JOINT STOCK COMPANY KAZKOMMERTSBANK

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

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

The following statement, which should be read in conjunction with independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguish the respective responsibilities of management from those of the independent auditors in relation to the condensed interim consolidated financial information of Joint Stock Company Kazkommertsbank and its subsidiaries ("the Group").

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

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

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial information of the Group complies 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.

The condensed interim consolidated financial information of the Group for the six months ended 30 June 2011 was authorised for issue on 17 August 2011 by the Management Board of JSC Kazkommertsbank.

On behalf of the Management Board of the Bank:

Zhussupova N.A.	**Shoinbekova G.K.**
Chairperson of the Board	**Chief Accountant**
17 August 2011	17 August 2011
Almaty	Almaty

Deloitte, LLP
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INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

We have reviewed the accompanying condensed interim consolidated financial information of JSC Kazkommertsbank and its subsidiaries ("the Group") which comprises the condensed interim consolidated statement of financial position as at 30 June 2011 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three and the six months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2011, and a summary of significant accounting policies and selected explanatory information. Management of the Group is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw attention to Notes 4 and 12 to this condensed interim consolidated information. As described in those notes the presentation of the condensed interim consolidated statements of cash flows have been changed for the six month period ended 30 June 2010. Our conclusion is not qualified in respect of this matter.

Deloitte, LLP

17 August 2011
Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Notes	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million) (Restated)*	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million) (Restated)*
Interest income	5, 19	64,287	75,120	125,789	150,115
Interest expense	5, 19	(37,130)	(38,460)	(69,333)	(76,473)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		27,157	36,660	56,456	73,642
Provision for impairment losses on interest bearing assets	6, 19	(18,859)	(20,015)	(33,453)	(50,720)
NET INTEREST INCOME		8,298	16,645	23,003	22,922
Net loss on financial assets and liabilities at fair value through profit or loss	7	(1,502)	(28,147)	(2,954)	(43,739)
Net gain on foreign exchange and precious metals operations	8	1,508	18,056	1,847	33,139
Fee and commission income		6,083	5,197	11,438	9,942
Fee and commission expense		(2,293)	(1,617)	(4,157)	(3,084)
Net realized gain/(loss) on investments available-for-sale		4	(80)	(21)	333
Dividends received		27	20	29	22
Other income		1,575	1,648	3,306	2,514
NET NON-INTEREST INCOME/(LOSS)		5,402	(4,923)	9,488	(873)
OPERATING INCOME		13,700	11,722	32,491	22,049
OPERATING EXPENSES	9, 19	(9,111)	(8,289)	(17,521)	(15,338)
PROFIT BEFORE OTHER OPERATING PROVISIONS		4,589	3,433	14,970	6,711
Provision for impairment losses on other transactions	6, 19	(396)	(682)	(1,368)	(1,647)
Recovery of provision for guarantees and other contingencies	6, 19	3,291	1,252	1,349	2,332
OPERATING PROFIT BEFORE INCOME TAX		7,484	4,003	14,951	7,396
Income tax (expense)/benefit	10	(1,524)	806	(3,046)	2,601
NET PROFIT FROM CONTINUING OPERATIONS		5,960	4,809	11,905	9,997
(Loss)/profit from discontinued operations, net of tax		-	(260)	-	163
NET PROFIT		5,960	4,549	11,905	10,160
Attributable to:					
Ordinary shareholders of the Parent		5,316	4,191	10,581	9,583
Preference shareholders of the Parent		679	670	1,320	800
Non-controlling interest		(35)	(312)	4	(223)
		5,960	4,549	11,905	10,160
EARNINGS PER SHARE					
Basic and diluted (KZT)	11	6.83	5.38	13.59	12.31

* The prior year balances have been restated to be comparable to the current period due to the disposal of the subsidiary, LLP Investment Group East Kommerts in 2010.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

17 August 2011
Almaty

Shoinbekova G.K.
Chief Accountant

17 August 2011
Almaty

The notes on pages 10-42 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
NET PROFIT	5,960	4,549	11,905	10,160
Property and equipment:				
Revaluation of property and equipment	9	(6)	40	173
	9	(6)	40	173
Investments available-for-sale:				
Unrealized loss on revaluation of investments available-for-sale	(572)	(910)	(591)	(749)
(Gain)/loss transferred to income statement on sale of investments available-for-sale	(4)	80	21	(333)
Gain transferred to income statement on sale of investments available-for-sale related to discontinued operations	-	(61)	-	(106)
	(576)	(891)	(570)	(1,188)
Cash flow hedges:				
(Loss)/gain on cash flow hedges	(47)	(39)	26	(111)
Plus: net gain on hedging reserve transferred to earnings	198	296	388	545
	151	257	414	434
Exchange differences on translation of foreign operations	433	(1,075)	2,152	(883)
Deferred income tax:				
Deferred income tax recognized on gain/(loss) on investments available-for-sale, on cash flow hedges and due to tax rate changes	85	100	(77)	133
	85	100	(77)	133
TOTAL COMPREHENSIVE INCOME	6,062	2,934	13,864	8,829
Attributable to:				
Ordinary shareholders of the Parent	5,423	2,557	12,304	8,160
Preference shareholders of the Parent	669	409	1,536	572
Non-controlling interest	(30)	(32)	24	97
TOTAL COMPREHENSIVE INCOME	6,062	2,934	13,864	8,829

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

17 August 2011
Almaty

Shoinbekova G.K.
Chief Accountant

17 August 2011
Almaty

The notes on pages 10-42 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Notes	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	12	112,325	61,216
Precious metals		9,218	1,345
Financial assets at fair value through profit or loss	13	340,418	223,231
Loans and advances to banks and other financial institutions		121,623	146,331
Loans to customers	14, 19	2,068,023	2,174,760
Investments available-for-sale		15,991	16,822
Investments held to maturity		2,688	1,996
Goodwill		2,405	2,405
Property, equipment and intangible assets		32,189	31,857
Other assets		74,970	28,145
TOTAL ASSETS		2,779,850	2,688,108
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions		126,886	147,139
Customer accounts	15, 19	1,621,033	1,506,800
Financial liabilities at fair value through profit or loss	13	29,393	36,047
Debt securities issued	16	367,205	375,199
Other borrowed funds		20,970	23,943
Provisions	6	9,693	10,190
Deferred income tax liabilities	10	28,267	30,035
Dividends payable		380	4
Other liabilities		12,211	7,868
		2,216,038	2,137,225
Subordinated debt		136,223	137,137
Total liabilities		2,352,261	2,274,362
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		9,030	9,031
Share premium reserve		195,004	195,024
Property and equipment revaluation reserve		5,506	5,508
Other reserves		216,951	203,109
Total equity attributable to equity holders of the Parent		426,491	412,672
Non-controlling interest		1,098	1,074
Total equity		427,589	413,746
TOTAL LIABILITIES AND EQUITY		2,779,850	2,688,108

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

17 August 2011
Almaty

Shoinbekova G.K.
Chief Accountant

17 August 2011
Almaty

The notes on pages 10-42 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Share capital (KZT million)	Treasury shares (KZT million)	Share premium reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for-sale fair value reserve/ (deficit)[1] (KZT million)	Cumulative translation reserve[1] (KZT million)	Hedging reserve[1] (KZT million)	Retained earnings[1] (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
31 December 2009	9,044	(13)	195,006	4,935	191	(472)	(935)	182,055	389,811	(223)	389,588
Net profit	-	-	-	-	-	-	-	10,383	10,383	(223)	10,160
Gain on revaluation of property and equipment	-	-	-	173	-	-	-	-	173	-	173
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(36)	-	-	-	36	-	-	-
Investments available-for-sale	-	-	-	-	(1,188)	-	-	-	(1,188)	-	(1,188)
Cash flow hedges	-	-	-	-	-	-	434	-	434	-	434
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,203)	-	-	(1,203)	320	(883)
Deferred income tax	-	-	-	7	220	-	(87)	(7)	133	-	133
Total comprehensive income	-	-	-	144	(968)	(1,203)	347	10,412	8,732	97	8,829
Sale of treasury shares	-	-	22	-	-	-	-	-	22	-	22
30 June 2010 (unaudited)	9,044	(13)	195,028	5,079	(777)	(1,675)	(588)	192,467	398,565	(126)	398,439

