JSC HALYK BANK

Condensed Interim Consolidated Financial Information (Unaudited)
For the three months ended 31 March 2012

JSC HALYK BANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

Management is responsible for the preparation of the condensed interim consolidated financial information that present fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") as at 31 March 2012, and the results of its operations, cash flows and changes in equity for the three months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial information of the Group for the three months ended 31 March 2012 was approved by the Management Board on 15 May 2012.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2012
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2012
Almaty, Kazakhstan

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REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of JSC Halyk Bank and its subsidiaries (collectively, "the Group") which comprises the condensed interim consolidated statement of financial position as at 31 March 2012 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income, changes in equity and cash flows for the three months ended 31 March 2012, and a summary of significant accounting policies and the selected explanatory notes. Management of the Group is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

DELOITTE, LLP

15 May 2012
Almaty, Kazakhstan

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	31 March 2012 (unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents	5	813,011	519,991
Obligatory reserves	6	58,874	52,533
Financial assets at fair value through profit or loss	7, 31	3,305	3,752
Amounts due from credit institutions	8	22,119	21,096
Available-for-sale investment securities	9, 31	300,587	305,890
Investments held to maturity	10, 31	90,077	78,854
Precious metals		2,960	1,710
Loans to customers	11, 31	1,146,815	1,184,240
Property and equipment		62,471	63,515
Assets held-for-sale		9,479	9,500
Goodwill		3,085	3,085
Intangible assets		5,836	5,914
Insurance assets	12	16,795	13,550
Other assets	13	9,105	10,300
TOTAL ASSETS		2,544,519	2,273,930
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14, 31	1,835,776	1,557,476
Amounts due to credit institutions	15, 31	24,936	41,634
Financial liabilities at fair value through profit or loss	7	2,055	2,547
Debt securities issued	16	299,259	311,068
Provisions	17	3,063	3,388
Deferred tax liability	18	9,101	8,593
Insurance liabilities	12	29,158	23,028
Other liabilities	19	9,799	15,869
Total liabilities		2,213,147	1,963,603
EQUITY			
Share capital	20	143,695	143,695
Share premium reserve		1,222	1,156
Treasury shares		(39,956)	(39,960)
Retained earnings and other reserves		225,043	204,240
		330,004	309,131
Non-controlling interest		1,368	1,196
Total equity		331,372	310,327
TOTAL LIABILITIES AND EQUITY		2,544,519	2,273,930

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2012
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2012
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)
(Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Interest income	22, 31	39,668	41,635
Interest expense	22, 31	(17,116)	(19,859)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	22	22,552	21,776
Impairment charge	17	(7,203)	(11,309)
NET INTEREST INCOME		15,349	10,467
Fee and commission income	23	12,771	11,629
Fee and commission expense		(1,312)	(1,084)
Fees and commissions, net		11,459	10,545
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	24, 31	205	(352)
Net realized gain/(loss) from available-for-sale investment securities		584	(248)
Net gain on foreign exchange operations	25	1,665	3,112
Insurance underwriting income	26	4,064	2,864
Share of loss of associates		-	(1)
Other income		348	460
OTHER NON-INTEREST INCOME		6,866	5,835
Operating expenses	27	(11,270)	(10,538)
Recoveries of provisions/(provision)	17	352	(924)
Insurance claims incurred, net of reinsurance	26	(2,316)	(2,559)
NON-INTEREST EXPENSES		(13,234)	(14,021)
INCOME BEFORE INCOME TAX EXPENSE		20,440	12,826
Income tax expense	18	(3,622)	(2,180)
NET INCOME		16,818	10,646
Attributable to:			
Non-controlling interest		169	167
Preferred shareholders		4,183	2,302
Common shareholders		12,466	8,177
		16,818	10,646
Basic earnings per share (in Kazakhstani Tenge)	28	11.44	6.29
Diluted earnings per share (in Kazakhstani Tenge)	28	11.44	6.29

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2012
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2012
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Net income		16,818	10,646
Other comprehensive income/(loss)			
Gain on revaluation of available-for-sale investment securities		4,241	3,730
(Gain)/loss transferred to income statement on sale of available-for-sale investment securities		(584)	248
Loss transferred to income statement on impairment of available-for-sale investment securities		24	-
Gain on revaluation of property and equipment, net of tax		5	5
Exchange differences on translation of foreign operations		471	413
Other comprehensive income for the period		4,157	4,396
Total comprehensive income for the period		20,975	15,042
Attributable to:			
Non-controlling interest		172	174
Preferred shareholders		5,227	3,267
Common shareholders		15,576	11,601
		20,975	15,042

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2012
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2012
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Share capital: Common Shares	Share capital: Non-convertible preferred shares	Share capital: Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2011		83,571	46,891	13,233	1,156	(39,960)	1,223	3,593	15,487	183,937	309,131	1,196	310,327
Net income		-	-	-	-	-	-	-	-	16,649	16,649	169	16,818
Other comprehensive income		-	-	-	-	-	471	3,678	5	-	4,154	3	4,157
Total comprehensive income		-	-	-	-	-	471	3,678	5	16,649	20,803	172	20,975
Treasury shares purchased	20	-	-	-	(192)	(4)	-	-	-	-	(196)	-	(196)
Treasury shares sold	20	-	-	-	258	8	-	-	-	-	266	-	266
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(41)	41	-	-	-
31 March 2012 (unaudited)		83,571	46,891	13,233	1,222	(39,956)	1,694	7,271	15,451	200,627	330,004	1,368	331,372

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Share capital Common Shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total Equity
31 December 2010		83,571	46,891	13,233	1,352	(93)	1,360	3,882	16,975	149,527	316,698	1,186	317,884
Net income		-	-	-	-	-	-	-	-	10,479	10,479	167	10,646
Other comprehensive income		-	-	-	-	-	413	3,971	5	-	4,389	7	4,396
Total comprehensive income		-	-	-	-	-	413	3,971	5	10,479	14,868	174	15,042
Treasury shares purchased	20	-	-	-	-	(39,876)	-	-	-	-	(39,876)	-	(39,876)
Treasury shares sold	20	-	-	-	34	2	-	-	-	-	36	-	36
Dividends of subsidiaries		-	-	-	-	-	-	-	-	-	-	(87)	(87)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-	-	-	-	-	-	(41)	41	-	-	-
31 March 2011 (unaudited)		83,571	46,891	13,233	1,386	(39,967)	1,773	7,853	16,939	160,047	291,726	1,273	292,999

