JSC HALYK BANK

Condensed Interim Consolidated Financial Information (Unaudited)
For the six months ended 30 June 2011

JSC HALYK BANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the report on review of the condensed interim consolidated financial information, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the condensed interim consolidated financial information of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group").

Management is responsible for the preparation of the condensed interim consolidated financial information that present fairly the financial position of the Group at 30 June 2011, the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the condensed interim consolidated financial information, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 have been followed; and
- Preparing the condensed interim consolidated financial information on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial information of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The condensed interim consolidated financial information of the Group for the six months ended 30 June 2011 was authorized for issue by the Management Board of the Bank on 8 August 2011.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

8 August 2011
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

8 August 2011
Almaty, Kazakhstan

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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank:

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of JSC Halyk Bank and its subsidiaries (collectively, "the Group") which comprises the condensed interim consolidated statement of financial position as at 30 June 2011 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three and the six months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2011, a summary of significant accounting policies and the selected explanatory notes. Management of the Group is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information 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 condensed interim consolidated 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte LLP

8 August 2011
Almaty, Kazakhstan

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	30 June 2011 (unaudited)	31 December 2010
ASSETS			
Cash and cash equivalents	5	380,870	392,898
Obligatory reserves	6	52,108	27,284
Financial assets at fair value through profit or loss	7, 31	4,352	6,051
Amounts due from credit institutions	8	20,462	20,123
Available-for-sale investment securities	9, 31	323,591	281,294
Investments held to maturity	10, 31	249,856	174,419
Precious metals		1,673	1,665
Loans to customers	11, 31	1,099,851	1,089,273
Property and equipment		63,704	63,988
Assets held-for-sale		9,633	9,770
Goodwill		3,085	3,085
Intangible assets		5,716	5,834
Insurance assets	12	15,324	9,274
Other assets	13	11,592	12,977
TOTAL ASSETS		2,241,817	2,097,935
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14, 31	1,528,754	1,415,755
Amounts due to credit institutions	15, 31	41,855	71,403
Financial liabilities at fair value through profit or loss	7	2,342	2,910
Debt securities issued	16	323,837	252,167
Provisions	17	5,185	3,861
Deferred tax liability	18	8,778	8,242
Insurance liabilities	12	24,380	15,664
Other liabilities	19	8,621	10,049
Total liabilities		1,943,752	1,780,051
EQUITY			
Share capital	20	143,695	143,695
Share premium reserve		1,390	1,352
Treasury shares		(39,967)	(93)
Retained earnings and other reserves		191,640	171,744
		296,758	316,698
Non-controlling interest		1,307	1,186
Total equity		298,065	317,884
TOTAL LIABILITIES AND EQUITY		2,241,817	2,097,935

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

8 August 2011
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

8 August 2011
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Interest income	22, 31	41,729	43,450	83,364	90,861
Interest expense	22, 31	(20,087)	(22,630)	(39,946)	(45,944)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	22	21,642	20,820	43,418	44,917
Impairment charge	17	(8,941)	(12,477)	(20,250)	(25,823)
NET INTEREST INCOME		12,701	8,343	23,168	19,094
Fee and commission income	23	9,570	6,849	21,199	15,607
Fee and commission expense		(1,627)	(1,300)	(2,711)	(2,656)
Fees and commissions, net		7,943	5,549	18,488	12,951
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	24, 31	(385)	57	(737)	774
Net realized gain/(loss) from available-for-sale investment securities		258	(50)	10	(29)
Net gain on foreign exchange operations	25	1,967	1,930	5,079	3,955
Insurance underwriting income	26	3,402	2,703	6,266	5,602
Share of loss of associates		(3)	(2)	(4)	(11)
Other income		853	238	1,313	813
OTHER NON-INTEREST INCOME		6,092	4,876	11,927	11,104
Operating expenses	27	(11,491)	(9,788)	(22,029)	(20,213)
(Provision)/recoveries of provisions	17	(374)	(1,068)	(1,298)	30
Insurance claims incurred, net of reinsurance		(2,275)	(1,679)	(4,834)	(3,235)
NON-INTEREST EXPENSES		(14,140)	(12,535)	(28,161)	(23,418)
INCOME BEFORE INCOME TAX EXPENSE		12,596	6,233	25,422	19,731
Income tax expense	18	(2,142)	(978)	(4,322)	(3,102)
NET INCOME		10,454	5,255	21,100	16,629
Attributable to:					
Non-controlling interest		44	(3)	211	31
Preferred shareholders		2,601	1,154	4,903	3,643
Common shareholders		7,809	4,104	15,986	12,955
		10,454	5,255	21,100	16,629
Basic earnings per share (in Kazakhstani Tenge)	28	4.12	0.59	12.91	9.30
Diluted earnings per share (in Kazakhstani Tenge)	28	4.12	0.59	12.91	9.30

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

8 August 2011
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

8 August 2011
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Net income	10,454	5,255	21,100	16,629
Other comprehensive income/(loss)				
Gain/(loss) on revaluation of available-for-sale investment securities	179	(1,592)	3,909	(365)
Gain/(loss) transferred to income statement on sale of available-for-sale investment securities	(258)	50	(10)	29
Gain/(loss) transferred to income statement on impairment of available-for-sale investment securities	(86)	64	(86)	735
Gain/(loss) on revaluation of property and equipment, net of tax	9	(2)	14	74
Exchange differences on translation of foreign operations	260	(388)	673	(422)
Other comprehensive income/(loss) for the period	104	(1,868)	4,500	51
Total comprehensive income for the period	10,558	3,387	25,600	16,680
Attributable to:				
Non-controlling interest	37	(7)	211	27
Preferred shareholders	2,692	745	5,959	3,656
Common shareholders	7,829	2,649	19,430	12,997
	10,558	3,387	25,600	16,680

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

8 August 2011
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

8 August 2011
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Common shares	Share capital Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2010		83,571	46,891	13,233	1,352	(93)	1,360	3,882	16,975	149,527	316,698	1,186	317,884
Net income		-	-	-	-	-	-	-	-	20,889	20,889	211	21,100
Other comprehensive income		-	-	-	-	-	673	3,813	14	-	4,500	-	4,500
Total comprehensive income		-	-	-	-	-	673	3,813	14	20,889	25,389	211	25,600
Treasury shares purchased	20	-	-	-	-	(39,876)	-	-	-	-	(39,876)	-	(39,876)
Treasury shares sold	20	-	-	-	38	2	-	-	-	-	40	-	40
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	-	(90)	(90)
Dividends - preferred shares		-	-	-	-	-	-	-	-	(5,493)	(5,493)	-	(5,493)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(81)	81	-	-	-
30 June 2011 (unaudited)		83,571	46,891	13,233	1,390	(39,967)	2,033	7,695	16,908	165,004	296,758	1,307	298,065

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Common shares	Share capital Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2009		83,571	46,891	13,233	1,317	(103)	1,667	(976)	18,121	116,881	280,602	350	280,952
Net income		-	-	-	-	-	-	-	-	16,598	16,598	31	16,629
Other comprehensive income/(loss)		-	-	-	-	-	(422)	403	74	-	55	(4)	51
Total comprehensive income/(loss)		-	-	-	-	-	(422)	403	74	16,598	16,653	27	16,680
Treasury shares purchased	20	-	-	-	-	(6)	-	-	-	-	(6)	-	(6)
Treasury shares sold	20	-	-	-	41	13	-	-	-	-	54	-	54
Dividends – preferred shares		-	-	-	-	-	-	-	-	(4,493)	(4,493)	-	(4,493)
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	-	(69)	(69)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(704)	704	-	-	-
30 June 2010 (unaudited)		83,571	46,891	13,233	1,358	(96)	1,245	(573)	17,491	129,690	292,810	308	293,118

* These amounts are included within Retained earnings and other reserves in the condensed interim consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

