

JSC HALYK BANK

Interim Financial Information (unaudited)

For the six months ended 30 June 2009

**and Report on Review of Interim
Financial Information**

JSC HALYK BANK

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009	1
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	2
CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009:	
Condensed interim consolidated statement of financial position (unaudited)	3
Condensed interim consolidated income statement (unaudited)	4
Condensed interim consolidated statement of comprehensive income (unaudited)	5
Condensed interim consolidated statement of changes in equity (unaudited)	6-8
Condensed interim consolidated statement of cash flows (unaudited)	9-10
Selected explanatory notes to the interim financial information (unaudited)	11-44

JSC HALYK BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

Management is responsible for the preparation of interim financial information that presents fairly the financial position of the Group as at 30 June 2009, the results of its operations for the three months and the six months periods then ended and its cash flows and changes in equity for the six months ended 30 June 2009, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IAS 34 has been followed; and
- Preparing the interim financial information on a going concern basis.

Management is also responsible for:

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

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of economic stabilization measures were introduced by governments and central banks in Kazakhstan and around the world to provide capital and liquidity to banks. The Group used a number of these funding facilities. It is expected that the Group's funding and capital plans will continue to have access to and utilize such facilities for the foreseeable future.

The Group's capital ratios are at high levels and were strengthened by the addition to the Group's share capital of KZT 74,978 million in March and May 2009. The increase in share capital was achieved by the issue of common and preferred shares of which KZT 60,000 million was acquired by JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), an entity controlled by the Kazakhstan Government. This is also a strong indication of the Kazakhstan Government's support for the Group and further underlines its importance to the Kazakhstan economy and financial system.

Accordingly, management has a reasonable expectation that the Group will continue in operational existence for the foreseeable future. The interim financial information of the Group has, therefore, been prepared on a going concern basis.

On behalf of the Management Board of the Bank:


Umut B. Shayakhmetova
Chairman of the Board

18 August 2009
Almaty, Kazakhstan


Pavel A. Cheussov
Chief Accountant

18 August 2009
Almaty, Kazakhstan

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

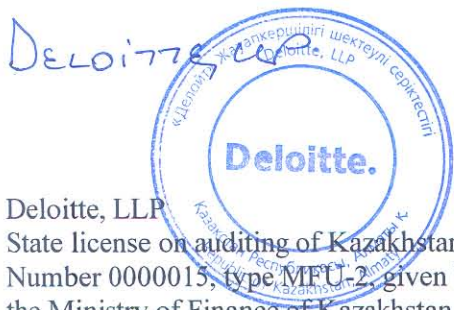
We have reviewed the accompanying interim financial information of JSC “Halyk Bank” and its subsidiaries (collectively - the “Group”) which comprises the condensed interim consolidated statement of financial position as at 30 June 2009 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three months and the six months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2009, a summary of significant accounting policies and the related explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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




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

18 August 2009
Almaty, Kazakhstan

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009 (unaudited)

(Millions of Kazakhstani Tenge)

	Common Shares	Share Capital Non- Convertible Preferred Shares	Convertible Preferred Shares	Share Premium Reserve	Treasury Shares	Cumulative translation reserve*	Revaluation reserve of available-for- sale investment securities*	Property and equipment revaluation reserve*	Retained Earnings*	Total	Minority Interest	Total Equity
31 December 2008	49,824	2,474	13,233	1,908	(69)	121	(1,797)	22,502	102,602	190,798	257	191,055
Exchange differences on translation of foreign operations	-	-	-	-	-	1,694	-	-	-	1,694	-	1,694
Loss on revaluation of available-for-sale investment securities, net of tax of nil tenge	-	-	-	-	-	-	(1,930)	-	-	(1,930)	-	(1,930)
Net income/(loss) recognized directly in equity	-	-	-	-	-	1,694	(1,930)	-	-	(236)	-	(236)
Transfers (net of any related tax):												
Loss transferred to income statement on sale of available-for-sale investment securities	-	-	-	-	-	-	1,138	-	-	1,138	-	1,138
Release of property and equipment revaluation reserve on disposal and depreciation of revalued assets	-	-	-	-	-	-	-	(111)	111	-	-	-
Net income	-	-	-	-	-	-	-	-	4,178	4,178	140	4,318
Total recognized income and expense	-	-	-	-	-	1,694	(792)	(111)	4,289	5,080	140	5,220
Common shares issued	26,958	-	-	-	-	-	-	-	-	26,958	-	26,958
Preferred shares issued	-	48,020	-	-	-	-	-	-	-	48,020	-	48,020
Treasury shares purchased	-	-	-	(290)	(42)	-	-	-	-	(332)	-	(332)
Treasury shares sold	-	-	-	10	8	-	-	-	-	18	-	18
Dividends – preferred shares	-	-	-	-	-	-	-	-	(1,680)	(1,680)	-	(1,680)
30 June 2009 (unaudited)	76,782	50,494	13,233	1,628	(103)	1,815	(2,589)	22,391	105,211	268,862	397	269,259

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2009 (unaudited)

(Millions of Kazakhstani Tenge)

	Common Shares	Share Capital Non- Convertible Preferred Shares	Convertible Preferred Shares	Share Premium Reserve	Treasury Shares	Cumulative translation reserve*	Revaluation reserve of available-for- sale investment securities*	Property and equipment revaluation reserve*	Retained Earnings*	Total	Minority Interest	Total Equity
31 December 2007	49,824	2,474	13,233	1,952	(66)	78	(371)	278	92,268	159,670	1,355	161,025
Exchange differences on translation of foreign operations	-	-	-	-	-	247	-	-	-	247	-	247
Loss on revaluation of available-for-sale investment securities, net of tax of nil tenge	-	-	-	-	-	-	68	-	-	68	121	189
Net income/(loss) recognized directly in equity	-	-	-	-	-	247	68	-	-	315	121	436
Transfers (net of any related tax):												
Income transferred to income statement on sale of available-for-sale investment securities	-	-	-	-	-	-	(445)	-	-	(445)	-	(445)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	-	(24)	24	-	-	-
Net income	-	-	-	-	-	-	-	-	15,173	15,173	439	15,612
Total recognized income and expense	-	-	-	-	-	247	(377)	(24)	15,197	15,043	560	15,603