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board
15 May 2012
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant
15 May 2012
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		2	2
Interest received from cash equivalents and amounts due from credit institutions		228	528
Interest received on available-for-sale investment securities		3,491	2,993
Interest received on investments held-to-maturity		288	232
Interest received from loans to customers		34,362	30,751
Interest paid on due to customers		(11,965)	(13,968)
Interest paid on due to credit institutions		(150)	(211)
Interest paid on debt securities issued		(3,967)	(1,358)
Fee and commission received		12,338	11,374
Fee and commission paid		(1,312)	(1,084)
Insurance underwriting income received		7,707	6,263
Ceded insurance share paid		(1,152)	(1,798)
Other income received		3,139	2,335
Operating expenses paid		(11,883)	(9,947)
Insurance reimbursements paid		(1,689)	(1,179)
Reimbursement of losses due to reinsurance risks received		1	18
Cash flows from operating activities before changes in net operating assets		29,438	24,951
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(6,341)	(3,988)
Financial assets at fair value through profit or loss		898	213
Amounts due from credit institutions		(888)	(1,119)
Precious metals		(1,159)	(791)
Loans to customers		28,988	(770)
Insurance assets		(3,056)	(4,520)
Other assets		(4,460)	3,879
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		(493)	446
Amounts due to customers		282,987	151,583
Amounts due to credit institutions		(16,788)	(49,424)
Insurance liabilities		2,830	3,391
Other liabilities		(3,700)	736
Net cash inflow from operating activities before income tax		308,256	124,587
Income tax paid		(526)	(1,778)
Net cash inflow from operating activities		307,730	122,809
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(1,792)	(1,148)
Proceeds on sale of property and equipment		2	4
Proceeds on sale of available-for-sale investment securities		37,430	45,883
Purchase of available-for-sale investment securities		(24,775)	(173,309)
Proceeds from redemption of investments held-to-maturity		40,450	72,129
Purchase of investments held-to-maturity		(50,687)	(212,213)
Net cash inflow/(outflow) from investing activities		628	(268,654)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		266	36
Purchase of treasury shares		(196)	(39,876)
Proceeds on debt securities issued		-	71,585
Redemption and repurchase of debt securities issued		(13,113)	-
Net cash (outflow)/inflow from financing activities		(13,043)	31,745
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(2,295)	(236)
Net change in cash and cash equivalents		293,020	(114,336)
CASH AND CASH EQUIVALENTS, beginning of the period		519,991	392,898
CASH AND CASH EQUIVALENTS, end of the period	5	813,011	278,562

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2012
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2012
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

1. PRINCIPAL ACTIVITIES

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

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

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

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

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

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 March 2012 and 31 December 2011, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	31 March 2012 (unaudited)		31 December 2011	
	Stake in total shares issued*	**Stake in total voting shares****	**Stake in total shares issued***	**Stake in total voting shares****
Timur Kulibayev and Dinara Kulibayeva	44.51%	90.15%	44.51%	90.28%
Samruk-Kazyna	11.55%	-	11.55%	-
Others	43.94%	9.85%	43.94%	9.72%
	100.00%	100.00%	100.00%	100.00%

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

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

As at 31 March 2012, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 421 cash settlement units (31 December 2011 - 22, 122 and 445, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai Avenue, Almaty, 050008, Republic of Kazakhstan.

The condensed interim consolidated financial information of the Group for the three months ended 31 March 2012 was authorized for issue by the Management Board on 15 May 2012.

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" ("IAS 34"). The condensed interim consolidated statement of financial position as at 31 March 2012 was derived from the audited consolidated financial statements but does not include all of the disclosures required by IFRS. However, the Group believes that the disclosures are adequate to make the condensed interim consolidated financial information presentation not misleading.

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

The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with the notes to the consolidated financial statements of the Group for the year ended 31 December 2011.

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

Consolidated Subsidiaries

This condensed interim consolidated financial information includes the following subsidiaries:

Subsidiary	Holding, % 31 March 2012 (unaudited)	Holding, % 31 December 2011	Country	Industry
JSC Halyk Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100	100	Kazakhstan	Cash collection services
JSC Halyk Life	100	100	Kazakhstan	Life insurance
JSC Halyk Capital	N/A*	100	Kazakhstan	Broker and dealer activities
LLP NBK-Finance	100	100	Russia	Broker and dealer activities
JSC Kazakhinstrakh	100	100	Kazakhstan	Insurance
OJSC NBK Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
JSC Accumulated Pension fund of Halyk Bank	96	96	Kazakhstan	Pension assets accumulation and management

* In accordance with Decision of the Board of Directors of the Bank dated 26 December 2011 JSC “Halyk Capital” was reorganised by merging with JSC “Halyk Finance”. The actual transfer of assets was performed on 18 January 2012.

Associates

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

Holding, %	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 31 March 2012 and for the three months then ended (unaudited)					
25.14	-	10	-	10	-
As at 31 December 2011 and for the year then ended					
25.14	(4)	11	-	11	1

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the consolidated financial statements of the Group for the year ended 31 December 2011. There were no changes in accounting policies during the three months ended 31 March 2012.

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

Allowance for impairment of loans and receivables

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables.

Historical loss experience is adjusted, on the basis of observable data, to reflect current conditions not affecting the period of historical experience.

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

The carrying amount of the allowance for impairment losses of loans to customers as at 31 March 2012 is KZT 298,370 million (31 December 2011: KZT 291,303 million).

Taxation

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

As at 31 March 2012, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net income.

Claims liability and reserves arising from insurance contracts

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

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

Goodwill

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

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

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 March 2012 (unaudited)	31 December 2011
Cash on hand	51,827	61,072
Recorded as loans and receivables in accordance with IAS 39:		
Short-term deposits with Organization for Economic Co-operation and Development countries ("OECD") based banks	430,063	217,348
Correspondent accounts with National Bank of Kazakhstan ("NBK")	252,542	77,952
Short-term deposits with NBK	50,002	10,000
Correspondent accounts with OECD based banks	19,326	40,680
Overnight deposits with OECD based banks	4,928	102,960
Correspondent accounts with non-OECD based banks	2,810	2,469
Short-term deposits with non-OECD based banks	1,513	1,982
Short-term deposits with Kazakhstan banks	-	5,528
	813,011	519,991

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

	31 March 2012 (unaudited)		31 December 2011	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.1%	-	0.1%-1.0%
Short-term deposits with NBK	0.5%-1.0%		0.5%	-
Short-term deposits with OECD based banks	-	0.1%-1.0%	1.0%	0.3%
Short-term deposits with non-OECD based bank	-	4.0%-6.0%	-	4.4%-8.0%
Short-term deposits with Kazakhstan banks	-	-	0.7%-2.0%	-

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

	31 December 2011	
	Carrying value of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	5,528	5,596

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 March 2012 (unaudited)	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:		
Due from the NBK allocated to obligatory reserves	58,874	52,533
	58,874	52,533

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the NBK and used for calculation of the minimum reserve requirement. During 2011 the NBK has increased the level of minimum reserve requirements, which resulted in a significant increase of obligatory reserves.

