JSC HALYK BANK

Condensed Interim Consolidated Financial Information (Unaudited)
For the nine months ended 30 September 2007

and Report on Review of Condensed Interim Consolidated Financial Information

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in the independent auditors' report on review of 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 unaudited condensed interim consolidated financial information of JSC Halyk 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 as at 30 September 2007, and the results of its operations for the three month and nine month periods then ended and its cash flows and changes in equity for the nine months ended 30 September 2007, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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 International Financial Reporting Standards ("IFRS") have been followed, subject to any material departures disclosed and explained in the condensed interim consolidated financial information; 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 IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

12 November 2007

Almaty

Pavel A. Cheussov
Chief Accountant

12 November 2007

Almaty

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REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

We have reviewed the accompanying condensed interim consolidated balance sheet of JSC "Halyk Bank" and its subsidiaries (collectively - the "Group") as at 30 September 2007 and the related condensed interim consolidated statement of income for the three months and nine months, then ended, the condensed interim consolidated statement of changes in equity and cash flows for the nine months ended 30 September 2007, a summary of significant accounting policies and the related explanatory notes. Management 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 does not present fairly, in all material respects, the financial position of the Group as at 30 September 2007, and of its financial performance for the three months and nine months then ended and its cash flows for the nine months ended
30 September 2007 in accordance with IAS 34.

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry
of Finance of the Republic of Kazakhstan dated
13 September, 2006

Nurlan Bekenov
Engagement Partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate №0082
General Director
Deloitte, LLP

12 November 2007
Almaty

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	30 September 2007 (Unaudited)	31 December 2006
ASSETS			
Cash and cash equivalents	5	172,744	127,799
Obligatory reserves	6	80,814	55,106
Financial assets at fair value through profit or loss	7	48,033	53,016
Amounts due from credit institutions	8	4,974	2,049
Available-for-sale investment securities	9	144,518	123,339
Loans to customers	10,11	905,102	596,216
Property, equipment and intangible assets		24,918	21,215
Insurance assets	12	5,666	5,626
Other assets	13	21,229	6,993
TOTAL ASSETS		1,407,998	991,359
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14	767,169	597,935
Amounts due to credit institutions	15	222,167	118,719
Debt securities issued	16	239,853	134,413
Provisions	11	1,284	3,021
Deferred tax liability	17	2,645	2,530
Insurance liabilities	12	8,827	7,535
Other liabilities	18	13,112	6,579
Total liabilities		1,255,057	870,732
EQUITY			
Share capital	19	65,483	60,684
Share premium reserve		2,001	2,183
Treasury shares	19	(42)	(38)
Retained earnings and other reserves		84,498	56,736
		151,940	119,565
Minority interest		1,001	1,062
Total equity		152,941	120,627
TOTAL LIABILITIES AND EQUITY		1,407,998	991,359

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

12 November 2007
Almaty

Pavel A. Cheussov
Chief Accountant

12 November 2007
Almaty

The accompanying notes on pages 8 to 30 are an integral part of this condensed interim consolidated financial information

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

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

	Notes	Three months ended 30 September 2007 (Unaudited)	Three months ended 30 September 2006 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)	Nine months ended 30 September 2006
INTEREST INCOME					
Loans to customers		30,863	18,767	78,598	50,128
Debt securities		2,405	1,485	6,823	3,456
Amounts due from credit institutions		1,213	921	3,910	3,095
		34,481	21,173	89,331	56,679
INTEREST EXPENSE					
Amounts due to customers		(7,990)	(4,137)	(21,532)	(11,867)
Debt securities issued		(4,338)	(2,858)	(11,444)	(6,472)
Amounts due to credit institutions		(3,191)	(1,633)	(6,730)	(4,825)
		(15,519)	(8,628)	(39,706)	(23,164)
NET INTEREST INCOME BEFORE IMPAIRMENT		18,962	12,545	49,625	33,515
Impairment charge	11	(7,312)	(3,630)	(13,481)	(10,675)
NET INTEREST INCOME		11,650	8,915	36,144	22,840
Fee and commission income	21	4,921	4,774	17,342	15,067
Fee and commission expense		(309)	(237)	(838)	(664)
FEES AND COMMISSIONS, NET		4,612	4,537	16,504	14,403
Net gain/(losses) from financial assets at fair value through profit or loss		3,288	509	3,220	(646)
Net (losses)/gain from available-for-sale investment securities		(50)	200	636	25
Net (losses)/gains from dealing in foreign currencies		(2,741)	1,410	4,707	3,187
Net gain/(losses) from translation of foreign currencies		3,518	(182)	848	(681)
Insurance underwriting income	22	1,723	-	4,222	-
Share of (losses)/income of associates		(8)	138	(22)	125
Other income/(loss)		1,159	(399)	2,187	820
NON-INTEREST INCOME		6,889	1,676	15,798	2,830
Salaries and other employee benefits		(4,000)	(3,675)	(12,797)	(10,419)
Administrative and operating expenses		(3,210)	(2,256)	(8,438)	(5,083)
Depreciation and amortization expenses		(868)	(595)	(2,408)	(1,717)
Insurance claims incurred, net of reinsurance		(799)	-	(1,555)	-
Taxes other than income tax		(399)	(183)	(1,214)	(912)
Other recoveries/(provisions)	11	616	312	1,723	(267)
NON-INTEREST EXPENSE		(8,660)	(6,397)	(24,689)	(18,398)
INCOME BEFORE INCOME TAX EXPENSE		14,491	8,731	43,757	21,675
Income tax expense	17	(2,592)	(965)	(10,313)	(3,411)
NET INCOME AFTER INCOME TAX EXPENSE		11,899	7,766	33,444	18,264
Attributable to:					
Equity holders of the parent		11,942	7,691	33,205	17,816
Minority interest in net income		(43)	75	239	448
NET INCOME		11,899	7,766	33,444	18,264
Basic and diluted earnings per share (in Kazakhstani tenge)	23	12.14	8.55	33.92	18.24

