million).

*(Millions of tenge)***20. Net trading income / (loss)**

Net trading income / (loss) for the six-months periods ended 30 June comprised the following:

	<i>Six-month periods ended</i>	
	<i>30 June 2011</i>	<i>30 June 2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Trading securities	(605)	(23,631)
Available-for-sale investment securities	546	741
Income from purchase of own debt securities issued	285	601
Interest rate instruments (Note 8)	–	(10,357)
	226	(32,646)

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. The results of trading and changes in fair value of interest rate swaps are recorded within income from interest rate instruments.

21. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	<i>Six-month periods ended</i>	
	<i>30 June 2011</i>	<i>30 June 2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries and bonuses	(9,003)	(9,445)
Social security costs	(925)	(978)
Other payments	(126)	(249)
Personnel expenses	(10,054)	(10,672)
Legal services and consultancy	(9,006)	(5,048)
Rent	(1,761)	(2,288)
Repair and maintenance of property and equipment	(609)	(640)
Security	(512)	(544)
Communications	(404)	(548)
Marketing and advertising	(378)	(357)
Plastic cards	(236)	(257)
Data processing	(208)	(239)
Business travel and related expenses	(175)	(222)
Transportation expenses	(171)	(175)
Office supplies	(164)	(119)
Postal charges	(85)	(112)
Encashment	(66)	(403)
Insurance	(64)	(933)
Agency services	(23)	(28)
Penalties	(8)	(85)
Loss on disposal of assets	–	(829)
State duty	–	(64)
Other	(641)	(696)
Other operating expenses	(14,511)	(13,587)

Legal services and consultancy comprise reimbursement of current expenses of asset recovery advisers.

*(Millions of tenge)***22. Loss per share**

Basic earnings or loss per share is calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of participating shares outstanding during the period. As at 30 June 2011 and 31 December 2010 the Bank did not declare or pay any dividends to common shareholders.

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

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>30 June 2010</i> <i>(unaudited)</i>
Net loss attributable to common shareholders for basic loss per share	(102,321)	(80,417)
Weighted average number of common shares for basic and diluted loss per share	43,499,117,658	31,108,827
Basic and diluted loss per share (in Tenge)	(2.35)	(2,585)

The carrying amount of one common share as at 30 June 2011 and 31 December 2010, is as follows:

<i>Type of shares</i>	<i>30 June 2011 (unaudited)</i>			<i>31 December 2010</i>		
	<i>Number of outstanding shares</i>	<i>Net assets (KZT million)</i>	<i>Book value per share, Tenge</i>	<i>Number of outstanding shares</i>	<i>Net assets (KZT million)</i>	<i>Book value per share, Tenge</i>
Common	43,850,861,512	(217,676)	(4.96)	43,746,663,330	(105,668)	(2.42)

The management of the Group believes that the book value per share is calculated in accordance with methodology provided in the KASE Listing rules.

23. Fair value 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 assets and liabilities recorded in the interim condensed consolidated financial statements at fair value by level of the fair value hierarchy:

	<i>30 June 2011 (unaudited)</i>			<i>31 December 2010</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	62,446	–	–	82,257	–	–
Derivative financial assets	–	6,033	–	–	4,795	–
Available-for-sale investment securities	25,344	–	–	21,110	–	–
<i>Financial liabilities</i>						
Derivative financial liabilities	–	2	–	–	1	–

During the six-month periods ended 30 June 2011 and 2010, there were no transfers between Tier 1 and Tier 2 categories.