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Share capital (KZT million)	Treasury shares (KZT million)	Share premium reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for-sale fair value reserve[1] (KZT million)	Cumulative translation reserve[1] (KZT million)	Hedging reserve[1] (KZT million)	Retained earnings[1] (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
31 December 2010	9,044	(13)	195,024	5,508	786	(1,502)	(182)	204,007	412,672	1,074	413,746
Net profit	-	-	-	-	-	-	-	11,901	11,901	4	11,905
Gain on revaluation of property and equipment	-	-	-	40	-	-	-	-	40	-	40
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(46)	-	-	-	46	-	-	-
Investments available-for-sale	-	-	-	-	(570)	-	-	-	(570)	-	(570)
Cash flow hedges	-	-	-	-	-	-	414	-	414	-	414
Exchange differences on translation of foreign operations	-	-	-	4	-	2,128	-	-	2,132	20	2,152
Deferred income tax	-	-	-	-	6	-	(83)	-	(77)	-	(77)
Total comprehensive income	-	-	-	(2)	(564)	2,128	331	11,947	13,840	24	13,864
Repurchase of treasury shares	-	(1)	(20)	-	-	-	-	-	(21)	-	(21)
30 June 2011 (unaudited)	9,044	(14)	195,004	5,506	222	626	149	215,954	426,491	1,098	427,589

[1] The amounts included within the Investments available-for-sale fair value reserve/(deficit), Cumulative translation reserve, Hedging reserve and Retained earnings, in the above table, are included within "Other reserves" in the condensed interim consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

17 August 2011
Almaty

Shoinbekova G.K.
Chief Accountant

17 August 2011
Almaty

The notes on pages 10-42 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million) (Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on loans and advances to banks and other financial institutions	1,896	2,547
Interest received from financial assets at fair value through profit or loss	1,806	839
Interest received from loans to customers	99,868	102,511
Interest received from investments available-for-sale	518	617
Interest received from investments held to maturity	111	29
Interest paid on loans and advances from banks and other financial institutions	(3,125)	(4,468)
Interest paid on customer accounts	(40,804)	(31,471)
Interest paid on debt securities issued	(20,244)	(23,149)
Interest paid on other borrowed funds	(642)	(905)
Interest paid on subordinated debt	(5,041)	(6,615)
Fee and commission received	10,986	9,961
Fee and commission paid	(4,048)	(1,721)
Other income received	3,102	2,710
Operating expenses paid	(13,672)	(15,149)
Cash inflow from operating activities before changes in operating assets and liabilities	30,711	35,736
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand	(26,160)	(519)
Funds deposited with Central Bank of Russian Federation	(967)	(1,219)
Funds deposited with National Bank of the Kyrgyz Republic	(22)	40
Funds deposited with National Bank of Tajikistan	(8)	(2)
Precious metals	(7,873)	50
Financial assets at fair value through profit or loss	(125,611)	(55,924)
Loans and advances to banks and other financial institutions	22,815	10,608
Loans to customers	49,585	(40,256)
Other assets	(8,604)	(3,356)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(19,364)	(39,762)
Customer accounts	112,596	122,840
Other liabilities	1,955	(132)
Cash inflow from operating activities before taxation	29,053	28,104
Income tax paid	(2,882)	(348)
Net cash inflow from operating activities	26,171	27,756

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

	Notes	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million) (Restated)*
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(1,973)	(1,168)
Proceeds on sale of property, equipment and intangible assets		506	3,827
Dividends received		29	22
Purchase of investments available-for-sale		(923)	(2,999)
Proceeds on sale of investments available-for-sale		2,133	2,547
Purchase of investments held to maturity		(558)	(456)
Net cash (outflow)/inflow from investing activities		(786)	1,773
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of treasury shares		(21)	-
Proceeds on sale of treasury shares		-	22
Proceeds from debt securities issued		43,749	1,957
Repurchase and repayment of debt securities issued		(44,078)	(43,600)
Repayment of other borrowed funds		(2,843)	(2,266)
Proceeds from subordinated bonds		-	1,000
Net cash outflow from financing activities		(3,193)	(42,887)
Effect of changes in foreign exchange rate on cash and cash equivalents		187	(1,376)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22,379	(14,734)
CASH AND CASH EQUIVALENTS, beginning of period	12	118,223	138,796
CASH AND CASH EQUIVALENTS, end of period	12	140,602	124,062

*Restated as described in Note 4.

During the six month period ended 30 June 2011, the Bank recorded non-cash recoveries on loans to customers in the amount of KZT 37,434 million (six month period ended 30 June 2010: KZT Nil).

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

17 August 2011
Almaty

Shoinbekova G.K.
Chief Accountant

17 August 2011
Almaty

The notes on pages 10-42 form an integral part of this condensed interim consolidated financial information.

1. ORGANISATION

JSC Kazkommertsbank ("the Bank", or "Kazkommertsbank") is a Joint Stock Company and has been operating in the Republic of Kazakhstan since 1990. The Bank's activities are regulated by the National Bank of the Republic of Kazakhstan ("the NBRK"). The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, and originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin Str., Almaty, 050060, Republic of Kazakhstan.

As at 30 June 2011 and 31 December 2010, the Bank has 23 branches in the Republic of Kazakhstan and a representative office in London.

Kazkommertsbank is the Parent company of the banking group ("the Group"). The subsidiaries consolidated in the condensed interim consolidated financial information are consistent with those presented in the consolidated financial statements for the year ended 31 December 2010.

Name	Country of operation	Proportion or ownership interest/voting rights 30 June 2011 (unaudited)	31 December 2010	Type of operation
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card processing and related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Commercial bank
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	95.75%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	Insurance
OJSC Commercial bank Moskommertsbank	Russian Federation	100%	100%	Commercial bank

On 8 February 2011, the Bank acquired 139,000 of ordinary shares JSC "Life Insurance Company "Kazkommerts Life" for KZT 139 million. The share of the Bank in JSC "Life Insurance Company "Kazkommerts Life" equity did not change.

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with selective notes to the consolidated financial statements of the Group for the year ended 31 December 2010.

The condensed interim consolidated financial information has been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments according to IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") and measurement of property and equipment at revalued amounts according to IAS 16, Property, Plant and Equipment ("IAS 16").

The preparation of the condensed interim consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the reporting 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 allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

The condensed interim consolidated financial information reflects all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the financial information are of a normal, recurring nature. Because the results from common banking activities are closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The reporting currency of this condensed interim consolidated financial information is the Kazakhstan tenge ("KZT").

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 annual consolidated financial statements of the Group for the year ended 31 December 2010.

Standards and Interpretations affecting amounts reported in the current period

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

New and revised standards and interpretations issued and not yet adopted

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

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

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Group anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

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

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

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

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

- IAS 24 "Related Party Disclosures" (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.
- The amendments to IAS 32 titled "Classification of Rights Issues" address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.
- IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. RESTATEMENTS

The Group revised its accounting policy, during the year ended 31 December 2010, in relation to cash and cash equivalents. The Group has re-assessed its operations as the direct effects of the global financial crisis recede. During that re-assessment the Group identified the need to change the presentation of its cash and cash equivalents to be more comparable with other Kazakhstan banks. Previously the Group, when calculating minimum reserve deposits in Kazakhstan, had used balances on cash accounts and correspondent accounts of the NBRK, defined by the NBRK for the purposes of Minimum Reserve Requirement ("MRR") calculation. In accordance with the revised accounting policy the Group is calculating MRR for the purposes of these consolidated financial statements as a percentage of average balances of deposits and international borrowings for two weeks: one week before and one week after the reporting date. Additionally the Group had previously excluded amounts due from banks in non-OECD (non-Organization for Economic Co-operations and Development) countries from cash and cash equivalents. However, as the Group does not have any history of restrictions on the use of such funds, it has decided to amend its policy to include these amounts. The change in accounting policy has been applied retrospectively to the earliest reported period and the effect on previously reported cash flow statement.

