

Management comment



George Iosifyan
Member of the Board

Macroeconomic potential of Kazakhstan is sufficiently high

On my performance in London conference I said that there is no crisis in banking system of Kazakhstan and hasn't base to say of economical crisis. Our point of view supports one of the lead analyst of EBRD which suppose that Kazakhstan is out of crisis. It is normal that banks not growing as recently because it is right correction in terms of world financial turmoil.

BTA now on 173- rd place in chart of 1000 biggest banks of the world by Banker journal in 2007. During the year we replaced from 295 position to 173 and despite of crisis continuing to grow on first half of 2008. Bank assets grow almost to 10%. It occurs not only for our internal growing, but also for external assets. Investors comprehends appeal of BTA as good base, firstly in CIS, so they ready to finance certain projects with BTA.

As you know banks now are repaying own debts. We have repaid on current time up to USD 700 mln. from USD 1,2 bln. which due to 2008. Thus we paid out more than half of our debts and at the same time increase our profit.

Banking Statistics

Market shares in Kazakhstan

	In %	
	01.07.08	01.08.08
Assets	24.1	24.4
Loans	24.6	25.4
Deposits	14.7	15.5
Capital	27.5	27.3

Source: Bank data

Ratios

	In %	
	01.07.08	01.08.08
Capital adequacy ratio (K1)	13.96	13.80
Capital adequacy ratio (K2)	14.02	13.70
Liquid assets % assets	16.61	15.29
Capital % Assets	14.30	14.18
RoAE	7.85	7.03
RoAA	1.17	1.04
Cost to income	30.02	30.49

Source: Bank Data

BTA News

BTA Bank Wins 6th Place in MICEX Rating

According to the outcome over July, 2008 BTA Bank won the 6th place in MICEX Rating "Leading Operators of the Exchange Market for Convertible Currency" and keeps its position in TOP 10 leading operators in terms of euro.

A bank's position in the list is determined according to the share of executed transactions in the total net turnover of trades at the Joint Trading Session over the last month.

The Bank is committed to actively work in the exchange market for convertible currency in the future raising the volumes of its transactions.

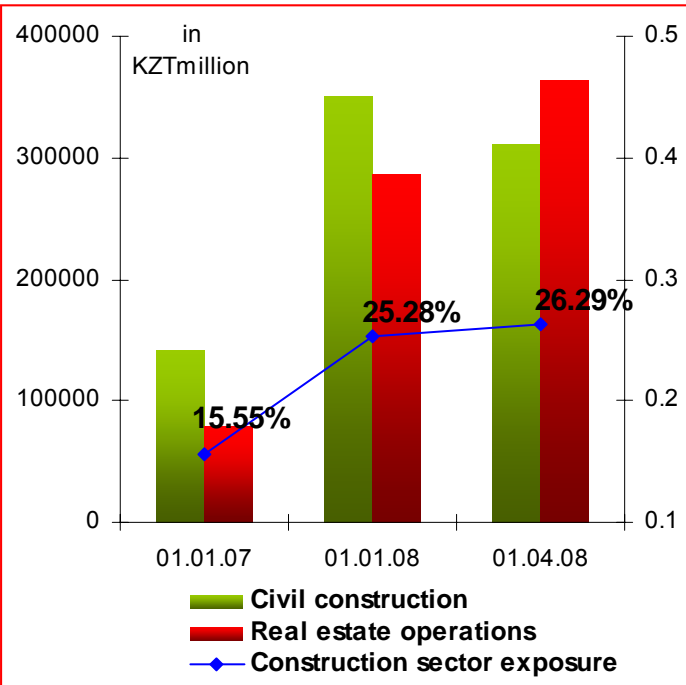
BTA Bank is the operation expertise of 10 strategic partner banks in the CIS and abroad combined with the high quality of servicing and advanced technologies.

The total asset value of strategic partner banks reached USD 25.5 billion over 2007, which is up 47.7% during the year, with the equity being USD 3.8 billion, which exceeds the 2006 figures 2.3 times. The profit totaled USD 538 million, which is up 65.6% compared to the same data of the previous year.

Today BTA Bank is more than 2 million customers in 9 countries of partner banks presence. BTA Bank peers with major financial institutions of Russia, Ukraine, Belorussia, Kyrgyzstan, Armenia, Georgia, Kazakhstan. Representative offices of BTA Bank operate in the UAE and China.

Banking Statistics

Construction level



In USD million

	Loans	Principal	Provisions
1. Standard		16,370	-
2. Doubtful:		14,595	985
1) Doubtful 1		12,900	589
2) Doubtful 2		146	13
3) Doubtful 3		1,178	236
4) Doubtful 4		143	36
5) Doubtful 5		228	112
Bad debts		334	334

