JSC HALYK BANK

Interim Financial Information (Unaudited)
For the nine months ended 30 September 2008

and Report on Review of Interim Financial Information

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in report on review of interim 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 interim financial information of JSC Halyk Bank (the "Bank") and its subsidiaries (collectively - the "Group").

Management is responsible for the preparation of interim financial information that presents fairly the financial position of the Group as at 30 September 2008, the results of its operations for the three months and nine months periods then ended and its cash flows and changes in equity for the nine months ended 30 September 2008, in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

In preparing the interim 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 has been followed; and
- Preparing the interim financial information on a going concern basis.

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 interim financial information of the Group comply with IAS 34;
- 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

10 November 2008
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 November 2008
Almaty, Kazakhstan

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim financial information of JSC "Halyk Bank" and its subsidiaries (collectively - the "Group") which comprises the condensed interim consolidated balance sheet as at 30 September 2008 and the related condensed interim consolidated income statements for the three months and nine months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the nine months ended 30 September 2008, a summary of significant accounting policies and the selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte, LLP

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

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

10 November 2008
Almaty, Kazakhstan

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008 (UNAUDITED)
(Millions of Kazakhstani tenge)

	Notes	30 September 2008 (Unaudited)	31 December 2007
ASSETS			
Cash and cash equivalents	5	291,956	255,245
Obligatory reserves	6	86,847	87,268
Financial assets at fair value through profit or loss	7	30,068	48,073
Amounts due from credit institutions	8	35,704	3,398
Available-for-sale investment securities	9	154,086	107,839
Loans to customers	10, 30	1,156,865	1,040,273
Property and equipment	11	56,366	22,766
Goodwill		3,256	3,265
Intangible assets		5,464	3,841
Insurance assets	12	8,510	3,886
Other assets	13	29,602	19,221
TOTAL ASSETS		1,858,724	1,595,075
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14, 30	1,108,033	935,429
Amounts due to credit institutions	15	225,248	247,452
Financial liabilities at fair value through profit or loss	7	4,047	2,851
Debt securities issued	16	287,106	224,886
Provisions	17	7,946	1,885
Deferred tax liability	18	14,243	3,897
Insurance liabilities	12	12,924	7,389
Other liabilities	19	6,449	10,261
Total liabilities		1,665,996	1,434,050
EQUITY			
Share capital		65,529	65,531
Share premium reserve		1,947	1,952
Treasury shares		(66)	(66)
Retained earnings and other reserves		124,437	92,253
		191,847	159,670
Minority interest		881	1,355
Total equity		192,728	161,025
TOTAL LIABILITIES AND EQUITY		1,858,724	1,595,075

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

10 November 2008
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 November 2008
Almaty, Kazakhstan

The accompanying notes on pages 9 to 38 are an integral part of this interim financial information.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008 (UNAUDITED)
(Millions of Kazakhstani Tenge, except earnings per share which is in Tenge)

	Notes	Three months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2007 (Unaudited)	Nine months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)
Interest income	21, 30	52,796	34,481	142,399	89,331
Interest expense	21, 30	(25,517)	(15,519)	(75,475)	(39,706)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	21	27,279	18,962	66,924	49,625
Impairment charge	17	(15,209)	(7,312)	(30,168)	(13,481)
NET INTEREST INCOME		12,070	11,650	36,756	36,144
Fee and commission income	22	6,041	4,921	20,430	17,342
Fee and commission expense		(401)	(92)	(1,142)	(1,038)
Fees and commission income, net		5,640	4,829	19,288	16,304
Net (losses)/gains from financial assets and liabilities at fair value through profit or loss	23	(4,268)	3,288	(6,819)	3,220
Net gains from available-for-sale investment securities		(181)	(50)	264	636
Net gain on foreign exchange operations	24	4,602	777	7,778	5,555
Insurance underwriting income	25	2,035	1,723	6,718	4,222
Share of losses of associates		(11)	(8)	(24)	(22)
Other income		88	159	1,649	1,187
OTHER NON-INTEREST INCOME		2,265	5,889	9,566	14,798
Operating expenses	26	(10,713)	(8,694)	(31,112)	(24,657)
(Provisions)/recoveries of provisions	17	(4,392)	616	(6,072)	1,723
Insurance claims incurred, net of reinsurance		(1,912)	(799)	(4,414)	(1,555)
NON-INTEREST EXPENSES		(17,017)	(8,877)	(41,598)	(24,489)
INCOME BEFORE INCOME TAX EXPENSE		2,958	13,491	24,012	42,757
Income tax expense	18	(830)	(2,592)	(6,272)	(10,313)
NET INCOME		2,128	10,899	17,740	32,444
Attributable to:					
Minority interest		(796)	(43)	(357)	239
Preferred shareholders		282	1,058	1,749	3,120
Common shareholders		2,642	9,884	16,348	29,085
		2,128	10,899	17,740	32,444
Basic earnings per share (in Kazakhstani Tenge)	27	2.70	10.09	16.69	29.74
Diluted earnings per share (in Kazakhstani Tenge)	27	2.44	7.49	15.61	25.55

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

10 November 2008
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 November 2008
Almaty, Kazakhstan

The accompanying notes on pages 9 to 38 are an integral part of this interim financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	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	Minority Interest	Total Equity
31 December 2007	49,824	2,474	13,233	1,952	(66)	78	(371)	278	92,268	159,670	1,355	161,025
Exchange differences on translation of foreign operations	35	-	(40)	-	-	578	-	-	(190)	383	-	383
Loss on revaluation of available-for -sale investment securities, net of tax of nil tenge	-	-	-	-	-	-	(54)	-	-	(54)	-	(54)
Gain on revaluation of property and equipment, net of tax KZT 7,882 million	-	-	-	-	-	-	-	18,391	-	18,391	-	18,391
Net income/(loss) recognized directly in equity	35	-	(40)	-	-	578	(54)	18,391	(190)	18,720	-	18,720
Transfers (net of any related tax):												
(Gain)/loss transferred to income statement on sale of available-for-sale investment securities	-	-	-	-	-	-	(264)	-	-	(264)	(52)	(316)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	-	(71)	71	-	-	-
Net income	-	-	-	-	-	-	-	-	18,097	18,097	(357)	17,740
Total recognized income and expense	35	-	(40)	-	-	578	(318)	18,320	17,978	36,553	(409)	36,144
Common shares issued	3	-	-	-	-	-	-	-	-	3	-	3
Treasury shares purchased	-	-	-	(5)	-	-	-	-	-	(5)	-	(5)
Dividends – preferred shares	-	-	-	-	-	-	-	-	(1,679)	(1,679)	-	(1,679)
Dividends – common shares	-	-	-	-	-	-	-	-	(2,695)	(2,695)	-	(2,695)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(119)	(119)
Changes in minority interest share of net assets	-	-	-	-	-	-	-	-	-	-	54	54
30 September 2008 (unaudited)	49,862	2,474	13,193	1,947	(66)	656	(689)	18,598	105,872	191,847	881	192,728