JSC HALYK BANK

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2009 (unaudited)

(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		203	957
Interest received from cash equivalents and amounts due from credit institutions		1,306	4,315
Interest received on available-for-sale investment securities		2,687	971
Interest received on investments held-to-maturity		525	-
Interest received from loans to customers		67,400	68,207
Interest paid on amounts due to customers		(26,564)	(31,680)
Interest paid on amounts due to credit institutions		(7,632)	(6,217)
Interest paid on debt securities issued		(12,756)	(9,185)
Fee and commission received		19,935	14,817
Fee and commission paid		(969)	(741)
Other income received		8,803	1,561
Operating expenses paid		(17,717)	(21,303)
Cash flows from operating activities before changes in net operating assets		35,221	21,702
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		782	(6,247)
Financial assets at fair value through profit or loss		5,855	23,224
Amounts due from credit institutions		(840)	(2,386)
Loans to customers		85,411	(95,214)
Insurance assets		(6,991)	(7,344)
Other assets		(240)	(2,124)
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		(323)	(4,122)
Amounts due to customers		162,728	55,174
Amounts due to credit institutions		(68,396)	(18,216)
Insurance liabilities		8,873	9,877
Other liabilities		(9,196)	5,359
Cash inflow/(outflow) from operating activities before income tax		212,884	(20,317)
Income tax prepayments returned/(income tax paid)		812	(5,523)
Net cash inflow/(outflow) from operating activities		213,696	(25,840)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(5,448)	(9,089)
Proceeds on sale of property and equipment		81	132
Proceeds on sale of available-for-sale investment securities		106,761	17,008
Purchase of available-for-sale investment securities		(66,044)	(16,119)
Proceeds from redemption of investments held-to-maturity		6,571	-
Purchase of investments held-to-maturity		(17,511)	-
Net cash inflow/(outflow) from investing activities		24,410	(8,068)

JSC HALYK BANK

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009 (unaudited)

(Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank (the “Bank”) and its subsidiaries (together 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 Bank was incorporated in 1995 and is domiciled in Kazakhstan. The Bank operates under a general license for banking operations, operations with securities and custody services renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan (“FMSA”) on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstani Fund for Deposits Guarantee.

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

The Bank has a primary listing with the Kazakhstan Stock Exchange (“KASE”). In addition, certain of the Bank’s debt securities issued are primarily listed on the Luxembourg and London Stock Exchanges. The Bank has also sold Global Depository Receipts (“GDRs”) through a listing on the London Stock Exchange. The Group’s controlling shareholder JSC Holding Group Almex (“Almex”), sold 17.69% of its share in the Group’s equity through the GDR issuance, and obtained the proceeds from this issuance.

On 15 January 2009 the Group and JSC “Sovereign Wealth Fund “Samruk-Kazyna” (“Samruk-Kazyna”), an entity controlled by the Kazakhstan Government, have signed a series of agreements related to the realization of joint measures towards the support of the economy of the Republic of Kazakhstan within the terms of a stabilization program of the Kazakhstan Government. In accordance with the agreements signed Samruk-Kazyna will not intervene in the operating policies of the Group and its stake in the share capital of the Group will not exceed 25% of the issued common shares of the Group. On 27 March 2009 Samruk-Kazyna obtained a 19.27% stake in the Group share capital through acquisition of the Group’s issued common shares. On 29 May 2009 Samruk-Kazyna acquired 196,229,664 non-convertible preferred shares for a total amount of KZT 33,049 million. As of 30 June 2009 Samruk-Kazyna owned a 26.26% stake of voting shares in the Group’s share capital. The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 30 June 2009 and 31 December 2008 the Group was owned by the following shareholders, which own more than 5% of the issued shares to the total number of issued shares of the Group:

	30 June 2009 (unaudited)		31 December 2008	
	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	41.35%	68.29%	62.09%	93.33%
Samruk-Kazyna	27.95%	26.26%	-	-
Others (individually own less than 5%)	30.70%	5.45%	37.91%	6.67%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

* 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.

As at 30 June 2009 the Bank operated through its head office in Almaty and its 22 regional branches, 125 sub-regional offices and 476 cash settlement units (as at 31 December 2008 - 22, 125 and 467, respectively) located throughout Kazakhstan. The address of the Bank’s registered office is: 97 Rozybakiyev Street, Almaty, 050046, Kazakhstan.

The interim financial information of the Group was authorized for issue by the Management Board of the Bank on 18 August 2009.

2. BASIS OF PREPARATION

Accounting basis

The interim financial information of the Group has been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”). The condensed interim consolidated statement of financial position as at 31 December 2008 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 interim financial information presentation not misleading.

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

The interim financial information should be read in conjunction with the consolidated financial statements and with the notes to the consolidated financial statements of the Group for the year ended 31 December 2008.

This interim financial information is presented in millions of Kazakhstani Tenge (“KZT” or “Tenge”), unless otherwise indicated. The interim financial information have been prepared on the accrual basis of accounting under the historical cost convention, except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and property and equipment which are carried at re-valued cost less depreciation and impairment losses.

Consolidated Subsidiaries

The interim financial information includes the following subsidiaries:

Subsidiary	Holding, %		Country	Industry
	30 June 2009 (unaudited)	31 December 2008		
JSC Halyk Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	Netherlands	Issue and placement of Eurobonds
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100	100	Kazakhstan	Cash collection services
JSC Halyk Life	100	100	Kazakhstan	Life insurance
JSC Halyk Capital	100	100	Kazakhstan	Broker and dealer activities
LLP NBK-Finance	100	100	Russia	Broker and dealer activities
JSC NBK Bank	100	100	Russia	Banking
LLP Halyk Dornod	-	100	Mongolia	Banking
LLC Halyk NBFO	100	100	Mongolia	Broker and dealer activities
JSC Halyk Bank Georgia	100	100	Georgia	Banking
JSC Kazakhinstrakh	99	99	Kazakhstan	Insurance
JSC Accumulated Pension fund of Halyk Bank	99	99	Kazakhstan	Pension assets accumulation and management

During the reporting period the Group made a decision to close the operations of LLP Halyk Dornod due rejection from Central Bank of Mongolia to provide license for banking activities to Halyk Dornod LLP.