8 August 2011
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

8 August 2011
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		9	25
Interest received from cash equivalents and amounts due from credit institutions		881	1,422
Interest received on available-for-sale investment securities		6,450	3,312
Interest received on investments held-to-maturity		772	523
Interest received from loans to customers		65,092	63,829
Interest paid on due to customers		(25,260)	(23,593)
Interest paid on due to credit institutions		(447)	(2,336)
Interest paid on debt securities issued		(10,958)	(11,710)
Fee and commission received		21,616	15,444
Fee and commission paid		(2,711)	(2,656)
Insurance underwriting income received		13,458	7,661
Other income received		3,048	8,363
Operating expenses paid		(20,761)	(16,576)
Insurance reimbursements paid		(3,012)	(2,238)
Cash flows from operating activities before changes in net operating assets		48,177	41,470
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(24,824)	(2,436)
Financial assets at fair value through profit or loss		1,436	1,749
Amounts due from credit institutions		(118)	36,747
Precious metals		161	(122)
Loans to customers		(27,484)	21,854
Insurance assets		(13,217)	(5,750)
Other assets		8,092	(3,789)
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		(569)	183
Amounts due to customers		116,191	206,672
Amounts due to credit institutions		(29,578)	(60,244)
Insurance liabilities		6,875	3,852
Other liabilities		1,075	(842)
Net cash inflow from operating activities before income tax		86,217	239,344
Income tax paid		(3,608)	(1,952)
Net cash inflow from operating activities		82,609	237,392
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(2,434)	(3,526)
Proceeds on sale of property and equipment		33	63
Proceeds on sale of available-for-sale investment securities		200,302	125,982
Purchase of available-for-sale investment securities		(244,432)	(454,414)
Proceeds from redemption of investments held-to-maturity		358,418	8,220
Purchase of investments held-to-maturity		(433,990)	(3,094)
Net cash outflow from investing activities		(122,103)	(326,769)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)
(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		40	54
Purchase of treasury shares	20	(39,876)	(6)
Dividends paid		(5,583)	(69)
Proceeds on debt securities issued		71,585	-
Redemption and repayment of debt securities issued		-	(5,000)
Net cash inflow/(outflow) from financing activities		26,166	(5,021)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		1,300	(7,760)
Net change in cash and cash equivalents		(12,028)	(102,158)
CASH AND CASH EQUIVALENTS, beginning of the period		392,898	480,622
CASH AND CASH EQUIVALENTS, end of the period	5	380,870	378,464

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

8 August 2011
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

8 August 2011
Almaty, Kazakhstan

The notes on pages 10 to 46 form an integral part of this condensed interim consolidated financial information.

(Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, and pension asset management and insurance services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under the license No. 10 for carrying out of banking and other operations and activities on the securities market renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan ("FMSA") on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstani Fund for Deposits Guarantee.

The Bank's primary business includes originating loans and guarantees, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and credit card operations and rendering other banking services to its customers. In addition, the Bank acts as the Republic of Kazakhstan Government's agent in channelling various budgetary payments and pensions through its nationwide network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE"). In addition, certain of the Bank's debt securities issued are primarily listed on the Luxembourg and London Stock Exchanges. The Bank has also sold Global Depository Receipts ("GDRs") through a listing on the London Stock Exchange.

In March 2009, JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), an entity controlled by the Republic of Kazakhstan Government, acquired 259,064,909 common shares of the Bank for KZT 26,951 million. In May 2009, Samruk-Kazyna acquired 196,232,499 non-convertible preferred shares of the Bank for KZT 33,049 million. In March 2011, Samruk-Kazyna partially disposed its interest in the Bank as disclosed in the table below.

In March 2011, the Bank paid KZT 12,867 million to acquire from JSC Almex Holding Group (hereafter – "the parent") a call option to purchase 213,000,000 of the Bank's common shares from Samruk-Kazyna at a fixed strike price of KZT 126.8 per share. The Bank has immediately exercised the option and repurchased 213,000,000 of its own common shares from Samruk-Kazyna for KZT 27,008 million. As at the date of the transactions, the Bank's common shares were traded at KZT 360.0 per share. As a result, the Group has recorded KZT 39,875 million as cost of acquired treasury shares (see Note 20). According to IAS 32 "Financial Instruments: Presentation", the excess of the market price of the treasury shares over cost was not recorded.

As at 30 June 2011 and 31 December 2010, the Bank ownership structure was as follows:

	30 June 2011 (unaudited)		**31 December 2010**	
	Stake in total shares issued*	**Stake in total voting shares****	**Stake in total shares issued***	**Stake in total voting shares****
Timur Kulibayev and Dinara Kulibayeva	44.51%	90.49%	41.80%	67.71%
Samruk-Kazyna	11.55%	-	26.81%	24.71%
Others	43.94%	9.51%	31.39%	7.58%
	100.00%	100.00%	100.00%	100.00%

* Total shares issued comprise common and preferred shares including treasury shares.

** GDRs are not included in the calculation of stake in total voting shares since the information on the holders of GDRs is undisclosed and as such GDRs are recognized as non-voting. Holders of GDRs have the option to disclose their information at any time. On disclosure of their information the holders of GDRs have the right to participate in voting. Voting shares exclude treasury shares.

As at 30 June 2011, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 485 cash settlement units (31 December 2010 - 22, 122 and 488, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai avenue, Almaty, 050008, Republic of Kazakhstan.

The condensed interim consolidated financial information of the Group for the six months ended 30 June 2011 was authorized for issue by the Management Board of the Bank on 8 August 2011.

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" ("IAS 34"). The condensed interim consolidated statement of financial position as at 31 December 2010 was derived from the audited consolidated financial statements but does not include all of the disclosures required by IFRS. However, the Group believes that the disclosures are adequate to make the condensed interim consolidated financial information presentation not misleading.

Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with IFRS have been omitted or condensed as set out by IAS 34. However, such information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of Group management, necessary to fairly state the results of interim periods. Interim results are not necessarily indicative of results to be expected for the full year.

The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with the notes to the consolidated financial statements of the Group for the year ended 31 December 2010.

This condensed interim consolidated financial information is presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated. The condensed interim consolidated financial information have been prepared on the accrual basis of accounting under the historical cost convention, except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation.

Consolidated Subsidiaries

This condensed interim consolidated financial information includes the following subsidiaries:

Subsidiary	**Holding, %**		**Country**	**Industry**
	30 June 2011 (unaudited)	**31 December 2010**		
JSC Halyk Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100	100	Kazakhstan	Cash collection services
JSC Halyk Life	100	100	Kazakhstan	Life insurance
JSC Halyk Capital	100	100	Kazakhstan	Broker and dealer activities
LLP NBK-Finance	100	100	Russia	Broker and dealer activities
JSC Kazakhinstrakh	100	100	Kazakhstan	Insurance
OJSC NBK Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
JSC Accumulated Pension fund of Halyk Bank	96	96	Kazakhstan	Pension assets accumulation and management

Associates

JSC Processing Center, the associate, provides data processing services in the Republic of Kazakhstan. It is classified within other assets and accounted for under the equity method:

Holding, %	Share in net loss	Total Assets	Total liabilities	Equity	Total revenue
As at 30 June 2011 and for the six months then ended (unaudited)					
25.14	(1)	15	-	15	1
As at 31 December 2010 and for the year then ended					
25.14	(15)	78	-	78	1

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the consolidated financial statements of the Group for the year ended 31 December 2010. There were no changes in accounting policies during the six months ended 30 June 2011.