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

Financial assets at fair value through profit or loss comprise:

	31 March 2012 (unaudited)	31 December 2011
Financial assets held for trading:		
Derivative financial instruments	2,930	3,304
Equity securities of Kazakhstan banks	140	220
Securities of foreign countries and organizations	127	125
Corporate bonds	108	103
	3,305	3,752

Financial liabilities at fair value through profit or loss comprise:

	31 March 2012 (unaudited)	31 December 2011
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	2,055	2,547

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

	31 March 2012 (unaudited) Interest rate	31 December 2011 Interest rate
Securities of foreign countries and organizations	8.9%-15.0%	8.9%-15.0%
Corporate bonds	6.5%-18.0%	6.5%-18.0%

Derivative financial instruments comprise:

	31 March 2012 (unaudited)			31 December 2011		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts:						
Swaps	49,627	344	221	35,185	158	105
Forwards	47,147	2,525	1,834	76,958	3,085	2,442
Options	4,118	61	-	4,627	61	-
		2,930	2,055		3,304	2,547

As at 31 March 2012 and 31 December 2011, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	31 March 2012 (unaudited)	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	15,586	11,499
Loans to credit institutions	3,702	2,286
Deposit pledged as collateral for derivative financial instruments	2,833	7,313
	22,121	21,098
Less - Allowance for loan impairment (Note 17)	(2)	(2)
	22,119	21,096

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

	31 March 2012 (unaudited)		31 December 2011	
	Interest rate	**Maturity, year**	**Interest rate**	**Maturity, year**
Term deposits	0.5%-12.5%	2012-2014	0.5%-12.5%	2012-2014
Loans to credit institutions	5.5%-17.0%	2015	14.5%-17.0%	2015
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2012	0.2%-1.8%	2012

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	31 March 2012 (unaudited)	31 December 2011
Treasury bills of the Ministry of Finance of Kazakhstan	125,708	137,733
Corporate bonds	70,407	72,099
Securities of foreign countries and organizations	69,498	52,764
Bonds of JSC Development Bank of Kazakhstan	9,973	9,318
Treasury bills of Russian Federation	8,582	8,156
Bonds of Kazakhstan banks	6,330	6,000
Local municipal bonds	3,967	4,035
NBK notes	2,683	11,146
Mutual investment funds shares	1,636	2,950
Equity securities of Kazakhstan corporations	1,504	1,394
Equity securities of Kazakhstan banks	272	295
Equity securities of foreign corporations	27	-
	300,587	305,890
Subject to repurchase agreements	-	9,474

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

	31 March 2012 (unaudited)		31 December 2011	
	Interest rate	**Maturity, year**	**Interest rate**	**Maturity, year**
Treasury bills of the Ministry of Finance of Kazakhstan	0.1%-8.8%	2012-2027	0.1%-10.1%	2012-2027
Corporate bonds	5.9%-14.0%	2012-2021	5.7%-10.5%	2012-2021
Securities of foreign countries and organizations	2.0%-9.6%	2012-2020	2.0%-9.6%	2012-2020
Bonds of JSC Development Bank of Kazakhstan	5.4%-7.0%	2015-2026	5.4%-7.0%	2015-2026
Treasury bills of Russian Federation	2.9%-7.6%	2015-2021	2.9%-7.6%	2015-2021
Bonds of Kazakhstan banks	6.3%-14.9%	2012-2030	0.1%-15.4%	2012-2030
Local municipal bonds	4.9%	2015	4.9%	2015
NBK notes	1.4%	2012	1.7%	2012

As at 31 March 2012 and 31 December 2011, the Group used quoted market prices from independent information sources to determine the fair value for all of its available-for-sale investment securities.

On 31 December 2008, the Group reclassified certain debt and equity securities with total fair value of KZT 4,925 million out of financial assets at fair value through profit or loss category into the available-for-sale investment securities. The reclassification was made only for those securities which had a significant decline in volume of transactions in the financial markets as a result of the financial crisis. The Group revised its investment policy in relation to these securities and has the intention and ability to hold these securities for the foreseeable future.

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

Debt securities:	**Effective interest rate**	**As at reporting date 31 March 2012 (unaudited) Fair value**	**As at reclassification date 31 December 2008 Fair value**
Bonds of JSC Development Bank of Kazakhstan	7.01%	2,761	2,213
		2,761	2,213

Equity securities:	**As at reporting date 31 March 2012 (unaudited) Fair value**	**As at reclassification date 31 December 2008 Fair value**
Equity securities of Kazakhstan corporations	60	74
Mutual Investment funds shares	-	651
	60	725

The Group sold mutual investment funds shares during the year ended 31 December 2011.

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

Debt securities:	As at reclassification date 31 December 2008
Bonds of JSC Development Bank of Kazakhstan	4,711
	4,711

The net gain/(loss) that would be recognized in the condensed interim consolidated income statement for the three months ended 31 March 2012 and 2011 from the debt and equity securities which were reclassified is presented in the tables below.

Debt securities:	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Bonds of JSC Development Bank of Kazakhstan	302	234
Securities of foreign countries and organizations	-	15
	302	249

Equity securities:	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Mutual investment funds shares	-	(128)
Equity securities of Kazakhstan corporations	4	3
	4	(125)

10. INVESTMENTS HELD TO MATURITY

Investments held to maturity securities comprise:

	31 March 2012 (unaudited)	31 December 2011
NBK Notes	64,542	59,860
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	12,067	9,841
Corporate bonds	8,391	7,571
Bonds of Kazakhstan banks	2,441	515
Notes of National Bank of Georgia	1,342	877
Securities of foreign countries and organizations	972	-
Treasury bills of Kyrgyz Republic	196	190
Notes of National Bank of Kyrgyz Republic	126	-
	90,077	78,854
Subject to repurchase agreements		
NBK Notes	10,395	18,003

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

	31 March 2012 (unaudited)		31 December 2011	
	Interest rate	**Maturity, year**	**Interest rate**	**Maturity, year**
NBK Notes	1.0%-1.7%	2012	1.0%-1.5%	2012
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1.6%	2012-2015	1.6%	2012-2015
Corporate bonds	7.5%-20.3%	2012-2020	20.1%	2012-2017
Bonds of Kazakhstan banks	6.8%-15.0%	2013-2016	11.0%	2015
Notes of National Bank of Georgia	11.3%-15.6%	2012-2017	13.8%-15.6%	2012-2016
Securities of foreign countries and organizations	12.0%-15.0%	2014-2016	-	-
Treasury bills of Kyrgyz Republic	20.0%-20.5%	2012	20.0%-20.5%	2012
Notes of National Bank of Kyrgyz Republic	9.8%-9.9%	2012	-	-

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 March 2012 (unaudited)	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,442,105	1,471,436
Overdrafts	3,080	4,107
	1,445,185	1,475,543
Less – Allowance for loan impairment (Note 17)	(298,370)	(291,303)
	1,146,815	1,184,240

As at 31 March 2012, the annual interest rates charged by the Group ranged from 12.5% to 22% per annum for KZT denominated loans (as at 31 December 2011 – from 12.5% to 22%) and from 12.5% to 16.5% per annum for USD denominated loans (as at 31 December 2011 – from 7% to 17%).

As at 31 March 2011, the Group had a concentration of loans of KZT 291,365 million from the ten largest borrowers that comprised 20% of the Group’s total gross loan portfolio (as at 31 December 2011 – KZT 284,771 million; 19%) and 88% of the Group’s total equity (as at 31 December 2011 – 92%). As at 31 March 2012 an allowance for loan impairment amounting to KZT 53,720 million was made against these loans (as at 31 December 2011 – KZT 52,712 million).