Associates

The following associate is accounted for under the equity method:

Associate	Holding, %	Country	Activity	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 30 June 2009 and for the six-month period then ended (unaudited)								
JSC Processing Center	25.14	Kazakhstan	Processing	(21)	405	32	373	9
As at 31 December 2008 and for the year then ended								
JSC Processing Center	25.14	Kazakhstan	Processing	(35)	493	11	482	105

Investments in associates are classified within other assets.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim financial information, the Group has applied the same accounting policies and methods of computation as those applied in the consolidated financial statements of the Group for the year ended 31 December 2008.

Changes in accounting policies

During the current reporting period the Group has adopted IFRS 8 “Operating Segments” and IAS 1 “Presentation of Financial Statements” (revised 2008).

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Group that are regularly reviewed by the Group’s management to allocate resources and assess their performance. The internal reports about the components of the Group that are regularly reviewed by the Group’s management have exactly the same composition and format that was historically disclosed in the Group’s operating segments information. Therefore the management of the Group has not restated the operating segments information disclosed within this interim financial information.

IAS 1 (revised 2008) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, the condensed interim consolidated statement of comprehensive income has been included in the primary statements.

Standards and interpretations issued but not adopted

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

- IFRS 3 “Business Combinations” – The International Accounting Standards Board (“IASB”) published IFRS 3 and related revisions to IAS 27 “Consolidated and Separate Financial Statements” following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. There were no transactions during the interim reporting period perpetrated by the Group that would be related to the acquisition or disposal of its subsidiaries.
- The IASB published revisions to IAS 32 ‘Financial Instruments: Presentation’ and consequential revisions to other standards in February 2008 to improve the accounting for and disclosure of puttable financial instruments. These revisions are not expected to have a material affect on the Group.
- In May 2008, the IASB issued amendments to IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ and IAS 27 ‘Consolidated and Separate Financial Statements’ that change the investor’s accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate. It does not affect the interim financial information but may prospectively affect the Group’s accounting and presentation of receipts of dividends from such entities.

- The IFRIC issued interpretation IFRIC 15 ‘Agreements for the Construction of Real Estate’ in July 2008. This interpretation clarifies the accounting for construction profits. The application of these interpretations is not expected to have a material effect on the Group’s interim financial information.
- In December 2008 the IFRIC issued interpretation IFRIC 17 ‘Distributions of Non-Cash Assets to Owners’ and the IASB made consequential amendments to IFRS 5 ‘Non-Current Assets Held for Sale and Discontinued Operations’. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognised in income statement. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. The interpretation is not expected to have a material effect on the Group’s interim financial information.
- The IFRIC issued interpretation IFRIC 18 ‘Transfers of Assets from Customers’ in January 2009. The interpretation addresses the accounting by suppliers that receive assets from customers, requiring measurement at fair value. The interpretation is not expected to have a material effect on the Group’s interim financial information.
- On 5 March 2009, the IASB issued an amendment to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRIC 9 “Reassessment of Embedded Derivatives” effective for annual periods ending on or after 1 January 2009. These amendments clarify that on reclassification of a financial asset out of the “at fair value through profit or loss” category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The Group will apply this amendment for the annual period beginning on 1 January 2009 and does not expect that it will have a significant impact on the interim financial information.
- On 5 March 2009 the IASB issued amendments to IFRS 7 “Financial instruments: Disclosures” named “Improving Disclosures about Financial Instruments”. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The Group will apply this amendment for the annual period beginning on 1 January 2009.

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

Allowance for impairment of loans and receivables – The Group regularly reviews its loans and receivables to assess for impairment. The Group’s loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group’s estimated losses and actual losses will require the Group to create 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. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

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

The carrying amount of the allowance for impairment of loans to customers as at 30 June 2009 is KZT 179,759 million (as at 31 December 2008: KZT 115,052 million).

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

As at 30 June 2009 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 date of the statement of financial position and for the expected ultimate cost of incurred but not reported reserves ("IBNR") claims at the date of the statement of financial position. For certain lines of business, IBNR claims form the majority of the balance sheet claims provision. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group on the basis of actuarial methods determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by FMSA, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

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

Goodwill – Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management judgment; for example those financial assets and liabilities for which there are no quoted prices and those non-financial assets where valuations reflect estimates of market conditions. Difference 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, willing parties.

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 June 2009 (unaudited)	31 December 2008
Cash on hand	32,257	23,918
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	4,518	1,719
Correspondent accounts with non-OECD based banks	6,101	6,701
Correspondent accounts with National Bank of Kazakhstan («NBK»)	32,494	-
Overnight deposits with OECD based banks	214,379	1,902
Short-term deposits with NBK	96,066	-
Short-term deposits with Kazakhstan banks	8,132	660
Short-term deposits with OECD based banks	146,700	125,626
Short-term deposits with non-OECD based banks	2,534	562
	<u>543,181</u>	<u>161,088</u>

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

	30 June 2009 (unaudited)		31 December 2008	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.2%-0.3%	-	0.10%
Short-term deposits with NBK	4.3%	-	-	-
Short-term deposits with Kazakhstan banks	4.8%-5.0%	-	11.5%	-
Short-term deposits with OECD based banks	-	0.2%-0.5%	-	0.0%-1.1%
Short-term deposits with non-OECD based bank	-	2.2%-8.0%	-	3.1%-11.1%