The effect of the adjustments made to cash and cash equivalents as at 30 June 2010 is as follows:

	Amount (KZT million)	As per previous report (KZT million) 30 June 2010 (unaudited)	As per restated report (KZT million) 30 June 2010 (unaudited)
Note 12			
Reclassifying due from banks to cash and cash equivalents (maturity less than 3 months)			
Loans and advances to banks in Organization for Economic Co-operations and Development ("OECD") countries with original maturities less than 3 months	81,134	81,134	-
Loans and advances to banks with original maturities less than 3 months	90,938	-	90,938
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK") and cash on hand	29,058	(65,117)	(36,059)

Adjustments due to the change in accounting policy and reclassifications had the following effects on the condensed interim consolidated statement of cash flows for the six months ended 30 June 2010:

	Amount (KZT million)	As per previous report six months ended 30 June 2010 (unaudited) (KZT million)	As per restated report six months ended 30 June 2010 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand	(19,807)	19,288	(519)
Loans and advances to banks and other financial institutions	2,439	8,169	10,608
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,368)	2,634	(14,734)
CASH AND CASH EQUIVALENTS, beginning of period	56,230	82,566	138,796
CASH AND CASH EQUIVALENTS, end of period	38,862	85,200	124,062

According to IAS 1.10, Presentation of Financial Statements, a statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. Given that cash and cash equivalents are presented in notes to the condensed interim consolidated financial information, a condensed interim consolidated statement of financial position as at 1 January 2010 is not presented.

5. NET INTEREST INCOME

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
Interest income comprise:				
Interest income on financial assets recorded at amortized cost:				
- interest income on homogenous and individually assessed watch assets	39,502	50,996	74,462	93,272
- interest income on impaired financial assets	17,429	14,346	35,296	34,292
- interest income on unimpaired financial assets	5,253	8,834	12,235	20,666
Interest income on financial assets at fair value through profit or loss	1,905	769	3,410	1,495
Interest income on investments available-for-sale	198	175	386	390
Total interest income	64,287	75,120	125,789	150,115
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	61,146	72,767	119,696	144,351
Interest on loans and advances to banks and other financial institutions	835	1,280	1,917	3,632
Interest on investments held to maturity	65	13	112	26
Amortization of discount on loans	138	116	268	221
Total interest income on financial assets recorded at amortized cost	62,184	74,176	121,993	148,230
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	1,905	769	3,410	1,495
Total interest income on financial assets at fair value through profit or loss	1,905	769	3,410	1,495
Interest income on investments available-for-sale	198	175	386	390
Total interest income	64,287	75,120	125,789	150,115
Interest expense comprise:				
Interest expense on financial liabilities recorded at amortized cost	37,130	38,460	69,333	76,473
Total interest expense	37,130	38,460	69,333	76,473
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	24,990	24,280	44,717	48,209
Interest on debt securities issued	7,252	8,438	14,544	15,678
Interest expense on subordinated debt	3,050	3,396	6,072	6,859
Interest on loans and advances from banks and other financial institutions	1,376	1,877	3,025	4,127
Preference share dividends	171	-	372	733
Other interest expense	291	469	603	867
Total interest expense on financial liabilities recorded at amortized cost	37,130	38,460	69,333	76,473
Net interest income before provision for impairment losses on interest bearing assets	27,157	36,660	56,456	73,642

The Group classifies corporate loans as non-performing and accordingly impaired if there is a default on payment of the principal or accrued interest for 30 days or more.

The impairment of the loan is identified within credit monitoring, which includes monitoring of payments of the customer and preparation of regular monitoring reports on the customer and their loans every 6 or 12 months, depending on the solvency of the customer. In addition, on a regular basis the credit managers monitor the quality of the loan, financial position and business of the customer, and observe compliance with the terms of the loan agreements. For the purpose of provisioning, assessment of impairment losses for corporate loans is performed on an individual basis.

Consumer loans are classified as non-performing, and accordingly, impaired if there is a default on payments of the principal or accrued interest for 60 days or more. For the purpose of provisioning, assessment of impairment losses is made on the collective or portfolio basis.

According to the Group's loan portfolio management policy, if at least one loan of a customer is recognized as impaired based on the above mentioned criteria, the total debt on such a customer is considered impaired, i.e. other performing loans of such customer are also recognized as impaired.

For certain performing loans which are not overdue, the Group classifies them as homogenous and individually assessed watch assets. Homogenous assets are not individually impaired, because there is not enough objective evidence to recognize them as impaired. At the same time, the Group assesses these assets for credit risk and impairment on a collective basis taking into account the general macroeconomic environment as well as industry specific developments. The individually assessed watch assets consist of loans not past due, but there is a possibility that the credit losses may arise in the future due to a possible negative trend in the borrower's financial position or evidence of some unsatisfactory financial results which affect the ability of a borrower to repay. The financial standing of such clients is regularly monitored based on business results, repayment discipline and cash flows.

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million)	**Loans to customers (KZT million) (Note 14)**	**Total (KZT million)**
31 March 2010 (unaudited)	19	533,354	533,373
Discontinued operations	-	(80)	(80)
Additional provision recognized	1	20,014	20,015
Recovery of assets previously written off	-	(2)	(2)
Exchange rate difference	(1)	27	26
30 June 2010 (unaudited)	19	553,313	553,332
31 March 2011 (unaudited)	94	584,364	584,458
(Recovery of provision)/additional provision recognized	(10)	18,869	18,859
Recovery of assets previously written off	-	(4,038)	(4,038)
Exchange rate difference	20	586	606
30 June 2011 (unaudited)	104	599,781	599,885

	Loans and advances to banks and other financial institutions (KZT million)	Loans to customers (KZT million) (Note 14)	Total (KZT million)
31 December 2009	22	505,548	505,570
Discontinued operations	-	(70)	(70)
(Recovery of provision)/additional provision recognized	(2)	50,722	50,720
Write-off of assets	-	(7)	(7)
Exchange rate difference	(1)	(2,880)	(2,881)
30 June 2010 (unaudited)	19	553,313	553,332
31 December 2010	136	572,450	572,586
(Recovery of provision)/additional provision recognized	(51)	33,504	33,453
Write-off of assets	-	(4,052)	(4,052)
Exchange rate difference	19	(2,121)	(2,102)
30 June 2011 (unaudited)	104	599,781	599,885

The Group creates allowance for impairment losses in order to cover credit losses, including losses where the asset is not specifically identified. At least monthly, the provision for impairment losses on interest bearing assets is reviewed by the Chairperson of the Board, the Head of Risk Management Department, the Chief Financial Officer and the Chief Accountant. At least quarterly, the provision for impairment losses and overall credit quality is reviewed by the Board of Directors. The amount of provision is reviewed relative to the loan portfolio and current economic conditions. The amount of provision is determined by individual and portfolio-based approaches. As at 30 June 2011, Management deemed the provision for impairment losses to be appropriate and sufficient to absorb losses that are inherent to the portfolio.

As at 30 June 2011, the Group has identified certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group prior to 2013. These loans are considered impaired by management. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to its collection. The accrued interest income on these loans for the six months ended 30 June 2011 amounted to KZT 20,990 million (30 June 2010: KZT 30,113 million). Management has established an allowance for loan losses of KZT 20,990 million against this interest (30 June 2010: KZT 30,113 million). Had this interest not been accrued, the net interest income before provision for impairment losses on interest bearing assets for the six-month period ended 30 June 2011 would have been KZT 35,466 million (30 June 2010: KZT 44,043 million) and the provision for impairment losses on interest bearing assets would have been KZT 12,463 million (30 June 2010: KZT 20,648 million). While there is currently evidence of impairment, the Group continues to progress work out strategies on these loans.

Total provisions for impairment losses on insurance provision, guarantees and other off-balance sheet contingencies and financial securities comprise:

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Insurance provisions	7,139	6,287
Provision for guarantees and other contingencies	2,554	3,903
	9,693	10,190

The movements in insurance provisions, allowances for impairment losses on other transactions and allowances on guarantees and other off-balance sheet contingencies were as follows:

	Insurance provisions (KZT million)	Investments available-for-sale (KZT million)	Other assets (KZT million)	Guarantees and other off-balance sheet contingencies (KZT million)	Total (KZT million)
31 March 2010 (unaudited)	5,379	-	3,073	6,081	14,533
(Recovery of provision)/additional provision recognized	(53)	-	735	(1,252)	(570)
Write-off of assets	-	-	(380)	-	(380)
Exchange rate difference	-	-	339	(6)	333
30 June 2010 (unaudited)	5,326	-	3,767	4,823	13,916
31 March 2011 (unaudited)	6,641	18	4,191	5,840	16,690
Other adjustments	1	(24)	78	-	55
Additional provision recognized/(recovery of provision)	497	6	(107)	(3,291)	(2,895)
Write-off of assets	-	-	(4)	-	(4)
Exchange rate difference	-	-	-	5	5
30 June 2011 (unaudited)	7,139	-	4,158	2,554	13,851