Standards and Interpretations affecting amounts reported in the current period

Amendments to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (as part of Improvements to IFRSs issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the condensed interim consolidated financial information. Disclosures in this condensed interim consolidated financial information have been modified to reflect the above clarification, where applicable.
Amendments to IAS 1 “Presentation of Financial Statements” (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. This amendment has no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.
Amendments to IAS 7 “Statement of Cash Flows” (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 “Intangible Assets” for capitalization as part of an internally generated intangible asset. No changes were necessary as a result of the adoption of this amendment.
Amendments to IFRS 7 “Financial Instruments: Disclosures” (as part of Improvements to IFRSs issued in 2010)	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

New and revised standards and interpretations issued and not yet adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 “Financial Instruments” - On 12 November 2009, the IASB issued IFRS 9 “Financial Instruments” which introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

  The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

  The Group anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups’ financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- IFRS 10 Consolidated Financial Statements - The Standard is applicable to annual reporting periods beginning on or after 1 January 2013. The Standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee.

- IFRS 11 Joint Arrangements – The Standard is applicable to annual reporting periods beginning on or after 1 January 2013. The Standard replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

- IFRS 12 Disclosure of Interests in Other Entities - The Standard is applicable to annual reporting periods beginning on or after 1 January 2013. The Standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 Fair Value Measurement - The Standard is applicable to annual reporting periods beginning on or after 1 January 2013. The Standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs.

- The amendments to IFRS 7 titled “Disclosures – Transfers of Financial Assets” increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  It is not expected that these amendments to IFRS 7 will have a significant effect on the Group’s consolidated financial statements.

- IAS 24 “Related Party Disclosures” (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

- The amendments to IAS 32 titled “Classification of Rights Issues” address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

- IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group’s condensed interim consolidated financial information requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group’s financial condition.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses will require the Group to take provisions which, if significantly different, could have a material impact on its future consolidated income statement and its consolidated statement of financial position.

The Group uses management's judgement to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgement to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the condensed interim consolidated financial information have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment of loans to customers as at 30 June 2011 is KZT 271,159 million (as at 31 December 2010: KZT 253,237 million).

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

As at 30 June 2011, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

Claims liability and reserves arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of incurred, but not reported ("IBNR") claims at the reporting date. For certain lines of business, IBNR claims form the majority of the claims provision at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull and liability insurance, the Group actuarially determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by FMSA, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the period in which the necessary adjustments become known and estimable.

Goodwill

Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management judgement; for example those financial assets and liabilities for which there are no quoted prices and those non-financial assets where valuations reflect estimates of market conditions. Difference fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 June 2011 (unaudited)	31 December 2010
Cash on hand	20,711	35,468
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries ("OECD") based banks	23,654	8,281
Correspondent accounts with non-OECD based banks	3,061	5,978
Overnight deposits with OECD based banks	154,610	122,539
Overnight deposits with non-OECD based banks	2,615	46
Short-term deposits with National Bank of Kazakhstan ("NBK")	-	72,003
Short-term deposits with OECD based banks	169,600	144,820
Short-term deposits with non-OECD based banks	1,106	2,853
Short-term deposits with Kazakhstan banks	5,513	910
	380,870	392,898

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.06%-1.30%	-	0.10%-0.70%
Overnight deposits with non-OECD based banks	-	3.50%	-	6.00%
Short-term deposits with NBK	-	-	0.50%	-
Short-term deposits with OECD based banks	0.60%	0.14%-3.75%	0.60%	0.20%-3.30%
Short-term deposits with non-OECD based bank	-	3.00%-9.30%	-	3.50%
Short-term deposits with Kazakhstan banks	0.09%-0.75%	-	0.70%	-

Fair value of assets pledged and carrying value of short-term deposits, included in short-term deposits with Kazakhstan banks, under reverse repurchase agreements classified as cash and cash equivalents as at 30 June 2011 and 31 December 2010 are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Carrying value of deposits	Fair value of collateral	Carrying value of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	1,744	1,955	910	1,003
NBK notes	3,769	3,967	-	-
	5,513	5,922	910	1,003

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 June 2011 (unaudited)	31 December 2010
Recorded as loans and receivables in accordance with IAS 39:		
Due from the NBK allocated to obligatory reserves	24,941	14,752
Cash on hand allocated to obligatory reserves	27,167	12,532
	52,108	27,284

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the NBK and used for calculation of the minimum reserve requirement.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	30 June 2011 (unaudited)	31 December 2010
Financial assets held for trading:		
Derivative financial instruments	3,580	4,640
Equity securities of Kazakhstan banks	360	921
Mutual investment funds shares	179	220
Securities of foreign countries and organizations	127	168
Corporate bonds	106	102
	4,352	6,051

Financial liabilities at fair value through profit or loss comprise:

	30 June 2011 (unaudited)	31 December 2010
Financial liabilities held for trading:		
Derivative financial instruments	2,342	2,910

Interest rates of financial assets at fair value through profit or loss are presented as follows:

	30 June 2011 (unaudited) Interest rate	31 December 2010 Interest rate
Securities of foreign countries and organizations	9.0%-15.0%	5.0%-15.0%
Corporate bonds	7.0%-18.0%	7.0%-18.0%

Derivative financial instruments comprise:

	30 June 2011 (unaudited)			31 December 2010		
	Notional amount	Net fair value Asset	Liability	Notional amount	Net fair value Asset	Liability
Foreign currency contracts:						
Forwards	87,631	2,755	1,995	87,403	4,051	2,834
Options	6,707	514	-	7,620	506	-
Swaps	84,365	311	347	21,757	83	76
		3,580	2,342		4,640	2,910

As at 30 June 2011 and 31 December 2010, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2011 (unaudited)	31 December 2010
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	10,483	10,062
Deposit pledged as collateral for derivative financial instruments	7,752	7,822
Loans to Kazakhstan credit institutions	2,229	2,241
	20,464	20,125
Less - Allowance for loan impairment (Note 17)	(2)	(2)
	20,462	20,123

Interest rates and maturity of amounts due from credit institutions are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Term deposits	1.00%-12.50%	2010-2013	4.50%-12.50%	2013
Deposit pledged as collateral for derivative financial instruments and other transactions	0.15%-1.80%	2012	0.20%-1.80%	2012
Loans to Kazakhstan credit institutions	12.00%-17.00%	2015	12.00%-17.00%	2015

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 June 2011 (unaudited)	31 December 2010
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	171,791	173,314
Corporate bonds	74,512	56,811
NBK notes	44,135	27,838
Bonds of Development Bank of Kazakhstan	9,588	6,522
Bonds of Kazakhstan banks	6,932	3,347
Securities of foreign countries and organizations	6,519	6,148
Local municipal bonds	4,249	4,274
Equity securities of Kazakhstan corporations	2,849	1,569
Mutual investment funds shares	1,500	944
Treasury bills of the Russian Federation	787	-
Equity securities of Kazakhstan banks	620	230
Equity securities of foreign corporations	109	111
Treasury bills of the Kyrgyz Republic	-	186
	323,591	281,294
Subject to repurchase agreements	-	4,211

Interest rates and maturities of available-for-sale investment securities are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1.50%-9.10%	2011-2025	1.50%-9.00%	2011-2025
NBK notes	1.00%-1.50%	2011-2015	1.00%-1.50%	2011
Corporate bonds	5.90%-28.00%	2011-2021	6.40%-28.00%	2011-2021
Bonds of Development Bank of Kazakhstan	5.40%-7.00%	2015-2026	5.70%-7.00%	2015-2026
Bonds of Kazakhstan banks	6.40%-21.00%	2011-2030	7.20%-21.00%	2011-2022
Securities of foreign countries and organizations	7.40%-9.60%	2012-2020	7.40%-15.00%	2012-2016
Local municipal bonds	4.90%	2015	4.90%	2015
Treasury bills of the Russian Federation	7.60%	2021	-	-
Treasury bills of the Kyrgyz Republic	-	-	9.00%	2011

As at 30 June 2011 and 31 December 2010, the Group used quoted market prices from independent information sources to determine the fair value for all of its available-for-sale investment securities.