Fair value of assets pledged and carrying value of short-term deposits, included in short-term deposits with Kazakhstan banks, under reverse repurchase agreements classified as cash and cash equivalents as at 30 June 2009 and 31 December 2008 are presented as follows:

	30 June 2009 (unaudited)		31 December 2008	
	Carrying value of deposits	Fair value of collateral	Carrying value of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	<u>8,132</u>	<u>9,099</u>	<u>660</u>	<u>666</u>
	<u>8,132</u>	<u>9,099</u>	<u>660</u>	<u>666</u>

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 June 2009 (unaudited)	31 December 2008
Recorded as loans and receivables in accordance with IAS 39:		
Due from NBK allocated to obligatory reserves	29,868	9,159
Cash on hand allocated to obligatory reserves	-	21,666
	<u>29,868</u>	<u>30,825</u>

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

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

Financial assets at fair value through profit or loss comprise:

	30 June 2009 (unaudited)	31 December 2008
Financial assets held for trading:		
Derivative financial instruments	6,871	6,441
Equity securities of Kazakhstan corporations	1,508	1,530
Equity securities of Kazakhstan banks	478	665
Corporate bonds	182	222
Treasury bills of the Ministry of Finance of Kazakhstan	-	5,514
Bonds of Kazakhstan banks	-	615
	<u>9,039</u>	<u>14,987</u>
Subject to repurchase agreements	-	3,508

Financial liabilities at fair value through profit or loss comprise:

	31 June 2009 (unaudited)	31 December 2008
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	5,873	6,048
	<u>5,873</u>	<u>6,048</u>

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

	30 June 2009 (unaudited)		31 December 2008	
	Effective interest rate, %	Maturity	Effective interest rate, %	Maturity
Corporate bonds	9.2%-18.0%	2010-2015	9.6%-18.0%	2010-2015
Treasury bills of the Ministry of Finance of Kazakhstan	-	-	5.6%-6.4%	2009-2014
Bonds of Kazakhstan banks	-	-	13.2%-16.3%	2009

Derivative financial instruments comprise:

	30 June 2009 (unaudited)			31 December 2008		
	Nominal amount	Net fair value		Nominal amount	Net fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts:						
Forwards	38,902	6,269	5,781	35,576	6,361	5,871
Swaps	7,346	29	92	87,638	55	156
Other	8,957	573	-	-	-	-
Interest rate contracts:						
Swaps	-	-	-	1,198	25	21
		<u>6,871</u>	<u>5,873</u>		<u>6,441</u>	<u>6,048</u>

As at 30 June 2009 and 31 December 2008 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. Therefore, the fair values are not susceptible to significant changes that would result from changes in management's assumptions.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2009 (unaudited)	31 December 2008
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	12,871	9,992
Loans to Kazakhstan credit institutions	<u>300</u>	<u>382</u>
	13,171	10,374
Less - Allowance for loan impairment (Note 17)	<u>(33)</u>	<u>(17)</u>
	<u>13,138</u>	<u>10,357</u>

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

	30 June 2009 (unaudited)		31 December 2008	
	Effective interest rate, %	Maturity	Effective interest rate, %	Maturity
Term deposits	0.1%-12.0%	2009-2012	7.0%-11.1%	2009-2012
Loans to Kazakhstan credit institutions	11.1%	2015	11.1%	2015

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 June 2009 (unaudited)	31 December 2008
Treasury bills of the Ministry of Finance of Kazakhstan	48,016	64,273
NBK notes	40,190	56,375
Corporate bonds	5,758	10,659
Securities of foreign governments and organizations	2,075	-
Bonds of Development Bank of Kazakhstan	1,800	2,213
Bonds of Kazakhstan banks	1,371	763
Mutual investment funds shares	1,195	651
Equity securities of Kazakhstan corporations	1,123	670
Treasury bills of the Kyrgyz Republic	-	197
	<u>101,528</u>	<u>135,801</u>
Less - Allowance for impairment (Note 17)	(465)	-
	<u>101,063</u>	<u>135,801</u>
Subject to repurchase agreements	<u>20,199</u>	<u>78,077</u>

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

	30 June 2009 (unaudited)		31 December 2008	
	Effective interest rate, %	Maturity	Effective interest rate, %	Maturity
Treasury bills of the Ministry of Finance of Kazakhstan	2.0%-18.7%	2009-2024	2.0%-19.3%	2009-2015
NBK notes	4.3%-7.5%	2009	6.3%-15.5%	2009
Corporate bonds	7.5%-27.8%	2010-2021	6.3%-25.9%	2009-2021
Securities of foreign governments and organizations	1.3%	2009-2012	-	-
Bonds of Development Bank of Kazakhstan	7.0%	2026	7.0%	2026
Bonds of Kazakhstan banks	8.5%-12.3%	2011-2016	7.9%-17.4%	2009-2017
Treasury bills of the Kyrgyz Republic	-	-	8.6%-20.0%	2009-2010

In October 2008 the IASB has issued amendments to IAS 39 “Financial Instruments: Recognition and Measurement”, which allow the reclassification of financial assets out of the financial assets at fair value through profit or loss category in rare circumstances if certain other requirements are met. On 31 December 2008 in accordance with these amendments the Group has reclassified certain debt and equity securities with total fair value of KZT 4,925 million as of 31 December 2008 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 have had a significant decline in volume of transactions in the financial markets as a result of the current financial crisis. The Group has revised its investment policy in relation to these securities and has the intention and ability to hold these securities for the foreseeable future.