	Insurance provisions (KZT million)	Investments available-for-sale (KZT million)	Other assets (KZT million)	Guarantees and other off-balance sheet contingencies (KZT million)	Total (KZT million)
31 December 2009	4,728	-	2,756	7,217	14,701
Additional provision recognized/(recovery of provision)	598	-	1,049	(2,332)	(685)
Discontinued operations	-	-	(26)	-	(26)
Recovery of assets previously written off	-	-	9	-	9
Exchange rate difference	-	-	(21)	(62)	(83)
30 June 2010 (unaudited)	5,326	-	3,767	4,823	13,916
31 December 2010	6,287	18	4,033	3,903	14,241
Other adjustments	(395)	(24)	17	-	(402)
Additional provision recognized/(recovery of provision)	1,247	6	115	(1,349)	19
Write-off of assets	-	-	(6)	-	(6)
Exchange rate difference	-	-	(1)	-	(1)
30 June 2011 (unaudited)	7,139	-	4,158	2,554	13,851

Insurance provisions comprised:

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Annuity insurance	3,242	2,738
Civil liability for damage	982	164
Property	826	1,095
Civil liability for owners of vehicles	769	567
Accidents	651	908
Vehicles	330	290
Life insurance	137	90
Freight	105	94
Insurance of environmental risk	28	82
Financial loss insurance	16	3
Railway transport	6	16
Other	47	240
	7,139	6,287

Other includes provisions for insurance of private lawyers, auditors and audit organizations, medical, owners of air and marine transport and others.

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

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
Net loss on financial assets and liabilities held-for-trading	(1,502)	(28,147)	(2,954)	(43,739)
Total net loss on financial assets and liabilities at fair value through profit or loss	(1,502)	(28,147)	(2,954)	(43,739)
Net loss on operations with financial assets and liabilities held-for-trading comprise:				
Realized gain on trading operations	600	46	598	1,662
Unrealized gain/(loss) on fair value adjustment	(1,246)	(156)	1,114	65
Net loss on operations with derivative financial instruments	(856)	(28,037)	(4,666)	(45,466)
Total net loss on financial assets and liabilities at fair value through profit or loss	(1,502)	(28,147)	(2,954)	(43,739)

8. NET GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
Dealing, net	892	1,140	1,919	2,481
Translation differences, net	616	16,916	(72)	30,658
	1,508	18,056	1,847	33,139

The translation differences for the three and six month periods ended 30 June 2011 amounted to gain of KZT 616 million and loss of KZT 72 million, respectively (for the three and six month periods ended 30 June 2010: gain of KZT 16,916 million and KZT 30,658 million, respectively). These differences arise on the revaluation of assets and liabilities denominated in non-functional currencies, such as GBP and Euro.

9. OPERATING EXPENSES

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
Staff costs	5,132	4,580	10,124	8,395
Depreciation and amortization	910	852	1,721	1,747
Lease	662	595	1,272	1,210
Advertising and communications costs	623	444	1,068	764
Property and equipment maintenance	546	421	917	752
Taxes, other than income tax	329	341	761	626
Bank card services	216	180	399	340
Other expenses	693	876	1,259	1,504
	9,111	8,289	17,521	15,338

10. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate; such tax accounts may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2011 and 31 December 2010 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 30 June 2011 and 31 December 2010:

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Deferred income tax assets:		
Unrealised loss on trading securities and derivatives	5,629	2,603
Provision on guarantees and letters of credit	159	492
Unrealised loss on revaluation of financial instruments treated as cash flow hedges	37	46
Bonuses accrued	605	794
Unamortized deferred loan fees	54	58
Losses on sale of investments in associates	421	421
Deferred tax losses	220	170
Total deferred income tax assets	7,125	4,584
Deferred income tax liabilities:		
Allowance for losses on loans and advances to banks and customers	33,260	32,681
Property, equipment and intangible assets and accumulated depreciation	2,055	1,922
Unrealised gain on trading securities and derivatives	24	8
Investments in associates	52	-
Other liabilities	1	8
Total deferred income tax liabilities	35,392	34,619
Net deferred income tax liabilities	28,267	30,035

Relationships between tax expenses and accounting profit for the six months ended 30 June 2011 and 2010 are explained as follows:

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
Profit before income tax	7,484	3,682	14,951	7,522
Tax at the statutory tax rate (20% for 2011 and for 2010)	1,497	736	2,990	1,504
Tax effect of permanent differences:				
- tax exempt income	(1,411)	(1,749)	(1,570)	(4,608)
- non-deductible expense	1,438	146	1,626	466
Income tax expense/(benefit)	1,524	(867)	3,046	(2,638)
Current income tax expense	919	2,429	4,824	2,676
Deferred income tax expense/(benefit)	605	(3,296)	(1,778)	(5,314)
Income tax expense/(benefit)	1,524	(867)	3,046	(2,638)
Income tax expense/(benefit) from continued operations	1,524	(806)	3,046	(2,601)
Income tax benefit from discontinued operations	-	(61)	-	(37)
Income tax expense/(benefit)	1,524	(867)	3,046	(2,638)

The corporate income tax rate in the Republic of Kazakhstan was 20% during the six months ended 30 June 2011 and 2010.

There was a change during 2010 in tax legislation in Kazakhstan in relation to corporate income tax, which is set at 20%.

	Six months ended 30 June 2011 (unaudited) (KZT million)	Year ended 31 December 2010 (KZT million)
Deferred income tax liabilities		
Opening balance	30,035	24,519
(Decrease)/increase of deferred tax liability	(1,845)	4,601
Effect of disposal of discontinued operations	-	663
Change in deferred tax liability due to change in hedging reserve	83	188
Change of deferred tax liabilities due to change in available-for-sale reserve	(6)	(54)
Change in deferred tax liability from revaluation of property and equipment	-	118
Ending balance	28,267	30,035

11. EARNINGS PER SHARE

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

Dividend payments per ordinary shares cannot exceed the dividends per share on preference 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:

	Three months ended 30 June 2011 (unaudited) (KZT million)	Three months ended 30 June 2010 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2010 (unaudited) (KZT million)
Basic and diluted earnings per share				
Net profit attributable to equity holders of the Parent	5,995	4,861	11,901	10,383
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(679)	(670)	(1,320)	(800)
Net profit attributable to ordinary shareholders	5,316	4,191	10,581	9,583
Weighted average number of ordinary shares for basic and diluted earnings per share	778,578,826	778,612,838	778,584,282	778,609,384
Earnings per share – basic and diluted (KZT)	6.83	5.38	13.59	12.31

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

	30 June 2011 (unaudited)			31 December 2010		
Type of shares	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	778,573,210	419,850	539.26	778,585,361	405,783	521.18
Preferred shares	124,405,666	13,314	107.02	124,514,944	13,034	104.68
		433,164			418,817	

Number of outstanding ordinary and preferred shares is calculated net of the treasury shares.

According to amendments enacted to the KASE Listing Rules effective from 25 August 2010, listed companies are required to present the book value per share, less intangible assets (ordinary and preferred) in their financial statements. The Management of the Group believes that the book value per share, less intangible assets, presented in the table above, is calculated in accordance with the methodology in the KASE Listing Rules.

12. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Cash on hand	39,919	38,243
Balances with the national (central) banks	72,406	22,973
	112,325	61,216

Cash and cash equivalents for the purposes of the condensed interim consolidated statement of cash flows are comprised of the following:

	30 June 2011 (unaudited) (KZT million)	30 June 2010 (unaudited) (KZT million) (Restated)*	31 December 2010 (KZT million)
Cash and balances with national (central) banks	112,325	71,537	61,216
Loans and advances to banks with original maturities less than 3 months	93,654	90,938	95,227
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK")	(61,853)	(36,059)	(35,693)
Less funds deposited with the Central Bank of Russian Federation ("CBR")	(3,345)	(2,168)	(2,378)
Less funds deposited with the National Bank of the Kyrgyz Republic ("NBKR")	(132)	(164)	(110)
Less funds deposited deposit with the National Bank of Tajikistan	(47)	(22)	(39)
	140,602	124,062	118,223

* Restated as described in Note 4.

