



AllianceBank
Member of Seimar Group

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Net Income of JSC Alliance Bank is almost KZT43 billion, almost 3 times over 2006 results

Almaty, 25 March 2008 – Today Alliance Bank, the leading retail bank in Kazakhstan, announced the results of its activities for 2007 according to IFRS audited consolidated statements. More than three times increase of the net profit to KZT42.683 million (USD348.3 million) compared to KZT14.010 million (USD111.1 million) for 2006 has become one of the major achievements of the Bank for the period.

Having commented the results of the Bank's activities in 2007, The Chairman of the Board Erik Sultankulov said: "In 2007, Alliance Bank succeeded in resolving a comprehensive task to increase efficiency and profitability of operations while maintaining high business growth paces. This achievement was due to the commencement of optimization of the branch network and active investments in the promotion of business processes automation, extension of branch network to 24 and 199 mini-branches, ATM network up to 1243 units all over Kazakhstan and introduction of the automated loan analysis with the help of the world leading company, Experian Scorex. It is necessary to underline that during 2007 we have finalized the modernization of processing center, which allowed us to increase the product line and improve the quality of payment cards and ATMs services. In addition, call-center functions were substantially widened and it currently has 240 employees. The growth of retail share in the Bank's loan portfolio and focus on the work with high margin products enabled significant increase of the Bank's profitability and improvement of client service quality" – emphasized the Head of Alliance Bank.

The growth of the Bank's resource base in 2007 caused by raising of funds in both domestic and foreign markets has enabled the Bank to increase the assets which from early 2007 grew by 26.1% and as of January 1, 2008 totaled KZT1,160.9 billion (USD9,650.3 billion) in comparison with KZT920.8 billion (USD7,250.0 million) in the end of 2006.

The rise of the Bank's assets was most of all caused by the increase of the Bank's loan portfolio which rose by 32.2% in 2007 and as of January 1, 2008 totaled KZT819.2 billion (less reserves) (USD 6 809.6 million). Retail segment within the Bank's loan portfolio extended by 50.4% against early 2007 and totaled KZT405.1 billion (USD 3,361 million) . Loan loss reserves (provisions) of the Bank were 5% of the loan portfolio exceeding the NPL arrears under the Bank's loans in 1.3 times maintaining at comparably low level of 3.8%.

Accordingly to the growth of assets the Bank's capitalization has also grown. From early 2007 the main indicator of the Bank's financial soundness – its shareholders' capital increased by 98.6% and totaled KZT159 billion (USD 1,321.5 million) /The increase of



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the Bank's shareholders' capital in 2007 was provided by the capital injections and profit capitalization showing aspiration of the Bank's major shareholder – SAFC - to develop the Bank's business.

Over the last years, Alliance Bank has actively developed its personal consumer lending featured by rapid turnover of loan portfolio as well as the Bank's high margin in comparison with other types of retail business. Thanks to this, the Bank has in many ways avoided adverse effect of the current liquidity deficiency within the banking system of Kazakhstan. Together with big cushion of liquid assets it enabled the Bank not to resort to active foreign borrowings in the second half of 2007.

“In 2008, we adjusted our business model towards the increase of adaptation to streamlined production and innovativeness of the Bank's operations meaning active use of card technologies in the work with retail customers,” – noted Erik Sultankulov, - “We believe that transition to revolving credit cards will ensure targeting of all indicators scheduled for 2008 both in terms of business volumes and profit even on the back of continuous adjustments in the world financial markets.”

As reported earlier, for the purpose of maintainance high liquidity, loan portfolio quality and profitability ratios at the previous high level, Alliance Bank has adjusted consumer lending model and from January 15, 2008, it proceeded to the new consumer lending program with the help of direct marketing and revolving credit cards. The Bank issues these cards for its customers with good credit stories who will be identified within the customer database accounting for more than 2 million borrowers.

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Key highlights of Alliance Bank's activities in 2007:

- Net profit grew by 204.7% to KZT 42.7 billion (USD 348.3 million) as compared to KZT 14.0 billion (USD 111.1 million) in 2006.
- Base earnings per share in 2007 increased by 13.8% to KZT 4.8 thousand (USD 39) compared to KZT 4.2 thousand (USD 33.3) in 2006.
- ROE was 35.7% increasing against 25.9% in 2006, ROA rose to 4.1% against 2.2% in 2006.
- Cost / Income ratio improved to 21.4% against 24.9% in 2006
- NIM grew to 9.7% against 7.1% as of the end of 2006.
- A share of retail business in the Bank's interest income increased to 60.0% against 55.3% in 2006
- The Bank's customer base in 2007 extended by 808,000 customers and, as of 1 January 2008, exceeded 2 million customers making up approximately 13.3% of the Kazakhstan's population.
- Assets grew by 26.1% to KZT 1,160.9 billion (USD 9,650.3 million).
- Loan portfolio increased by 32.2% to KZT 819.2 billion (USD 6,809.6 billion) including retail loans – by 50.4% to KZT 405.1 billion (USD 3,367.1 million).
- Liabilities increased by 19.2% and totaled KZT 1.002 billion (USD 8,328.8 million) against KZT 840.7 billion (USD 6,619.8 billion) in 2006.
- The Bank's shareholders' equity increased by 98.6% to KZT 159 billion (USD 1,321.5 million) against KZT 80.0 billion (USD 630.2 million) as at the end of 2006, while 54.1% of the capital growth was due to the increase of the Bank's retained earnings.
- k1 tier 1 capital adequacy ratio and k2, total capital adequacy calculated under prudential regulatory standards of the National bank of Kazakhstan amounted to 11.3% and 14.3% while standard ratios are 5% and 10% respectively.

IFRS complete financial audited consolidated statements of Alliance Bank are available in World Wide Web at: <http://www.alb.kz/cgi-bin/index.cgi?f63&dbid=null&version=en>



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Alliance Bank's 2007 Highlights

PROFIT

Net profit of the Bank in the follow up of 2007 totaled KZT 42.7 billion (USD 348.3 million) exceeding the respective figure of the previous year by 204.7%. The Bank's profitability grew mainly due to the increase of the net interest income while maintaining control over the bank's expenses.

Net interest income (before loan loss reserves) grew by 123.1% in 2007 and totaled KZT 88.9 billion (USD 72.5 million) influenced by change in the Bank's active operation structure in favor of the customers' lending in particular by increase of retail lending share in the assets. Growth of the Bank's resource cost affected by the world liquidity crisis has insignificantly influenced on the bank's net interest margin which is one of the highest among the banks of Kazakhstan – 9.7% in 2007 against 7.1% in 2006.

Net non-interest income of the Bank grew by 185.9% in 2007 to KZT15.6 billion (USD 12.7 million). Growth of net non-interest income was due to proceeds from financial asset operations reflected at fair value through income or loss (KZT 14.4 billion/USD 1.2 million) as well as fee and commission income (KZT12.6 billion/USD 1.0 million). The increase of net non-interest income was tightened by losses from foreign exchange operations (KZT 9.0 billion/USD 0.7 million) caused by Tenge strengthening against US dollar as well as growth of expenses associated with insurance premium payments in insurance of personal consumer loans (KZT 7.7 billion/ USD 0.6 million). In 2008, due to the Bank's refusal from insurance of consumer loans, net commission income of the Bank will be much higher. Also, the Bank's commission income will grow due to the increase of commission fees under payment cards: in 2007, the total number of payment cards issued by Alliance Bank rose by 317,000 units, and as of 1 January 2008, exceeded 382,000 units.

(ROAE) and (ROAA) based on annual average ratios as of 1 January 2008 totaled 35.7% and 4.1% against 25.9% and 2.2% respectively as of the end of 2006.

ASSETS

Assets increased by 26.1% in 2007 and totaled as of 1 January 2008 KZT 1,160.9 billion (USD 9.6 billion) against KZT 920.8 billion (USD 7.2 billion) as of the end of 2006. Such growth rates of assets allow the Bank to rank among five largest banks of Kazakhstan. Alliance Bank takes about 10.2% of aggregate assets of the Kazakh banking sector (as per the data provided by FMSA).



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Loan portfolio of the Bank (less reserves) as of 2007 increased by 32.2 % and amounted to KZT 819.2 billion (USD 6.8 billion). Retail segment of the Bank's loan portfolio increased by 50.4 % as compared to the beginning of 2007, and amounted to KZT 405.1 billion (USD 3.4 billion). Advancing growth rates of the loan portfolio in relation to cumulative assets were achieved due to change in the structure of the Bank's credit operations towards the reduction of operations in the financial markets, in particular, due to reduction of reverse purchase operations (operations with securities at the Kazakhstan Stock Exchange (KASE) down to zero compared to KZT 18.1 billion (USD 142.5 mln as of the beginning of the year).

Loan loss reserves totalled 5 % of the loan portfolio and exceeded the NPL arrears under the Bank's loans in 1.3 times as NPL arrears level maintains at low level – 3.8% .

LIABILITIES

Liabilities increased by 19.2% and amounted to KZT1,002 billion (USD 8,329 mln). The liabilities increased mainly due to the issue of bonds for a total amount of KZT 208 billion (USD 1,729 mln) produced in different currencies in the European and Russian markets.