Fair value of debt and equity securities which were previously reclassified is presented in the tables below:

		As at reporting date 30 June 2009 (unaudited)	As at reclassification date 31 December 2008
	Effective interest rate, %	Fair value	Fair value
Debt securities:			
Bonds of Development Bank of Kazakhstan	7.0%	1,800	2,213
Corporate bonds	11.4% -22.4%	61	1,987
		<u>1,861</u>	<u>4,200</u>
		As at reporting date 30 June 2009 (unaudited)	As at reclassification date 31 December 2008
		Fair value	Fair value
Equity securities:			
Mutual investment funds shares		943	651
Equity securities of Kazakhstan corporations		38	74
		<u>981</u>	<u>725</u>

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

	As at reporting date 30 June 2009 (unaudited)	As at reclassification date 31 December 2008
Debt securities:		
Bonds of Development Bank of Kazakhstan	4,864	4,711
Corporate bonds	73	2,939
	<u>4,937</u>	<u>7,650</u>

The net (loss)/gain that would be recognized in the condensed interim consolidated income statement for the six months ended 30 June 2009 and net loss that was recognized in the condensed interim consolidated income statement for the six months ended 30 June 2008 from the debt and equity securities which were reclassified is presented in the tables below.

	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Debt securities:		
Corporate bonds	(3)	(496)
Bonds of Development Bank of Kazakhstan	(961)	(87)
	<u>(964)</u>	<u>(583)</u>

	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Equity securities:		
Mutual investment funds shares	132	(5)
Equity securities of Kazakhstan corporations	(18)	(33)
	<u>114</u>	<u>(38)</u>

As at 30 June 2009 and 31 December 2008, the Group used quoted market prices from independent information sources to determine the fair value of all of its available-for-sale investment securities.

10. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	30 June 2009 (unaudited)	31 December 2008
Securities of foreign governments and organizations	8,922	3,682
Corporate bonds	5,994	2,776
Treasury bills of the Ministry of Finance of Kazakhstan	2,732	-
Bonds of Kazakhstan banks	2,040	1,011
Notes of National Bank of Georgia	1,358	1,220
	<u>21,046</u>	<u>8,689</u>

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

	30 June 2009 (unaudited)		31 December 2008	
	%	Maturity	%	Maturity
Securities of foreign governments and organizations	3.0%-20.0%	2009-2017	3.0%-8.1%	2009
Corporate bonds	6.3%-7.5%	2011-2017	6.9%	2016
Treasury bills of the Ministry of Finance of Kazakhstan	0.1%	2015	-	-
Bonds of Kazakhstan banks	8.6%-8.9%	2009	8.9%	2009
Notes of National Bank of Georgia	5.9%-9.6%	2009	11.0%-13.0%	2009

On 31 December 2008, in accordance with the IASB amendments to IAS 39 the Group reclassified certain debt securities with total carrying value and fair value of KZT 1,912 million out of financial assets at fair value through profit or loss category into investments held to maturity.

The reclassification was made for those securities which have had a significant decline in volume of transactions in the financial markets as a result of the current financial crisis. The Group has revised its investment policy in relation to these securities and has the intention and ability to hold these securities until maturity.

During the six months ended 30 June 2009 the reclassified securities were repaid by the issuer before maturity in total nominal value.

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2009 (unaudited)	31 December 2008
Recorded as loans and receivables in accordance with IAS 39:		
Loans to customers	1,388,921	1,298,985
Overdrafts	792	4,347
	<u>1,389,713</u>	<u>1,303,332</u>
Less – Allowance for loan impairment (Note 17)	<u>(179,759)</u>	<u>(115,052)</u>
	<u><u>1,209,954</u></u>	<u><u>1,188,280</u></u>

As at 30 June 2009, the annual interest rates charged by the Group ranged from 9% to 24% per annum for KZT-denominated loans (as at 31 December 2008 – from 9% to 23%) and from 7% to 17% per annum for US Dollar-denominated loans (as at 31 December 2008 – from 7% to 17%).

As at 30 June 2009, the Group had a concentration of loans of KZT 260,329 million from the ten largest borrowers that comprised 19% of the Group's total gross loan portfolio (as at 31 December 2008 – KZT 214,295 million; 16%) and 97% of the Group's total equity (as at 31 December 2008 – 112%). As at 30 June 2009 an allowance for loan impairment amounting to KZT 34,281 million was made against these loans (as at 31 December 2008 – KZT 17,205 million).

Loans are made to the following sectors:

	30 June 2009 (unaudited)	%	31 December 2008	%
Retail loans:				
- consumer loans	165,506	12%	188,542	15%
- mortgage loans	<u>159,788</u>	11%	<u>158,078</u>	12%
	325,294		346,620	
Wholesale trade	272,446	20%	251,654	19%
Construction	192,524	14%	166,788	13%
Services	133,676	10%	134,499	10%
Retail trade	106,106	8%	106,063	8%
Agriculture	87,222	6%	73,538	6%
Real estate	82,468	6%	65,793	5%
Metallurgy	45,467	3%	36,009	3%
Food industry	31,758	2%	25,285	2%
Transportation	24,072	2%	21,560	2%
Oil and gas	23,259	2%	23,297	2%
Hotel industry	20,633	1%	14,279	1%
Energy	11,524	1%	11,072	1%
Machinery	5,707	0%	4,396	0%
Mining	5,020	0%	5,043	0%
Communication	543	0%	1,785	0%
Other	<u>21,994</u>	2%	<u>15,651</u>	1%
	<u><u>1,389,713</u></u>	100%	<u><u>1,303,332</u></u>	100%

As at 30 June 2009 the amount of accrued interest on impaired loans comprised KZT 87,300 million (as at 31 December 2008 – KZT 55,737 million).