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	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	Minority Interest	Total Equity
31 December 2006	44,977	2,474	13,233	2,183	(38)	-	258	285	56,193	119,565	1,062	120,627
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	21	4	25	-	25
Gain/(Loss) on revaluation of available-for -sale investment securities, net of tax of nil tenge	-	-	-	-	-	-	197	-	-	197	(150)	47
Net income/(loss) recognized directly in equity	-	-	-	-	-	-	197	-	-	222	(150)	72
Transfers (net of any related tax):												
Gain transferred to income statement on sale 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	-	-	-	-	-	-	-	-	32,205	32,205	239	32,444
Total recognized income and expense	-	-	-	-	-	-	(439)	(5)	32,214	31,791	89	31,880
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	-	-	-	-	-	-	-	-	(2,450)	(2,450)	-	(2,450)
Dividend of subsidiaries	-	-	-	-	-	-	-	-	-	-	(150)	(150)
30 September 2007 (unaudited)	49,811	2,474	13,198	2,001	(42)	-	(181)	301	84,378	151,940	1,001	152,941

*These amounts are included in Retained earnings and other reserves in the condensed interim consolidated balance sheet

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

10 November 2008
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 November 2008
Almaty, Kazakhstan

The accompanying notes on pages 9 to 38 are an integral part of this interim financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 (UNAUDITED)

(Millions of Kazakhstani tenge)

	Notes	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income tax expense		24,012	42,757
Adjustments for:			
Impairment charge	17	30,168	13,481
Provisions/(recoveries of provisions)	17	6,072	(1,723)
Depreciation and amortization expenses	26	3,599	2,408
Loss from disposal of property and equipment and other assets		125	4
Insurance claims incurred, net of reinsurance		4,414	1,555
Change in unearned insurance premiums reserve, net	12	1,250	(624)
Net loss/(gain) from financial assets and liabilities at fair value through profit and loss	23	6,819	(3,220)
Other		(238)	(614)
Unrealized foreign exchange loss/(gain)		1,476	(1,510)
Cash flows from operating activities before changes in net operating assets		77,697	52,514
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(900)	(25,708)
Financial assets at fair value through profit or loss		11,197	8,203
Amounts due from credit institutions		(31,309)	(1,310)
Loans to customers		(142,962)	(321,872)
Insurance assets		(5,874)	(40)
Other assets		(7,446)	(4,565)
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		1,190	-
Amounts due to customers		169,184	169,234
Amounts due to credit institutions		(23,091)	103,448
Insurance liabilities		1,121	361
Other liabilities		(1,865)	6,533
Net cash inflow/(outflow) from operating activities before income taxes		46,942	(13,202)
Income tax paid		(4,870)	(10,198)
Net cash inflow/(outflow) from operating activities		42,072	(23,400)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(13,977)	(17,205)
Proceeds on sale of property and equipment		145	932
Proceeds on sale of available-for-sale investment securities		82,499	1,512
Purchase of available-for-sale investment securities		(128,746)	(22,644)
Net cash outflow from investing activities		(60,079)	(37,405)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 (UNAUDITED)
(millions of kazakhstani tenge)

	Notes	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on common shares issued		3	4,834
Dividends paid		(4,494)	(4,179)
Purchase of treasury shares		(5)	(221)
Proceeds on debt securities issued		60,160	105,440
Redemption of debt securities issued		(1,301)	-
Net cash inflow from financing activities		54,363	105,874
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		355	(124)
Net change in cash and cash equivalents		36,711	44,945
CASH AND CASH EQUIVALENTS, beginning of the period		255,245	127,799
CASH AND CASH EQUIVALENTS, end of the period	5	291,956	172,744
SUPPLEMENTARY INFORMATION:			
Interest received		123,843	77,389
Interest paid		61,603	33,564

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

10 November 2008
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 November 2008
Almaty, Kazakhstan

The accompanying notes on pages 9 to 38 are an integral part of this interim financial information.

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, Mongolia and Georgia, and pension asset management and insurance services in Kazakhstan. The Bank was incorporated in 1995 and is domiciled in Kazakhstan. The Bank operates under a general license for banking operations, operations with securities and custody services 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 government’s agent in channeling 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. The Group’s controlling shareholder JSC Holding Group Almex (“Almex”), sold 17.69% of its share in the Group’s equity through the GDR issuance, and obtained the proceeds from this issuance.

As of 30 September 2008, the Bank was controlled by Almex via its 62.09% share in the Bank’s equity (31 December 2007 − 62.08%). The Group is ultimately controlled by Timur Kulibayev and Dinara Kulibayeva.

As at 30 September 2008 the Bank operated through its head office in Almaty and its 22 regional branches, 125 sub-regional offices and 489 cash settlement units (as at 31 December 2007 - 22, 127 and 473, respectively) located throughout Kazakhstan. The address of the Bank’s registered office is: 97 Rozybakiyev Street, Almaty, 050046, Kazakhstan.

The interim financial information of the Group was authorized for issue by the Management Board of the Bank on 10 November 2008.

2. BASIS OF PREPARATION

Accounting basis

The interim financial information of the Group has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”). The 31 December 2007 consolidated balance sheet was derived from the audited consolidated financial statements, but does not include all of the disclosures required by International Financial Reporting Standards (“IFRS”). However, the Group believes that the disclosures are adequate to make the interim 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 interim 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 2007.

This interim financial information is presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), unless otherwise indicated. The interim 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.

Consolidated Subsidiaries

The interim financial information includes the following subsidiaries:

Subsidiary	Holding, % 30 September 2008	Holding, % 31 December 2007	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 NBK Bank	100	100	Russia	Banking
LLP Halyk Dornod	100	100	Mongolia	Banking
LLP Halyk Astana Dornod	100	100	Mongolia	Broker and dealer activities
JSC Halyk Bank Georgia	100	-	Georgia	Banking
JSC Kazakhinstrakh	97	98	Kazakhstan	Insurance
JSC Accumulated Pension fund of Halyk Bank	85	85	Kazakhstan	Pension assets accumulation and management

During 2007, the Group established two subsidiaries in Mongolia: LLP Halyk Dornod and LLP Halyk Astana Dornod. Share capital of LLP Halyk Dornod and LLP Halyk Astana Dornod is equal to KZT 1.2 million and KZT 102.7 million, respectively. As at 30 September 2008 registered activities of LLP Halyk Dornod include only external and internal trading. LLP Halyk Dornod was registered in accordance with Mongolian law with the purpose of obtaining a license for provision of banking services. LLP Halyk Astana Dornod was registered in accordance with Mongolian law with the purpose of obtaining a license to provide non-banking financial services. On 28 February 2008 LLP Halyk Astana Dornod obtained license to provide non-banking financial services issued by Mongolian financial regulation commission.

In January 2008, the Group established a subsidiary in Georgia - JSC Halyk Bank Georgia. Share capital of JSC Halyk Bank Georgia is equal to KZT 2.5 billion. On 29 January 2008 JSC Halyk Bank Georgia obtained license for providing banking activities issued by National Bank of Georgia.