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

12 November 2007
Almaty

Pavel A. Cheussov
Chief Accountant

12 November 2007
Almaty

The accompanying notes on pages 8 to 30 are an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Share Capital - Common Shares	Share Capital - Non-Convertible Preferred Shares	Share Capital - Convertible Preferred Shares	Share Premium Reserve	Treasury Shares	Revaluation Reserve of Available-for-Sale Investment Securities*	Other Reserves*	Retained Earnings*	Total	Minority Interest	Total Equity
31 December 2005	14,222	2,474	12,320	2,192	(16)	301	290	32,215	63,998	446	64,444
Treasury shares purchased	-	-	-	(72)	(22)	-	-	-	(94)	-	(94)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	(3)	3	-	-	-
Net income	-	-	-	-	-	-	-	17,816	17,816	448	18,264
Gain on revaluation of available-for -sale investment securities, net of tax	-	-	-	-	-	355	-	-	355	33	388
Realized gain on revaluation of available-for -sale investment securities	-	-	-	-	-	(25)	-	-	(25)	-	(25)
Common shares issued	5,565	-	-	-	-	-	-	-	5,565	-	5,565
Preferred shares issued	-	-	911	-	-	-	-	-	911	-	911
Dividends – preferred shares	-	-	-	-	-	-	-	(1,355)	(1,355)	-	(1,355)
Dividends – common shares	-	-	-	-	-	-	-	(1,331)	(1,331)	-	(1,331)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(58)	(58)
30 September 2006	19,787	2,474	13,231	2,120	(38)	631	287	47,348	85,840	869	86,709
31 December 2006	44,977	2,474	13,233	2,183	(38)	258	285	56,193	119,565	1,062	120,627
Gain on revaluation of available-for -sale investment securities, net of tax	-	-	-	-	-	197	-	-	197	(150)	47
Realized gain on revaluation of available-for -sale investment securities	-	-	-	-	-	(636)	-	-	(636)	-	(636)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	(5)	5	-	-	-
Net income	-	-	-	-	-	-	-	33,205	33,205	239	33,444
Common shares issued	4,834	-	-	-	-	-	-	-	4,834	-	4,834
Treasury shares purchased		-	(35)	(182)	(4)	-	-	-	(221)	-	(221)
Dividends – preferred shares	-	-	-	-	-	-	-	(1,579)	(1,579)	-	(1,579)
Dividends – common shares	-	-	-		-	-	-	(3,450)	(3,450)	-	(3,450)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(150)	(150)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	21	4	25	-	25
30 September 2007 (Unaudited)	49,811	2,474	13,198	2,001	(42)	(181)	301	84,378	151,940	1,001	152,941

*The amounts included within the Revaluation reserve of available-for-sale investment Securities, Other reserves columns and Retained earnings, in the above table, are included within "Retained earnings and Other reserves" in the Balance sheet.

On behalf of the Management Board of the Bank:

Grigory A. Marchenko **Chairman of the Board**	**Pavel A. Cheussov** **Chief Accountant**
12 November 2007 Almaty	12 November 2007 Almaty

The accompanying notes on pages 8 to 30 are an integral part of this condensed interim consolidated financial information.

(Millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2007 (Unaudited)	Nine months ended 30 September 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		43,757	21,674
Adjustments for:			
Impairment charge and other provisions		11,758	10,942
Depreciation and amortization		2,408	1,717
Gain/(loss) from disposal of property and equipment and other assets		4	(203)
Insurance reserves change		931	-
Net gains from financial assets at fair value through profit and loss		(3,220)	647
Realized loss on available - for - sale investment securities		(636)	-
Share of loss/(income) of associate		22	(125)
Unrealized foreign exchange loss		(1,510)	(350)
Operating income before changes in net operating assets		53,514	34,302
(Increase)/decrease in operating assets:			
Obligatory reserves		(25,708)	(37,715)
Financial assets at fair value through profit or loss		8,203	(81,984)
Amounts due from credit institutions		(1,310)	1,314
Loans to customers		(321,872)	(113,886)
Insurance assets		(40)	-
Other assets		(4,565)	(274)
Increase/(decrease) in operating liabilities:			
Amounts due to credit institutions		103,448	(19,572)
Amounts due to customers		169,234	167,621
Insurance liabilities		361	-
Other liabilities		6,533	1,068
Net cash flows used in operating activities before income taxes		(12,202)	(49,126)
Income tax paid		(10,198)	(3,731)
Net cash flows used in from operating activities		(22,400)	(52,857)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(17,205)	(5,231)
Proceeds from sale of property and equipment		932	471
Purchase of available-for-sale investment securities		(22,644)	(668)
Proceeds from sale of available-for-sale investment securities		136	
Proceeds from maturities of available-for-sale investment securities		1,376	1,524
Net cash flows used in investing activities		(37,405)	(3,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued		4,834	5,565
Preferred shares issued		-	911
Purchase of treasury shares		(221)	(94)
Dividends paid		(5,179)	(2,744)
Debt securities issued		105,440	81,702
Purchase of debt securities issued		-	(2,418)
Net cash flows from financing activities		104,874	82,922
Effects of exchange rate changes on cash and cash equivalents		(124)	(2,164)
NET CHANGE IN CASH AND CASH EQUIVALENTS		44,945	23,997
CASH AND CASH EQUIVALENTS, at the beginning of the period		127,799	57,102
CASH AND CASH EQUIVALENTS, at the end of the period		172,744	81,099

(Millions of Kazakhstani Tenge)

Supplementary information:

	Nine months ended 30 September 2007 (Unaudited)	Nine months ended 30 September 2006
Interest received	77,389	54,191
Interest paid	33,564	18,664
Commission received	18,737	15,135

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

12 November 2007
Almaty

Pavel A. Cheussov
Chief Accountant

12 November 2007
Almaty

The accompanying notes on pages 8 to 30 are an integral part of this condensed interim consolidated financial information.