Debt and equity securities which were reclassified are presented in the tables below.

Debt securities:	Effective interest rate	As at reporting date 30 June 2011 (unaudited) Fair value	As at reclassification date 31 December 2008 Fair value
Bonds of Development Bank of Kazakhstan	7.0%	2,711	2,213
Securities of foreign countries and organizations	9.8%-14.5%	53	1,987
		2,764	4,200

Equity securities:	As at reporting date 30 June 2011 (unaudited) Fair value	As at reclassification date 31 December 2008 Fair value
Equity securities of Kazakhstan corporations	59	74
Mutual investment funds shares	-	651
	59	725

Estimated future cash flows from debt securities which were previously reclassified are presented in the tables below.

Debt securities:	As at reclassification date 31 December 2008
Bonds of Development Bank of Kazakhstan	4,711
Securities of foreign countries and organizations	2,939
	7,650

The net gain/(loss) that would be recognized in the condensed interim consolidated income statement for the six months ended 30 June 2011 and 2010 from the debt and equity securities which were reclassified is presented in the tables below.

Debt securities:	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Bonds of Development Bank of Kazakhstan	241	81
Securities of foreign countries and organizations	16	26
	257	107

Equity securities:	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Mutual investment funds shares	(121)	(16)
Equity securities of Kazakhstan corporations	3	(6)
	(118)	(22)

10. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	30 June 2011 (unaudited)	31 December 2010
NBK Notes	233,360	159,385
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	7,646	7,716
Corporate bonds	6,624	5,545
Treasury bills of Georgia	953	1,172
Treasury bills of Kyrgyz Republic	758	601
Bonds of Kazakhstan banks	515	-
	249,856	174,419

Interest rates and maturities of investments held to maturity are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Interest rate	Maturity, year	Interest rate	Maturity, year
NBK Notes	0.90%-1.50%	2011	1.00%-1.50%	2011
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	0.10%-0.50%	2011-2015	7.10%-7.80%	2013-2015
Corporate bonds	5.90%-20.00%	2011-2017	4.80%-20.00%	2011-2017
Treasury bills of Georgia	14.50%-15.00%	2011-2016	8.50%-15.60%	2011-2012
Treasury bills of Kyrgyz Republic	9.00%-20.00%	2011-2012	8.20%-16.00%	2011
Bonds of Kazakhstan banks	11%	2015	-	-

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2011 (unaudited)	31 December 2010
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,368,677	1,341,140
Promissiory notes	205	-
Overdrafts	2,128	1,370
	1,371,010	1,342,510
Less – Allowance for loan impairment (Note 17)	(271,159)	(253,237)
	1,099,851	1,089,273

As at 30 June 2011, the annual interest rates charged by the Group ranged from 9% to 24% per annum for KZT-denominated loans (as at 31 December 2010 – from 9% to 24%) and from 7% to 17% per annum for US Dollar-denominated loans (as at 31 December 2010 – from 7% to 17%).

As at 30 June 2011, the Group had a concentration of loans of KZT 291,706 million from the ten largest borrowers that comprised 21% of the Group's total gross loan portfolio (as at 31 December 2010 – KZT 267,072 million; 20%) and 98% of the Group's total equity (as at 31 December 2010 – 84%). As at 30 June 2011 an allowance for loan impairment amounting to KZT 53,177 million was made against these loans (as at 31 December 2010 – KZT 49,403 million).

Loans are made to the following sectors:

	30 June 2011 (unaudited)	Share	31 December 2010	Share
Retail loans:				
- consumer loans	150,071	10%	136,271	10%
- mortgage loans	124,812	9%	133,958	9%
	274,883	-	270,229	
Wholesale trade	278,547	20%	277,222	21%
Construction	169,686	13%	180,353	13%
Services	109,743	8%	104,270	8%
Retail trade	107,393	8%	92,185	8%
Real estate	96,941	7%	96,724	7%
Agriculture	83,520	6%	86,460	6%
Hotel industry	53,596	4%	54,416	4%
Metallurgy	40,853	3%	44,689	3%
Energy	40,037	3%	22,143	2%
Food industry	36,756	3%	37,086	3%
Transportation	33,652	2%	29,688	2%
Oil and gas	11,097	1%	10,218	1%
Machinery	9,185	1%	7,689	1%
Chemical industry	8,549	1%	9,805	1%
Light industry	6,120	1%	7,472	1%
Mining	3,200	0%	5,507	0%
Communication	134	0%	232	0%
Other	7,118	0%	6,122	0%
	1,371,010	100%	1,342,510	100%

As at 30 June 2011, the amount of accrued interest on impaired loans comprised KZT 126,374 million (as at 31 December 2010 – KZT 121,752 million).

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 June 2011 (unaudited)	31 December 2010
Reinsurance amounts recoverable	397	5,154
Reinsurance premium unearned	8,282	2,561
	8,679	7,715
Premiums receivable	6,645	1,559
Insurance assets	15,324	9,274

Insurance liabilities comprised the following:

	30 June 2011 (unaudited)	31 December 2010
Gross unearned insurance premium reserve	13,566	5,550
Reserves for insurance claims	6,047	8,982
	19,613	14,532
Payables to reinsurers and agents	4,767	1,132
Insurance liabilities	24,380	15,664

Insurance risk

Insurance risk is the risk of fluctuations in the timing, frequency or severity of insured events, relative to the expectations of the Group at the time of underwriting.

Underwriting and pricing risk

The Group manages underwriting and pricing risk through the use of underwriting guidelines which detail the class, nature and type of business that may be accepted; pricing policies by product line and by brand; and centralized control of policy wordings and any subsequent changes.

Claims management risk

The risk that claims are handled or paid inappropriately is managed using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance risk

Reinsurance is used to protect against the impact of major catastrophic events or unforeseen volumes of, or adverse trends in, large individual claims and to transfer risk that is outside the Group's current risk appetite.

Reinsurance of risk above the Group's appetite is only effective if the reinsurance premium is economic and the counterparty is financially secure. Acceptable reinsurers are rated A- or better unless specifically authorized.

Reserving risk

Reserving risk relates to both premiums and claims. It is the risk that reserves are assessed incorrectly such that insufficient funds have been remained to pay or handle claims as the amounts fall due. Claims development data provides information on the historical pattern of reserving risk.

Reserves for insurance claims have been established on the basis of information currently available, including potential outstanding loss notifications, and experience with similar claims.

13. OTHER ASSETS

Other assets comprise:

	30 June 2011 (unaudited)	31 December 2010
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	2,296	2,197
Accrued other commission income	1,536	569
Debtors on non-banking activities	1,115	1,226
Accrued commission for managing pension assets	360	1,744
Other	195	167
	5,502	5,903
Less – Allowance for impairment (Note 17)	(1,056)	(772)
	4,446	5,131
Other non financial assets:		
Income tax prepaid	3,707	3,175
Prepayments for property and equipment	1,809	2,345
Inventory	1,166	1,486
Advances for taxes other than income tax	641	773
Deferred tax assets (Note 18)	414	350
Investments in associates	66	224
Other	437	710
	8,240	9,063
Less – Allowance for impairment (Note 17)	(1,094)	(1,217)
	11,592	12,977

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 June 2011 (unaudited)	31 December 2010
Recorded at amortized cost:		
Term deposits:		
Legal entities	411,313	531,182
Individuals	411,962	387,510
	823,275	918,692
Current accounts:		
Legal entities	585,056	393,696
Individuals	120,423	103,367
	705,479	497,063
	1,528,754	1,415,755

As at 30 June 2011, the Group's ten largest customers accounted for approximately 49% of the total amounts due to customers (31 December 2010 – 50%).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sector follows:

	30 June 2011 (unaudited)	Share	31 December 2010	Share
Individuals and entrepreneurs	532,385	35%	490,877	35%
Oil and gas	287,315	19%	329,416	23%
Transportation	225,866	15%	179,584	13%
Wholesale trade	117,108	8%	88,061	6%
Metallurgy	58,531	4%	43,853	3%
Other consumer services	43,216	3%	55,775	4%
Construction	42,624	3%	34,209	2%
Financial sector	37,935	2%	24,568	2%
Government	33,142	2%	26,854	2%
Energy	21,823	1%	22,803	2%
Insurance and pension funds activity	20,760	1%	49,243	3%
Education	18,268	1%	10,934	1%
Healthcare and social services	16,556	1%	6,143	0%
Communication	12,653	1%	15,180	1%
Other	60,572	4%	38,255	3%
	1,528,754	100%	1,415,755	100%

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2011 (unaudited)	31 December 2010
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks	25,996	52,159
Loans and deposits from OECD based banks	11,922	16,422
Loans from other financial institutions	1,193	1,412
Correspondent accounts	1,921	1,185
Loans and deposits from non-OECD based banks	823	225
	41,855	71,403

Interest rates and maturities of amounts due to credit institutions are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Interest rate	**Maturity, year**	**Interest rate**	**Maturity, year**
Loans and deposits from Kazakhstan banks	0.5%-2.5%	2011	4.5%-4.5%	2011
Loans and deposits from OECD based banks	1.1%-7.7%	2011-2023	1.1%-7.7%	2011-2023
Loans from other financial institutions	2.6%-3.9%	2012-2014	2.3%-3.1%	2012-2014
Loans and deposits from non-OECD based banks	2.5%-3.8%	2012-2013	2.7%-3.9%	2013

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 June 2011 and 31 December 2010 are presented as follows:

	30 June 2011 (unaudited)		31 December 2010	
	Fair value of collateral	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**
NBK notes	19,221	19,000	4,211	4,000

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

As at 30 June 2011 and 31 December 2010, the Group was in compliance with the covenants of the various debt agreements with other banks and financial institutions.

16. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 June 2011 (unaudited)	31 December 2010
Recorded at amortized cost:		
Subordinated debt securities issued:		
Inflation indexed KZT denominated bonds	14,077	14,132
Fixed rate KZT denominated bonds	11,746	11,725
Reverse inflation indexed KZT denominated bonds	8,397	8,120
Total subordinated debt securities outstanding	34,220	33,977
Unsubordinated debt securities issued:		
USD denominated bonds	279,130	207,701
KZT denominated bonds	10,487	10,489
Total unsubordinated debt securities outstanding	289,617	218,190
Total debt securities outstanding	323,837	252,167

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

	30 June 2011 (unaudited)		31 December 2010	
	Coupon rate	Maturity, year	Coupon rate	Maturity, year
Subordinated debt securities issued:				
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015
	inflation rate plus 2%	2017	inflation rate plus 2%	2017
Fixed rate KZT denominated bonds	7.5%-13.0%	2014-2019	7.5%-13.0%	2014-2019
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%-9.3%	2013-2021	7.3%-9.3%	2013-2017
KZT denominated bonds	12.7%	2012	12.7%	2012

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Interest on debt securities issued is payable on a semi-annual and annual basis.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as of 30 June 2011 and 31 December 2010 the Group was in compliance with the covenants of the agreements the Group has with the notes' trustees and holders.

17. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

The movements in the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers	Amounts due from credit institutions	Available-for-sale investment securities	Other Assets	Total
31 March 2011	(262,077)	(2)	(1,209)	(2,119)	(265,407)
(Additional provisions recognized)/recovery of provision	(8,826)	-	89	(204)	(8,941)
Write-offs	14	-	-	171	185
Foreign exchange differences	(270)	-	(1)	2	(269)
30 June 2011 (unaudited)	(271,159)	(2)	(1,121)	(2,150)	(274,432)
31 March 2010	(218,284)	(15)	(1,372)	(1,422)	(221,093)
(Additional provisions recognized)/recovery of provision	(12,572)	8	236	(149)	(12,477)
Write-offs	17	-	-	14	31
Foreign exchange differences	105	(1)	(1)	9	112
30 June 2010 (unaudited)	(230,734)	(8)	(1,137)	(1,548)	(233,427)
31 December 2010	(253,237)	(2)	(1,212)	(1,989)	(256,440)
(Additional provisions recognized)/recovery of provision	(19,893)	(3)	91	(445)	(20,250)
Write-offs	1,554	-	-	291	1,845
Foreign exchange differences	417	3	-	(7)	413
30 June 2011 (unaudited)	(271,159)	(2)	(1,121)	(2,150)	(274,432)
31 December 2009	(207,101)	(9)	(730)	(1,472)	(209,312)
(Additional provisions recognized)/recovery of provision	(25,198)	2	(406)	(221)	(25,823)
Write-offs	48	-	-	130	178
Foreign exchange differences	1,517	(1)	(1)	15	1,530
30 June 2010 (unaudited)	(230,734)	(8)	(1,137)	(1,548)	(233,427)

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

Provisions represent provisions against letters of credit and guarantees issued. The movements in provisions were as follows:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
At the beginning of the period	(4,801)	(3,269)	(3,861)	(4,433)
Recovery of provisions	991	1,106	3,118	3,487
Additional provisions recognized	(1,365)	(2,174)	(4,416)	(3,457)
Foreign exchange differences	(10)	35	(26)	101
At the end of the period	(5,185)	(4,302)	(5,185)	(4,302)

18. TAXATION

The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC NBK Bank, OJSC Halyk Bank Kyrgyzstan, LLP NBK-Finance and JSC Halyk Bank Georgia are subject to taxation in Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. OJSC NBK Bank and LLP NBK-Finance are subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Current tax charge	1,627	1,312	3,850	3,196
Deferred tax charge/(benefit)	515	(334)	472	(94)
Income tax expense	2,142	978	4,322	3,102

The tax rate for Kazakhstan companies was 20% during six months ended 30 June 2011 and 2010, except for insurance companies which were taxed at 4%. Income on state and other qualifying securities is tax exempt.

Deferred tax assets and liabilities comprise:

	30 June 2011 (unaudited)	31 December 2010
Tax effect of deductible temporary differences:		
Fair value of derivatives	439	585
Bonuses accrued	372	674
Provisions, different rates	461	11
Insurance premium reserves	361	152
Vacation pay accrual	203	231
Deferred tax asset	1,836	1,653
Tax effect of taxable temporary differences:		
Loans to customers, allowance for impairment losses	(5,350)	(4,514)
Property and equipment, accrued depreciation	(4,163)	(4,103)
Fair value of derivatives	(687)	(928)
Deferred tax liability	(10,200)	(9,545)

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	30 June 2011 (unaudited)	**31 December 2010**
Deferred tax asset (Note 13)	414	350
Deferred tax liability	(8,778)	(8,242)
Net deferred tax liability	(8,364)	(7,892)

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines and penalties. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

19. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2011 (unaudited)	**31 December 2010**
Other financial liabilities:		
Payable for general and administrative expenses	420	301
Creditors on non-banking activities	300	359
Creditors on bank activities	214	201
Other	151	148
	1,085	1,009
Other non financial liabilities:		
Salary payable	3,294	4,628
Taxes payable other than income tax	2,115	2,681
Other prepayments received	1,180	1,558
Current income tax payable	947	173
	8,621	10,049

20. EQUITY

Authorized, issued and fully paid number of shares as at 30 June 2011 and 2010 were as follows:

30 June 2011 (unaudited)

	Share capital authorized	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common shares	2,400,000,000	(1,091,584,040)	1,308,415,960	(219,811,195)	1,088,604,765
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(23,972,213)	285,887,217
Convertible preferred shares	80,225,222	-	80,225,222	(296,191)	79,929,031