Loans are made to the following sectors:

	31 March 2012 (unaudited)	Share	31 December 2011	Share
Retail loans:				
- consumer loans	173,681	12%	168,766	11%
- mortgage loans	115,470	8%	119,199	8%
	289,151		287,965	
Wholesale trade	296,017	20%	287,987	19%
Construction	157,651	11%	168,065	11%
Services	123,185	9%	122,038	8%
Real estate	116,904	8%	120,617	8%
Retail trade	101,840	7%	100,847	7%
Agriculture	90,001	6%	94,155	6%
Energy	57,191	4%	56,665	4%
Transportation	51,119	4%	44,223	3%
Oil and gas	35,859	3%	37,376	3%
Metallurgy	35,346	2%	37,023	3%
Food industry	27,846	2%	44,787	3%
Hotel industry	27,394	2%	39,008	3%
Chemical industry	13,827	1%	9,244	1%
Machinery	6,630	0%	7,393	1%
Light industry	4,201	0%	5,813	0%
Mining	3,258	0%	4,617	0%
Communication	102	0%	94	0%
Other	7,663	1%	7,626	1%
	1,445,185	100%	1,475,543	100%

As at 31 March 2012 the amount of accrued interest on loans comprised KZT 109,799 million (as at 31 December 2011 – KZT 112,313 million).

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	31 March 2012 (unaudited)	31 December 2011
Reinsurance premium unearned	9,259	8,582
Reinsurance amounts recoverable	1,631	1,744
	10,890	10,326
Premiums receivable	5,905	3,224
Insurance assets	16,795	13,550

Insurance liabilities comprised the following:

	31 March 2012 (unaudited)	31 December 2011
Gross unearned insurance premium reserve	15,131	12,129
Reserves for insurance claims	8,565	8,146
	23,696	20,275
Payables to reinsurers and agents	5,462	2,753
Insurance liabilities	29,158	23,028

Insurance risk

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

Underwriting and pricing risk

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

Claims management risk

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

Reinsurance risk

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

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

Reserving risk

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

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

13. OTHER ASSETS

Other assets comprise:

	31 March 2012 (unaudited)	31 December 2011
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	2,991	2,873
Debtors on non-banking activities	1,140	1,217
Accrued commission for managing pension assets	1,013	382
Accrued other commission income	428	625
Other	38	9
	5,610	5,106
Less – Allowance for impairment (Note 17)	(1,033)	(1,125)
	4,577	3,981
Other non financial assets:		
Inventory	1,509	1,552
Prepayments for property and equipment	1,335	1,260
Corporate income tax prepaid	893	3,133
Advances for taxes other than income tax	855	664
Deferred tax asset (Note 18)	470	314
Investments in associates	54	67
Other	399	429
	5,515	7,419
Less – Allowance for impairment (Note 17)	(987)	(1,100)
	4,528	6,319
	9,105	10,300

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 March 2012 (unaudited)	31 December 2011
Recorded at amortized cost:		
Term deposits:		
Legal entities	366,769	420,648
Individuals	462,045	426,219
	828,814	846,867
Current accounts:		
Legal entities	866,047	570,595
Individuals	140,915	140,014
	1,006,962	710,609
	1,835,776	1,557,476

As at 31 March 2012, the Group's ten largest customers accounted for approximately 55% of the total amounts due to customers (31 December 2011 – 51%).

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

An analysis of customer accounts by sector follows:

	31 March 2012 (unaudited)	**Share**	**31 December 2011**	**Share**
Individuals and entrepreneurs	602,960	33%	566,233	36%
Oil and gas	438,267	24%	326,157	21%
Communication	236,202	13%	4,184	0%
Transportation	91,974	5%	126,104	8%
Wholesale trade	84,821	5%	137,855	9%
Construction	76,858	4%	72,824	5%
Other consumer services	55,595	3%	53,124	3%
Government	48,749	3%	50,531	3%
Metallurgy	33,269	2%	27,207	2%
Financial sector	24,670	1%	25,064	2%
Healthcare and social services	21,707	1%	10,511	1%
Energy	19,896	1%	57,679	4%
Insurance and pension funds activity	16,989	1%	17,058	1%
Education	16,020	0%	13,110	1%
Other	67,799	4%	69,835	4%
	1,835,776	100%	1,557,476	100%

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 March 2012 (unaudited)	**31 December 2011**
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks	12,443	29,340
Loans and deposits from OECD based banks	8,146	8,717
Correspondent accounts	2,688	1,752
Loans from other financial institutions	1,009	1,006
Loans and deposits from non-OECD based banks	650	819
	24,936	41,634

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

	31 March 2012 (unaudited)		**31 December 2011**	
	Interest rate	**Maturity, year**	**Interest rate**	**Maturity, year**
Loans and deposits from Kazakhstan banks	0.2%	2012	0.1%-0.5%	2012
Loans and deposits from OECD based banks	1.1% - 6.5%	2012 - 2023	1.1%-7.7%	2012-2023
Loans from other financial institutions	3.0% - 3.9%	2012 - 2014	3.0%-3.9%	2012-2014
Loans and deposits from non-OECD based banks	2.9% - 3.4%	2012 - 2013	2.5%-3.4%	2012-2013

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 March 2012 and 31 December 2011 are presented as follows:

	31 March 2012 (unaudited)		31 December 2011	
	Fair value of collateral	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**
NBK notes	10,942	10,395	28,429	27,001

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

As at 31 March 2012 and 31 December 2011, the Group was in compliance with the covenants of the various debt agreements with other banks and financial institutions.

16. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	31 March 2012 (unaudited)	31 December 2011
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	11,949	11,754
Reverse inflation indexed KZT denominated bonds	8,551	8,406
Inflation indexed KZT denominated bonds	4,046	3,951
Total subordinated debt securities outstanding	24,546	24,111
Unsubordinated debt securities issued:		
USD denominated bonds	274,713	276,566
KZT denominated bonds	-	10,391
Total unsubordinated debt securities outstanding	274,713	286,957
Total debt securities outstanding	299,259	311,068

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

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

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as of 31 March 2012 and 31 December 2011 the Group was in compliance with the covenants of the agreements the Group has with the notes' trustees and holders.

17. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

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

	Loans to customers	**Amounts due from credit institutions**	**Available-for-sale investment securities**	**Other assets**	**Total**
31 December 2010	(253,237)	(2)	(1,212)	(1,989)	(256,440)
(Additional provisions recognized)/recovery of provision	(11,067)	(3)	2	(241)	(11,309)
Write-offs	1,540	-	-	120	1,660
Foreign exchange differences	687	3	1	(9)	682
31 March 2011 (unaudited)	(262,077)	(2)	(1,209)	(2,119)	(265,407)
31 December 2011	(291,303)	(2)	(1,098)	(2,225)	(294,628)
(Additional provisions recognized)/recovery of provision	(7,394)	1	24	166	(7,203)
Write-offs	69	-	-	42	111
Foreign exchange differences	258	(1)	-	(3)	254
31 March 2012 (unaudited)	(298,370)	(2)	(1,074)	(2,020)	(301,466)

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

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

	Three months ended 31 March 2012 (unaudited)	**Three months ended 31 March 2011 (unaudited)**
At the beginning of the period	(3,388)	(3,861)
Recoveries of provisions/(provisions)	352	(924)
Foreign exchange differences	(27)	(16)
At the end of the period	(3,063)	(4,801)

18. TAXATION

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

The income tax expense comprises:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Current tax charge	3,270	2,223
Charge/deferred tax (benefit)	352	(43)
Income tax expense	3,622	2,180

The tax rate for Kazakhstan companies was 20% during the three months ended 31 March 2012 and 2011, except for insurance companies which were taxed at 4%. Income on state and other qualifying securities is tax exempt.