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively - the "Group") mainly provide retail and corporate banking services in Kazakhstan, Russia and Kyrgyzstan, and pension asset management and insurance services in Kazakhstan. The Bank was incorporated in 1995 and is domiciled in the Republic of Kazakhstan. The Bank operates under a general banking license renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan ("FMSA") on 30 September 2005. The Bank also possesses licenses for securities operations and custody services from the FMSA, which renewed on 19 February 2004. 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 government's agent in channeling various budgetary payments and pensions through its nationwide network.

The address of the Bank's registered office is: 97 Rozybakiyev Street, Almaty, 050046, Republic of Kazakhstan. 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.

In December 2006, the Bank listed its Global Depository Receipts ("GDRs") through an initial public offering ("IPO") made on the London Stock Exchange. The Bank's controlling shareholder JSC Holding Group Almex ("Almex"), placed its shares and obtained all of the IPO proceeds.

As of 30 September 2007, the Group was controlled by Almex via its 62.09% share in the Bank's equity (31 December 2006 − 64.34%). The Group is ultimately controlled by Timur Kulibayev and his spouse Dinara Kulibayeva.

As of 30 September 2007, the Bank operates through its head office in Almaty and its 22 regional branches, 125 sub-regional offices and 457 cash settlement units (31 December 2006 − 19, 127 and 428, respectively) located throughout Kazakhstan.

2. BASIS OF PREPARATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" ("IAS 34"). Accordingly, certain information and disclosures normally included in the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("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 2006.

The accounting policies applied in the preparation of these condensed interim consolidated financial information are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2006. This condensed interim consolidated financial information is presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), 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 property and equipment which are carried at re-valued cost less depreciation.

The preparation of condensed interim consolidated financial information requires management of the Group to make estimates and assumptions that affect the reported amount of assets and liabilities of the Group and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses on loans and investments, determination of the fair value of financial instruments and determination of the deferred tax.

Consolidated Subsidiaries

The condensed interim consolidated financial information includes the following subsidiaries:

Subsidiary	Holding interest 30 September 2007	Holding interest 31 December 2006	Country	Industry
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
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	98%	98%	Kazakhstan	Insurance
JSC Accumulated Pension fund of Halyk Bank	85%	85%	Kazakhstan	Pension assets accumulation and management
JSC Bank Khlebny	100%	100%	Russia	Banking

Associates

The following associates are accounted for under the equity method:

Associate	Holding %	Country	Activity	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
JSC Processing Center	25.01	Kazakhstan	Processing	(22)	658	18	640	35

Investments in associates are classified within other assets.

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 2006.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the condensed interim consolidated financial information:

- Allowances for impairment of assets and other provisions
- Taxation
- Claims liability arising from insurance contracts
- Goodwill impairment testing

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

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 income statement and its balance sheet.

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.

Valuation of Financial Instruments – Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgement as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgement, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in statement of income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its balance sheet as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group’s reported net income.

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 of 30 September 2007 and 31 December 2006, 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 balance sheet date and for the expected ultimate cost of reserve incurred but not reported (“IBNR”) claims at the balance sheet date. It can take a significant period of time before the ultimate claims cost can be established with certainty. For some type of policies, IBNR claims form the majority of the balance sheet claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are made to the provision. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related reinsurance recoveries are based on information available to management and the ultimate liability may vary as a result of subsequent information and events and may result in adjustments to the amounts provided. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may exceed that assumed. Any adjustments to the amount of reserves will be reflected in the condensed interim consolidated financial information 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 September 2007 (Unaudited)	**31 December 2006**
Cash on hand	25,498	14,931
Overnight deposits with Organization for Economic Cooperation and Development (“OECD”) based banks	114,483	81,495
Correspondent accounts with the National Bank of the Republic of Kazakhstan (“NBRK”)	25,782	-
Correspondent accounts with OECD based banks	4,944	6,328
Correspondent accounts with non-OECD based banks	2,037	1,100
Overnight deposits with Kazakh banks	-	381
Short-term deposits with Kazakh banks	-	23,564
	172,744	127,799

As at 30 September 2007 and 31 December 2006 interest rates and currencies in which interest earning cash and cash equivalents are denominated follow:

	31 September 2007 (Unaudited)		31 December 2006	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	5.0%	-	3.6-5.3%
Overnight deposits with Kazakh banks	-	7.2%	6.0%	-
Short-term deposits with Kazakh banks	-	-	6.0 – 9.0%	-

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 September 2007 (Unaudited)	31 December 2006
Due from NBRK allocated to obligatory reserves	80,814	48,318
Cash on hand allocated to obligatory reserves	-	6,788
	80,814	55,106

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	30 September 2007 (Unaudited)	31 December 2006
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	29,651	29,162
Securities in foreign countries and organizations	6,270	-
Eurobonds of Kazakh banks	4,707	3,011
Shares of Kazakh banks	3,487	428
Shares of Kazakh corporations	1,880	352
Bonds of Kazakh banks	1,334	-
Corporate bonds	531	5,279
Mutual investment funds shares	173	1,452
Sovereign bonds of the Republic of Kazakhstan	-	6,290
Bonds of the Development Bank of Kazakhstan	-	4,545
NBRK notes	-	2,497
Financial assets at fair value through profit or loss	48,033	53,016
Subject to repurchase agreements	-	1,000

Financial assets at fair value through profit or loss were designated by the Group as such upon their initial recognition.