*(Millions of tenge)***24. Risk management**

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

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

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

	<i>30 June 2011 (unaudited)</i>			<i>Total</i>
	<i>Kazakhstan</i>	<i>OECD</i>	<i>CIS and other countries</i>	
Assets:				
Cash and cash equivalents	64,838	11,977	4,892	81,707
Obligatory reserves	–	–	56	56
Trading securities	21,416	14,474	4	35,894
Amounts due from credit institutions	11,856	1,170	11,613	24,639
Derivative financial assets	6,033	–	–	6,033
Investment securities:				
- available-for-sale	23,909	–	518	24,427
- held-to-maturity	6,903	–	–	6,903
Loans to customers	694,508	15,803	63,558	773,869
Bonds of NWF Samruk-Kazyna	183,275	–	–	183,275
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	350,386	–	–	350,386
Other assets	6,583	163	3,194	9,940
	1,369,707	43,587	83,835	1,497,129
Liabilities:				
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	403,445	–	–	403,445
Amounts due to credit institutions	43,616	61,188	19,364	124,168
Derivative financial liabilities	–	–	2	2
Amounts due to customers	755,992	409	9,114	765,515
Debt securities issued	15,801	660,296	467	676,564
Provisions	27	–	12	39
Other liabilities	19,879	159	205	20,243
	1,238,760	722,052	29,164	1,989,976
Net position	130,947	(678,465)	54,671	(492,847)
Position on financial commitments and contingencies	115,877	11,919	333	128,129

*(Millions of tenge)***24. Risk management (continued)**

	<i>31 December 2010</i>			<i>Total</i>
	<i>Kazakhstan</i>	<i>OECD</i>	<i>CIS and other countries</i>	
Assets:				
Cash and cash equivalents	74,179	22,098	4,513	100,790
Obligatory reserves	–	–	40	40
Trading securities	25,664	27,976	1	53,641
Amounts due from credit institutions	17,240	1,172	6,765	25,177
Derivative financial assets	4,795	–	–	4,795
Investment securities:				
- available-for-sale	19,269	–	890	20,159
- held-to-maturity	7,209	–	112	7,321
Loans to customers	379,194	31,865	376,559	787,618
Bonds of NWF Samruk-Kazyna	142,017	–	–	142,017
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	388,946	–	–	388,946
Other assets	8,802	272	1,698	10,772
	<u>1,067,315</u>	<u>83,383</u>	<u>390,578</u>	<u>1,541,276</u>
Liabilities:				
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	450,025	–	–	450,025
Amounts due to credit institutions	43,934	7,263	104,447	155,644
Derivative financial liabilities	–	–	1	1
Amounts due to customers	675,216	151	7,934	683,301
Debt securities issued	18,732	653,692	226	672,650
Provisions	145	–	78	223
Other liabilities	37,015	219	176	37,410
	<u>1,225,067</u>	<u>661,325</u>	<u>112,862</u>	<u>1,999,254</u>
Net position	<u>(157,752)</u>	<u>(577,942)</u>	<u>277,716</u>	<u>(457,978)</u>
Position on financial commitments and contingencies	<u>127,270</u>	<u>89</u>	<u>17,675</u>	<u>145,034</u>

Liquidity risk and funding management

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

1. conformity with the liquidity norms established by the regulatory bodies; and
2. liquidity management by means of the GAP-analysis, analysis of cash flow and stress testing.

GAP – analysis includes preparation of tables of gaps by remaining contractual maturities of assets and liabilities and calculation of absolute and relative gap between assets and liabilities flows within the relevant period.

Cash flow analysis includes gathering and complex analysis of information about all main cash inflows and outflows in future periods that arise due to changes in the amount of assets and liabilities, equity structure, income and expenses.

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

*(Millions of tenge)***24. Risk management (continued)****Liquidity risk and funding management (continued)**

The Management regularly monitors high-liquid assets that may be disposed at any time. The Bank builds portfolio consisting of high-liquid assets, predominantly debt financial instruments issued by the states with high credit ratings.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2011 and 31 December 2010 based on undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

Financial liabilities	More than one		
At 30 June 2011 (unaudited)	Within one year	year	Total
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	405,728	350	406,078
Amounts due to credit institutions	57,301	76,932	134,233
Derivative financial liabilities	2	–	2
Amounts due to customers	356,496	812,035	1,168,531
Debt securities issued	93,801	1,057,395	1,151,196
Provisions	39	–	39
Other liabilities	21,291	148	21,439
Total undiscounted financial liabilities	934,658	1,946,860	2,881,518

Financial liabilities	More than one		
At 31 December 2010	Within one year	year	Total
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	451,426	394	451,820
Amounts due to credit institutions	64,694	104,066	168,760
Derivative financial liabilities	1	–	1
Amounts due to customers	322,311	774,405	1,096,716
Debt securities issued	108,667	1,062,436	1,171,103
Provisions	27	196	223
Other liabilities	41,394	169	41,563
Total undiscounted financial liabilities	988,520	1,941,666	2,930,186