The tax rates in the Netherlands, the Russian Federation, the Republic of Kyrgyzstan and Georgia are 20%, 20%, 10% and 15%, respectively.

Deferred tax assets and liabilities comprise:

	31 March 2011 (unaudited)	31 December 2011
Tax effect of deductible temporary differences:		
Bonuses accrued	599	710
Insurance premium reserves	420	239
Fair value of derivatives	396	494
Provisions, different rates	350	334
Vacation pay accrual	214	198
Deferred tax asset	1,979	1,975
Tax effect of taxable temporary differences:		
Loans to customers, allowance for impairment losses	(5,532)	(5,410)
Property and equipment, accrued depreciation	(4,507)	(4,198)
Fair value of derivatives	(571)	(646)
Deferred tax liability	(10,610)	(10,254)
Net deferred tax liability	(8,631)	(8,279)

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

	31 March 2012 (unaudited)	**31 December 2011**
Deferred tax asset (Note 13)	470	314
Deferred tax liability	(9,101)	(8,593)
Net deferred tax liability	(8,631)	(8,279)

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

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

19. OTHER LIABILITIES

Other liabilities comprise:

	31 March 2012 (unaudited)	**31 December 2011**
Other financial liabilities:		
Amounts due to customers of pension funds	925	5,163
Payable for general and administrative expenses	466	242
Creditors on bank activities	427	312
Creditors on non-banking activities	295	351
Other	119	111
	2,232	6,179
Other non financial liabilities:		
Salary payable	4,643	5,106
Other prepayments received	1,324	1,181
Taxes payable other than income tax	862	3,171
Current income tax payable	738	232
	7,567	9,690
	9,799	15,869

JSC Accumulated Pension fund of Halyk Bank (“the Pension Fund Management Company”) receives two types of fees – 15% for management of pension assets based on the investment income earned or loss incurred on the pension assets during the month and 0.05% earned monthly based on total net assets under administration.

During the third quarter of 2011 due to a significant fall in the market quotations of securities the pension assets portfolio incurred significant unrealized losses, which resulted in recognition of losses incurred from management of pension assets. The Group would have to repay those amounts in instances where the customers leave the fund or otherwise they could be offset against future income.

As at 31 March 2012 the losses incurred from management of pension assets were offset against the income received amounting to KZT 4,238 million.

20. EQUITY

Authorized, issued and fully paid number of shares as at 31 March 2012 and 2011 were as follows:

31 March 2012 (unaudited)	**Share capital authorized**	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common shares	2,400,000,000	(1,091,584,040)	1,308,415,960	(218,729,117)	1,089,686,843
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(24,055,583)	285,803,847
Convertible preferred shares	80,225,222	-	80,225,222	(407,398)	79,817,824

31 March 2011 (unaudited)	**Share capital authorized**	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common shares	2,400,000,000	(1,091,584,040)	1,308,415,960	(219,823,305)	1,088,592,655
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(23,971,859)	285,887,571
Convertible preferred shares	80,225,222	-	80,225,222	(296,191)	79,929,031

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2010	1,301,511,007	285,887,396	79,930,201	83,478	46,891	13,233
Purchase of treasury shares from Samruk Kazyna (including the cost of the call option – see Note 1)	(213,000,000)	-	-	(39,875)	-	-
Other purchases of treasury shares	(91,511)	(200)	(1,170)	(1)	-	-
Sale of treasury shares	173,159	375	-	2	-	-
31 March 2011 (unaudited)	1,088,592,655	285,887,571	79,929,031	43,604	46,891	13,233
31 December 2011	1,089,338,798	285,803,817	79,846,624	43,611	46,891	13,233
Purchases of treasury shares	(463,231)	(1,318,700)	(28,800)	(4)	-	-
Sale of treasury shares	811,276	1,318,730	-	8	-	-
31 March 2012 (unaudited)	1,089,686,843	285,803,847	79,817,824	43,615	46,891	13,233

At 31 March 2012, the Group held 219,729,117 of the Group's common shares as treasury shares at KZT 39,956 million (31 March 2011 – 219,823,305 shares at KZT 39,967 million).

Common Shares

Each common share is entitled to one vote and dividends.

Preferred shares

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

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

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the share prospectus and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBK plus one per cent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBK plus one per cent. Inflation in either calculation will range between three and nine per cent. Dividends on the Preferred Shares are only paid if declared and approved by the Board of Directors at the Annual General Meeting of the Shareholders. The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

Share premium reserve

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

Convertible preferred shares

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

21. COMMITMENTS AND CONTINGENCIES

Financial Commitments and Contingencies

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

	31 March 2012 (unaudited)	**31 December 2011**
Guarantees issued	74,871	86,707
Commitments to extend credit	16,853	10,716
Commercial letters of credit	15,346	13,479
Financial commitments and contingencies	107,070	110,902
Less: cash collateral against letters of credit	(3,742)	(4,266)
Less: provisions (Note 17)	(3,063)	(3,388)
Total financial commitments and contingencies, net	100,265	103,248

Guarantees issued included above represent financial guarantees where payment is not probable as at the reporting date, and therefore have not been recorded in the condensed interim consolidated statement of financial position. As at 31 March 2012, the ten largest guarantees accounted for 77% of the Group's total financial guarantees (as at 31 December 2011 – 75%) and represented 17% of the Group's total equity (as at 31 December 2011 – 21%).

As at 31 March 2012, the ten largest letters of credit accounted for 76% of the Group's total commercial letters of credit (as at 31 December 2011 –68%) and represented 4% of the Group's total equity (as at 31 December 2011 – 3%).

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

Trust Activities

In the normal course of its business, the Group enters into agreements with clients to manage the customers' assets with limited decision making rights and in accordance with specific criteria established by the customers. The Group may only be liable for losses or actions aimed at appropriation of the customers' funds if such funds or securities are not returned to the customer. The maximum potential financial risk of the Group on any date is equal to the volume of the customers' funds, net of any unrealized income/loss on the customer's position. The balance of the customers' funds under the management of the Group, as at 31 March 2012 is KZT 924 billion (31 December 2011 - KZT 878 billion).

Legal proceedings

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

Taxation

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

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

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

Operating environment

Emerging markets such as the Republic of 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 the Republic of Kazakhstan and the Kazakhstan's economy in general.

Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the Republic of Kazakhstan is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Kazakhstan. The future economic direction of the Republic of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kazakhstan's 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.

Banks-correspondents of the Group did not decrease the limits on the Group and did not otherwise change the terms of cooperation with the Group, which would became less advantageous for the Group.

22. NET INTEREST INCOME

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired assets	35,190	36,119
- interest income on unimpaired assets	1,084	1,920
Interest income on available-for-sale investment securities	3,389	3,591
Interest income on financial assets at fair value through profit or loss	5	5
Total interest income	39,668	41,635
Interest income on financial assets recorded at amortized cost comprises:		
Interest income on loans to customers	35,190	36,119
Interest income on investments held-to-maturity	672	1,219
Interest income on amounts due from credit institutions and cash and cash equivalents	412	701
Total interest income on financial assets recorded at amortized cost	36,274	38,039
Interest income on financial assets at fair value through profit or loss:		
Interest income on financial assets held-for-trading	5	5
Total interest income on financial assets at fair value through profit or loss	5	5
Interest income on available-for-sale investment securities	3,389	3,591
Total interest income	39,668	41,635
Interest expense comprises:		
Interest expense on financial liabilities recorded at amortized cost	(17,116)	(19,859)
Total interest expense	(17,116)	(19,859)
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest expense on amounts due to customers	(10,749)	(13,380)
Interest expense on debt securities issued	(6,198)	(6,267)
Interest expense on amounts due to credit institutions	(169)	(212)
Total interest expense on financial liabilities recorded at amortized cost	(17,116)	(19,859)
Net interest income before impairment charge	22,552	21,776

23. FEES AND COMMISSIONS

Fee and commission income was derived from the following sources:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Pension fund and asset management	5,470	5,041
Bank transfers - settlements	2,027	1,676
Bank transfers – salary projects	1,220	971
Payment cards maintenance	1,180	799
Cash operations	898	759
Customers' pension payments	891	770
Letters of credit and guarantees issued	519	724
Maintenance of customer accounts	218	273
Other	348	616
	12,771	11,629

Fee and commission income from Pension fund and asset management was derived from the following:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Investment income from management of pension assets	4,238	4,059
Income from administration of pension assets	1,232	982
	5,470	5,041

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

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

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:		
(Loss)/gain on trading operations	(244)	428
Net fair value adjustment	449	(780)
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	205	(352)

25. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Dealing, net	1,777	1,253
Translation differences, net	(112)	1,859
	1,665	3,112

26. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Insurance premiums written, gross	10,468	8,533
Change in unearned insurance premiums, net	(2,618)	(3,177)
Ceded reinsurance share	(3,786)	(2,492)
	4,064	2,864

Insurance underwriting expenses comprised:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Insurance payments	1,689	1,486
Insurance reserves	533	1,028
Commissions to agents	94	45
	2,316	2,559

27. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Salaries and other employee benefits	6,293	5,558
Depreciation and amortization expenses	1,792	1,725
Taxes other than income tax	436	456
Security	350	353
Communication	299	295
Rent	287	264
Repairs and maintenance	270	231
Insurance agents' fees	190	143
Information services	165	154
Stationery and office supplies	157	204
Business trip expenses	117	105
Transportation	116	91
Advertisement	113	85
Professional services	53	82
Hospitality expenses	12	12
Charity	7	30
Social events	2	5
Other	611	745
	11,270	10,538

28. EARNINGS PER SHARE

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

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

The following table presents basic and diluted earnings per share:

	Three months ended 31 March 2012 (unaudited)	Three months ended 31 March 2011 (unaudited)
Basic earnings per share		
Net income for the period attributable to shareholders	16,649	10,479
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	(4,183)	(2,302)
Earnings attributable to common shareholders	12,466	8,177
Weighted average number of common shares for the purposes of basic earnings per share	1,089,542,421	1,299,152,241
Basic earnings per share (in Kazakhstani Tenge)	11.44	6.29
Diluted earnings per share		
Earnings used in the calculation of basic earnings per share	12,466	8,177
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	923	503
Earnings used in the calculation of total diluted earnings per share	13,389	8,680
Weighted average number of common shares for the purposes of basic earnings per share	1,089,542,421	1,299,152,241
Shares deemed to be issued:		
Weighted average number of common shares that would be issued for the convertible preferred shares	79,834,873	79,929,912
Weighted average number of common shares for the purposes of diluted earnings per share	1,169,377,294	1,379,082,153
Diluted earnings per share (in Kazakhstani Tenge)	11.44	6.29

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

The book value of one share per each class of shares as at 31 March 2012 and 31 December 2011 is as follows.

	31 March 2012 (unaudited)		
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	1,089,686,843	264,175	242.43
Non-convertible preferred	285,803,847	48,128	168.40
Convertible preferred	79,817,824	13,233	165.79
		325,536	

Class of shares	Outstanding shares	31 December 2011 Equity	Book value of one share, in KZT
Common	1,089,338,798	243,052	223.12
Non-convertible preferred	285,803,817	48,128	168.40
Convertible preferred	79,846,624	13,233	165.73
		304,413	

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

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

29. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

Credit risk is the risk of loss arising for the Group when a counterparty is unable to meet its contractual obligations on time or in full.

Risk Management division plays important role in managing and controlling the credit risk. This division is responsible for the credit risks identification and evaluation, implementation of the control and monitoring measures. Risk Management division directly participates in a credit decision-making processes and consideration of internal rules, regulations and loan programs. Along with that, the division provides independent recommendations concerning credit exposure minimization measures, controls and monitors credit risks, provides relevant reporting to the management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

The risk, that counterparty will not meet its obligations, is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Structure and authorities of credit committees

Credit committees, ALMC, the Management Board and the Board of Directors are credit authorities responsible for implementation of the Bank's Credit Policy and credit decision-making process.

Head Office Credit Committee

Is the committee, the primary goal of which is implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch credit committee and Branch Network Credit Committee

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to the small and medium enterprises customers.

Delegated credit authority limits for Branch credit committee and Branch Networking Credit Committee are established by the Management Board. Branch credit committee makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the Branch credit committee, the final decision has to be taken by the Branch Network Credit Committee. The procedure of the decision-making by the Branch Network Credit Committee involves consideration of the package of documents, including complex analysis, assessments of the potential borrowers conducted by the Bank's experts.

Retail branch credit committee and Retail credit committee of the Head Office

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

Retail branch credit committees make a credit decisions within their authorities and limits established by the Management Board and Retail credit committee of the Head Office. Retail credit committee of the Head Office is authorized to consider loan applications that exceed relevant credit limits or the authorities of the Retail Branch credit committee, as well as issues within the authorities established by the Management Board.

Along with the process of decision-making via credit committees, there is an automated approach of decision procedures for potential borrowers whose income can be confirmed by the Independent Government body. This approach takes into account risk-profile of the potential borrower and allows minimizing the credit risk exposure in the decision-making procedures.

Problem loans committee of the Head Office, branches

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorized credit authorities of the Bank subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the Authorized credit authorities in accordance with the internal rules and regulations of the subsidiary. The loan applications exceeded the limits and the authorities have to be considered by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant Credit committee according to the Bank's internal rules and regulations.