Interest rates and maturities of financial assets at fair value through profit or loss follow:

	30 September 2007 (Unaudited)		31 December 2006	
	%	**Maturity**	**%**	**Maturity**
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3.2-11.1%	2008-2014	3.2-6.7%	2008-2014
Corporate bonds	8.9 -9.7%	2009-2011	8.1-10.5%	2007-2015
Bonds of Kazakh banks	9.0-12.0%	2009-2010	-	-
Securities in foreign countries and organizations	25.4%	2007-2012	-	-
Eurobonds of Kazakh banks	5.7-7.3%	-	6.1-8.6%	2007-2013
Bonds of the Development Bank of Kazakhstan	-	-	4.8-9.8%	2007-2026
Sovereign bonds of the Republic of Kazakhstan	-	-	11.1%	2007
NBRK notes	-	-	2.2%	2007

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 September 2007 (Unaudited)	31 December 2006
Term deposits	2,545	1,885
Loans to Kazakh credit institutions	2,449	170
	4,994	2,055
Less: Allowance for impairment (Note 11)	(20)	(6)
Amounts due from credit institutions	4,974	2,049

Interest rates and maturity of amounts due from credit institutions follow:

	30 September 2007 (Unaudited)		31 December 2006	
	%	**Maturity**	**%**	**Maturity**
Term deposits	4.1-10.6%	2007-2008	4.1-10.6%	2007-2008
Loans to local credit institutions	13.0-15.0%	2007-2011	13.0-15.0%	2007-2011

9. AVAILABLE–FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 September 2007 (Unaudited)	31 December 2006
NBRK notes	125,010	107,856
Corporate bonds	14,146	10,166
Bonds of Kazakh banks	2,504	3,085
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,577	1,061
Equity securities of Kazakh corporations	1,041	971
Treasury bills of the Kyrgyz Republic	157	114
Local municipal bonds	83	86
Available-for-sale investments securities	144,518	123,339
Subject to repurchase agreements	56,169	29,500

Interest rates and maturities of investment securities follow:

	30 September 2007 (Unaudited)		31 December 2006	
	%	**Maturity**	**%**	**Maturity**
NBRK notes	4.6-11.5%	2007-2008	2.9-4.8%	2007
Corporate bonds	6.0-11.4%	2008-2017	7.5-13.0%	2007-2017
Bonds of Kazakh banks	7.0-11.4%	2008-2015	5.9-12.0%	2007-2014
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4.3%	2014	3.5-5.7%	2008-2014
Local municipal bonds	8.5%	2008	8.5%	2008
Treasury bills of the Kyrgyz Republic	5.2-16.0%	2007-2008	5.2-16.0%	2007-2008

10. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 September 2007 (Unaudited)	**31 December 2006**
Originated loans	943,516	625,566
Promissory notes	5,925	1,561
Overdrafts	3,306	2,743
	952,747	629,870
Less: Allowance for loan impairment (Note 11)	(47,645)	(33,654)
Loans to customers	905,102	596,216

Loans are made to the following sectors:

	30 September 2007 (Unaudited)	**31 December 2006**
Retail loans:		
- mortgage loans	143,083	86,907
- consumer loans	135,517	110,274
Wholesale trade	170,359	113,510
Construction	137,635	70,064
Retail trade	67,363	42,098
Agriculture	60,067	47,474
Services	44,417	23,213
Oil and gas	30,941	13,532
Real estate	25,127	14,896
Metallurgy	20,136	5,638
Transportation	14,721	11,503
Food industry	14,557	10,359
Energy	10,581	14,745
Hotel industry	7,791	5,811
Mining	6,785	4,835
Consumer goods and automobile trading	5,386	4,639
Research and development	1,476	2,444
Communication	1,133	1,888
Machinery	372	2,194
Other	55,300	43,846
	952,747	629,870

11. ALLOWANCES FOR IMPAIRMENT AND OTHER PROVISIONS

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

	Amounts due from credit institutions	**Loans to customers**	**Other Assets**	**Total**
30 June 2006 (unaudited)	-	(33,519)	(493)	(34,012)
Impairment charge	-	(3,756)	126	(3,630)
Write-offs	-	1,286	-	1,286
Recoveries	-	(241)	(1)	(242)
30 September 2006	-	(36,230)	(368)	(36,598)
30 June 2007 (unaudited)	(13)	(40,413)	(747)	(41,173)
Impairment charge	(5)	(7,062)	(245)	(7,312)
Write-offs	-	1	3	4
Recoveries	(2)	(171)	341	168
30 September 2007 (unaudited)	(20)	(47,645)	(648)	(48,313)
31 December 2005	-	(25,921)	(134)	(26,055)
Impairment charge	-	(10,356)	(319)	(10,675)
Write-offs	-	2,631	86	2,717
Recoveries	-	(2,584)	(1)	(2,585)
30 September 2006	-	(36,230)	(368)	(36,598)
31 December 2006	(6)	(33,654)	(217)	(33,877)
Impairment charge	(12)	(13,018)	(451)	(13,481)
Write-offs	-	7	20	27
Revaluation	(2)	(980)	-	(982)
30 September 2007 (unaudited)	(20)	(47,645)	(648)	(48,313)

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

The movements in other provisions were as follows:

	Other provisions
30 June 2006 (unaudited)	(2,852)
Recovery of provision	312
Write-offs	1
30 September 2006	(2,539)
30 June 2007 (unaudited)	(1,911)
Recovery of provision	616
Write-offs	12
Recoveries	(1)
30 September 2007 (unaudited)	(1,284)
31 December 2005	(2,280)
Provision	(267)
Write-offs	8
30 September 2006	(2,539)
31 December 2006	(3,021)
Recovery of provision	1,723
Write-offs	14
30 September 2007 (unaudited)	(1,284)

Other provisions represent provisions against letters of credit and guarantees issued.