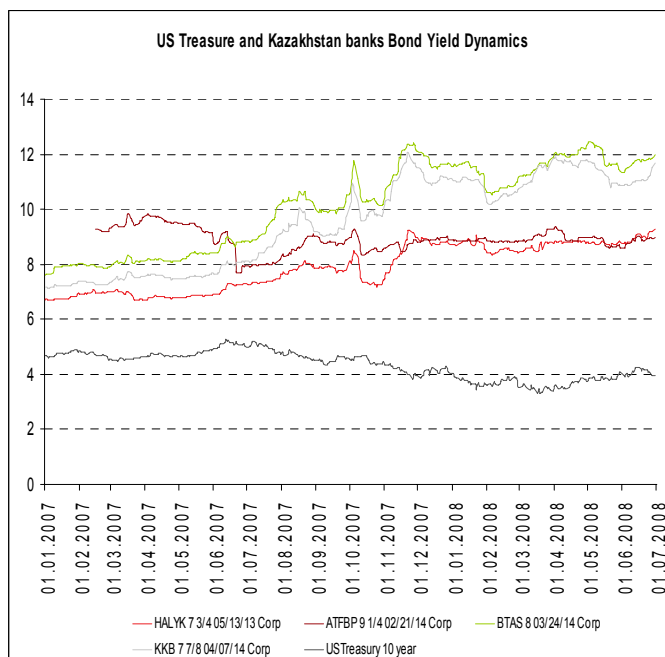
Source: FMSA Data as at 01.07.2008

Banking Statistics

In USD million

	Banking Sector		BTA Bank	
	01.07.08	1M Change	01.07.08	1M Change
Assets	100,816	1,7%	24,345	4,3%
Gross Loans	72,538	0,5%	17,970	3,3%
- corporate	52,040	1,3%	15,535	3,9%
- retail	20,499	-1,3%	2,435	-0,8%
Liabilities	88,161	1,8%	20,864	4,8%
Amounts due to customers	2,898	-1,6%	3,967	3,1%
- corporate	15,084	-1,4%	1,876	3,6%
- retail	10,815	-1,9%	2,090	2,7%
Owned Capital	12,655	1,1%	3,482	1,3%
Net Profit in the current year	563	-41,0%	133	-38,5%

Bank's Bonds



Kazakhstan Economy overview

Economics

The volume of industrial output in January- July 2008 as compared with January- July 2007 increased by 3,3% and accounted to KZT 6294.2 bln.

Production volume in mining has grown by 5.8%, in production and distribution of electricity, gas and water by 9.4%, in processing – decreased by 0,9%.

In January- July 2008 prices of industrial production enterprises increased by 7,2% as compared with June 2008, as compared with December 2007- by 38,9%. Over January- July 2008 production prices rose by 7,4%, production services - by 1,1%. Prices for means of production rose by 0,7%, for consumption goods – 0,8% and for intermediate consumption – 8%.

In January- July 2008 the volume of construction work and services totaled KZT 874.3 bln., which is 7% higher than the level of January- July 2007. Investments in house-building amounted to KZT 269.7 bln. or 2.3% less as compared with the same period of 2007.

Fixed capital investments in January- July 2008 increased by 10,9% to KZT 1831.8 bln. The priority branch is industry mining of crude oil and natural gas – 24,4%.

Over January- July 2008 the volume of transportation has increased by 2,9% to 1147.4 mln. ton.

The volume of services delivered by the communications enterprises in January- July 2008 is estimated at KZT 232,4 bln., out of which KZT 94,9 bln. – to population, which exceeds the level of January-June 2007 by 20,6% and 16,2%, respectively.

Banking System

During July 2008, bank total assets increased by KZT 488.9 bln. (4.2%), and on the reported date constituted KZT 12 173.5 bln.

As at 1-st July 2008 35 second tier banks operate in Kazakhstan including 33 banks, 373 branches and 2 129 additional cash offices.

Capital adequacy indicators are follows: k1 is 0.12, k2 is 0.15

As at July 1, 2008 liquidity level of banking system maintained on excessive level.

From the beginning of 2008, the corporate and retail deposits increased by KZT 469.7 bln., or by 7.3%, and as of 1 July 2008 formed KZT 6 893.7 bln.

Second tier banks total estimated own capital increased by KZT 192.6 bln. (10.8%) from the beginning of 2008 and reached KZT 1 972.8 bln. as of 1 July 2008.

Source: FMSA data

Basic Macroeconomic Indicators

	01.06.08	01.07.08	Chg, %
NBK Reserves, \$ mln.	21,473	21,230	-1,1
Reserve Money, \$ mln.	14,059	14,518	3,3
Consumer Price Index (% change over month ago)*	1,0%	1,2	0,2
Consumer Price Index (average year)*	19,0%	19,1	0,1
Exchange Rate (USD/KZT) EoP	120.57	120,75	0,1
Trading Volume (KASE) over a period from beginning of year, \$ mln.	30,429	38,783	27,5
Kazprime, %*	8.51%	7,10%	-1,4
KASE	2655	2,614	-1,5
Money supply, \$ mln.	42,367	43,024	1,6

Source: National Bank Data

* In comparison with the same period of previous year

Deposits of Kazakhstan 2-nd tier banks

	01.07.2008	01.08.2008	Change	(+/-) %
Deposit base of BTA				
Legal entities (Total banking system)	15,083	16,031	948	6.3%
BTA	1,876	2,390	514	27.4%
Temirbank	249	240	-9	-3.6%
Market share	14.1%	16.4%	2.3%	16.5%
Individuals (Total banking system)	10,815	11,001	186	1.7%
BTA	2,090	2,127	37	1.8%
Temirbank	183	185	3	1.6%
Market share	21.0%	21.0%	0%	0.0%
Deposits by currencies				
Legal entities:	15,083	16,031	948	6.3%
national currency	8,734	9,436	703	8.0%
foreign currency	6,349	6,594	245	3.9%
Individuals:	10,815	11,001	186	1.7%
national currency	6,524	6,659	135	2.1%
foreign currency	4,291	4,342	51	1.2%

Background

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