ALMC

Is the committee, the primary goal of which is the profit maximization and limit the risks of banking activities related to raising and allocation of funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

ALMC is also responsible for establishing country and counterparty limits. ALMC is reporting to the Board of Directors.

The Management Board

The loan applications exceeding the authorities of the Head Office Credit Committee, Branch Network Credit Committee, Retail Credit Committee of the Head Office, or exceeding the relevant limits of Branch Network Credit Committee, Retail Credit Committee of the Head Office have to be considered by the Management Board.

The Board of Directors

If the loan applications exceed 5 % of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations of national and foreign currencies.

The Treasury Department performs daily monitoring of the Group's open currency position with the aim to comply with the requirements of the regulatory authority.

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

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

	31 March 2012 (unaudited)			31 December 2011		
	KZT	**Foreign currencies**	**Total**	**KZT**	**Foreign currencies**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	109,398	703,613	813,011	58,108	461,883	519,991
Obligatory reserves	23,353	35,521	58,874	23,531	29,002	52,533
Financial assets at fair value through profit or loss	316	2,989	3,305	399	3,353	3,752
Amounts due from credit institutions	15,587	6,532	22,119	11,526	9,570	21,096
Available-for-sale investment securities	183,949	116,638	300,587	202,142	103,748	305,890
Investments held to maturity	81,380	8,697	90,077	73,459	5,395	78,854
Loans to customers	775,036	371,779	1,146,815	763,741	420,499	1,184,240
Other financial assets	4,102	475	4,577	3,585	396	3,981
	1,193,121	1,246,244	2,439,365	1,136,491	1,033,846	2,170,337
FINANCIAL LIABILITIES:						
Amounts due to customers	932,760	903,016	1,835,776	915,930	641,546	1,557,476
Amounts due to credit institutions	12,793	12,143	24,936	27,811	13,823	41,634
Debt securities issued	24,546	274,713	299,259	34,502	276,566	311,068
Financial liabilities at fair value through profit or loss	-	2,055	2,055	-	2,547	2,547
Other financial liabilities	2,107	125	2,232	5,941	238	6,179
	972,206	1,192,052	2,164,258	984,184	934,720	1,918,904
Net financial position	220,915	54,192	275,107	152,307	99,126	251,433

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

Liquidity Risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in a due time. The Group’s liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

Short-term liquidity needs are managed by the Group’s Treasury function collecting daily customers’ cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyzes the financial assets and liabilities, taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

	31 March 2012					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	753,894	59,117	-	-	-	813,011
Obligatory reserves	37,377	3,598	12,675	4,316	908	58,874
Financial assets at fair value through profit or loss	3,305	-	-	-	-	3,305
Amounts due from credit institutions	2,654	5,955	6,568	6,942	-	22,119
Available-for-sale investment securities	13,312	8,072	63,406	146,940	68,857	300,587
Investments held to maturity	10,133	24,945	33,140	12,755	9,104	90,077
Loans to customers	171,361	132,549	593,982	185,779	63,144	1,146,815
Other financial assets	4,023	114	59	285	96	4,577
	996,059	234,350	709,830	357,017	142,109	2,439,365
FINANCIAL LIABILITIES:						
Amounts due to customers	1,165,548	112,057	395,297	134,556	28,318	1,835,776
Amounts due to credit institutions	16,055	394	1,588	4,584	2,315	24,936
Financial liabilities at fair value through profit or loss	2,055	-	-	-	-	2,055
Debt securities issued	-	-	-	135,923	163,336	299,259
Other financial liabilities	1,032	66	1,111	23	-	2,232
	1,184,690	112,517	397,996	275,086	193,969	2,164,258
Net position	(188,631)	121,833	311,834	81,931	(51,860)	
Accumulated gap	(188,631)	(66,798)	245,036	326,967	275,107	

	31 December 2011					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	519,991	-	-	-	-	519,991
Obligatory reserves	29,360	7,119	12,340	2,698	1,016	52,533
Financial assets at fair value through profit or loss	3,752	-	-	-	-	3,752
Amounts due from credit institutions	33	673	13,995	6,395	-	21,096
Available-for-sale investment securities	7,650	14,270	78,579	140,687	64,704	305,890
Investments held to maturity	79	39,935	23,418	13,106	2,316	78,854
Loans to customers	166,974	182,126	591,410	169,950	73,780	1,184,240
Other financial assets	3,510	112	167	115	77	3,981
	731,349	244,235	719,909	332,951	141,893	2,170,337
FINANCIAL LIABILITIES:						
Amounts due to customers	870,078	211,151	366,080	80,035	30,132	1,557,476
Amounts due to credit institutions	31,827	250	1,663	3,859	4,035	41,634
Financial liabilities at fair value through profit or loss	2,547	-	-	-	-	2,547
Debt securities issued	118	10,391	282	133,167	167,110	311,068
Other financial liabilities	538	279	5,329	33	-	6,179
	905,108	222,071	373,354	217,094	201,277	1,918,904
Net position	(173,759)	22,164	346,555	115,857	(59,384)	
Accumulated gap	(173,759)	(151,595)	194,960	310,817	251,433	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in ten months period after proper notification would be issued by the Group.

A significant portion of the Group's liabilities is represented by customer term deposits, current accounts of corporate and retail customers, bonds.

Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management.

30. SEGMENT ANALYSIS

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

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

The products and services offered by each segment are:

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

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

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

There were no transactions between business segments during the three months ended 31 March 2012 and 2011. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group for the three months ended 31 March 2012 and 2011 is set out below:

	Retail banking	**Corporate banking**	**Other**	**Total**
As at 31 March 2012 and for the three months then ended (unaudited)				
External revenues	18,564	35,540	5,201	59,305
Total revenues	**18,564**	**35,540**	**5,201**	**59,305**
Total revenues comprise:				
- Interest income	10,964	28,704	-	39,668
- Fee and commission income	6,930	5,841	-	12,771
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	205	205
- Net realized gain from available-for-sale investment securities	-	-	584	584
- Net gain on foreign exchange operations	670	995	-	1,665
- Insurance underwriting income and other income	-	-	4,412	4,412
Total revenues	18,564	35,540	5,201	59,305
- Interest expense on amounts due to customers	(7,638)	(3,111)	-	(10,749)
- Impairment charge	(136)	(7,067)	-	(7,203)
- Fee and commission expense	(238)	(1,074)	-	(1,312)
- Salaries and other employee benefits	(1,199)	(5,094)	-	(6,293)
- Advertisement expenses	(113)	-	-	(113)
- Recovery of provision	-	352	-	352
Segment result	9,240	19,546	5,201	33,987
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(6,367)
- Insurance claims incurred, net of reinsurance				(2,316)
- Unallocated operating expenses				(4,864)
Income before income tax expense				20,440
Income tax expense				(3,622)
Net Income				16,818
Total segment assets	301,946	1,679,999	394,022	2,375,967
Unallocated assets				168,552
Total assets				2,544,519
Total segment liabilities	(602,960)	(1,232,816)	(3,063)	(1,838,839)
Unallocated liabilities				(374,308)
Total liabilities				(2,213,147)
Other segment items:				
Capital expenditure (unallocated)				(1,792)
Depreciation and amortization expense (unallocated)				(1,792)