Associates

The following associate is accounted for under the equity method:

Associate	Holding, %	Country	Activity	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 30 September 2008 and for the nine-month period then ended								
JSC Processing Center	25.14	Kazakhstan	Processing	(24)	527	6	521	48
As at 31 December 2007 and for the year then ended								
JSC Processing Center	25.14	Kazakhstan	Processing	(31)	606	15	591	45

Investments in associates are classified within other assets.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim 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 2007.

The Group has not applied the following IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that have been issued but are not yet effective:

- IFRS 8 "Operating Segments" - On 30 November 2006, the International Accounting Standards Board (the "IASB") issued IFRS 8 which requires segmental analysis reported by an entity to be based on information used by management. IFRS 8 is effective for annual periods beginning on or after 1 January 2009.

- Amendment to IAS 1 "Presentation of Financial Statements" – On 6 September 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The Group does not expect the adoption of the amendment to IAS 1 to have an impact on the consolidation financial statements. The amendment to IAS 1 is effective for annual periods beginning on or after 1 January 2009.

- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" - On 30 November 2006 IFRIC issued IFRIC 11 which requires that treasury share transactions are treated as equity-settled, and share-based payments involving equity instruments of the parent should be treated as cash-settled. The Group does not expect the adoption of IFRIC 11 to have a material impact on the Group's profit or loss or financial position. IFRIC 11 is effective for annual periods beginning on or after 1 March 2007.

- IFRS 3 "Business Combinations" – The IASB published IFRS 3 and related revisions to IAS 27 "Consolidated and Separate Financial Statements" following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. They are effective for accounting annual periods beginning on or after 1 July 2009 but may be adopted together for accounting periods beginning on or after 1 January 2007.

- Amendments to IAS 32 "Financial instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – on 14 February 2008 the IASB issued amendments to IAS 32 and IAS 1 titled "Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments provide for equity treatment, under certain circumstances, for financial instruments puttable at fair value and obligations arising on liquidation only. They are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect the adoption of the amendments to IAS 32 and IAS 1 to have a material impact on the Group's profit or loss or financial position.

- Amendments to IAS 39, "Financial Instruments: Recognition and Measurement", and IFRS 7, "Financial Instruments: Disclosures", titled "Reclassification of Financial Assets" – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available for sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and in certain circumstances can be applied retrospectively from 1 July 2008. The Group has elected not to apply the amendments to IAS 39 and IFRS 7 retrospectively.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's interim financial information requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the consolidated financial information and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgments 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 balance sheet.

The Group uses management's judgment 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 behavior, 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 judgment 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 interim 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 September 2008 is KZT 85,605 million (as at 31 December 2007: KZT 56,697 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 periods proceeding the period of review.

As at 30 September 2008 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 incurred but not reported reserves ("IBNR") claims at the balance sheet date. For certain lines of business, IBNR claims form the majority of the balance sheet claims provision. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident 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 interim 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 judgment; 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 2008 (unaudited)	31 December 2007
Cash on hand	14,104	2,918
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with the Organization for Economic Co-operation and development countries based banks (the "OECD")	3,226	3,101
Correspondent accounts with non-OECD based banks	1,852	2,972
Overnight deposits with OECD based banks	115,939	41,278
Short-term deposits with OECD based banks	119,912	197,654
Short-term deposits with Kazakhstan banks	6,882	7,322
Deposits pledged as collateral for derivative instrument transaction	30,041	-
	291,956	255,245

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

	30 September 2008 (unaudited)		31 December 2007	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	3.0-9.0%	-	2.3-2.7%
Short-term deposits with OECD based banks	-	3.0-4.5%	-	3.8-10.0%
Short-term deposits with Kazakhstan banks	5.0-11.0%	-	3.0-11.0%	-
Deposit pledged as a collateral for derivative instrument transaction	-	2.8-2.9%	-	-

Fair value of assets pledged and carrying amount 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 September 2008 and 31 December 2007 are presented as follows:

	30 September 2008 (unaudited)		31 December 2007	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	6,372	6,288	2,001	2,247
National Bank of Kazakhstan ("NBK") notes	-	-	5,181	5,431
Equity securities of Kazakhstan corporations	-	-	100	113
	6,372	6,288	7,282	7,791

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 September 2008 (unaudited)	31 December 2007
Recorded as loans and receivables in accordance with IAS 39:		
Due from NBK allocated to obligatory reserves	72,828	59,376
Cash on hand allocated to obligatory reserves	14,019	27,892
	86,847	87,268

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 September 2008 (unaudited)	31 December 2007
Financial assets held for trading:		
Corporate bonds	9,539	287
Treasury bills of the Ministry of Finance of Kazakhstan	6,524	32,161
Securities of foreign countries and organizations	4,712	6,225
Derivative financial instruments	3,063	3,477
Bonds of the Development Bank of Kazakhstan	1,762	1,964
Equity securities of Kazakhstan corporations	1,653	90
Equity securities of Kazakhstan banks	1,550	1,682
Mutual investment funds shares	764	1,245
Bonds of Kazakhstan banks	501	942
	30,068	48,073
Subject to repurchase agreements	-	2,976

Financial liabilities at fair value through profit or loss comprise:

	30 September 2008 (unaudited)	31 December 2007
Financial liabilities held for trading:		
Derivative financial instruments	4,047	2,851
	4,047	2,851

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

	30 September 2008 (unaudited)		31 December 2007	
	%	Maturity	%	Maturity
Corporate bonds	8.3-13.5%	2010-2015	8.3-14.1%	2010-2015
Treasury bills of the Ministry of Finance of Kazakhstan	5.6-6.4%	2008-2014	3.2-11.3%	2008-2014
Securities of foreign countries and organizations	8.1-8.7%	2009-2012	3.1%	2008-2012
Bonds of the Development Bank of Kazakhstan	6.2%	2026	6.2%	2026
Bonds of Kazakhstan banks	7.5-13.2%	2008-2009	7.5-13.9%	2009-2011

Derivative financial instruments comprise:

	30 September 2008 (unaudited)			31 December 2007		
	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability
Foreign currency contracts:						
Forwards	34,438	2,570	1,811	110,532	3,364	2,740
Swaps	67,049	130	1,329	1,195	-	107
Interest rate contracts:						
Swaps	1,193	49	44	1,296	113	4
Credit default contracts:						
Swaps	59,920	314	863	-	-	-
		3,063	4,047		3,477	2,851

As at 30 September 2008 and 31 December 2007, the Group used quoted market prices from independent informational 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. Therefore, the fair values are not susceptible to significant changes as a result of changes in assumptions or inputs to the model.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 September 2008 (unaudited)	31 December 2007
Recorded as loans and receivables in accordance with IAS 39:		
Deposits pledged as collateral for derivative instrument transaction	30,073	-
Term deposits	5,260	2,626
Loans to Kazakhstan credit institutions	387	790
	35,720	3,416
Less - Allowance for loan impairment (Note 17)	(16)	(18)
	35,704	3,398