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 June 2009 (unaudited)	31 December 2008
Reinsurance premium unearned	4,197	2,583
Reinsurance amounts recoverable	265	112
	<hr/>	<hr/>
	4,462	2,695
Premiums receivable	5,367	1,722
	<hr/>	<hr/>
Total insurance assets	9,829	4,417

Insurance liabilities comprised the following:

	30 June 2009 (unaudited)	31 December 2008
Gross unearned insurance premium reserve	8,473	6,057
Reserves for insurance claims	1,652	1,344
	<hr/>	<hr/>
	10,125	7,401
Payables to reinsurers and agents	3,806	1,217
	<hr/>	<hr/>
Total insurance liabilities	13,931	8,618

13. OTHER ASSETS

	30 June 2009 (unaudited)	31 December 2008
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Other debtors on banking activities	1,875	760
Other debtors on non-banking activities	1,270	1,876
Accrued other commission income	609	777
Accrued commission for managing pension assets	570	197
Other	258	361
	<hr/>	<hr/>
	4,582	3,971
Less – Allowance for impairment (Note 17)	(2,201)	(1,074)
	<hr/>	<hr/>
	2,381	2,897
Other non financial assets:		
Prepayments for property and equipment	13,987	14,044
Corporate income tax prepaid	7,422	8,608
Inventory	1,411	1,590
Advances for taxes other than income tax	601	-
Deferred tax assets (Note 18)	324	424
Investments in associates	233	272
Other	1,826	1,421
	<hr/>	<hr/>
	28,185	29,256

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 June 2009 (unaudited)	31 December 2008
Recorded at amortized cost:		
Term deposits:		
Legal entities	516,803	384,832
Individuals	291,292	258,499
	<hr/>	<hr/>
	808,095	643,331
Current accounts:		
Legal entities	298,879	151,713
Individuals	81,603	72,348
	<hr/>	<hr/>
	380,482	224,061
	<hr/>	<hr/>
	1,188,577	867,392
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2009, the Group's ten largest customers accounted for approximately 53% of the total amounts due to customers (31 December 2008 – 50%).

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

An analysis of customer accounts by sector follows:

	30 June 2009 (unaudited)	%	31 December 2008	%
Individuals and entrepreneurs	372,895	32%	330,847	38%
Oil and gas	273,057	23%	279,458	32%
Wholesale trade	109,950	9%	50,832	6%
Government	85,770	7%	1,350	0%
Other consumer services	74,551	6%	14,044	2%
Construction	66,065	6%	42,575	5%
Energy	46,483	4%	28,440	3%
Transportation	44,162	4%	45,024	5%
Financial sector	24,408	2%	51,035	6%
Metallurgy	16,058	1%	2,183	0%
Other	75,178	6%	21,604	3%
	<hr/>		<hr/>	
	1,188,577	100%	867,392	100%
	<hr/> <hr/>		<hr/> <hr/>	

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2009 (unaudited)	31 December 2008
Recorded at amortized cost:		
Loans and deposits from OECD based banks	195,618	191,337
Loans and deposits from Kazakhstan banks	26,084	96,391
Loans from the Fund for Small Entrepreneurship Development "DAMU"	11,925	-
Loans and deposits from non-OECD based banks	1,921	329
Correspondent accounts	794	1,367
Loans from other financial institutions	2	184
	<hr/>	<hr/>
	236,344	289,608
	<hr/> <hr/>	<hr/> <hr/>

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

	30 June 2009 (unaudited)		31 December 2008	
	%	Maturity	%	Maturity
Loans and deposits from OECD based banks	1.4%-7.7%	2009-2023	2.5%-8.4%	2009-2015
Loans and deposits from Kazakhstan banks	0.1%-9.5%	2009	6.9%-11.0%	2009
Loans from the Fund for Small Entrepreneurship Development "DAMU"	7.7%	2009-2016	-	-
Loans and deposits from non-OECD based banks	3.7%-3.9%	2009-2012	11.0%	2009
Loans from other financial institutions	3.2%-3.8%	2011-2014	5.3%-6.9%	2010

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 June 2009 and 31 December 2008 are presented as follows:

	30 June 2009 (unaudited)		31 December 2008	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
NBK notes	20,199	19,181	42,049	39,982
Treasury bills of the Ministry of Finance of Kazakhstan	-	-	39,536	36,247
	<u>20,199</u>	<u>19,181</u>	<u>81,585</u>	<u>76,229</u>

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 its liquidity, capital adequacy and lending exposures. In accordance with the terms of certain of those loans, the Group is also required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Furthermore, certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

As at 30 June 2009 and 31 December 2008, the Group was in compliance with the covenants of the various debt agreements the Group has with other banks and financial institutions.

16. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 June 2009 (unaudited)	31 December 2008
Recorded at amortized cost:		
Subordinated debt securities issued:		
Inflation indexed KZT denominated bonds	19,192	19,228
Fixed rate KZT denominated bonds	16,526	16,021
Reverse inflation indexed KZT denominated bonds	8,370	8,359
Total subordinated debt securities outstanding	44,088	43,608
Unsubordinated debt securities issued:		
USD denominated bonds	248,768	200,118
KZT denominated bonds	10,475	19,265
Total unsubordinated debt securities outstanding	259,243	219,383
	<u>303,331</u>	<u>262,991</u>

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

	30 June 2009 (unaudited)		31 December 2008	
	%	Maturity	%	Maturity
Subordinated debt securities issued:				
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015
	inflation rate plus 2%	2010-2017	inflation rate plus 2%	2010-2018
Fixed rate KZT denominated bonds	7.5%-13.0%	2014-2018	7.5%-13.0%	2009-2018
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%-9.3%	2009-2017	7.3% - 9.3%	2009-2017
KZT denominated bonds	12.7%	2012	7.2%-7.8%	2009

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, lending exposures, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. In addition, should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. Management believes that as of 30 June 2009 and 31 December 2008, the Group was in compliance with the other covenants of the agreements the Group has with the notes' trustee and holders.