	Retail banking	Corporate banking	Other	Total
As at 31 March 2011 and for the three months then ended (unaudited)				
External revenues	12,762	43,613	2,724	59,099
Total revenues	**12,762**	**43,613**	**2,724**	**59,099**
Total revenues comprise:				
- Interest income	9,856	31,779	-	41,635
- Fee and commission income	2,484	9,145	-	11,629
- Net loss from financial assets and liabilities at fair value through profit or loss	-	-	(352)	(352)
- Net realized loss from available-for-sale investment securities	-	-	(248)	(248)
- Net gain on foreign exchange operations	422	2,690	-	3,112
- Share of loss of associates	-	(1)	-	(1)
- Insurance underwriting income and other income	-	-	3,324	3,324
Total revenues	12,762	43,613	2,724	59,099
- Interest expense on amounts due to customers	(8,039)	(5,341)	-	(13,380)
- Impairment charge	(1,722)	(9,587)	-	(11,309)
- Fee and commission expense	(186)	(898)	-	(1,084)
- Salaries and other employee benefits	(1,001)	(4,557)	-	(5,558)
- Advertisement expenses	(85)	-	-	(85)
- Provision	-	(924)	-	(924)
Segment result	1,729	22,306	2,724	26,759
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions	-	-	-	(6,479)
- Insurance claims incurred, net of reinsurance	-	-	-	(2,559)
- Unallocated operating expenses	-	-	-	(4,895)
Income before income tax expense				12,826
Income tax expense				(2,180)
Net Income				10,646
Total segment assets	259,322	1,119,814	729,482	2,108,618
Unallocated assets	-	-	-	140,784
Total assets				2,249,402
Total segment liabilities	(517,789)	(1,043,701)	(4,801)	(1,566,291)
Unallocated liabilities	-	-	-	(390,112)
Total liabilities	-	-	-	(1,956,403)
Other segment items:				
Capital expenditure (unallocated)				(1,148)
Depreciation and amortization expense (unallocated)				(1,725)

Geographical information – Segment information for the main geographical segments of the Group is set out below as at 31 March 2012 and 31 December 2011 and for the three-months ended 31 March 2012 and 2011.

	Kazakhstan	**OECD**	**Non-OECD**	**Total**
31 March 2012 (unaudited)				
Total assets	2,422,844	67,151	54,524	2,544,519
31 December 2011				
Total assets	1,795,044	434,947	43,939	2,273,930
Three months ended 31 March 2012 (unaudited)				
External revenues	56,812	847	1,646	59,305
Capital expenditure	(1,792)	-	-	(1,792)
Three months ended 31 March 2011 (unaudited)				
External revenues	57,853	398	848	59,099
Capital expenditure	(1,148)	-	-	(1,148)

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

31. RELATED PARTY TRANSACTIONS

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

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

The ultimate shareholder of the Group Timur Kulibayev (please see Note 1) held the position of Chairman in Samruk-Kazyna in the period from 12 April 2011 till 26 December 2011. Timur Kulibayev held the position of Chairman of the Board of Directors in subsidiaries of Samruk-Kazyna, including JSC NC KazMunayGas from 21 May 2009 till 12 January 2012 and JSC NC Kazatomprom from October 2008 till 12 January 2012. According to the requirements of IAS 24, applicable for annual reports for periods starting 1 January 2011, the entity is considered as related to the reporting entity if a person, who has control or joint control over reporting entity is considered as member of key management personnel of the entity or a parent of the entity. Accordingly, Samruk-Kazyna together with its subsidiaries were considered as related parties until 26 December 2011, except for JSC NC KazMunayGas and JSC NC Kazatomprom, which were considered as related parties up to and including 31 December 2011.

The transactions and balances with Samruk-Kazyna are disclosed as a separate line in related party transactions disclosure below for the periods in which Samruk-Kazyna was a shareholder of the Group.

The Group had the following balances outstanding as at 31 March 2012 and 31 December 2011 with related parties:

	31 March 2012 (unaudited)		31 December 2011	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	33	3,305	31	3,752
- Samruk-Kazyna and its subsidiaries	33		31	
Available-for-sale investment securities before allowance for impairment	56,423	301,661	54,832	306,988
- Samruk-Kazyna and its subsidiaries	56,423		54,832	
Allowance for available-for-sale investment securities impairment	(490)	(1,074)	(490)	(1,098)
- Subsidiaries of Samruk-Kazyna	(490)		(490)	
Investments held to maturity	5,346	90,077	5,138	78,854
- Subsidiaries of Samruk-Kazyna	5,346		5,138	
Loans to customers before allowance for impairment losses	10,996	1,445,185	11,466	1,475,543
- entities with joint control or significant influence over the entity	9,873		10,195	
- key management personnel of the entity or its parent	3		43	
- other related parties	1,120		1,228	
Allowance for impairment losses	(3,489)	(298,370)	(3,549)	(291,303)
- entities with joint control or significant influence over the entity	(3,129)		(3,183)	
- key management personnel of the entity or its parent	-		(4)	
- other related parties	(360)		(362)	
Amounts due to customers	159,415	1,835,776	289,227	1,557,476
- the parent	21,706		22,421	
- entities with joint control or significant influence over the entity	252		679	
- associates	49		152	
- key management personnel of the entity or its parent	2,874		1,929	
- Samruk-Kazyna and its subsidiaries	126,987		240,765	
- other related parties	7,547		23,281	
Amounts due to credit institutions	155	24,936	202	41,634
- Subsidiaries of Samruk-Kazyna	155		202	

Included in the condensed interim consolidated income statement and in the condensed interim statement of comprehensive income for the three months ended 31 March 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Three months ended 31 March 2012 (unaudited)		Three months ended 31 March 2011 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	1,713	39,668	939	41,635
- entities with joint control or significant influence over the entity	207		-	
- key management personnel of the entity or its parent	-		3	
- Samruk-Kazyna and its subsidiaries	1,488		933	
- other related parties	18		3	
Interest expense	(3,353)	(17,116)	(1,870)	(19,859)
- the parent	(280)		(256)	
- entities with joint control or significant influence over the entity	-		(4)	
- key management personnel of the entity or its parent	(41)		(33)	
- Samruk-Kazyna and its subsidiaries	(3,004)		(1,454)	
- other related parties	(28)		(123)	
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	-	205	(1)	(352)
- Samruk-Kazyna and its subsidiaries	-		(1)	

	Three months ended 31 March 2012 (unaudited)		Three months ended 31 March 2011 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	72	6,293	59	5,558
- short-term employee benefits	72		59	

32. SUBSEQUENT EVENTS

At annual meeting on 19 April 2012 the shareholders of the Bank made decision to pay the dividends on preferred shares of the Bank amounting to KZT 5,243 million. Actual payment of the dividends took place on 10 May 2012.