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

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Debt securities	322,620	197,188
Derivative financial instruments	13,986	21,524
Equity investments	3,812	4,519
	340,418	223,231

The financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Debt securities:		
Short-term NBRK notes	203,438	110,913
State treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	77,764	36,084
Bonds of international financial organizations	9,865	919
Bonds of the government of the Russian Federation	8,759	-
Bonds of Russian companies	7,323	11,069
Eurobonds of Kazakhstani companies	4,644	3,778
Bonds of Russian banks	2,932	3,943
Bonds of local executive bodies of the Russian Federation	2,507	2,167
Bonds of Kazakhstani companies	2,498	8,916
Eurobonds of Kazakhstani banks	1,678	1,428
Bonds of Kazakhstani banks	664	833
Bonds of federal loan of the Ministry of Finance of the Russian Federation	397	155
Bonds of Development Bank of Kazakhstan	151	150
Eurobonds of OECD countries	-	16,184
Bonds of Eurasian Development Bank	-	649
	322,620	197,188

As at 30 June 2011, the Group used quoted market prices from independent information sources to value all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models based on non-observable market data. The Group applied the valuation model to certain debt securities of local issuers which are undergoing the process of restructuring (JSC Alliance Bank, JSC BTA Bank, JSC BTA Ipoteka and JSC Azia Auto) and market data for them is either unavailable or, alternatively, management of the Group believes the market for these debt securities is not active enough to use quoted prices. As at 30 June 2011, the total carrying value of these debt securities amounted to KZT 82 million (31 December 2010: KZT 120 million) and the total nominal value amounted to KZT 1,147 million (31 December 2010: KZT 1,476 million).

	30 June 2011 (unaudited)		**31 December 2010**	
	Ownership share %	**Amount (KZT million)**	**Ownership share %**	**Amount (KZT million)**
GDRs of Kazakhstani banks	0.004-0.21	1,671	0.002-0.25	2,310
Shares of foreign company	0.0004-2.4	736	0.0002	34
GDRs of Kazakhstani companies	0.05	619	0.00001-0.08	1,052
GDRs of Russian bank	0.009	393	0.014	723
Shares of Kazakhstani companies	0.07-0.11	173	0.12	267
Shares of foreign banks	0.001-0.012	164	-	-
Shares of Russian companies	0.0004	46	0.0001	88
ADRs of foreign companies	0.0002	10	-	-
GDRs of Russian companies	-	-	0.00002-0.0018	45
		3,812		4,519

As at 30 June 2011, financial assets at fair value through profit or loss included accrued interest income on debt securities of KZT 2,249 million (31 December 2010: KZT 1,417 million).

As at 30 June 2011, financial assets, pledged under repurchase agreements was equal to KZT 10,000 million.

	Nominal value	**30 June 2011 (unaudited) Fair value (KZT million)**		**Nominal value**	**31 December 2010 Fair value (KZT million)**	
		Assets	**Liabilities**		**Assets**	**Liabilities**
Derivative financial instruments						
Foreign exchange contracts:						
Foreign exchange swap	261,547	13,708	(19,021)	338,379	20,228	(23,470)
Spot	44,841	153	(173)	5,012	1,114	(1,112)
Forward contracts	7,284	15	(5)	4,216	3	(1)
Precious metals spot	22	-	-	-	-	-
Interest rate contracts:						
Interest rate swap	71,764	71	(10,080)	98,819	179	(11,464)
Contracts on purchase/sale of securities:						
Securities futures	16,847	39	(114)	-	-	-
Securities forward	601	-	-	-	-	-
		13,986	(29,393)		21,524	(36,047)

14. LOANS TO CUSTOMERS

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Recorded as loans and receivables:		
Originated loans	2,661,457	2,739,966
Net investments in finance lease	5,858	6,417
Loans under reverse repurchase agreements	489	827
	2,667,804	2,747,210
Less allowance for impairment losses	(599,781)	(572,450)
	2,068,023	2,174,760

As at 30 June 2011, accrued interest income included in loans to customers amounted to KZT 313,292 million (31 December 2010: KZT 301,219 million).

Movements in allowances for impairment losses on loans to customers for the six month period ended 30 June 2011 and 2010 are disclosed in Note 6.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Analysis by type of collateral:		
Loans collateralized by real estate	975,069	1,093,333
Loans collateralized by equipment	517,636	401,473
Loans collateralized by inventories	188,203	226,045
Loans collateralized by shares of the banks and other companies	183,018	220,857
Loans collateralized by accounts receivable	80,505	57,804
Loans collateralized by cash or Kazakhstani Government guarantees	49,068	24,896
Loans collateralized by mixed types of collateral	18,659	3,755
Loans collateralized by guarantees of enterprises	14,069	37,958
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	8,627	20,496
Loans collateralized by securities	479	818
Loans collateralized by guarantees of financial institutions	-	143
Unsecured loans	32,690	87,182
	2,068,023	2,174,760

Mixed collateral consists of multiple types of collateral including real estate, guarantees and inventories. Loans are classified as being collateralized by mixed collateral where it is impractical to split this collateral into the categories disclosed above.

As at 30 June 2011, the Bank has its own bonds and Eurobonds issued by its subsidiary Kazkommerts Finance II B.V. with a nominal value of KZT 12,454 million (USD 85 million) (31 December 2010: KZT 12,547 million (USD 85 million)) as collateral for certain loans.

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Analysis by sector:		
Housing construction	350,038	368,093
Real estate	273,901	327,872
Commercial real estate construction	243,209	160,702
Individuals	213,029	232,690
Wholesale and retail trade	206,002	255,718
Hospitality business	174,095	183,800
Investments and finance	99,491	95,349
Production of other non-metal materials	98,777	102,749
Transport and communication	91,380	92,830
Energy	55,092	57,699
Industrial and other construction	52,494	48,345
Food industry	22,460	42,481
Production of construction materials	19,190	18,896
Agriculture	18,967	41,699
Mining and metallurgy	14,035	11,809
Machinery construction	6,661	10,357
Medicine	6,597	8,099
Culture and art	560	2,996
Other	122,045	112,576
	2,068,023	2,174,760

During the six month period ended 30 June 2011 and the year ended 31 December 2010, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 June 2011, such assets in the amount of KZT 53,476 million (31 December 2010: KZT 16,517 million) are included in the other assets line of the condensed interim consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions.

Loans to individuals comprise the following products:

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Mortgage loans	131,360	144,264
Consumer loans	72,372	73,105
Car loans	4,294	5,348
Business loans	2,418	2,760
Other	2,585	7,213
	213,029	232,690

As at 30 June 2011 and 31 December 2010, the Group granted loans to the borrowers, shown below, net of provision, which individually exceeded 10% of the Group's equity. Certain borrowers disclosed in the table below as at 30 June 2011 are not disclosed as at 31 December 2010, as the amount outstanding did not exceed 10% of the equity in 2010. In addition, borrowers presented as at 31 December 2010, who no longer exceed 10% of equity as at 30 June 2011 are not presented.

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
JSC Visor Investment Solutions	72,333	80,247
Holding Vek ZhSK	69,258	74,621
JSC Holding Build Investment	68,544	61,444
LLP Global Building Contract	65,859	-
LLP Zher Damu	61,750	-
LLP AFD Development	54,208	56,144
Holding Capital Tower	-	54,146
	391,952	326,602

As at 30 June 2011, a significant part of loans to customers 86.88% (31 December 2010: 84.42%) of the total portfolio is granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration.

As at 30 June 2011 and 31 December 2010, the fair value of collateral and carrying value of loans under reverse repurchase agreements comprised:

	30 June 2011 (unaudited) (KZT million)		31 December 2010 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Promissory notes of Russian companies	489	489	461	461
Bonds of Kazakhstani companies	-	-	357	366
	489	489	818	827
Less allowance for impairment losses	-	(10)	-	(9)
Total securities purchased under reverse repurchase agreements	489	479	818	818

15. CUSTOMER ACCOUNTS

	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Recorded at amortized cost:		
Time deposits	971,633	893,814
Demand deposits	552,048	459,480
JSC National Welfare Fund “Samruk-Kazyna”, JSC Entrepreneurship Development Fund “Damu” and JSC Stress Assets Fund	95,860	152,383
Accounts in precious metals	1,492	1,123
	1,621,033	1,506,800

As at 30 June 2011, customer accounts included accrued interest expense of KZT 20,680 million (31 December 2010: KZT 16,767 million).

As at 30 June 2011, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 4,397 million (31 December 2010: KZT 3,711 million).