30 June 2010 (unaudited)

	Share capital authorized	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common shares	2,400,000,000	(1,091,584,040)	1,308,415,960	(7,224,464)	1,301,191,496
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(23,972,103)	285,887,327
Convertible preferred shares	80,225,222	-	80,225,222	(295,021)	79,930,201

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares			**Nominal (placement) amount**		
	Common	**Non-convertible preferred**	**Convertible preferred**	**Common**	**Non-convertible preferred**	**Convertible preferred**
31 December 2009	1,300,516,169	285,889,251	79,930,401	83,468	46,891	13,233
Purchase of treasury shares	(595,295)	(32,964)	(200)	(6)	-	-
Sale of treasury shares	1,270,622	31,040	-	13	-	-
30 June 2010 (unaudited)	1,301,191,496	285,887,327	79,930,201	83,475	46,891	13,233
31 December 2010	1,301,511,007	285,887,396	79,930,201	83,478	46,891	13,233
Purchase of treasury shares from Samruk-Kazyna (including the cost of the call option – see Note 1)	(213,000,000)	-	-	(39,875)	-	-
Other purchases of treasury shares	(116,388)	(575)	(1,170)	(1)	-	-
Sale of treasury shares	210,146	396	-	2	-	-
30 June 2011 (unaudited)	1,088,604,765	285,887,217	79,929,031	43,604	46,891	13,233

At 30 June 2011, the Group held 219,811,195 of the Group's common shares as treasury shares at KZT 39,967 million (30 June 2010 – 7,224,464 at KZT 96 million).

Common Shares

Each common share is entitled to one vote and dividends.

Preferred shares

In accordance with IAS 32 “Financial Instruments: Presentation”, both the non-convertible and convertible preferred shares (together, the “Preferred Shares”) are classified as compound instruments. On a return of capital on liquidation, the assets of the Group available for distribution are applied in priority to any payment to the holders of common shares in paying to the holders of the Preferred Shares an amount equal to the nominal capital paid up or credited as paid up.

The terms of the Preferred Shares require that the Bank pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on Preferred Shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the Preferred Shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on Preferred Shares are fully paid.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the Preferred Share agreement and is based on the Group’s profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBK plus one per cent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBK plus one per cent. Inflation in either calculation will range between three and nine per cent. Dividends on the Preferred Shares are only paid if declared and approved by the Board of Directors at the Annual General Meeting of the Shareholders.

The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became overdue.

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

Convertible preferred shares

Each convertible Preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group will pay a compensation amount to each convertible preferred shareholder on conversion based on a formula specified in the Preferred Share agreement. This payment is calculated such that, at the date of conversion, if the value of the common shares received by the preferred shareholder is less than KZT 160 per share, the Group will reimburse the preferred shareholders for the difference in cash at the time of conversion.

21. COMMITMENTS AND CONTINGENCIES

Financial Commitments and Contingencies

The Group's financial commitments and contingencies comprised the following:

	30 June 2011 (unaudited)	31 December 2010
Guarantees issued	122,812	108,346
Commercial letters of credit	14,934	27,876
Commitments to extend credit	12,170	14,925
Financial commitments and contingencies	149,916	151,147
Less: cash collateral against letters of credit	(1,147)	(313)
Less: provisions (Note 17)	(5,185)	(3,861)
Total financial commitments and contingencies, net	143,584	146,973

Guarantees issued included above represent financial guarantees where payment is not probable as at the reporting date, and therefore have not been recorded in the condensed interim consolidated statement of financial position. As at 30 June 2011, the ten largest guarantees accounted for 80% of the Group's total financial guarantees (as at 31 December 2010 – 82%) and represented 33% of the Group's total equity (as at 31 December 2010 – 28%).

As at 30 June 2011, the ten largest letters of credit accounted for 92% of the Group's total commercial letters of credit (as at 31 December 2010 – 97%) and represented 5% of the Group's total equity (as at 31 December 2010 – 9%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Trust Activities

In the normal course of its business, the Group enters into agreements with clients to manage the clients' assets with limited decision making rights and in accordance with specific criteria established by the clients. The Group may only be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group on any date is equal to the volume of the clients' funds, net of any unrealized income/loss on the client's position. The balance of the clients' funds under the management of the Group, as at 30 June 2011 is KZT 822 billion (31 December 2010 – KZT 712 billion).

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this condensed interim consolidated financial information.

Taxation

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the condensed interim consolidated financial information.

Tax periods in Kazakhstan remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and the Kazakhstan's economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

22. NET INTEREST INCOME

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on impaired assets	36,535	38,499	72,654	81,767
- interest income on unimpaired assets	1,576	1,166	3,496	2,513
Interest income on available-for-sale investment securities	3,613	3,778	7,204	6,563
Interest income on financial assets at fair value through profit or loss	5	7	10	18
Total interest income	41,729	43,450	83,364	90,861
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	36,534	38,518	72,652	81,779
Interest income on investments held-to-maturity	1,019	339	2,238	863
Interest income on amounts due from credit institutions and cash and cash equivalents	558	808	1,260	1,638
Total interest income on financial assets recorded at amortized cost	38,111	39,665	76,150	84,280
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	5	7	10	18
Total interest income on financial assets at fair value through profit or loss	5	7	10	18
Interest income on available-for-sale investment securities	3,613	3,778	7,204	6,563
Total interest income	41,729	43,450	83,364	90,861
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(20,087)	(22,630)	(39,946)	(45,944)
Total interest expense	(20,087)	(22,630)	(39,946)	(45,944)
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on amounts due to customers	(13,224)	(16,140)	(26,604)	(32,603)
Interest expense on debt securities issued	(6,655)	(5,588)	(12,922)	(11,192)
Interest expense on amounts due to credit institutions	(208)	(902)	(420)	(2,149)
Total interest expense on financial liabilities recorded at amortized cost	(20,087)	(22,630)	(39,946)	(45,944)
Net interest income before impairment charge	21,642	20,820	43,418	44,917

23. FEES AND COMMISSIONS

Fee and commission income was derived from the following sources:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Bank transfers and payments	3,291	2,689	5,938	4,914
Pension fund and asset management	2,182	8	7,223	3,451
Plastic cards maintenance	1,244	819	2,043	1,572
Cash operations	927	800	1,686	1,472
Customers' pension payments	824	708	1,594	1,253
Letters of credit and guarantees issued	714	546	1,438	996
Maintenance of customer accounts	40	863	313	1,233
Other	348	416	964	716
	9,570	6,849	21,199	15,607

24. NET (LOSS)/GAIN FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:				
(Loss)/gain on trading operations	(902)	482	(474)	608
Net fair value adjustment	517	(425)	(263)	166
	(385)	57	(737)	774

25. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Translation differences, net	1,052	222	2,911	659
Dealing, net	915	1,708	2,168	3,296
	1,967	1,930	5,079	3,955

26. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Insurance premiums written, gross	10,012	5,427	18,545	12,046
Change in unearned insurance premiums, net	837	38	(2,340)	(1,752)
Ceded reinsurance share	(7,447)	(2,762)	(9,939)	(4,692)
	3,402	2,703	6,266	5,602

27. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Salaries and other employee benefits	5,957	4,492	11,515	8,775
Depreciation and amortization	1,700	1,694	3,425	3,308
Taxes other than income tax	507	466	963	947
Security	352	347	705	701
Repairs and maintenance	310	377	541	599
Communication	308	297	603	582
Rent	290	246	554	526
Advertisement	221	153	306	245
Information services	168	140	322	278
Business trip expenses	168	141	273	243
Stationery and office supplies	159	190	363	324
Insurance agents’ fees	158	226	301	444
Transportation	105	98	196	186
Professional services	64	60	146	277
Charity	47	33	77	49
Hospitality expenses	12	18	24	30
Social events	8	3	13	9
Write-off of intangible assets	-	-	-	1,093
Other	957	807	1,702	1,597
	11,491	9,788	22,029	20,213

28. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to equity holders of the Bank by the weighted average number of participating shares outstanding during the period.