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

	30 September 2008 (unaudited)		31 December 2007	
	%	Maturity	%	Maturity
Deposits pledged as collateral for derivative instrument transaction	2.8-2.9%	2008	-	-
Term deposits	2.7-12.0%	2008-2009	6.0-13.0%	2008-2009
Loans to Kazakhstan credit institutions	13.0-17.0%	2008-2015	14.0-17.3%	2008-2012

Fair value of assets pledged and carrying amount of loans under reverse repurchase agreements classified as amounts due from credit institutions as at 30 September 2008 and 31 December 2007 are presented as follows:

	30 September 2008 (unaudited)		31 December 2007	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Equity securities of Kazakhstan corporations	-	-	439	345
Bonds of Kazakhstan banks	-	-	12	13
	-	-	451	358

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 September 2008 (unaudited)	31 December 2007
NBK notes	77,556	82,318
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	65,017	6,459
Corporate bonds	9,594	14,387
Bonds of Kazakhstan banks	877	3,047
Equity securities of Kazakhstan corporations	826	1,381
Treasury bills of the Kyrgyz Republic	216	101
Local municipal bonds	-	80
Equity securities of foreign corporations	-	66
	154,086	107,839
Subject to repurchase agreements	4,420	51,669

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

	30 September 2008 (unaudited)		31 December 2007	
	%	**Maturity**	**%**	**Maturity**
NBK notes	6.0-7.5%	2008-2009	5.5-9.5%	2008
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	2.0-19.7%	2008-2015	2.0-18.6%	2008-2014
Corporate bonds	6.3-18.6%	2008-2021	6.4-18.6%	2008-2021
Bonds of Kazakhstan banks	8.5-12.3%	2008-2016	6.4-18.3%	2008-2016
Treasury bills of the Kyrgyz Republic	9.1-20.0%	2008-2010	5.6-14.9%	2008-2009
Local municipal bonds	-	-	8.5%	2008

As at 30 September 2008 and 31 December 2007, the Group used quoted market prices from independent information sources to determine the fair value all of its available-for-sale investment securities.

10. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 September 2008 (unaudited)	31 December 2007
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,231,200	1,087,372
Overdrafts	6,762	4,300
Promissory notes	4,452	5,298
Factoring	56	-
	1,242,470	1,096,970
Less – Allowance for loan impairment (Note 17)	(85,605)	(56,697)
	1,156,865	1,040,273

As at 30 September 2008, the annual interest rates charged by the Group ranged from 9% to 23% per annum for KZT-denominated loans (as at 31 December 2007 – from 8% to 32%) and from 7% to 17% per annum for US Dollar-denominated loans (as at 31 December 2007 – from 3% to 20%).

As at 30 September 2008, the Group had a concentration of loans of KZT 168,063 million from the ten largest borrowers that comprised 15% of the Group's total gross loan portfolio (as at 31 December 2007 – KZT 161,592 million; 15%) and 87% of the Group's total equity (as at 31 December 2007 – 100%). As at 30 September 2008 an allowance for loan impairment amounting to KZT 7,506 million was made against these loans (as at 31 December 2007 – KZT 7,967 million).

Loans are made to the following sectors:

	30 September 2008 (unaudited)	%	31 December 2007	%
Retail loans:				
- consumer loans	191,201	15%	161,611	15%
- mortgage loans	160,214	13%	160,663	15%
	351,415		322,274	
Wholesale trade	231,248	19%	223,549	20%
Construction	170,694	14%	147,908	13%
Retail trade	103,140	8%	87,650	8%
Services	79,861	6%	59,921	5%
Agriculture	75,777	6%	67,112	6%
Real estate	59,876	5%	40,141	4%
Metallurgy	35,159	3%	29,913	3%
Oil and gas	26,910	2%	30,289	3%
Transportation	24,464	2%	9,679	1%
Food industry	18,691	2%	16,439	1%
Hotel industry	13,697	1%	10,122	1%
Energy	12,180	1%	6,236	1%
Consumer goods and automobile trading	8,471	1%	9,683	1%
Machinery	5,278	-	7,296	1%
Mining	3,960	-	9,343	1%
Communication	1,758	-	1,323	-
Research and development	212	-	505	-
Other	19,679	2%	17,587	1%
	1,242,470	100%	1,096,970	100%

As at 30 September 2008 the amount of accrued interest on impaired loans comprised KZT 45,494 million (as at 31 December 2007 – KZT 31,878 million).

11. PROPERTY AND EQUIPMENT

The movements in property and equipment are presented as follows:

	Buildings and constructions	Vehicles	Computers and banking equipment	Other	Total
At revaluated cost:					
31 December 2007	9,644	1,358	11,905	9,181	32,088
Additions	2,652	224	5,090	3,737	11,703
Disposals	(42)	(72)	(1,252)	(1,260)	(2,626)
Transfers	(5)	-	(65)	70	-
Revaluation	24,933	-	-	-	24,933
Impairment	(428)	-	-	-	(428)
Translation differences	4	(1)	-	(1)	2
30 September 2008 (unaudited)	36,758	1,509	15,678	11,727	65,672
Accumulated depreciation:					
31 December 2007	1,386	519	4,716	2,701	9,322
Charge	210	194	1,733	811	2,948
Disposals	(2)	(39)	(1,131)	(453)	(1,625)
Transfers	(2)	-	(34)	36	-
Write-off at revaluation	(1,340)	-	-	-	(1,340)
Translation differences	1	(1)	1	-	1
30 September 2008 (unaudited)	253	673	5,285	3,095	9,306
Net book value:					
30 September 2008 (unaudited)	36,505	836	10,393	8,632	56,366
31 December 2007	8,258	839	7,189	6,480	22,766

	Buildings and constructions	Vehicles	Computers and banking equipment	Other	Total
At revaluated cost:					
31 December 2006	7,439	1,132	8,448	6,560	23,579
Additions	1,143	262	2,328	1,502	5,235
Disposals	(47)	(84)	(357)	(433)	(921)
Transfers	-	-	(4,815)	4,815	-
30 September 2007 (unaudited)	8,535	1,310	5,604	12,444	27,893
Accumulated depreciation:					
31 December 2006	895	326	3,989	1,957	7,167
Charge	387	163	565	992	2,107
Disposals	(6)	(26)	(267)	(151)	(450)
Transfers	-	-	1,421	(1,421)	-
30 September 2007 (unaudited)	1,276	463	5,708	1,377	8,824
Net book value:					
30 September 2007 (unaudited)	7,259	847	(104)	11,067	19,069
31 December 2006	6,544	806	4,459	4,603	16,412

During the reporting period the Group has revalued its property and equipment as of 6 May 2008. The revaluation procedures were performed by an independent appraiser “Motornoe Bureau” LLP. The independent appraiser used three approaches to identify fair value of the property and equipment: profitable approach along with method of capitalization, comparative approach with application of market information, and cost approach.