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

	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
30 June 2011							
<i>(unaudited)</i>	6,484	2,396	2,880	23,848	49,656	38,877	124,141
31 December 2010	7,666	5,874	9,963	23,503	45,848	49,480	142,334

*(Millions of tenge)***24. Risk management (continued)****Liquidity risk and funding management (continued)**

The tables below summarise an analysis of assets and liabilities according to when they are expected to be recovered or settled:

<i>30 June 2011 (unaudited)</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	81,707	–	81,707
Obligatory reserves	56	–	56
Trading securities	62,446	–	62,446
Amounts due from credit institutions	19,601	5,038	24,639
Derivative financial assets	3,154	2,879	6,033
Investment securities:			
- available-for-sale	4,357	20,987	25,344
- held-to-maturity	2,288	4,615	6,903
Loans to customers	403,590	370,279	773,869
Bonds of NWF Samruk-Kazyna	2,568	180,707	183,275
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	4,909	345,477	350,386
Other assets	7,065	2,875	9,940
	591,741	932,857	1,524,598
Liabilities:			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	403,243	202	403,445
Amounts due to credit institutions	56,936	67,232	124,168
Derivative financial liabilities	2	–	2
Amounts due to customers	306,115	459,400	765,515
Debt securities issued	59,396	617,168	676,564
Provisions	39	–	39
Other liabilities	20,242	1	20,243
	845,973	1,144,003	1,989,976
Net position	(254,232)	(211,146)	(465,378)
Accumulated gap	(254,232)	(465,378)	
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
31 December 2010			
Assets:			
Cash and cash equivalents	100,790	–	100,790
Obligatory reserves	40	–	40
Trading securities	82,257	–	82,257
Amounts due from credit institutions	18,484	6,693	25,177
Derivative financial assets	1,370	3,425	4,795
Investment securities:			
- available-for-sale	7,474	13,636	21,110
- held-to-maturity	2,026	5,295	7,321
Loans to customers	394,738	392,880	787,618
Bonds of NWF Samruk-Kazyna	2,000	140,017	142,017
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	5,477	383,469	388,946
Other assets	9,564	1,208	10,772
	624,220	946,623	1,570,843
Liabilities:			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	449,814	211	450,025
Amounts due to credit institutions	60,091	95,553	155,644
Derivative financial liabilities	1	–	1
Amounts due to customers	272,865	410,436	683,301
Debt securities issued	58,163	614,487	672,650
Provisions	27	196	223
Other liabilities	36,860	550	37,410
	877,821	1,121,433	1,999,254
Net position	(253,601)	(174,810)	(428,411)
Accumulated gap	(253,601)	(428,411)	

*(Millions of tenge)***24. Risk management (continued)****Market risk***Interest rate risk*

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2011. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 30 June 2011 for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

<i>Currency</i>	<i>Change in basis points</i>	<i>Sensitivity of net</i>	<i>Sensitivity of equity</i>
	<i>30 June 2011</i>	<i>interest income</i>	<i>30 June 2011</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
USD	(67)/69	309/(319)	12/(12)
KZT	(67)/69	355/(366)	414/(427)
Euro	(67)/69	(62)/64	–
Belarusian Ruble	(67)/69	(18)/18	–

<i>Currency</i>	<i>Change in basis points</i>	<i>Sensitivity of net</i>	<i>Sensitivity of equity</i>
	<i>30 June 2010</i>	<i>interest income</i>	<i>30 June 2010</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Libor:			
USD	(243)/250	1,540/(1,588)	53/(55)
KZT	(243)/250	1,518/(1,565)	1,282/(1,321)
Euro	(243)/250	3,199/(3,298)	–
Belarusian Ruble	(243)/250	(71)/73	–

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Group had significant exposure at 30 June 2011 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the income statement. A negative amount in the table reflects a potential net reduction in the consolidated income statement, while a positive amount reflects a net potential increase.