According to Kazakhstan legislation on Joint Stock Companies, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net profit for the period is allocated to the common shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2011 (unaudited)	Three months ended 30 June 2010 (unaudited)	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
Basic earnings per share				
Net income for the period attributable to shareholders	10,410	5,258	20,889	16,598
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	-	-	-	-
Less: Dividends paid on preference shares	(5,493)	(4,493)	(5,493)	(4,493)
Earnings attributable to common shareholders	4,917	765	15,396	12,105
Weighted average number of common shares for the purposes of basic earnings per share	1,192,703,749	1,301,099,792	1,192,703,749	1,300,829,615
Basic earnings per share (in Kazakhstani Tenge)	4.12	0.59	12.91	9.30
Diluted earnings per share				
Net income for the period attributable to common shareholders	4,917	765	15,396	12,105
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	N/A	N/A	N/A	N/A
Add: Dividends paid on convertible preferred shares	N/A	N/A	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	N/A	N/A	N/A	N/A
Earnings used in the calculation of total diluted earnings per share	4,917	765	15,396	12,105
Weighted average number of common shares for the purposes of basic earnings per share	1,192,703,749	1,301,099,792	1,192,703,749	1,300,829,615
Shares deemed to be issued:				
Weighted average number of common shares that would be issued for the convertible preferred shares	N/A	N/A	N/A	N/A
Weighted average number of common shares for the purposes of diluted earnings per share	1,192,703,749	1,301,099,792	1,192,703,749	1,300,829,615
Diluted earnings per share (in Kazakhstani Tenge)	4.12	0.59	12.91	9.30

On 8 November 2010, KASE has enacted new rules for listed companies that require presentation of book value of one share in the financial statements of the listed companies.

The book value of one share per each class of shares as at 30 June 2011 and 31 December 2010 is as follows.

		30 June 2011 (unaudited)	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	1,088,604,765	230,988	212.19
Non-convertible preferred	285,887,217	48,128	168.35
Convertible preferred	79,929,031	13,233	165.56
		292,349	

		31 December 2010	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	1,301,511,007	250,689	192.61
Non-convertible preferred	285,887,396	48,128	168.35
Convertible preferred	79,930,201	13,233	165.56
		312,050	

The amount of equity attributable to non-convertible preferred shares is calculated as the sum of non-convertible shares carrying amount and the share premium reserve attributable to non-convertible preferred shares. The amount of equity attributable to convertible preferred shares is calculated as carrying amount of convertible shares. The amount of equity attributable to common shares is calculated as the difference between the total equity, total net book value of intangible assets, and the amounts attributable to preferred shares.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting date.

29. FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Currency Risk

The Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position and cash flows, which are monitored daily. The Assets and Liabilities Management Committee sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the FMSA.

The Group's exposure to foreign currency exchange rate risk follows:

	30 June 2011 (unaudited)			31 December 2010		
	KZT	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	26,107	354,763	380,870	94,811	298,087	392,898
Obligatory reserves	29,875	22,233	52,108	12,320	14,964	27,284
Financial assets at fair value through profit or loss	705	3,647	4,352	1,291	4,760	6,051
Amounts due from credit institutions	10,494	9,968	20,462	9,448	10,675	20,123
Available-for-sale investment securities	274,105	49,486	323,591	240,694	40,600	281,294
Investments held to maturity	244,144	5,712	249,856	168,752	5,667	174,419
Loans to customers	655,558	444,293	1,099,851	591,360	497,913	1,089,273
Other financial assets	3,804	642	4,446	4,012	1,119	5,131
	1,244,792	890,744	2,135,536	1,122,688	873,785	1,996,473
FINANCIAL LIABILITIES:						
Amounts due to customers	853,670	675,084	1,528,754	796,880	618,875	1,415,755
Amounts due to credit institutions	24,242	17,613	41,855	4,737	66,666	71,403
Financial liabilities at fair value through profit or loss	-	2,342	2,342	-	2,910	2,910
Debt securities issued	44,703	279,134	323,837	44,466	207,701	252,167
Other financial liabilities	857	228	1,085	818	191	1,009
	923,472	974,401	1,897,873	846,901	896,343	1,743,244
Net financial position	321,320	(83,657)	237,663	275,787	(22,558)	253,229

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Short-term liquidity needs are managed by the Bank's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by the Assets and Liabilities Management Committee ("ALMC") by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. ALMC within the authority approved by the Board of Directors sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date, except for financial assets at fair value through profit or loss which are included in the column "On demand" as they are available to meet the Group's short-term liquidity needs. The presentation below is based upon the information provided internally to key management personnel of the Group.

	30 June 2011 (unaudited)								
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:									
Cash and cash equivalents	47,426	333,444	-	-	-	-	-	-	380,870
Obligatory reserves	24,094	2,648	2,563	18,796	970	1,716	206	1,115	52,108
Financial assets at fair value through profit or loss	1,433	50	199	100	2,570	-	-	-	4,352
Amounts due from credit institutions	29	18	1,104	10,974	6,107	2,215	15	-	20,462
Available-for-sale investment securities	1,665	46,073	16,252	64,629	40,357	32,476	55,465	66,674	323,591
Investments held to maturity	-	14,128	169,856	50,450	2,979	-	10,566	1,877	249,856
Loans to customers	38,325	135,576	132,578	542,438	90,721	51,054	37,748	71,411	1,099,851
Other financial assets	766	3,151	250	66	17	61	55	80	4,446
	113,738	535,088	322,802	687,453	143,721	87,522	104,055	141,157	2,135,536
FINANCIAL LIABILITIES:									
Amounts due to customers	707,589	77,429	75,063	551,044	28,719	50,174	6,051	32,685	1,528,754
Amounts due to credit institutions	3,833	24,518	862	1,401	2,911	3,543	657	4,130	41,855
Financial liabilities at fair value through profit or loss	146	217	57	1,922	-	-	-	-	2,342
Debt securities issued	410	128	-	10,607	39,778	72,341	19,603	180,970	323,837
Other financial liabilities	164	481	140	163	105	32	-	-	1,085
	712,142	102,773	76,122	565,137	71,513	126,090	26,311	217,785	1,897,873
Net position	(598,404)	432,315	246,680	122,316	72,208	(38,568)	77,744	(76,628)	
Accumulated gap	(598,404)	(166,089)	80,591	202,907	275,115	236,547	314,291	237,663	

	31 December 2010								
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:									
Cash and cash equivalents	49,727	343,171	-	-	-	-	-	-	392,898
Obligatory reserves	7,911	2,411	2,819	7,437	1,765	573	120	4,248	27,284
Financial assets at fair value through profit or loss	6,051	-	-	-	-	-	-	-	6,051
Amounts due from credit institutions	33	-	1,235	2,902	8,028	7,061	863	1	20,123
Available-for-sale investment securities	43	17,453	31,743	55,391	32,616	26,834	72,686	44,528	281,294
Investments held to maturity	-	6,029	65,349	89,158	1,303	1,658	6,058	4,864	174,419
Loans to customers	48,253	60,416	108,410	515,001	112,781	65,775	88,218	90,419	1,089,273
Other financial assets	1,031	3,353	114	291	207	36	25	74	5,131
	113,049	432,833	209,670	670,180	156,700	101,937	167,970	144,134	1,996,473
FINANCIAL LIABILITIES:									
Amounts due to customers	499,300	104,883	178,492	468,022	108,453	23,509	4,899	28,197	1,415,755
Amounts due to credit institutions	3,040	48,694	574	3,534	4,286	3,506	2,730	5,039	71,403
Financial liabilities at fair value through profit or loss	2,910	-	-	-	-	-	-	-	2,910
Debt securities issued	-	100	993	3,358	9,496	111,476	15,212	111,532	252,167
Other financial liabilities	142	364	99	278	32	94	-	-	1,009
	505,392	154,041	180,158	475,192	122,267	138,585	22,841	144,768	1,743,244
Net position	(392,343)	278,792	29,512	194,988	34,433	(36,648)	145,129	(634)	
Accumulated gap	(392,343)	(113,551)	(84,039)	110,949	145,382	108,734	253,863	253,229	

30. SEGMENT ANALYSIS

The Group is managed and reported on the basis of two main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and medium sized companies and commercial loans to larger corporate and commercial customers.