The profitable approach along with method of capitalization and comparative approach with application of market information were used to identify the fair value of buildings and constructions in terms of active market for items that were subjects for revaluation. The cost approach was used when there was no active market for items that were subjects for revaluation. The total amount of fair value of buildings and constructions is KZT 31,515 million. The carrying amount of property and equipment that would have been recognized had the assets been carried under the cost model is KZT 11,825 million.

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 September 2008 (unaudited)	31 December 2007
Reinsurance premium unearned	3,441	1,934
Reinsurance amounts recoverable	190	140
	3,631	2,074
Premiums receivable	4,021	1,664
Deferred costs	858	148
	8,510	3,886

Insurance liabilities comprised the following:

	30 September 2008 (unaudited)	31 December 2007
Gross unearned insurance premium reserve	8,022	5,265
Reserves for insurance claims	1,328	805
	9,350	6,070
Payables to reinsurers and agents	3,574	1,319
	12,924	7,389

13. OTHER ASSETS

	30 September 2008 (unaudited)	31 December 2007
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Other debtors on banking activities	3,009	2,159
Other debtors on non-banking activities	1,699	1,147
Accrued other commission income	1,140	1,037
Accrued commission for managing pension assets	190	171
Other	833	657
	6,871	5,171
Less – Allowance for impairment (Note 17)	(740)	(504)
	6,131	4,667
Other non financial assets:		
Prepayments for property and equipment	13,427	12,412
Corporate income tax prepaid	3,914	-
Inventory	2,352	871
Deferred tax assets (Note 18)	1,832	220
Investments in associates	282	262
Other	1,664	789
	29,602	19,221

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 September 2008 (unaudited)	31 December 2007
Recorded at amortized cost:		
Term deposits:		
Legal entities	454,801	381,139
Individuals	278,753	282,520
	733,554	663,659
Current accounts:		
Legal entities	299,647	196,618
Individuals	74,027	75,152
	373,674	271,770
Restricted accounts	805	-
	1,108,033	935,429

As at 30 September 2008, the Group's ten largest customers accounted for approximately 42% of the total amounts due to customers (31 December 2007 – 45%).

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 September 2008 (unaudited)	%	31 December 2007	%
Oil and gas	359,698	32%	206,185	22%
Individuals and entrepreneurs	352,780	32%	357,672	38%
Wholesale trade	72,364	7%	57,105	6%
Government	69,817	6%	47,130	5%
Transportation	60,972	6%	55,690	6%
Financial sector	46,079	4%	57,573	6%
Construction	44,690	4%	41,781	5%
Energy	42,106	4%	32,552	4%
Other consumer services	19,609	2%	55,889	6%
Metallurgy	2,251	-	2,724	-
Other	37,667	3%	21,128	2%
	1,108,033	100%	935,429	100%

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 September 2008 (unaudited)	31 December 2007
Recorded at amortized cost:		
Loans and deposits from OECD based banks	197,531	176,480
Loans and deposits from Kazakhstan banks	25,683	66,889
Correspondent accounts	1,625	1,286
Overnight deposits	240	-
Loans from other financial institutions	169	-
Loans and deposits from non-OECD based banks	-	2,797
	225,248	247,452

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

	30 September 2008 (unaudited)		31 December 2007	
	%	Maturity	%	Maturity
Loans and deposits from OECD based banks	2.3-8.4%	2008-2009	3.0-8.4%	2008-2015
Loans and deposits from Kazakhstan banks	8.5-9.0%	2008-2009	6.5-6.6%	2008
Overnight deposits	1.5%	2008	-	-
Loans from other financial institutions	5.3-7.1%	2009	-	-
Loans and deposits from non-OECD based banks	-	-	6.2-6.7%	2008-2009

Fair value of assets pledged and carrying amount of loans under repurchase agreements as at 30 September 2008 and 31 December 2007 are presented as follows:

	30 September 2008 (unaudited)		31 December 2007	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
NBK notes	4,200	4,420	51,672	49,151
Treasury bills of the Ministry of Finance of Kazakhstan	-	-	2,973	2,680
	4,200	4,420	54,645	51,831

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, 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 at 30 September 2008 and 31 December 2007, 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 consisted of the following:

	30 September 2008 (unaudited)	31 December 2007
Recorded at amortized cost:		
Subordinated debt securities issued:		
Inflation indexed KZT denominated bonds	19,928	19,221
Fixed rate KZT denominated bonds	11,270	11,229
Reverse inflation indexed KZT denominated bonds	8,464	8,381
Total subordinated debt securities outstanding	39,662	38,831
Unsubordinated debt securities issued:		
USD denominated bonds	208,008	145,017
KZT denominated bonds	39,436	41,038
Total unsubordinated debt securities outstanding	247,444	186,055
Total debt securities outstanding	287,106	224,886

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

	30 September 2008 (unaudited)		31 December 2007	
Subordinated debt securities issued:	**%**	**Maturity**	**%**	**Maturity**
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015
	inflation rate plus 2%	2010-2017	inflation rate plus 2%	2010-2017
Fixed rate KZT denominated bonds	7.5-9.0%	2009-2015	7.5-9.0%	2009-2015
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%	2009-2017	7.3-8.1%	2009-2017
KZT denominated bonds	7.1-7.8%	2009	7.1-7.8%	2008-2009

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. 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, lending exposures, 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. In addition, 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 2008 and 31 December 2007, the Group was in compliance with the other covenants of the agreements the Group has with the notes' trustee and holders.

17. ALLOWANCES FOR IMPAIRMENT AND OTHER PROVISIONS

Provisions consisted of the following:

	30 September 2008 (unaudited)	31 December 2007
Provision for accrued losses from management of pension assets	4,654	-
Provision for issued guarantees	2,461	1,045
Provision for letter of credits	774	840
Provision for unused credit lines	57	-
	7,946	1,885

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

	Loans to customers	Amounts due from credit institutions	Other assets	Total
30 June 2007 (unaudited)	(40,413)	(13)	(747)	(41,173)
Additional provisions recognized	(7,062)	(5)	(245)	(7,312)
Write-offs	1	-	3	4
Revaluation	(171)	(2)	341	168
30 September 2007 (unaudited)	(47,645)	(20)	(648)	(48,313)
30 June 2008 (unaudited)	(71,340)	(20)	(470)	(71,830)
(Additional provisions recognized)/recovery of provision	(14,824)	4	(389)	(15,209)
Write-offs	1	-	5	6
Revaluation	558	-	113	671
30 September 2008 (unaudited)	(85,605)	(16)	(741)	(86,362)
31 December 2006	(33,654)	(6)	(218)	(33,878)
Additional provisions recognized	(13,018)	(12)	(451)	(13,481)
Write-offs	7	-	21	28
Revaluation	(980)	(2)	-	(982)
30 September 2007 (unaudited)	(47,645)	(20)	(648)	(48,313)
31 December 2007	(56,697)	(18)	(504)	(57,219)
(Additional provisions recognized)/recoveries of provision	(29,170)	2	(1,000)	(30,168)
Write-offs	2	-	810	812
Revaluation	260	-	(47)	213
30 September 2008 (unaudited)	(85,605)	(16)	(741)	(86,362)