<i>Currency</i>	<i>Change in</i>	<i>Effect on profit</i>	<i>Change in</i>	<i>Effect on profit</i>
	<i>currency rate in</i>	<i>before tax</i>	<i>currency rate in</i>	<i>before tax</i>
	<i>%</i>	<i>30 June 2011</i>	<i>%</i>	<i>30 June 2010</i>
	<i>30 June 2011</i>	<i>(unaudited)</i>	<i>30 June 2010</i>	<i>(unaudited)</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
USD	(1.4)/1.4	2,858/(2,858)	-1.5/1.5	16,412/(16,412)
Euro	(14.3)/14.3	8,956/(8,956)	-11.5/11.5	16,818/(16,818)
RUR	(9.9)/9.9	(2,809)/2,809	-14.0/14.0	1,224/(1,224)
Belarusian Ruble	(23.0)/23.0	(415)/415	-17.1/17.1	(189)/189
GBP	(10.3)/10.3	(201)/201	-13.9/13.9	464/(464)
CHF	(13.7)/13.7	(4)/4	-11.2/11.2	2,957/(2,957)

(Millions of tenge)

25. 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, farm households and small enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products, as well as customer support electronic systems.

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 taxes are managed on a group basis and are not allocated to operating segments.

BTA Bank JSC

Selected notes to the interim condensed consolidated financial statements (continued)

30 June 2011

(Millions of tenge)

25. Segment analysis (continued)

Segment information for the main reportable operating segments of the Group for the six month periods ended 30 June 2011 and 2010, following the results of segment activity and as at 30 June 2011 and 31 December 2010 according to segment's financial position is set out below :

	Corporate banking	Small and medium business	Retail banking	Investing activities	Unallocated amounts	Elimination	Total
Six-month period ended 30 June 2011 (unaudited)							
External interest income	34,252	9,792	13,845	20,464	85	-	78,438
Internal interest income	3,999	1,702	14,154	91,943	-	(111,798)	-
External interest expense	(4,450)	(2,051)	(14,330)	(62,293)	(99)	-	(83,223)
Internal interest expense	(85,354)	(5,319)	(7,120)	(14,005)	-	111,798	-
Net interest (expense) / income before impairment	(51,555)	4,124	6,549	36,109	(14)	-	(4,785)
Impairment charge	174	12,599	(18,762)	-	-	-	(5,989)
Net interest (expense) / income	(51,379)	16,723	(12,213)	36,109	(14)	-	(10,774)
Non-interest (loss) / income	(3,401)	4,989	7,603	(9,818)	275	4,206	3,854
Depreciation and amortization	(308)	(288)	(907)	(49)	(14)	-	(1,566)
Non-interest expense	(4,031)	(5,458)	(16,086)	(1,620)	(345)	(4,206)	(31,746)
Other impairment and provisions	178	(9)	(253)	(84)	-	-	(168)
Loss from realization of collateral	(608)	-	-	-	-	-	(608)
Share in income of associates	-	-	-	2,168	-	-	2,168
Impairment charge on available-for-sale investment securities	-	-	-	(1,004)	-	-	(1,004)
Loss before corporate income tax expense	(59,549)	15,957	(21,856)	25,702	(98)	-	(39,844)
Corporate income tax expense	-	-	-	-	(62,718)	-	(62,718)
Net loss after corporate income tax expenses	(59,549)	15,957	(21,856)	25,702	(62,816)	-	(102,562)
Total assets as at 30 June 2011 (unaudited)	511,965	136,814	225,961	929,099	112,342	(129,540)	1,786,641
Total liabilities as at 30 June 2011 (unaudited)	264,011	146,938	408,104	1,232,888	258	(48,877)	2,003,322
Other segment information as at 30 June 2011 (unaudited)							
Investments in associates	-	-	-	90,977	-	-	90,977
Capital expenditures	22	75	312	55	-	-	464