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 September 2007 (Unaudited)	31 December 2006
Unearned reinsurance premium	3,152	2,609
Reinsurance claims	97	189
	3,249	2,798
Future periods expenses	389	-
Premiums receivable	2,028	2,828
Insurance assets	5,666	5,626

Insurance liabilities comprised the following:

	30 September 2007 (Unaudited)	31 December 2006
Gross unearned insurance premium reserve	6,440	5,290
Reserves for claims	623	391
	7,063	5,681
Payables on insurance/(reinsurance) agreement	554	-
Payables to reinsurers and agents	1,210	1,854
Insurance liabilities	8,827	7,535

Insurance reserves comprised the following:

	30 September 2007 (Unaudited)	31 December 2006
Unearned insurance premium reserve, reinsurance share	3,152	2,609
Reserves for claims, reinsurance share	97	189
	3,249	2,798
Gross unearned insurance premium reserve	(6,440)	(5,290)
Reserves for claims	(623)	(391)
	(7,063)	(5,681)
Net insurance reserves	(3,814)	(2,883)

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

Any adjustments to the amount of reserves will be reflected in the condensed interim consolidated financial information in the period in which the necessary adjustments become known and estimable.

13. OTHER ASSETS

As at 30 September 2007, other assets comprised prepayments for property and equipment in amount of 11,577 million tenge (31 December 2006: 1,419 million tenge) and Accrued income on forward operations with foreign currency in amount of 1,554 million tenge (31 December 2006: 94 million tenge).

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 September 2007 (Unaudited)	31 December 2006
Term deposits		
Individuals	288,348	157,281
Commercial entities	166,860	263,192
Governmental entities	56,213	27,908
Non-governmental non-commercial entities	1,572	-
	512,993	448,381
Current accounts		
Commercial entities	111,995	66,809
Governmental entities	70,067	29,438
Individuals	69,718	52,597
Non-governmental non-commercial entities	1,796	-
	253,576	148,844
Guarantees and other restricted accounts	600	710
Amounts due to customers	767,169	597,935

An analysis of customer accounts by sector follows:

	30 September 2007 (Unaudited)	31 December 2006
Individuals and entrepreneurs	357,852	209,877
Oil and gas	132,707	67,540
Service organizations	77,685	-
Financial sector	53,553	44,168
Other transportation	33,635	17,291
Construction	27,277	81,319
Energy	19,424	12,843
Wholesale trade	15,653	15,800
Metallurgy	6,974	102,345
Transportation of oil and gas	-	1,794
Other	42,409	44,958
	767,169	597,935

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 September 2007 (Unaudited)	31 December 2006
Loans and deposits from OECD based banks	105,718	73,126
Loans and deposits from Kazakh banks	62,785	36,007
Loans and deposits from non-OECD based banks	51,362	5,073
Correspondent accounts	2,302	525
Overnight deposits	-	3,338
Loans from other financial institutions	-	650
Amounts due to credit institutions	222,167	118,719

Interest rates and maturities of amounts due to credit institutions follow:

	30 September 2007 (Unaudited)		31 December 2006	
	%	Maturity	%	Maturity
Loans and deposits from OECD based banks	2.3-8.4%	2007-2015	2.3-8.4%	2007-2015
Loans and deposits from non-OECD based banks	4.6-6.7%	2007-2012	4.6-6.7%	2007-2012
Loans and deposits from Kazakh banks	0.7-7.0%	2007	0.7-7.0%	2007
Loans from other financial institutions	5.9-8.4%	2007-2012	5.9-8.4%	2007-2012
Overnight deposits	-	-	2.5-4.8%	2007

Financial covenants

In accordance with the contractual terms of the loans from certain OECD based banks and European Bank of Reconstruction and Development, the Group is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. In accordance with the terms of certain of those loans, the Group is also required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Furthermore, 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 of 30 September 2007 and 31 December 2006, management believes that the Group was in compliance with the covenants of the various debt agreements the Group has with other banks and financial institutions.

16. DEBT SECURITIES ISSUED

Debt securities issued comprised of the following:

	30 September 2007 (Unaudited)	31 December 2006
Fixed rate KZT denominated bonds	11,323	20,139
Inflation indexed KZT denominated bonds	9,197	5,005
Reverse inflation indexed KZT denominated bonds	8,984	4,049
USD denominated bonds	8	3,742
Subordinated debt securities issued	29,512	32,935
Less: subordinated debt securities held by the Group	(567)	(2,227)
Subordinated debt securities issued	28,945	30,708
USD denominated bonds	150,260	64,154
KZT denominated bonds	60,656	41,002
Unsubordinated debt securities issued	210,916	105,156
Less: unsubordinated debt securities held by the Group	(8)	(1,451)
Unsubordinated debt securities issued	210,908	103,705
Debt securities issued	239,853	134,413

The interest rates and maturities of these debt securities issued are as follows:

	30 September 2007 (Unaudited)		31 December 2006	
	%	Maturity	%	Maturity
Subordinated debt securities issued				
KZT denominated bonds	7.5-9.0%	2009-2015	7.5-9.6%	2007-2015
Reverse inflation indexed KZT denominated bonds	15.0% minus inflation rate	2015-2016	15.0% minus inflation rate	2015
Inflation indexed KZT denominated bonds	inflation rate plus 1.0%	2010-2015	inflation rate plus 1.0%	2014
USD denominated bonds	7.7%	2016	8.0-11.8%	2007
Unsubordinated debt securities issued				
USD denominated bonds	8.1%	2009	7.8-8.1%	2009-2013
KZT denominated bonds	7.1-7.8%	2008-2009	5.0-7.3%	2007-2009

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.