As at 30 June 2011, the total amount of funds deposited under the stabilization program of the Government of Kazakhstan by means of deposits from JSC National Welfare Fund "Samruk-Kazyna" and JSC Stress Assets Fund amounted to KZT 85,771 million, including:

- KZT 24,000 million for refinancing mortgage loans;
- KZT 58,131 million for completion of construction projects in Almaty and Astana (initially granted and deposited in the Bank KZT 92,698 million); and
- KZT 3,640 million for financing large-scale businesses in the manufacturing sector.

During the period ended 30 June 2011, the funds deposited for crediting the real economy sector were fully repaid to JSC National Welfare Fund "Samruk-Kazyna". Of the initially granted and deposited KZT 84,000 million, there was a partial interim repayment of KZT 46,500 million on 15 May 2010 and a final repayment of KZT 37,500 million on 26 May 2011.

In addition, during the period ended 30 June 2011, the Bank repaid deposits in the amount of KZT 15,043 million previously granted for financing construction projects in Almaty and Astana The repayments of the granted funds were made in accordance with the repayment schedule.

As at 30 June 2011, customer accounts of KZT 758,319 million or 46.78% (31 December 2010: KZT 769,594 million or 51.07%) were due to 10 customers, which represents a significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice to realize its liquid assets to enable repayment.

	30 June 2011 (unaudited) (KZT million)	**31 December 2010 (KZT million)**
Analysis by sector:		
Individuals	516,242	451,428
Chemical and petrochemical industry	176,375	289,085
Transport and communication	143,794	107,617
Investments and finance	138,302	130,164
Individual services	95,705	72,220
Distribution of electricity, gas and water	93,944	104,791
Education	85,009	31,854
Public authorities	67,586	120,650
Wholesale and retail trade	64,956	54,606
Public organizations and unions	57,208	21,130
Construction	57,132	46,524
Agriculture	55,537	28,831
Mining and metallurgy	29,823	21,179
Health care	17,709	6,114
Real estate	5,840	2,242
Food industry	1,825	1,333
Culture and art	1,561	972
Metallic accounts in precious metals	1,492	1,123
Hotel business	1,460	2,563
Machinery construction	668	1,187
Light industry	574	378
Other	8,291	10,809
	1,621,033	1,506,800

16. DEBT SECURITIES ISSUED

	Currency	Maturity date	30 June 2011 (unaudited) (KZT million)	31 December 2010 (KZT million)
Recorded at amortized cost:				
Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.):				
Issued in March, 2006 at the price of 99.993%	EUR	March 2011	-	35,741
Issued in May 2008 at the price of 100%	USD	May 2011	-	5,739
Issued in February 2007 at the price of 99.962%	GBP	February 2012	31,348	30,632
Issued in April 2003 at the price of 97.548%	USD	April 2013	51,041	51,625
Issued in April 2004 at the price of 99.15%	USD	April 2014	35,773	36,183
Issued in November 2005 at the price of 98.32%	USD	November 2015	39,906	40,363
Issued in November 2006 at the price of 98.282%	USD	November 2016	42,187	50,250
Issued in February 2007 at the price of 99.277%	EUR	February 2017	82,900	77,283
Other Eurobonds	USD	December 2012 - April 2013	25,963	26,330
			309,118	354,146
(Less)/including:				
Discount on debt securities issued			(1,973)	(2,361)
Accrued interest on debt securities issued			5,601	10,850
Total issued Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V)			312,746	362,635
Eurobonds of JSC Kazkommertsbank issued in May 2011 at the price 99.353%		May 2018	43,720	-
Accrued interest expenses on issued eurobonds issued of JSC Kazkommertsbank			506	-
Discount on issued Eurobonds of JSC Kazkommertsbank			(278)	-
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%		April 2016	2,329	2,329
Accrued interest expenses on debt securities issued of JSC Kazkommertsbank			47	47
Premium on debt securities issued of JSC Kazkommertsbank			88	97
Issued promissory notes of OJSC Moskommertsbank at the price of 88.00%-100.00%		June 2013	1,430	2,642
Accrued interest expense on issued promissory notes of OJSC Moskommertsbank			223	419
Issued bonds of Moscow Stars B.V. at the price of 99.00%		February 2022	6,385	7,020
Accrued interest on bonds of Moscow Stars B.V.			9	10
			367,205	375,199

As at 30 June 2011, accrued interest expense included in debt securities issued amounted to KZT 6,386 million (31 December 2010: KZT 11,326 million).

On 11 February 2010, the Bank replaced Kazkommerts International B.V. as the Eurobonds issuer. As a result, the Bank's guarantee is no longer effective and all of the issuer's liabilities on the Eurobonds have been transferred to the Bank. The issuer has been substituted in accordance with the terms and conditions of the Eurobonds and this transfer has no effect on the bondholders' rights.

On 23 March 2011, the Bank has announced the repayment of its Eurobond issued in March 2006 for the original amount of EUR 300 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

On 12 May 2011, the Bank issued Eurobonds in the amount USD 300 million bearing an 8.5% annual coupon rate at a price of 99.353% of the nominal, maturing in 7 years.

During the six months ended 30 June 2011, the Bank acquired its own bonds for a total amount of KZT 8,085 million (USD 55 million) (during the year ended 31 December 2010: KZT 66,765 million (USD 453 million)).

17. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the condensed interim consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2011, provision for losses on guarantees and other contingencies amounted to KZT 2,554 million (31 December 2010: KZT 3,903 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 30 June 2011 and 31 December 2010, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2011 (unaudited)		31 December 2010	
	Nominal amount (KZT million)	Risk-weighted amount (KZT million)	Nominal amount (KZT million)	Risk-weighted amount (KZT million)
Contingent liabilities and credit commitments:				
Guarantees issued and similar commitments	82,370	82,370	90,557	90,557
Commitments on loans and unused credit lines	9,762	9,762	8,992	8,992
Letters of credit and other transaction related to contingent obligations	2,287	138	2,783	131
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	42	42	44	44
	94,461	92,312	102,376	99,724

The decision to issue loans to customers within open credit lines is made by the Group at the request of a customer and depends on the financial position of the borrower, credit history and other factors. As at 30 June 2011, the amount of liabilities on such unused credit lines equals KZT 311,969 million (31 December 2010: KZT 286,654 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit line without warning the borrower for any reason including: the borrower violates the obligations before the Group; insufficiency of collateral when revaluing the collateral due to a decrease in its pledge value or if change of prices in the market; or as a result of provision of the credit line (provision of loan) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks.

Capital commitments

As at 30 June 2011, capital commitments amounted to KZT 515 million (31 December 2010: KZT 959 million).

Operating environment

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

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

The global financial turmoil that has negatively affected Kazakhstan's financial and capital markets in 2009 and 2010 has receded. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Kazakhstani economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the six months ended 30 June 2011 was 5.1%).

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstan's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during six months 2011 and 2010.

18. SUBSEQUENT EVENTS

Effective from 1 July 2011, second tier banks will be required to create a general reserve in equity, equal to the difference between provisions calculated in accordance with local requirements and provisions calculated under IFRS. This general reserve will be created through appropriations of retained earnings.

19. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures".

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	30 June 2011 (unaudited) (KZT million)		**31 December 2010 (KZT million)**	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	1,066	2,667,804	1,055	2,747,210
- key management personnel of the entity or its parent	1,066		1,055	
Allowance for impairment losses	111	(599,781)	110	(572,450)
- key management personnel of the entity or its parent	111		110	
Customer accounts	5,840	1,621,033	5,255	1,506,800
- parent company	1,443		1,402	
- entities with joint control or significant influence over the entity	359		327	
- key management personnel of the entity or its parent	3,975		3,474	
- other related parties	63		52	
Guarantees issued and similar commitments	18	82,370	18	90,557
- key management personnel of the entity or its parent	18		18	
Commitments on loans and unused credit lines	157	9,762	305	8,992
- key management personnel of the entity or its parent	157		305	

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

	Six months ended 30 June 2011 (unaudited) (KZT million)		**Six months ended 30 June 2010 (unaudited) (KZT million)**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	40	125,789	54	150,115
Interest expense	(210)	(69,333)	(241)	(76,473)
Operating expenses	(1,840)	(17,521)	(629)	(15,338)
Short-term employee benefits	(1,840)	10,124	(629)	8,395
Provision on impairment losses on interest bearing assets, other transactions, guarantees and other contingent liabilities	(20)	(33,472)	(8)	(50,035)

Key management personnel compensation for the six months ended 30 June 2011 and 2010 is represented by short-term employee benefits.