*(Millions of tenge)***25. Segment analysis (continued)**

	Corporate banking	Small and medium business	Retail banking	Investing activities	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 (expense) / income 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)
Non-interest income / (expense)	52,100	1,862	925	(5,133)	1,797	(1,693)	49,858
Depreciation and amortization	(631)	(294)	(877)	(188)	(223)	—	(2,213)
Non-interest expense	(11,188)	(3,834)	(11,924)	(3,359)	(5,569)	1,693	(34,181)
Other impairment and provisions	25,207	(135)	(25)	(1,882)	(2)	—	23,163
Share in income of associates	—	—	—	2,181	—	—	2,181
Impairment charge on available-for-sale investment securities	—	—	—	(430)	(28)	—	(458)
Loss before corporate income tax expense	(71,028)	7,192	3,975	(23,265)	1,192	—	(81,934)
Corporate income tax expense	—	—	—	—	(518)	—	(518)
Net loss after corporate income tax expenses	(71,028)	7,192	3,975	(23,265)	674	—	(82,452)
Total assets as at 31 December 2010	524,791	111,869	233,405	987,503	173,727	(135,585)	1,895,710
Total liabilities as at 31 December 2010	413,295	142,408	382,086	1,116,091	987	(54,644)	2,000,223
Other segment information as at 31 December 2010							
Investments in associates	—	—	—	90,326	—	—	90,326
Capital expenditures	52	125	374	29	—	—	580

(Millions of tenge)

26. 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.

Transactions with government-related entities

The Government of the Republic of Kazakhstan, acting through JSC NWF Samruk-Kazyna, controls the Group.

The Government of the Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as “government institutions”).

The Government of the Republic of Kazakhstan does not provide to the general public or entities under its ownership/control a complete list of the entities, which are owned or controlled directly or indirectly by the government. Under these circumstances, the management of the Group disclosed only information that its current internal management system allows to present in relation to operations with government-controlled entities and where the management believes such entities could be considered as government-controlled based on its best knowledge.

All transactions with the Parent of the Bank and entities under common control of the Kazakhstan Government, and with other government institutions are entered into in the normal cause of business and priced at market rates.

The volumes of related party transactions, outstanding balances at the year-end and related expense and income for the year are as follows:

(Millions of tenge)

26. Related party transactions (continued)

As at 30 June 2011 and 31 December 2010, the Group had the following transactions with related parties:

	30 June 2011 (unaudited)					31 December 2010						
	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties
Cash and cash equivalents												
Amounts at 1 January	-	1	110	25,218	-	-	-	-	788	3,695	-	-
Amounts placed during the period	-	4,549	2,826	61,118	-	-	-	9,345	96	112,198	-	-
Amounts withdrawn during the period	-	(4,550)	(2,816)	(70,878)	-	-	-	(9,344)	(774)	(90,675)	-	-
Cash and cash equivalents at the end of the period	-	-	120	15,458	-	-	-	1	110	25,218	-	-
Trading securities												
Balance at 1 January	-	44,764	-	11,068	-	-	-	48,209	-	25,563	-	-
Securities purchased during the period	160	30,061	-	3,170	-	-	-	127,661	-	5,946	-	-
Securities sold during the period	(7)	(49,201)	-	(6,735)	-	-	-	(131,106)	-	(20,441)	-	-
Trading securities at the end of the period	153	25,624	-	7,503	-	-	-	44,764	-	11,068	-	-
Amounts due from credit institutions (deposits)												
Deposits at 1 January	-	-	3,997	-	-	-	-	-	3,233	-	-	-
Deposits placed during the period	-	-	348	-	-	-	-	57,652	7,369	-	-	-
Deposits withdrawn during the period	-	-	(230)	-	-	-	-	(57,652)	(6,605)	-	-	-
Amounts due from credit institutions (deposits) at the end of the period, gross	-	-	4,115	-	-	-	-	-	3,997	-	-	-
Less – allowance for impairment	-	-	(174)	-	-	-	-	-	(177)	-	-	-
Amounts due from credit institutions (deposits) at the end of the period, net	-	-	3,941	-	-	-	-	-	3,820	-	-	-

(Millions of tenge)

26. Related party transactions (continued)

	30 June 2011 (unaudited)						31 December 2010					
	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties
Amounts due from credit institutions (loans)	-	-	-	-	-	-	-	-	-	-	-	-
Loans at 1 January	-	-	4,983	-	-	-	-	-	5,998	-	-	-
Loans issued during the period	-	-	1,502	-	-	-	-	-	5,089	-	-	-
Loans repaid during the period	-	-	(1,267)	-	-	-	-	-	(6,104)	-	-	-
Amounts due from credit institutions (loans) at the end of period, gross	-	-	5,218	-	-	-	-	-	4,983	-	-	-
Less – allowance for impairment	-	-	(2,136)	-	-	-	-	-	(1,974)	-	-	-
Amounts due from credit institutions (loans) at the end of the period, net	-	-	3,082	-	-	-	-	-	3,009	-	-	-
Available-for-sale investment securities	-	148	-	11,497	-	-	-	897	-	7,155	-	-
Securities purchased during the period	254	229	-	5,440	-	-	-	-	-	18,166	-	-
Securities sold during the period	(98)	-	-	(3,472)	-	-	-	(749)	-	(13,824)	-	-
Available-for-sale investment securities at the end of the period	156	377	-	13,465	-	-	-	148	-	11,497	-	-