Funds on customer accounts of the Bank for 2007 slightly decreased – by 1.4 % under the influence of outflow of retail deposits observed in the second half of 2007 in the bank system of the Republic of Kazakhstan due to liquidity deficit. Alliance Bank expects increase this balance item by offering of new deposit products with the best interest rates to the market which is possible owing to high profitability of the loan portfolio and high net interest margin as well optimization of expenses associated with promotion of this deposit product in the market.

EQUITY

Equity for 2007 increased by 98.6% and amounted to KZT 159 billion (USD 1,322 mln). Growth of the Bank's equity in 2007 was caused by increase of the authorized capital and capitalization of profit that demonstrated the goal orientation of the Bank's major shareholder – SAFC – to business development of the Bank.

k1 capital adequacy ratios and general index of k2 capital adequacy calculated under prudential standards of NBK as of 1 January 2008 were 11.3% and 14.3% while standard ratios were 5 % and 10 % accordingly.

ADDITIONAL INFORMATION

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



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- Moody's Investors Service: long-term foreign currency rating is Ba2 (stable), short-term foreign currency rating is NP and financial strength is E+ (positive);
- Fitch Ratings: long-term Issuer Default Rating (IDR) is BB-, short-term Issuer Default Rating is B, individual is D, support rating is 3, and long-term Issuer Default Support Rating is BB-;
- Standard & Poor's: long-term rating is B+; short-term rating is B.

Client Base

As at January 1st 2008, the client base of the Bank was more than 2 million clients, out of which 15.6 thousands are legal entities and 2.1 million - individuals. During 2007 the client base has grown 1.6 times.

Branch network

The branch network of the Bank as at January 1st 2008 comprised of 24 branches and 199 mini-branches in 47 cities and 15 settlements of Kazakhstan. During 2007, Bank has opened 4 branches in Kyzylorda, Zhetisay, Kaskelen, Astana and 68 mini-branches in the country.

From autumn 2007, Bank is carrying out optimization of own branch network and closes down low profitable and low effective mini-branches. In parallel, Bank is opening new mini-branches which provide high level comfort for clients, equipped by electronic queue systems, self-service zones, modern work desks and best banking technologies for higher speed of service and staff mistake minimization. In line of the carried optimization of the branch network, during 2007 bank has closed down 38 mini-branches and plans to close 3 branches during 2008.

As at March 1st 2008, The Branch network of the Bank had 24 branches and 178 mini-branches in 48 cities and 15 settlements of the Country.



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Table 1. Financial highlights for 2007

	KZT bln			USD mln		
	2007	2006	2005	2007	2006	2005
Assets	1 160,9	920,8	332,8	9 650,3	7 250,0	2 487,5
Loans to customers, net	819,2	619,8	180,1	6 809,6	4 880,3	1 346,3
Shareholders equity	159,0	80,0	28,0	1 321,5	630,2	209,6
Net Income	42,7	14	1,6	348,3	111,1	12,0
Cost-to- Income ratio,%	21,4%	24,9%	39,9%			
Net Interest Margin,%	9,7%	7,1%	3,0%			
RoAE,%	35,7%	25,9	7,3%			
RoAA,%	4,1%	2,2%	0,7%			
Premium per share	4 780,2	4 201,2	903,7	39,0	33,3	6,8

Note: assets and liabilities of the Bank converted into USD terms based on NBK exchange rate. Which as at January 1st stood at 120.3 KZT/1 USD (January 1st 2007 – 127 KZT/1 USD, January 1st 2006 – 133,77 KZT/1 USD); income and premium per share converted on the basis of average exchange rate fixed by NBK - 122,55 KZT/1 USD for 12 months of 2007 (2006 – 126,09 KZT/ 1 USD, 2005 – 132,88 KZT/ 1 USD).

About Alliance Bank:

Alliance Bank – the largest, in terms of individual loans granted Bank in Kazakhstan. Among top 5 banks on total assets and equity. Bank provides wide range of service to all economy segments with a primary focus on retail clientele, including development of card business and SME business.

In 2007 the Bank placed 17,4% in an IPO on the London Stock Exchange and raised 704 USD million.

The Bank's major shareholder is JSC Seimar Alliance Financial Corporation, which owns 74.7% of voting shares. Approximately 3.9% belongs to JSC Alliance Leasing..

Alliance Bank was named Euromoney magazine's "Leading Bank in Corporate Governance Emerging Europe" and "Best Retail Bank in Kazakhstan" in 2006 and 2007.

For further information

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