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, lending exposures, limitations on transactions at less than fair market value and payment of dividends. 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. Management believes that as of 30 September 2007 and 31 December 2006, the Group was in compliance with the covenants of the agreements the Group has with the notes' trustee and holders.

17. TAXATION

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

The income tax expense comprises:

	For three months ended 30 September 2007 (Unaudited)	For three months ended 30 September 2006 (Unaudited)	For nine months ended 30 September 2007 (Unaudited)	For nine months ended 30 September 2006
Current tax charge	(3,975)	(1,474)	(10,198)	(3,920)
Deferred tax benefit/(charge)	1,383	509	(115)	509
Income tax expense	(2,592)	(965)	(10,313)	(3,411)

Kazakhstani legal entities must file individual tax declarations. The tax rate for banks for income other than on state and other qualifying securities was 30% as at 30 September 2007 and 31 December 2006. The tax rate for companies other than banks was also 30% for 30 September 2007 and 31 December 2006, except for insurance companies taxed at 4%. Income on state and other qualifying securities is tax exempt. The effective income tax rate differs from the statutory income tax rates.

Deferred tax assets and liabilities comprise:

	30 September 2007 (Unaudited)	31 December 2006
Tax effect of deductible temporary differences:		
Bonuses accrued	877	869
Deferred tax asset	877	869
Tax effect of taxable temporary differences:		
Loans to customers	(2,447)	(1,598)
Property and equipment	(1,075)	(1,801)
Deferred tax liability	(3,522)	(3,399)
Net deferred tax liability	(2,645)	(2,530)

18. OTHER LIABILITIES

As at 30 September 2007 Other liabilities comprised Taxes payable in amount of 5,356 million tenge (31 December 2006: 1,002 million tenge), Salary payable in amount of 2,334 million tenge (31 December 2006: 3,043 million tenge), Other prepayments received in amount of 1,202 million tenge (31 December 2006: 358 million tenge) and Unused vacation reserve in amount of 980 million tenge (31 December 2006: 579 million tenge).

19. EQUITY

Authorized and issued share capital as of 30 September 2007, consisted of 979,862,241 common shares, 24,742,000 non-convertible preferred shares and 80,215,187 convertible preferred shares (31 December 2006 − 970,905,778, 24,742,000 and 80,215,187, respectively). All shares are KZT denominated. Each common share is entitled to one vote and is equal for dividends.

In accordance with IAS 32 "Financial Instruments: Disclosure and Presentation", preferred shares are classified as part of equity. Non-convertible preferred shares are not redeemable. Convertible preferred shares convertible into common shares are redeemable only at the issuer's option. The terms of the preferred shares require that the Bank pay a nominal dividend amount of 0.01 KZT per share to comply with the Kazakh legislation with regard to preferred shares which requires joint stock companies to pay a certain amount of preferred dividends. The payment of additional dividends on the preferred shares is linked to the Bank's profitability and is paid out only if the Bank is profitable. 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 due. Dividends to the preferred shareholders are paid only if declared and approved by the Board of Directors and the Annual General Meeting of the Shareholders.

As at 30 September 2007, the Group held 4,154,419 of the Bank's shares and GDRs as treasury shares at 42 million tenge (31 December 2006 – 3,858,746 at 38 million tenge).

20. COMMITMENTS, CONTINGENCIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial Commitments and Contingencies

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

	30 September 2007 (Unaudited)	31 December 2006
Commitments to extend credit	35,138	21,629
Guarantees issued	28,009	39,897
Commercial letters of credit	19,654	18,326
	82,801	79,852
Less: cash collateral against letters of credit	(600)	(132)
Less: provisions (Note 11)	(1,284)	(3,021)
Financial commitments and contingencies	80,917	76,699

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Trust Activities

The Group provides fiduciary services to third parties which involve the Group making allocation, purchase and sales decisions in relation to the securities. Those securities that are held in a fiduciary capacity are not included in these condensed interim consolidated financial information.

Derivative Financial Instruments

The Group enters into derivative financial instruments for trading purposes. The outstanding deals with derivative financial instruments and trading liabilities are as follows:

	30 September 2007 (Unaudited)			31 December 2006		
	Notional principal	Fair values Asset	Fair values Liabilities	Notional principal	Fair values Asset	Fair values Liabilities
Interest rate contracts						
Forwards and Swaps	3,409	305	-	2,147	48	-
Foreign exchange contracts						
Forwards and Swaps	175,098	1,394	-	178,973	103	-
Total derivative asset	178,507	1,699	-	181,120	151	-

21. FEE AND COMMISSION INCOME

Fee and commission income was derived from the following sources:

	For the three months ended 30 September 2007 (Unaudited)	For the three months ended 30 September 2006 (Unaudited)	For the nine months ended 30 September 2007 (Unaudited)	For the nine months ended 30 September 2006
Bank transfers	1,481	1,180	5,912	4,049
Maintenance of customer accounts	923	364	1,699	980
Customers' pension payments	815	271	978	785
Plastic cards maintenance	487	11	488	307
Letters of credit and guarantees issued	325	305	1,046	967
Cash operations	304	737	2,731	1,845
Utilities payments	178	508	178	710
Pension fund and asset management	161	1,022	3,845	4,510
Foreign currency operations	132	4	147	215
Custody activities	48	-	124	-
Commission income from trust activities	1	-	3	-
Other	66	372	191	699
	4,921	4,774	17,342	15,067

22. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	For the three months ended 30 September 2007 (Unaudited)	For the three months ended 30 September 2006 (Unaudited)	For the nine months ended 30 September 2007 (Unaudited)	For the nine months ended 30 September 2006 (Unaudited)
Insurance premiums written, gross	3,803	-	9,507	-
Ceded reinsurance share	(1,956)	-	(4,678)	-
Change in unearned insurance premiums, net	(124)	-	(607)	-
	1,723	-	4,222	-

23. 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 parent by the weighted average number of participating shares outstanding during the period. Participating shares comprise common and preferred shares as, in accordance with Kazakhstan legislation, preferred shareholders are entitled to at least the same amount of per share dividends as common shareholders.