(Millions of tenge)

26. Related party transactions (continued)

	30 June 2011 (unaudited)						31 December 2010					
	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties
Held-to-maturity investment securities												
Securities at 1 January	-	963	-	3,838	-	-	-	-	-	-	-	-
Securities purchased during the period	-	113	-	643	-	-	-	963	-	4,954	-	-
Securities redeemed during the period	-	(5)	-	(877)	-	-	-	-	-	(1,116)	-	-
Held-to-maturity investment securities at the end of the period	-	1,071	-	3,604	-	-	-	963	-	3,838	-	-
Loans to customers												
Loans to customers at 1 January, gross	-	659	-	778	53	10	-	4,476	-	7,574	585	3
Loans issued during the period	-	33	-	818	53	2	-	2,298	-	2,186	110	26
Loans repaid during the period	-	(198)	-	(820)	(32)	(5)	-	(6,115)	-	(8,982)	(642)	(19)
Loans to customers at the end of the period, gross	-	494	-	776	74	7	-	659	-	778	53	10
Less – allowance for impairment	-	-	-	-	-	-	-	-	-	-	-	-
Loans to customers at the end of the period, net	-	494	-	776	74	7	-	659	-	778	53	10
Bonds of NWF Samruk-Kazyna	183,275	-	-	-	-	-	142,017	-	-	-	-	-
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	350,386	-	-	-	-	-	388,946	-	-	-	-	-

(Millions of tenge)

26. Related party transactions (continued)

	30 June 2011 (unaudited)						31 December 2010					
	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties	Share-holders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties
Amounts due to the												
Government and the National Bank of the Republic of Kazakhstan				450,025							406,595	
Amounts at 1 January				2,500,877							5,361,858	
Amounts received during the period				(2,547,457)							(5,318,428)	
Amounts repaid during the period												
Amounts due to the												
Government and the National Bank of the Republic of Kazakhstan at the end of the period				403,445							450,025	
Amounts due to credit institutions												
Loans at 1 January	35,061		1,862	6,090			41,590	994	6,994			
Loans received during the period	2,188		5,983				4,217	26,168	588			
Loans repaid during the period	(5,123)		(6,110)	(641)			(10,746)	(25,300)	(1,492)			
Amounts due to credit institutions at the end of the period	32,126		1,735	5,449			35,061	1,862	6,090			
Amounts due to customers												
Deposits at 1 January	296,385	4,401		8,020	21	15	165,829	192,345	8,002	25	7	
Deposits placed during the period	20,980	167,269		141	89	18	594,737	1,693,831	80	136	39	
Deposits withdrawn during the period	(16,567)	(166,711)		(141)	(56)	(15)	(464,181)	(1,881,775)	(62)	(140)	(31)	
Amounts due to customers at the end of the period	300,798	4,959		8,020	54	18	296,385	4,401	8,020	21	15	
Commitments and guarantees issued, gross		78	60					94				
Less – allowance for impairment			(60)									
Commitments and guarantees issued, net		78						94				
Commitments and guarantees received	612,750						612,750					

(Millions of Tenge)

26. Related party transactions (continued)

	Six month periods ended 30 June					
	2011 (unaudited)			2010 (unaudited)		
	Shareholders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties
Interest income on deposits with contractual maturity up to 90 days	-	-	-	4	-	-
Interest income on trading securities	3	121	-	447	-	-
Interest income on amounts due from credit institutions	-	-	398	-	-	-
Interest income on available-for-sale investment securities	1	11	-	170	-	-
Interest income on held-to-maturity investment securities	-	11	-	79	-	-
Interest income on loans	-	38	-	36	1	-
Interest income on bonds of NWF Samruk-Kazyna	5,320	-	-	-	6,254	-
Interest income on bonds of NWF Samruk-Kazyna pledged under repurchase agreements	10,277	-	-	-	11,813	-
Interest expense on the amounts due to the Government and the National Bank of the Republic of Kazakhstan	-	-	-	(14,090)	-	-
Interest expense on amounts due to credit institutions	-	(1,332)	(46)	(194)	-	-
Interest expense on amounts due to customers	(14,282)	(91)	-	(20)	(1)	(1)
				(20)	(3,920)	(1)
				(147)	(14,044)	(226)
				(2,291)	-	(1)