As at 30 June 2011 and 31 December 2010, the Group does not pledge any assets in connection with guarantees issued to management.

20. SEGMENT REPORTING

Business segments

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

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, documentary credits, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.
- Other – representing insurance operations and other activities.

Retail Banking offers a range of personal banking, savings and mortgage products and services. Corporate Banking offers business banking services principally to small and mid sized companies and commercial loans to large corporate and commercial customers. Investment Banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities, Group Capital and shared services. Other operation includes insurance operations and other activities.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily re-allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments, if any, have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the financial position, but excluding taxation.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive, hence the Group presents operating segments on the basis of its three main products.

The amounts disclosed in the segment analysis below are regularly provided to and reviewed by the chief operating decision maker.

	Retail banking (unaudited) (KZT million)	Corporate banking (unaudited) (KZT million)	Investment banking (unaudited) (KZT million)	Other (unaudited) (KZT million)	Unallocated (unaudited) (KZT million)	Eliminations (unaudited) (KZT million)	As at and for the six months ended 30 June 2011 (unaudited) (KZT million)
External interest income	14,294	105,656	5,418	421	-	-	125,789
Internal interest income	27,795	26,096	79,626	-	-	(133,517)	-
External interest expenses	(22,739)	(21,979)	(24,615)	-	-	-	(69,333)
Internal interest expenses	(8,945)	(74,257)	(50,315)	-	-	133,517	-
Net interest income before provision for impairment losses on interest bearing assets	10,405	35,516	10,114	421	-	-	56,456
Recovery of provision/(additional provision) for impairment losses on interest bearing assets	274	(31,661)	(2,066)	-	-	-	(33,453)
NET INTEREST INCOME	10,679	3,855	8,048	421	-	-	23,003
Net gain/(loss) on financial assets and liabilities at fair value though profit or loss	114	-	(3,214)	146	-	-	(2,954)
Net gain/(loss) on foreign exchange and precious metals operations	407	23	1,436	(19)	-	-	1,847
Fee and commission income	5,006	4,628	1,804	-	-	-	11,438
Fee and commission expense	(858)	(393)	(2,066)	(840)	-	-	(4,157)
Net realized gain/(loss) on investments available-for-sale	-	-	27	(48)	-	-	(21)
Dividends received	-	-	13	16	-	-	29
Other (expenses)/income	(74)	145	246	2,989	-	-	3,306
NET NON-INTEREST INCOME/(LOSS)	4,595	4,403	(1,754)	2,244	-	-	9,488
OPERATING INCOME	15,274	8,258	6,294	2,665	-	-	32,491
OPERATING EXPENSES	(9,413)	(5,021)	(1,864)	(1,223)	-	-	(17,521)
PROFIT BEFORE OTHER OPERATING PROVISIONS	5,861	3,237	4,430	1,442	-	-	14,970
Provision for impairment losses on other transactions	-	(144)	(9)	(1,215)	-	-	(1,368)
Recovery of provision for guarantees and other contingencies	-	1,349	-	-	-	-	1,349
OPERATING PROFIT BEFORE INCOME TAX	5,861	4,442	4,421	227	-	-	14,951
Segment assets	232,393	1,866,417	637,839	20,754	100,722	(78,275)	2,779,850
Segment liabilities	516,242	1,104,791	699,326	4,878	32,284	(33,527)	2,323,994

	Retail banking (unaudited) (KZT million)	Corporate banking (unaudited) (KZT million)	Investment banking (unaudited) (KZT million)	Other (unaudited) (KZT million)	Unallocated (unaudited) (KZT million)	Eliminations (unaudited) (KZT million)	For the six months ended 30 June 2010 (unaudited) (KZT million)
External interest income	18,149	125,901	5,732	333	-	-	150,115
Internal interest income	21,110	30,561	83,995	-	-	(135,666)	-
External interest expenses	(17,492)	(30,500)	(28,481)	-	-	-	(76,473)
Internal interest expenses	(9,652)	(85,119)	(40,895)	-	-	135,666	-
Net interest income before provision for impairment losses on interest bearing assets	12,115	40,843	20,351	333	-	-	73,642
(Additional provision)/recovery of provision for impairment losses on interest bearing assets	(6,310)	(44,907)	497	-	-	-	(50,720)
NET INTEREST INCOME	5,805	(4,064)	20,848	333	-	-	22,922
Net (loss)/gain on financial assets and liabilities at fair value though profit or loss	-	-	(43,952)	213	-	-	(43,739)
Net gain/(loss) on foreign exchange and precious metals operations	177	31	32,978	3	(50)	-	33,139
Fee and commission income	3,806	4,343	1,793	-	-	-	9,942
Fee and commission expense	(317)	(681)	(1,518)	(567)	(1)	-	(3,084)
Net realized gain on investments available-for-sale	-	-	328	5	-	-	333
Dividends received	-	-	22	-	-	-	22
Other income/(expenses)	343	(266)	(188)	2,592	33	-	2,514
NET NON-INTEREST INCOME/(LOSS)	4,009	3,427	(10,537)	2,246	(18)	-	(873)
OPERATING INCOME	9,814	(637)	10,311	2,579	(18)	-	22,049
OPERATING EXPENSES	(8,489)	(6,136)	258	(914)	(57)	-	(15,338)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	1,325	(6,773)	10,569	1,665	(75)	-	6,711
Provision for impairment losses on other transactions	-	(870)	(2)	(775)	-	-	(1,647)
Recovery of provision for guarantees and other contingencies	-	2,332	-	-	-	-	2,332
OPERATING PROFIT BEFORE INCOME TAX	1,325	(5,311)	10,567	890	(75)	-	7,396
Segment assets as at 31 December 2010	251,316	1,953,922	495,904	20,024	53,349	(86,407)	2,688,108
Segment liabilities as at 31 December 2010	451,427	1,055,372	746,558	4,561	28,675	(42,266)	2,244,327

21. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: the risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: the Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools adequately and reasonably represent the risks.
- Risk monitoring: the Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits set forth in internal documents of the Group are reviewed on a periodic basis.
- Risk reporting: risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to the management.

The main risks inherent to the Group's operations are those related to:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk
- Currency risk
- Operational risk

The risk management policies that the Group applied during six months ended 30 June 2011 are not significantly different from the Group's risk management policies disclosed in the audited consolidated financial statements for the year ended 31 December 2010.

Liquidity risk

Liquidity risk is the risk that the Bank will not have enough funding at reasonable price to meet all cash outflows (on- and off-balance sheet).

Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through the deals in the money markets, with placement of available funds in liquid securities in line with instructions of ALMC.