17. ALLOWANCES FOR IMPAIRMENT AND OTHER PROVISIONS

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

	Loans to customers	Amounts due from credit institutions	Available- for-sale investment securities	Other assets	Total
31 March 2008 (unaudited)	(58,284)	(328)	-	(408)	(59,020)
(Additional provisions recognized)/ recovery of provision	(12,966)	280	-	(872)	(13,558)
Foreign exchange differences	(78)	28	-	7	(43)
(Recovery of assets previously written off)/Write-offs	(12)	-	-	803	791
30 June 2008 (unaudited)	<u>(71,340)</u>	<u>(20)</u>	<u>-</u>	<u>(470)</u>	<u>(71,830)</u>
31 March 2009 (unaudited)	(155,128)	(56)	(223)	(1,780)	(157,187)
(Additional provisions recognized)/recovery of provision	(24,679)	22	(242)	(412)	(25,311)
Foreign exchange differences	26	1	-	(10)	17
Write-offs	22	-	-	1	23
30 June 2009 (unaudited)	<u>(179,759)</u>	<u>(33)</u>	<u>(465)</u>	<u>(2,201)</u>	<u>(182,458)</u>
31 December 2007	(56,697)	(18)	-	(504)	(57,219)
Additional provisions recognized	(14,346)	(2)	-	(611)	(14,959)
Foreign exchange differences	(298)	-	-	(160)	(458)
Write-offs	1	-	-	805	806
30 June 2008 (unaudited)	<u>(71,340)</u>	<u>(20)</u>	<u>-</u>	<u>(470)</u>	<u>(71,830)</u>
31 December 2008	(115,052)	(17)	-	(1,074)	(116,143)
Additional provisions recognized	(51,937)	(12)	(465)	(1,185)	(53,599)
Foreign exchange differences	(12,809)	(4)	-	(8)	(12,821)
Write-offs	39	-	-	66	105
30 June 2009 (unaudited)	<u>(179,759)</u>	<u>(33)</u>	<u>(465)</u>	<u>(2,201)</u>	<u>(182,458)</u>

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

The movements in provisions were as follows:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
At the beginning of the period	(2,081)	(3,067)	(2,889)	(1,885)
Recovery of provision	485	2,844	4,320	4,733
Additional provisions recognized	(1,786)	(3,400)	(4,513)	(6,413)
Foreign exchange differences	(34)	14	(334)	(44)
At the end of the period	<u>(3,416)</u>	<u>(3,609)</u>	<u>(3,416)</u>	<u>(3,609)</u>

Provisions represent provisions against letters of credit and guarantees issued.

18. TAXATION

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

The income tax expense comprises:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Current tax charge	43	2,846	478	4,567
Deferred tax (benefit)/charge	(25)	(218)	(168)	875
Income tax expense	<u>18</u>	<u>2,628</u>	<u>310</u>	<u>5,442</u>

Kazakhstan legal entities must file individual tax declarations. Tax rates for banks for the income other than on state and other qualifying securities were 20% and 30% during the six months ended 30 June 2009 and 2008, respectively. The tax rate for companies other than banks was also 20% and 30% during six months ended 30 June 2009 and 2008, respectively, except for insurance companies which were taxed at 4%. Income on state and other qualifying securities is tax exempt.

Deferred tax assets and liabilities comprise:

	30 June 2009 (unaudited)	31 December 2008
Tax effect of deductible temporary differences:		
Losses carried forward	2,757	143
Fair value of derivatives	891	1,051
Insurance premium reserves	301	170
Vacation pay accrual	203	182
Bonuses accrued	23	18
Provisions, different rates	-	62
Deferred tax asset	<u>4,175</u>	<u>1,626</u>
Tax effect of taxable temporary differences:		
Loans to customers, allowance for impairment losses	(6,208)	(5,042)
Property and equipment, accrued depreciation	(5,053)	(4,041)
Fair value of derivatives	(1,098)	(971)
Provisions, different rates	(78)	-
Taxes	-	(2)
Deferred tax liability	<u>(12,437)</u>	<u>(10,056)</u>
Net deferred tax asset (Note 13)	<u>324</u>	<u>424</u>
Net deferred tax liability	<u>(8,586)</u>	<u>(8,854)</u>

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

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

19. OTHER LIABILITIES

	30 June 2009 (unaudited)	31 December 2008
Other financial liabilities:		
Other creditors on bank activities	1,297	94
Payable for general and administrative expenses	524	600
Other creditors on non-banking activities	434	967
Amounts due to customers of pension funds	-	7,209
Other	110	88
	<u>2,365</u>	<u>8,958</u>
Other non financial liabilities:		
Other prepayments received	1,282	1,017
Salary payable	1,274	1,332
Taxes payable other than income tax	788	2,579
Current income tax payable	112	8
	<u>5,821</u>	<u>13,894</u>

20. EQUITY

On 27 March 2009 Samruk-Kazyna obtained a 19.27% stake in the Group share capital through acquisition of the Group's issued common shares. The amount of contribution to the share capital of the Group made by Samruk-Kazyna equals KZT 26,958 million. On 29 May 2009 Samruk-Kazyna acquired 196,229,664 non-convertible preferred shares for a total amount of KZT 33,049 million.

Authorized, issued and fully paid number of shares as at 30 June 2009 and 2008 were as follows:

30 June 2009 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	2,400,000,000	(1,156,843,885)	1,243,156,115	(7,971,189)	1,235,184,926
Convertible preferred	80,225,222	-	80,225,222	(184,941)	80,040,281
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(431,330)	309,428,100
30 June 2008 (unaudited)					
	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	1,129,016,660	(145,000,000)	984,016,660	(4,252,152)	979,764,508
Convertible preferred	80,225,222	-	80,225,222	(30,479)	80,194,743
Non-convertible preferred	24,742,000	-	24,742,000	(109,673)	24,632,327

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

	Number of shares			Nominal (placement) amount in KZT million		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2007	979,759,488	24,686,763	80,192,612	49,758	2,474	13,233
Purchase of treasury shares	(96,227)	(110,636)	(102,245)	(1)	-	-
Sale of treasury shares	101,247	56,200	104,376	1	-	-
30 June 2008 (unaudited)	<u>979,764,508</u>	<u>24,632,327</u>	<u>80,194,743</u>	<u>49,758</u>	<u>2,474</u>	<u>13,233</u>
31 December 2008	979,431,057	24,542,679	80,111,545	49,755	2,474	13,233
Capital contributions	259,139,455	285,117,430	-	26,958	48,020	-
Purchase of treasury shares	(4,212,580)	(433,004)	(71,264)	(42)	-	-
Sale of treasury shares	826,994	200,995	-	8	-	-
30 June 2009 (unaudited)	<u>1,235,184,926</u>	<u>309,428,100</u>	<u>80,040,281</u>	<u>76,679</u>	<u>50,494</u>	<u>13,233</u>

At 30 June 2009, the Group held 7,971,189 of the Group's common shares as treasury shares at KZT 103 million (30 June 2008 – 4,252,152 at KZT 66 million).