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

	For three months ended 30 September 2007 (Unaudited)		For three months ended 30 September 2006 (Unaudited)		For 9 months ended 30 September 2007 (Unaudited)		For 9 months ended 30 September 2006	
Net income attributable to equity holders of the parent		11,942		7,691		33,205		17,816
	common shares	preferred shares	common shares	preferred shares	common shares	preferred shares	common shares	preferred shares
Weighted average number of participating shares	980,066,542	79,963,750	899,100,522	79,963,750	978,810,039	79,963,750	976,463,756	79,796,346
Basic and diluted earnings per share (Tenge)	12.14	12.14	8.55	8.55	33.92	33.92	18.24	18.24

24. FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Bank's risk management policies in relation to those risks follows.

Credit risk

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry. Limits on the level of credit risk by borrower and industry sector for corporate loans are approved by the Commercial Direction, and for retail loans – by the Retail Credit Committee. Where appropriate, and in the case of most loans, the Bank obtains collateral.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Commercial Direction and Credit Committee. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the condensed interim consolidated financial information and the disclosed financial commitments.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Geographical Concentration

The assets and liabilities mainly are located in Kazakhstan.

Currency Risk

The Bank 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, by branches and in total. These limits also comply with the minimum requirements of the NBRK. The Bank's exposure to foreign currency exchange rate risk follows:

	30 September 2007 (Unaudited)			31 December 2006		
	KZT	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**
Financial assets						
Cash and cash equivalents	41,302	131,442	172,744	31,957	95,842	127,799
Obligatory reserves	80,814	-	80,814	18,873	36,233	55,106
Financial assets at fair value through profit or loss	36,072	11,961	48,033	37,484	15,532	53,016
Amounts due from credit institutions	4,493	481	4,974	1,928	121	2,049
Available-for-sale investment securities	143,847	671	144,518	122,157	1,182	123,339
Loans to customers	599,223	305,879	905,102	291,007	305,209	596,216
Insurance assets	5,557	109	5,666	5,252	374	5,626
Other assets	2,088	3,387	5,475	2,925	1,416	4,341
	913,396	453,930	1,367,326	511,583	455,909	967,492
Financial liabilities						
Amounts due to customers	474,553	292,616	767,169	303,199	294,736	597,935
Amounts due to credit institutions	92,613	129,554	222,167	55,042	63,677	118,719
Debt securities issued	89,576	150,277	239,853	68,188	66,225	134,413
Provisions	968	316	1,284	3,014	7	3,021
Deferred tax liability	2,645	-	2,645	2,524	6	2,530
Insurance liabilities	7,695	1,132	8,827	6,425	1,110	7,535
Other liabilities	7,836	3,185	11,021	5,757	432	6,189
	675,886	577,080	1,252,966	444,149	426,193	870,342
Net balance sheet position	237,510	(123,150)	114,360	67,434	29,716	97,150
Net position on off-balance sheet assets and liabilities	75,366	168,011	243,377	80,203	159,191	239,394
Net open position	312,876	44,861	357,737	147,637	188,907	336,544

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 by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. The Assets and Liabilities Management Committee within the authority approved by the Board 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 monetary assets and liabilities grouped on the basis of the remaining period from the balance sheet 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 Bank's short-term liquidity needs.

	30 September 2007 (unaudited)						
	On demand	**Less than 1 month**	**1 to 3 Months**	**3 months to 1 year**	**1 to 3 Years**	**Over 3 Years**	**Total**
Financial assets							
Cash and cash equivalents	124,749	45,405	2,590	-	-	-	172,744
Obligatory reserves	18,606	15,629	12,345	11,908	8,931	13,395	80,814
Financial assets at fair value through profit or loss	48,033	-	-	-	-	-	48,033
Amounts due from credit institutions	-	2,540	535	-	1,528	371	4,974
Available-for-sale investment securities	1,785	53,425	42,746	32,729	4,079	9,754	144,518
Loans to customers	4,732	37,961	148,100	343,542	168,432	202,335	905,102
Insurance assets	3,410	-	-	2,256	-	-	5,666
Other assets	1,295	1,307	2,414	279	114	66	5,475
	202,610	156,267	208,730	390,714	183,084	225,921	1,367,326
Financial liabilities							
Amounts due to customers	253,916	96,045	79,263	50,543	81,247	206,155	767,169
Amounts due to credit institutions	2,400	71,569	31,931	65,981	22,513	27,773	222,167
Debt securities issued	2,922	176	-	20,400	72,609	143,746	239,853
Provisions	92	143	99	319	346	285	1,284
Deferred tax liability	-	-	-	2,608	-	37	2,645
Insurance liabilities	7,056	-	408	1,363	-	-	8,827
Other liabilities	720	5,941	334	1,894	482	1,650	11,021
	267,106	173,874	112,035	143,108	177,197	379,646	1,252,966
Net position	(64,496)	(17,607)	96,695	247,606	5,887	(153,725)	
Accumulated gap	(64,496)	(82,103)	14,592	262,198	268,085	114,360	