The Group maintains the compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity. The Group considers these requirements to be strict, and, as such, this measure guarantees maintaining appropriate liquidity level.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month (KZT million) (unaudited)	**1 month to 3 months (KZT million) (unaudited)**	**3 months to 1 year (KZT million) (unaudited)**	**1 year to 5 years (KZT million) (unaudited)**	**Over 5 years (KZT million) (unaudited)**	**Maturity undefined (KZT million) (unaudited)**	**30 June 2011 Total (KZT million) (unaudited)**
FINANCIAL ASSETS:							
Financial assets at fair value through profit or loss	50,453	116,584	59,436	46,188	61,696	-	334,357
Loans and advances to banks and other financial institutions	94,232	433	2,406	21,281	2,975	-	121,327
Loans to customers	46,753	50,169	517,883	644,883	495,043	-	1,754,731
Investments available-for-sale	-	67	405	3,261	7,121	-	10,854
Investments held to maturity	-	-	50	1,145	1,455	-	2,650
Total interest bearing assets	191,438	167,253	580,180	716,758	568,290	-	2,223,919
Cash and balances with national (central) banks	108,980	-	-	-	3,345	-	112,325
Precious metals	9,218	-	-	-	-	-	9,218
Financial assets at fair value through profit or loss	-	-	-	-	-	3,812	3,812
Investments available-for-sale	-	-	-	-	-	4,862	4,862
Accrued interest income on interest-bearing assets	56,359	32,484	92,623	134,626	58	-	316,150
Other financial assets	5,691	1,076	3,154	46	-	-	9,967
TOTAL FINANCIAL ASSETS	371,686	200,813	675,957	851,430	571,693	8,674	2,680,253
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	24,327	320	55,147	46,700	-	-	126,494
Customer accounts	766,400	78,334	425,511	243,511	86,597	-	1,600,353
Debt securities issued	329	215	33,403	156,852	170,020	-	360,819
Other borrowed funds	-	-	1,849	14,780	4,064	-	20,693
Subordinated debt	-	-	-	41,421	85,874	6,628	133,923
Total interest bearing liabilities	791,056	78,869	515,910	503,264	346,555	6,628	2,242,282
Financial liabilities at fair value through profit or loss	364	108	18,829	1,936	8,156	-	29,393
Dividends payable	7	-	373	-	-	-	380
Accrued interest expense on interest-bearing liabilities	14,391	3,242	11,362	1,040	-	-	30,035
Other financial liabilities	6,140	554	42	389	-	-	7,125
TOTAL FINANCIAL LIABILITIES	811,958	82,773	546,516	506,629	354,711	6,628	2,309,215
Liquidity gap	(440,272)	118,040	129,441	344,801	216,982		
Interest sensitivity gap	(599,618)	88,384	64,270	213,494	221,735		
Cumulative interest sensitivity gap	(599,618)	(511,234)	(446,964)	(233,470)	(11,735)		
Cumulative interest sensitivity gap as a percentage of total assets	(22.4%)	(19.1%)	(16.7%)	(8.7%)	(0.4%)		
Contingent liabilities and credit commitments	2,837	4,593	40,496	31,614	4,591	527	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2010 Total (KZT million)
FINANCIAL ASSETS:							
Financial assets at fair value through profit or loss	37,256	18,997	85,580	40,550	34,912	-	217,295
Loans and advances to banks and other financial institutions	94,795	10,184	17,473	23,589	15	-	146,056
Loans to customers	32,128	95,225	568,158	611,068	566,962	-	1,873,541
Investments available-for-sale	-	-	940	4,359	6,157	-	11,456
Investments held to maturity	-	-	1	1,007	949	-	1,957
Total interest bearing assets	164,179	124,406	672,152	680,573	608,995	-	2,250,305
Cash and balances with national (central) banks	58,837	-	-	-	2,379	-	61,216
Precious metals	1,345	-	-	-	-	-	1,345
Financial assets at fair value through profit or loss	-	-	-	-	-	4,519	4,519
Investments available-for-sale	-	-	-	-	-	4,946	4,946
Accrued interest income on interest-bearing assets	50,197	56,372	65,617	131,120	64	-	303,370
Other financial assets	4,800	917	1,225	20	-	-	6,962
TOTAL FINANCIAL ASSETS	279,358	181,695	738,994	811,713	611,438	9,465	2,632,663
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	2,725	12,614	59,047	72,261	-	-	146,647
Customer accounts	556,953	108,891	479,002	257,491	87,696	-	1,490,033
Debt securities issued	714	36,781	8,557	190,480	127,341	-	363,873
Other borrowed funds	-	95	666	5,042	17,823	-	23,626
Subordinated debt	-	-	-	41,834	86,328	6,703	134,865
Total interest bearing liabilities	560,392	158,381	547,272	567,108	319,188	6,703	2,159,044
Financial liabilities at fair value through profit or loss	2,051	2,474	448	28,366	2,708	-	36,047
Dividends payable	-	-	4	-	-	-	4
Accrued interest expense on interest-bearing liabilities	5,551	11,935	13,019	669	-	-	31,174
Other financial liabilities	5,036	344	269	303	-	-	5,952
TOTAL FINANCIAL LIABILITIES	573,030	173,134	561,012	596,446	321,896	6,703	2,232,221
Liquidity gap	(293,672)	8,561	177,982	215,267	289,542		
Interest sensitivity gap	(396,213)	(33,975)	124,880	113,465	289,807		
Cumulative interest sensitivity gap	(396,213)	(430,188)	(305,308)	(191,843)	97,964		
Cumulative interest sensitivity gap as a percentage of total assets	(15.0%)	(16.3%)	(11.6%)	(7.3%)	3.7%		
Contingent liabilities and credit commitments	1,672	5,829	51,791	29,357	4,692	-	

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over. The Group is aware of the importance of maintaining the stability of these deposits. In order to achieve this it is essential that the Group ensures depositor confidence in the Group's liquidity, by continuing to position itself as the depositor of choice in local markets and a leading financial institution in both the Republic of Kazakhstan and abroad.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimize losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The NBRK sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

As at 30 June 2011, the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	**USD**	**EUR**	**RUR**	**Other CCY**	**30 June 2011 Total**
	(KZT million) (unaudited)	**(KZT million) (unaudited)**	**(KZT million) (unaudited)**	**(KZT million) (unaudited)**	**(KZT million) (unaudited)**	**(KZT million) (unaudited)**
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	85,740	15,876	3,634	5,540	1,535	112,325
Precious metals	-	-	-	-	9,218	9,218
Financial assets at fair value through profit or loss	292,763	12,842	3,594	21,538	9,681	340,418
Loans and advances to banks and other financial institutions	3,657	106,392	6,350	2,983	2,241	121,623
Loans to customers	900,723	1,128,660	10,366	27,988	286	2,068,023
Investments available-for-sale	11,929	4,062	-	-	-	15,991
Investments held to maturity	2,252	436	-	-	-	2,688
Other financial assets	5,808	3,291	50	779	39	9,967
TOTAL FINANCIAL ASSETS	1,302,872	1,271,559	23,994	58,828	23,000	2,680,253
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	15,717	107,273	3,792	14	90	126,886
Customer accounts	994,553	526,653	64,199	32,664	2,964	1,621,033
Financial liabilities at fair value through profit or loss	24,960	4,287	-	-	146	29,393
Debt securities issued	2,464	247,747	84,491	271	32,232	367,205
Other borrowed funds	14,305	6,665	-	-	-	20,970
Dividends payable	-	373	-	-	7	380
Other financial liabilities	6,682	82	23	279	59	7,125
Subordinated debt	33,472	102,751	-	-	-	136,223
TOTAL FINANCIAL LIABILITIES	1,092,153	995,831	152,505	33,228	35,498	2,309,215
OPEN POSITION	210,719	275,728	(128,511)	25,600	(12,498)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 30 June 2011:

	KZT (KZT million) (unaudited)	USD (KZT million) (unaudited)	EUR (KZT million) (unaudited)	RUR (KZT million) (unaudited)	Other CCY (KZT million) (unaudited)	30 June 2011 Total (KZT million) (unaudited)
Accounts payable on spot and derivative contracts	(8,964)	(266,856)	(12,038)	-	(25,814)	(313,672)
Accounts receivable on spot and derivative contracts	16,139	40,393	146,143	7,000	100,755	310,430
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	7,175	(226,463)	134,105	7,000	74,941	

As at 31 December 2010, the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2010 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	44,631	7,509	3,355	4,710	1,011	61,216
Precious metals	-	-	-	-	1,345	1,345
Financial assets at fair value through profit or loss	162,170	32,910	9,747	12,994	5,410	223,231
Loans and advances to banks and other financial institutions	9,857	118,233	12,041	3,553	2,647	146,331
Loans to customers	891,462	1,246,378	10,579	26,029	312	2,174,760
Investments available-for-sale	12,671	4,151	-	-	-	16,822
Investments held to maturity	1,491	505	-	-	-	1,996
Other financial assets	4,377	1,217	92	1,267	9	6,962
TOTAL FINANCIAL ASSETS	1,126,659	1,410,903	35,814	48,553	10,734	2,632,663
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	1,797	140,400	4,777	125	40	147,139
Customer accounts	784,476	635,996	60,435	22,762	3,131	1,506,800
Financial liabilities at fair value through profit or loss	27,561	8,481	-	5	-	36,047
Debt securities issued	2,473	220,977	118,542	545	32,662	375,199
Other borrowed funds	16,319	7,624	-	-	-	23,943
Dividends payable	-	-	-	-	4	4
Other financial liabilities	5,783	-	5	132	32	5,952
Subordinated debt	33,205	103,932	-	-	-	137,137
TOTAL FINANCIAL LIABILITIES	871,614	1,117,410	183,759	23,569	35,869	2,232,221
OPEN POSITION	255,045	293,493	(147,945)	24,984	(25,135)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 31 December 2010:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2010 Total (KZT million)
Accounts payable on spot and derivative contracts	(23,889)	(288,827)	(26,943)	(3,851)	(4,097)	(347,607)
Accounts receivable on spot and derivative contracts	25,508	50,651	177,645	1,423	79,911	335,138
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	1,619	(238,176)	150,702	(2,428)	75,814	