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

The movements in provisions against guarantees issued, letters of credit and accrued losses from management of pension assets were as follows:

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
At the beginning of the period	(3,609)	(1,911)	(1,885)	(3,021)
Recovery of provision	3,265	1,901	8,000	7,748
Additional provisions recognized	(3,003)	(1,285)	(9,418)	(6,025)
Provision recognized for accrued losses from management of pension assets	(4,654)	-	(4,654)	-
Revaluation	55	11	11	14
At the end of the period	(7,946)	(1,284)	(7,946)	(1,284)

18. TAXATION

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

The income tax expense comprises:

	Three months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2007 (Unaudited)	Nine months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)
Current tax charge	853	3,975	5,420	10,198
Deferred tax (benefit)/charge	(23)	(1,383)	852	115
Income tax expense	830	2,592	6,272	10,313

Kazakhstan legal entities must file individual tax declarations. The tax rate for banks for income other than on state and other qualifying securities was 30% during nine months ended 30 September 2008 and 2007. The tax rate for companies other than banks was also 30% during nine months ended 30 September 2008 and 2007, except insurance companies which were taxed at 4%. Income on state and other qualifying securities is tax exempt.

Deferred tax assets and liabilities comprise:

	30 September 2008 (unaudited)	31 December 2007
Tax effect of deductible temporary differences:		
Provision for losses from pension assets management	1,396	-
Fair value of derivatives	1,214	-
Bonuses accrued	422	1,262
Insurance premium reserves	288	129
Vacation pay accrual	276	212
Deferred tax asset	3,596	1,603
Tax effect of taxable temporary differences:		
Property and equipment, accrued depreciation	(9,600)	(1,342)
Loans to customers, allowance for impairment losses	(5,219)	(3,431)
Fair value of derivatives	(919)	(185)
Provisions, different rates	(235)	(322)
Provision for contingent liabilities	(34)	-
Deferred tax liability	(16,007)	(5,280)
Net deferred tax asset (Note 14)	1,832	220
Net deferred tax liability	(14,243)	(3,897)

	Nine months ended 30 September 2008 (unaudited)	Year ended 31 December 2007
Net deferred tax liability at the beginning of the period	3,677	2,530
Debited directly to equity at the date of property and equipment revaluation	7,882	-
Deferred tax charge	852	1,147
Net deferred tax liability at the end of the period	12,411	3,677

Kazakhstan and other countries where the Group operates currently has 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, penalties and interest charges. 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 issues requiring intepretation.

19. OTHER LIABILITIES

	30 September 2008 (unaudited)	31 December 2007
Other financial liabilities:		
Other creditors on non-banking activities	652	1,101
Other creditors on bank activities	496	95
Payable for general and administrative expenses	296	155
Other	287	175
	1,731	1,526
Other non financial liabilities:		
Salary payable	2,791	5,653
Other prepayments received	982	1,015
Taxes payable other than income tax	945	1,111
Current income tax payable	-	956
	4,718	8,735
	6,449	10,261

20. COMMITMENTS AND CONTINGENCIES

Financial Commitments and Contingencies – The Group's financial commitments and contingencies comprised the following:

	30 September 2008 (unaudited)	31 December 2007
Guarantees issued	54,937	34,888
Commitments to extend credit	41,058	37,746
Commercial letters of credit	18,578	18,825
Financial commitments and contingencies	114,573	91,459
Less: cash collateral against letters of credit	(805)	(443)
Less: provisions (Note 17)	(3,292)	(1,885)
Financial commitments and contingencies, net	110,476	89,131

Guarantees issued included above represent financial guarantees where payment is not probable as at the respective balance sheet date, and therefore have not been recorded in the condensed interim consolidated balance sheet. As at 30 September 2008, the ten largest guarantees accounted for 72% of the Group's total financial guarantees (as at 31 December 2007 – 54%) and represented 15% of the Group's total equity (as at 31 December 2007 – 13%).

As at 30 September 2008, the ten largest letters of credit accounted for 73% of the Group's total commercial letters of credit (as at 31 December 2007 – 31%) and represented 5% of the Group's total equity (as at 31 December 2007 – 7%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include bank deposits, 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 September 2008 is KZT 398,175 million (31 December 2007 – KZT 354,005 million).

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 these interim 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 interim 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.

Specific volatility in global and Kazakhstani financial markets – In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in the Republic of Kazakhstan, notwithstanding any potential economic stabilization measures that may be put into place by the Government of the Republic of Kazakhstan, there exists economic uncertainties surrounding the continual availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be recovered at their carrying amount in the regular course of business, and a corresponding impact on the Group's profitability.

Recoverability of financial assets – As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at balance sheet date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

As at 30 September 2008, the Group has financial assets amounting to KZT 1,761,657 million (as at 31 December 2007: KZT 1,546,763 million). The recoverability of these financial assets depends on a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the Group's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Group's financial assets is determined based on conditions prevailing and information available as at balance sheet date. It is the management's opinion that no additional provision on financial assets is needed at present, based on prevailing conditions and available information.

21. NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on impaired assets	49,572	31,038	133,281	79,392
- interest income on unimpaired assets	72	1,038	1,162	3,116
Interest income on available-for-sale investment securities	2,603	1,800	6,709	4,979
Interest income on financial assets at fair value through profit or loss	549	605	1,247	1,844
Total interest income	52,796	34,481	142,399	89,331
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	46,974	30,863	127,342	78,598
Interest income on amounts due from credit institutions and cash and cash equivalents	2,670	1,213	7,101	3,910
Total interest income on financial assets recorded at amortized cost	49,644	32,076	134,443	82,508
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	549	605	1,247	1,844
Total interest income on financial assets at fair value through profit or loss	549	605	1,247	1,844
Interest income on available-for-sale investment securities	2,603	1,800	6,709	4,979
Total interest income	52,796	34,481	142,399	89,331
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(25,517)	(15,519)	(75,475)	(39,706)
Total interest expense	(25,517)	(15,519)	(75,475)	(39,706)
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on amounts due to customers	(16,828)	(7,990)	(50,887)	(21,532)
Interest expense on debt securities issued	(5,868)	(4,338)	(15,746)	(11,444)
Interest expense on amounts due to credit institutions	(2,821)	(3,191)	(8,842)	(6,730)
Total interest expense on financial liabilities recorded at amortized cost	(25,517)	(15,519)	(75,475)	(39,706)
Net interest income before impairment charge	27,279	18,962	66,924	49,625

22. FEE AND COMMISSION INCOME

Fee and commission income was derived from the following sources:

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
Bank transfers	2,181	1,275	6,573	4,912
Maintenance of customer accounts	1,038	1,302	1,820	1,699
Cash operations	949	304	2,658	2,731
Letters of credit and guarantees issued	590	325	1,466	1,046
Customers’ pension payments	451	304	1,231	978
Plastic cards maintenance	364	39	1,642	488
Utilities payments	206	57	352	178
Foreign currency operations	2	132	52	147
Pension fund and asset management	-	868	3,982	3,845
Other	260	315	654	1,318
	6,041	4,921	20,430	17,342