	31 December 2006						
	On demand	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Over 3 Years**	**Total**
Financial assets							
Cash and cash equivalents	22,359	86,031	19,409	-	-	-	127,799
Obligatory reserves	13,718	13,797	2,575	20,248	3,869	899	55,106
Financial assets at fair value through profit or loss	51,984	1,032	-	-	-	-	53,016
Amounts due from credit institutions	-	-	162	148	1,711	28	2,049
Available-for-sale investment securities	-	109,302	66	182	4,597	9,192	123,339
Loans to customers	2,405	24,267	49,929	251,183	144,508	123,924	596,216
Insurance assets	3,535	667	525	768	24	107	5,626
Other assets	-	2,751	264	1,032	-	294	4,341
	94,001	237,847	72,930	273,561	154,709	134,444	967,492
Financial liabilities							
Amounts due to customers	148,844	149,704	27,941	219,707	41,981	9,758	597,935
Amounts due to credit institutions	524	48,824	11,384	32,909	5,108	19,970	118,719
Debt securities issued	-	-	-	3,926	103,530	26,957	134,413
Provisions	3,021	-	-	-	-	-	3,021
Deferred tax liability	-	-	-	730	-	1,800	2,530
Insurance liabilities	5,681	434	472	933	15	-	7,535
Other liabilities	-	366	1,002	4,712	109	-	6,189
	158,070	199,328	40,799	262,917	150,743	58,485	870,342
Net position	(64,069)	38,519	32,131	10,644	3,966	75,959	
Accumulated gap	(64,069)	(25,550)	6,581	17,225	21,191	97,150	

25. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 “Related Party Disclosures” (“IAS 24”), parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at 30 September 2007 and 31 December 2006, and related expenses and income for the periods then ended are as follows:

	Nine months ended 30 September 2007 (unaudited)				Year ended 31 December 2006			
	Controlling shareholder and entities under common control	**Entities influenced by the controlling shareholder**	**Associates**	**Key management personnel**	**Controlling shareholder and entities under common control**	**Entities influenced by the controlling shareholder**	**Associates**	**Key management personnel**
Loans outstanding, gross, beginning of the period	230	4,012	-	45	681	1,157	-	72
Loans issued during the period	7	381	-	46	602	7,919	-	47
Loans repaid during the period	(190)	(4,367)	-	(4)	(1,054)	(4,104)	-	(74)
Loans outstanding, gross, ending of the period	47	26	-	87	230	4,971	-	45
Less: allowance for impairment	(2)	(4)	-	(1)	-	(959)	-	-
Loans outstanding, net, ending	45	22	-	86	230	4,012	-	45
Interest income on loans	-	1	-	1	73	385	-	6
Deposits and current accounts, beginning of the period	101,025	116,306	239	423	807	15,447	183	240
Receipt of deposits and current accounts during the period	1,895,173	4,978,552	233	144	1,000,939	5,108,431	11,169	589
Payments of deposits and current accounts during the period	(1,992,960)	(4,860,000)	(408)	(558)	(900,721)	(5,007,572)	(11,113)	(406)
Deposits and current accounts, ending of the period	3,238	234,858	64	9	101,025	116,306	239	423
Interest expense on deposits	11	2,476	-	-	1,944	2,696	4	20
Commitments and guarantees issued	-	-	439	-	-	586	7	-
Fee and commission income	-	-	-	-	9	109	8	-

Compensation of members of the Management Board and Board of Directors of the Bank was comprised of the following:

	For three months ended 30 September 2007 (unaudited)	For three months ended 30 September 2006 (unaudited)	For nine months ended 30 September 2007 (unaudited)	For nine months ended 30 September 2006 (unaudited)
Salaries and bonuses	83	133	814	323
Total key management compensation	83	133	814	323

26. CAPITAL ADEQUACY

The FMSA requires banks to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets. As at 30 September 2007 and 31 December 2006 the Bank's capital adequacy ratios complied with the FMSA requirements in that regard.

The Bank's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 September 2007 and 31 December 2006, was 11.46% and 13.34% respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

27. SEGMENT ANALYSIS

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments. The Group is organised on the basis of two main business segments:
Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

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

There were no transactions between business segments during nine months ended 30 September 2007 and 2006.

Segment information for the main reportable business segments of the Group for the nine months ended 30 September 2007 and 2006 is set out below:

	Nine months ended 30 September2007 (unaudited)			
	Retail Banking	**Corporate banking**	**Other**	**Total**
Total external revenues	40,582	71,645	10,244	122,470
Segment result	20,685	43,413	10,244	74,342
Unallocated costs				(30,585)
Income before income tax expense				43,757
Income tax expense				(10,313)
NET INCOME				33,444

	Nine months ended 30 September 2006			
	Retail banking	**Corporate banking**	**Other**	**Total**
Total external revenues	28,965	45,412	199	74,576
Segment result	11,679	27,692	199	39,570
Unallocated costs				(17,895)
Income before income tax expense				21,675
Income tax expense				(3,411)
NET INCOME				18,264

28. SUBSEQUENT EVENTS

On 9 October 2007 the Bank issued 10,000 million tenge subordinated bonds with semi-annual coupons. This KZT denominated bonds were listed on the KASE and have maturity date on 9 October 2017. The following table sets out rates of coupon and interest rate cap of the bonds:

Period	Coupon rate, % per annum	Interest rate cap, % per annum
From 9 October 2007 to 9 April 2008	11%	-
From 9April 2008 to 9 October 2012	Inflation rate plus 2%	7%-13%
From 9 October 2012 to 9 October 2017	Inflation rate plus 3.5%	7%-13%