(Millions of tenge)

26. Related party transactions (continued)

	2011 (unaudited)					2010 (unaudited)						
	Shareholders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties	Shareholders	Entities under common control	Associates	Government institutions	Key management personnel	Other related parties
Fee and commission income	-	-	-	-	-	-	-	2	-	-	-	-
Fee and commission expense	(6,450)	-	-	-	-	-	-	-	-	-	-	-
Loss from realization of collateral	-	-	-	(608)	-	-	-	-	-	(3,776)	-	-
Other income	-	-	-	-	-	-	-	-	11	-	-	-

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors for the six month periods ended 30 June 2011 and 2010 was KZT 167 million and KZT 176 million, respectively.

Included in the table above are the following transactions with related parties outstanding as at 30 June 2011 and 31 December 2010:

- Operations with shareholders including: loans issued – including provisioning matters, deposits placed, deposits attracted, debt securities purchased from the Parent and guarantees from the Parent;
- Operations with entities under common control including: issuance of loans, deposits placement, deposits and loans attraction, issuance of guarantees, operations with debt securities;
- Operations with associates including: deposits placement, attraction and issuance of loans, and also issuance of guarantees and letter of credits for investment objects;
- Operations with state organizations including: issuance of loans, including provisioning matters, operations with trading and investment securities, and also attraction of loans from the Government and the NBK;
- Operations with key management personnel / members of the Board of Directors, including: issuance of loans, including provisioning matters, deposits attraction, total remuneration accrued during the period.

*(Millions of tenge)***27. 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 FMSC and the NBK 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.

Additionally, in accordance with terms of bonds program and loan agreements, the Bank is required to maintain certain financial ratios, particularly with regard to its capital adequacy under the FMSC requirements.

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.

Capital adequacy ratio established by the FMSC

The FMSC requires banks with over 50% of shares belonging to the national management holding to maintain capital adequacy ratio: k1-1 and k1-2 at least 5%, k2 at least 10%. As at 30 June 2011 risk weighted regulatory assets of the Bank calculated in accordance with FMSC requirements were obtained from the separate financial statements of the Bank prepared in accordance with the FMSC rules.

	<i>30 June 2011</i> <i>(unaudited)</i>	<i>31 December 2010</i>
Tier 1 capital	293,851	308,210
Tier 2 capital	90,343	90,237
Less: deductions from capital	(50,560)	(50,560)
Total capital	333,634	347,887
Total assets	1,989,962	1,993,994
Risk weighted assets	1,789,999	1,799,429
Less: deductions from assets	(38,671)	(39,290)
Capital adequacy ratio (k1-1)	13.1%	13.8%
Capital adequacy ratio (k1-2)	14.3%	15.0%
Capital adequacy ratio k2	18.6%	19.3%

28. Subsequent events

On 21 July 2011, the Central Bank of Russian Federation (hereinafter – the "CBRF") revoked the license on banking operations from AMT Bank LLC due to its non-compliance with federal laws regulating banking activities, and statutory acts of the CBRF, revealed facts of significant misstatements in the reporting data, as well as due to repeated applications of measures stipulated by the Federal law "About the Central Bank of the Russian Federation" during 2010 and 2011. The CBRF has appointed a temporary administration of AMT Bank LLC.

On 15 August 2011, the Bank announced change in management. On 29 July 2011 in accordance to the decision of the Board of Directors of the Bank, Mr. Marat Zairov was appointed as the Chairman of the Management Board of the Bank starting from 15 August 2011. Mr. Anvar Saidenov, who was the Chairman of the Management Board of the Bank and a member of the Board of Directors prior to 15 August 2011, was elected as the Chairman of the Board of Directors.