23. NET (LOSSES) / GAINS FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net (losses) / gains from financial assets and liabilities at fair value through profit or loss comprise:

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
Net (losses) / gains on operations with financial assets and liabilities classified as held for trading:				
Net fair value adjustment	(3,273)	4,814	(4,072)	4,934
Loss on trading operations	(995)	(1,526)	(2,747)	(1,714)
	(4,268)	3,288	(6,819)	3,220

24. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 30 September 2008 (Unaudited)	Three months ended 30 September 2007 (Unaudited)	Nine months ended 30 September 2008 (Unaudited)	Nine months ended 30 September 2007 (Unaudited)
Dealing, net	1,918	(2,741)	5,120	4,707
Translation differences, net	2,684	3,518	2,658	848
	4,602	777	7,778	5,555

25. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
Insurance premiums written, gross	3,580	3,946	13,480	9,507
Change in unearned insurance premiums, net	(74)	(129)	(1,250)	(607)
Ceded reinsurance share	(1,471)	(2,094)	(5,512)	(4,678)
	2,035	1,723	6,718	4,222

26. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
Salaries and other employee benefits	4,805	4,000	15,166	12,797
Depreciation and amortization expenses	1,348	868	3,599	2,408
Repair and maintenance	473	473	1,220	788
Taxes other than income tax	629	399	1,525	1,214
Rent	477	362	1,396	898
Deposit insurance	359	199	1,182	1,125
Communication	347	330	1,015	744
Advertisement	333	284	865	672
Security	278	202	789	586
Business trip expenses	155	192	488	482
Professional services	150	67	418	349
Information services	129	153	306	352
Transportation	118	91	316	254
Stationery and office supplies	27	307	133	426
Social events	17	24	56	65
Charity	9	11	76	41
Other	1,059	732	2,562	1,456
	10,713	8,694	31,112	24,657

27. 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.

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 ordinary 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 as previously reported:

	Three months ended 30 September 2008 (unaudited)	Three months ended 30 September 2007 (unaudited)	Nine months ended 30 September 2008 (unaudited)	Nine months ended 30 September 2007 (unaudited)
Basic earnings per share				
Net profit for the year attributable to equity holders of the parent	2,924	10,942	18,097	32,205
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	(282)	(1,058)	(70)	(1,541)
Less: Dividends paid on preference shares	-	-	(1,679)	(1,579)
Net profit for the year attributable to preferred shareholders	(282)	(1,058)	(1,749)	(3,120)
Earnings attributable to common shareholders	2,642	9,884	16,348	29,085
Weighted average number of common shares for the purposes of basic earnings per share	979,751,954	979,875,756	979,753,213	978,075,995
Basic earnings per share (in Kazakhstani Tenge)	2.70	10.09	16.69	29.74
Diluted earnings per share				
Earnings for the period attributable to common shareholders	2,642	9,884	16,348	29,085
Add: Dividends paid on convertible preferred shares	-	-	1,284	1,207
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	216	809	54	1,107
Less: Amounts payable to convertible preferred shareholders upon conversion	(274)	(2,751)	(1,139)	(4,355)
Earnings used in the calculation of total diluted earnings per share	2,584	7,942	16,547	27,044
Weighted average number of common shares for the purposes of basic earnings per share	979,751,954	979,875,756	979,753,213	978,075,995
Shares deemed to be issued:				
Weighted average number of common shares that would be issued for the convertible preferred shares	80,175,851	80,215,187	80,174,375	80,215,187
Weighted average number of common shares for the purposes of diluted earnings per share	1,059,927,805	1,060,090,943	1,059,927,588	1,058,291,182
Diluted earnings per share (in Kazakhstani Tenge)	2.44	7.49	15.61	25.55

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

	30 September 2008 (unaudited)			31 December 2007		
	KZT	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	18,876	273,080	291,956	9,831	245,414	255,245
Obligatory reserves	24,630	62,217	86,847	30,122	57,146	87,268
Financial assets at fair value through profit or loss	12,828	17,240	30,068	37,248	10,825	48,073
Amounts due from credit institutions	5,244	30,460	35,704	3,084	314	3,398
Available-for-sale investment securities	151,886	2,200	154,086	106,886	953	107,839
Loans to customers	688,269	468,596	1,156,865	621,285	418,988	1,040,273
Other financial assets	2,826	3,305	6,131	3,208	1,459	4,667
	904,559	857,098	1,761,657	811,664	735,099	1,546,763
FINANCIAL LIABILITIES:						
Amounts due to customers	639,815	468,218	1,108,033	548,136	387,293	935,429
Amounts due to credit institutions	20,381	204,867	225,248	79,989	167,463	247,452
Financial liabilities at fair value through profit or loss	-	4,047	4,047	-	2,851	2,851
Debt securities issued	78,945	208,161	287,106	79,863	145,023	224,886
Other financial liabilities	1,414	317	1,731	267	1,259	1,526
	740,555	885,610	1,626,165	708,255	703,889	1,412,144
Net balance sheet position	164,004	(28,512)	135,492	103,409	31,210	134,619

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 Group'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 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 balance sheet date to the contractual maturity date, except for financial assets and liabilities 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 September 2008 (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	18,568	242,854	30,534	-	-	-	291,956
Obligatory reserves	29,105	8,180	24,378	12,253	10,992	1,939	86,847
Financial assets at fair value through profit or loss	30,068	-	-	-	-	-	30,068
Amounts due from credit institutions	8	18	2,025	33,088	305	260	35,704
Available-for-sale investment securities	1,400	30,729	2,326	78,020	24,217	17,394	154,086
Loans to customers	5,337	53,920	98,561	479,971	331,886	187,190	1,156,865
Other financial assets	216	4,231	79	744	38	823	6,131
	84,702	339,932	157,903	604,076	367,438	207,606	1,761,657
FINANCIAL LIABILITIES:							
Amounts due to customers	371,337	104,366	311,030	156,328	140,238	24,734	1,108,033
Amounts due to credit institutions	2,011	8,067	31,981	72,115	12,935	98,139	225,248
Financial liabilities at fair value through profit or loss	4,047	-	-	-	-	-	4,047
Debt securities issued	58	2,260	561	42,845	208,291	33,091	287,106
Other financial liabilities	459	313	74	106	718	61	1,731
	377,912	115,006	343,646	271,394	362,182	156,025	1,626,165
Net position	(293,210)	224,926	(185,743)	332,682	5,256	51,581	
Accumulated gap	(293,210)	(68,284)	(254,027)	78,655	83,911	135,492	