The products and services offered by each segment are:

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

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

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Management Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and amounts due to credit institutions and operating expenses other than salaries and other employee benefits.

There were no transactions between business segments during the six months ended 30 June 2011 and 2010. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2011 and 2010 is set out below:

	Retail Banking	Corporate banking	Other	Total
As at 30 June 2011 and for the six months then ended (unaudited)				
External revenues	33,793	75,844	6,853	116,490
Total revenues	33,793	75,844	6,853	116,490
Total revenues comprise:				
- Interest income	20,099	63,265	-	83,364
- Fee and commission income	12,729	8,470	-	21,199
- Net loss from financial assets and liabilities at fair value through profit or loss	-	-	(737)	(737)
- Net realized income from available-for-sale investment securities	-	-	10	10
- Net gain on foreign exchange operations	964	4,114	1	5,079
- Share of loss of associates	-	(4)	-	(4)
- Insurance underwriting income and other income	-	-	7,579	7,579
Total revenues	33,793	75,844	6,853	116,490
- Interest expense on amounts due to customers	(16,274)	(10,330)	-	(26,604)
- Impairment charge	(2,676)	(17,574)	-	(20,250)
- Fee and commission expense	(395)	(2,316)	-	(2,711)
- Salaries and other employee benefits	(2,098)	(9,417)	-	(11,515)
- Advertisement expenses	(306)	-	-	(306)
- Provision	-	(1,298)	-	(1,298)
Segment result	12,044	34,909	6,853	53,806
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(13,342)
- Insurance claims incurred, net of reinsurance				(4,834)
- Unallocated operating expenses				(10,208)
				(28,394)
Income before income tax expense				25,422
Income tax expense				(4,322)
Net income				21,100
Total segment assets	258,536	1,242,648	577,864	2,079,048
Unallocated assets				162,769
Total assets				2,241,817
Total segment liabilities	(532,385)	(996,369)	(5,185)	(1,533,939)
Unallocated liabilities				(409,813)
Total liabilities				(1,943,752)
Other segment items:				
Capital expenditure (unallocated)				(2,307)
Depreciation and amortization expense (unallocated)				(3,425)

As at 30 June 2010 and for the six months then ended (unaudited)	Retail Banking	Corporate banking	Other	Total
External revenues	24,585	86,936	6,051	117,572
Total revenues	24,585	86,936	6,051	117,572
Total revenues comprise:				
- Interest income	20,915	69,946	-	90,861
- Fee and commission income	2,963	12,644	-	15,607
- Net gain on foreign exchange operations	707	4,357	(1,109)	3,955
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	774	774
- Net realized loss from available-for-sale investment securities	-	-	(29)	(29)
- Share of loss of associates	-	(11)	-	(11)
- Insurance underwriting income and other income	-	-	6,415	6,415
Total revenues	24,585	86,936	6,051	117,572
- Interest expense on amounts due to customers	(13,955)	(18,648)	-	(32,603)
- Impairment charge	(3,989)	(21,834)	-	(25,823)
- Fee and commission expense	(1,940)	(716)	-	(2,656)
- Salaries and other employee benefits	(1,622)	(7,153)	-	(8,775)
- Advertisement expenses	(245)	-	-	(245)
- Provision	-	30	-	30
Segment result	2,834	38,615	6,051	47,500
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(13,341)
- Insurance claims incurred, net of reinsurance				(3,235)
- Unallocated operating expenses				(11,193)
				(27,769)
Income before income tax expense				19,731
Income tax expense				(3,102)
Net income				16,629
Total segment assets	260,163	1,227,107	550,159	2,037,429
Unallocated assets				143,065
Total assets				2,180,494
Total segment liabilities	(430,100)	(1,045,569)	(4,302)	(1,479,971)
Unallocated liabilities				(407,405)
Total liabilities				(1,887,376)
Other segment items:				
Capital expenditure (unallocated)				(3,526)
Depreciation and amortization expense (unallocated)				(3,308)

Geographical information

Segment information for the main geographical segments of the Group is set out below as at 30 June 2011 and 31 December 2010 and for the six-months ended 30 June 2011 and 2010.

	Kazakhstan	OECD	Non-OECD	Total
30 June 2011 (unaudited)				
Total assets	1,822,085	379,283	40,449	2,241,817
31 December 2010				
Total assets	1,752,669	306,993	38,273	2,097,935
Six months ended 30 June 2011 (unaudited)				
External revenues	113,617	882	1,991	116,490
Capital expenditure	(2,307)	-	-	(2,307)
Six months ended 30 June 2010 (unaudited)				
External revenues	116,280	706	586	117,572
Capital expenditure	(3,526)	-	-	(3,526)

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

31. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group had the following balances outstanding as at 30 June 2011 and 31 December 2010 with related parties:

	30 June 2011 (unaudited)		31 December 2010	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	-	4,352	48	6,051
- Samruk-Kazyna and its subsidiaries	-		48	
Available-for-sale investment securities before allowance for impairment	-	324,712	39,058	282,506
- Samruk-Kazyna and its subsidiaries	-		39,058	
Allowance for impairment losses on available-for-sale investment securities	-	(1,121)	(549)	(1,212)
- Samruk-Kazyna and its subsidiaries	-		(549)	
Investments held to maturity	-	249,856	4,714	174,419
- Samruk-Kazyna and its subsidiaries	-		4,714	
Loans to customers before allowance for loan impairment	564	1,371,010	12,265	1,342,510
- key management personnel of the entity or its parent	3		109	
- other related parties	561		12,156	
Allowance for impairment losses on loans to customers	(366)	(271,159)	(1,979)	(253,237)
- key management personnel of the entity or its parent	-		(13)	
- other related parties	(366)		(1,966)	
Amounts due to customers	38,939	1,528,754	280,277	1,415,755
- the parent	20,186		12,457	
- entities with joint control or significant influence over the entity	437		3,017	
- associates	45		117	
- key management personnel of the entity or its parent	1,722		1,450	
- Samruk-Kazyna and its subsidiaries	-		257,750	
- other related parties	16,549		5,486	
Amounts due to credit institutions	-	41,855	44,482	71,403
- Samruk-Kazyna and its subsidiaries	-		44,482	

Included in the condensed interim consolidated income statement and in the condensed interim statement of comprehensive income for the six months ended 30 June 2011 and 2010 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2011 (unaudited)		**Six months ended 30 June 2010 (unaudited)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	941	83,364	2,183	90,861
- *entities with joint control or significant influence over the entity*	-		596	
- *key management personnel of the entity or its parent*	4		1	
- *Samruk-Kazyna and its subsidiaries*	933		856	
- *other related parties*	4		730	
Interest expense	(2,629)	(39,946)	(4,640)	(45,944)
- *the parent*	(489)		(484)	
- *entities with joint control or significant influence over the entity*	(5)		(204)	
- *key management personnel of the entity or its parent*	(64)		(63)	
- *Samruk-Kazyna and its subsidiaries*	(1,454)		(3,759)	
- *other related parties*	(617)		(130)	
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	(1)	737	2	774
- *Samruk-Kazyna and its subsidiaries*	(1)		2	

	Six months ended 30 June 2011 (unaudited)		**Six months ended 30 June 2010 (unaudited)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	673	11,515	109	8,775
- *short-term employee benefits*	673		109	