31 December 2007

	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	8,501	246,464	280	-	-	-	255,245
Obligatory reserves	24,099	15,353	10,540	25,708	7,471	4,097	87,268
Financial assets at fair value through profit or loss	48,073	-	-	-	-	-	48,073
Amounts due from credit institutions	-	193	127	2,460	590	28	3,398
Available-for-sale investment securities	2,045	35,350	332	56,493	4,694	8,925	107,839
Loans to customers	9,384	6,024	78,632	485,795	303,862	156,576	1,040,273
Other financial assets	833	1,675	132	1,578	184	265	4,667
	92,935	305,059	90,043	572,034	316,801	169,891	1,546,763
FINANCIAL LIABILITIES:							
Amounts due to customers	258,322	164,571	112,974	275,565	80,078	43,919	935,429
Amounts due to credit institutions	1,836	71,323	11,656	28,393	113,640	20,604	247,452
Financial liabilities at fair value through profit or loss	2,851	-	-	-	-	-	2,851
Debt securities issued	126	-	2,418	913	156,286	65,143	224,886
Other financial liabilities	85	654	724	15	48	-	1,526
	263,220	236,548	127,772	304,886	350,052	129,666	1,412,144
Net position	(170,285)	68,511	(37,729)	267,148	(33,251)	40,225	
Accumulated gap	(170,285)	(101,774)	(139,503)	127,645	94,394	134,619	

29. 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 organized on a 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 the nine-month periods ended 30 September 2008 and 2007.

Segment information for the main reportable business segments of the Group for the nine months ended 30 September 2008 and 2007 is set out below:

	Retail Banking	Corporate banking	Other	Total
Nine months ended 30 September 2008 (unaudited)				
External revenues	72,058	98,525	1,812	172,395
Total revenues	72,058	98,525	1,812	172,395
Total revenues comprise:				
- Interest income	55,478	86,921	-	142,399
- Net losses from financial assets and liabilities at fair value through profit or loss	-	-	(6,819)	(6,819)
- Net gain from available-for-sale investment securities	-	-	264	264
- Share of loss of associates	-	(24)	-	(24)
- Net gains on foreign exchange operations	4,456	3,322	-	7,778
- Fee and commission income	12,124	8,306	-	20,430
- Insurance underwriting income and other income	-	-	8,367	8,367
Total revenues	72,058	98,525	1,812	172,395
- Interest expense on amounts due to customers	(20,631)	(30,256)	-	(50,887)
- Impairment charge	(2,052)	(28,116)	-	(30,168)
- Fee and commission expense	(422)	(720)	-	(1,142)
- Salaries and other employee benefits	(2,850)	(12,316)	-	(15,166)
- Deposit insurance and advertisement expenses	(2,047)	-	-	(2,047)
- Provisions	(4,834)	(1,238)	-	(6,072)
Segment result	39,222	25,879	1,812	66,913
Total unallocated costs				(42,901)
Income before income tax expense				24,012
Income tax expense				(6,272)
Net income				17,740
Total segment assets	360,997	1,123,810	184,154	1,668,961
Unallocated assets				189,763
Total assets				1,858,724
Total segment liabilities	(352,780)	(755,253)	(7,946)	(1,115,979)
Unallocated liabilities				(550,017)
Total liabilities				(1,665,996)
Other segment items:				
Capital expenditure (unallocated)				(11,704)
Depreciation and amortization expense (unallocated)				(3,599)

Nine months ended 30 September 2007 (unaudited)	Retail Banking	Corporate banking	Other	Total
External revenues	40,009	72,197	9,265	121,471
Total revenues	40,009	72,197	9,265	121,471
Total revenues comprise:				
- Interest income	28,419	60,912	-	89,331
- Net gains from financial assets and liabilities at fair value through profit or loss	-	-	3,220	3,220
- Net gains from available-for-sale investment securities	-	-	636	636
- Share of loss of associates	-	(22)	-	(22)
- Net gains on foreign exchange operations	667	4,888	-	5,555
- Fee and commission income	10,923	6,419	-	17,342
- Insurance underwriting income and other income	-	-	5,409	5,409
Total revenues	40,009	72,197	9,265	121,471
- Interest expense on amounts due to customers	(11,239)	(10,293)	-	(21,532)
- Impairment charge	(4,535)	(8,946)	-	(13,481)
- Fee and commission expense	(362)	(676)	-	(1,038)
- Salaries and other employee benefits	(2,973)	(9,824)	-	(12,797)
- Deposit insurance and advertisement expenses	(1,797)	-	-	(1,797)
- Recoveries of provisions	415	1,308	-	1,723
Segment result	19,518	43,766	9,265	72,549
Total unallocated costs				(29,792)
Income before income tax expense				42,757
Income tax expense				(10,313)
Net income				32,444
Total segment assets	347,527	733,551	192,550	1,273,628
Unallocated assets				134,370
Total assets				1,407,998
Total segment liabilities	(358,463)	(409,990)	-	(768,453)
Unallocated liabilities				(486,604)
Total liabilities				(1,255,057)
Other segment items:				
Capital expenditure (unallocated)				(5,192)
Depreciation and amortization expense (unallocated)				(2,408)

Some of the assets and liabilities that cannot be allocated to a particular segment are included in unallocated assets and liabilities. 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.

Geographical segments – Segment information for the main geographical segments of the Group is set out below for the nine-month periods ended 30 September 2008 and 2007 and for the periods then ended.

	Kazakhstan	OECD	Non-OECD	Total
30 September 2008 (unaudited)				
Total segment assets	1,612,867	239,077	6,780	1,858,724
31 December 2007				
Total segment assets	1,343,705	242,031	9,339	1,595,075
Nine months ended 30 September 2008 (unaudited)				
External revenues	164,872	7,315	208	172,395
Capital expenditure	(11,673)	-	-	(11,673)
Nine months ended 30 September 2007 (unaudited)				
External revenues	117,457	3,748	266	121,471
Capital expenditure	(5,193)	-	-	(5,193)

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.

30. 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 transactions outstanding as at 30 September 2008 and 31 December 2007 with related parties:

	30 September 2008 (unaudited)		31 December 2007	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for loan impairment	4,600	1,242,470	133	1,096,970
- key management personnel of the entity or its parent	50		43	
- other related parties	4,550		90	
Amounts due to customers	22,237	1,108,033	3,735	935,429
- the parent	20,079		2,673	
- key management personnel of the entity or its parent	1,112		406	
- other related parties	1,046		656	

Included in the condensed interim consolidated income statement for the nine-month periods ended 30 September 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	Nine months ended 30 September 2008 (unaudited)		**Nine months ended 30 September 2007 (unaudited)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	282	142,399	76	89,331
- entities with joint control or significant influence over the entity	-		74	
- key management personnel of the entity or its parent	-		1	
- other related parties	282		1	
Interest expense	332	75,475	2,650	39,706
- the parent	201		881	
- entities with joint control or significant influence over the entity	-		1,717	
- key management personnel of the entity or its parent	81		52	
- other related parties	50		-	

	For three months ended 30 September 2008 (unaudited)	**For three months ended 30 September 2007 (unaudited)**	**For nine months ended 30 September 2008 (unaudited)**	**For nine months ended 30 September 2007 (unaudited)**
Key management personnel compensation:	284	83	1,268	814
- short-term employee benefits	284	83	1,268	814