Common Shares

Each common share is entitled to one vote and dividends.

Preferred shares

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

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

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the preference share agreement and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation plus one per cent., as published by the NBK, 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 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:

	30 June 2009 (unaudited)	31 December 2008
Guarantees issued	64,219	32,337
Commercial letters of credit	21,619	18,760
Commitments to extend credit	21,102	23,489
	<hr/>	<hr/>
Financial commitments and contingencies	106,940	74,586
Less: cash collateral against letters of credit	(812)	(1,197)
Less: provisions (Note 17)	(3,416)	(2,889)
	<hr/>	<hr/>
Financial commitments and contingencies, net	<u>102,712</u>	<u>70,500</u>

Guarantees issued included above represent financial guarantees where payment is not probable as at the respective date of the statement of financial position, and therefore have not been recorded in the condensed interim consolidated statement of financial position. As at 30 June 2009, the ten largest guarantees accounted for 77% of the Group’s total financial guarantees (as at 31 December 2008 – 72%) and represented 16% of the Group’s total equity (as at 31 December 2008 – 12%).

As at 30 June 2009, the ten largest letters of credit accounted for 87% of the Group’s total commercial letters of credit (as at 31 December 2008 – 83%) and represented 7% of the Group’s total equity (as at 31 December 2008 – 8%).

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

Trust Activities – In the normal course of its business, the Group enters into agreements with clients to manage the clients’ assets with limited decision making rights and in accordance with specific criteria established by the clients. The Group may only be liable for losses or actions aimed at appropriation of the clients’ funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group on any date is equal to the volume of the clients’ funds, net of any unrealized income/loss on the client’s position. The balance of the clients’ funds under the management of the Group, as at 30 June 2009 is KZT 483 billion (31 December 2008 – KZT 405 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 interim financial information.

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

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

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

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

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

As at 30 June 2009, the Group has financial assets amounting to KZT 1,929,670 million (as at 31 December 2008: KZT 1,552,924 million). The recoverability of these financial assets largely depends on the efficacy of the fiscal measures and other measures and actions, beyond the Group's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Group's financial assets is determined based on conditions prevailing and information available as at the date of the statement of financial position. It is the management's opinion that no additional provision on financial assets is needed at present based on prevailing market conditions and available information.

22. NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on impaired assets	47,755	43,425	95,631	83,709
- interest income on unimpaired assets	988	626	2,173	1,090
Interest income on available-for-sale investment securities	2,277	2,037	4,359	4,106
Interest income on financial assets at fair value through profit or loss	16	296	109	698
Total interest income	<u>51,036</u>	<u>46,384</u>	<u>102,272</u>	<u>89,603</u>
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	46,099	42,200	93,959	80,368
Interest income on investments held- to-maturity	887	-	1,758	-
Interest income on amounts due from credit institutions and cash and cash equivalents	1,757	1,851	2,087	4,431
Total interest income on financial assets recorded at amortized cost	<u>48,743</u>	<u>44,051</u>	<u>97,804</u>	<u>84,799</u>
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	16	296	109	698
Total interest income on financial assets at fair value through profit or loss	<u>16</u>	<u>296</u>	<u>109</u>	<u>698</u>
Interest income on available-for-sale investment securities	2,277	2,037	4,359	4,106
Total interest income	<u>51,036</u>	<u>46,384</u>	<u>102,272</u>	<u>89,603</u>
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost				
Total interest expense	<u>(27,253)</u>	<u>(25,843)</u>	<u>(54,133)</u>	<u>(49,958)</u>
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on amounts due to customers	(16,925)	(17,455)	(32,929)	(34,059)
Interest expense on debt securities issued	(8,495)	(5,533)	(14,883)	(9,878)
Interest expense on amounts due to credit institutions	(1,833)	(2,855)	(6,321)	(6,021)
Total interest expense on financial liabilities recorded at amortized cost	<u>(27,253)</u>	<u>(25,843)</u>	<u>(54,133)</u>	<u>(49,958)</u>
Net interest income before impairment charge	<u><u>23,783</u></u>	<u><u>20,541</u></u>	<u><u>48,139</u></u>	<u><u>39,645</u></u>

23. FEE AND COMMISSION INCOME

Fee and commission income was derived from the following sources:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Pension fund and asset management	3,560	2,620	9,374	3,982
Bank transfers	2,244	2,382	4,070	4,392
Maintenance of customer accounts	960	337	1,372	782
Cash operations	743	937	1,391	1,709
Plastic cards maintenance	591	728	1,502	1,278
Customers' pension payments	499	437	986	780
Letters of credit and guarantees issued	468	487	821	876
Utilities payments	78	81	149	146
Foreign currency operations	3	1	13	50
Other	250	210	462	394
	<u>9,396</u>	<u>8,220</u>	<u>20,140</u>	<u>14,389</u>

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

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

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
(Loss)/gain on trading operations	(140)	661	824	(1,752)
Net fair value adjustment	873	(639)	326	(799)
	<u>733</u>	<u>22</u>	<u>1,150</u>	<u>(2,551)</u>

25. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Dealing, net	2,028	1,828	6,586	3,202
Translation differences, net	627	(151)	205	(26)
	<u>2,655</u>	<u>1,677</u>	<u>6,791</u>	<u>3,176</u>

26. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Insurance premiums written, gross	4,726	4,189	9,230	9,900
Change in unearned insurance premiums, net	(58)	797	(990)	(1,176)
Ceded reinsurance share	(2,707)	(2,040)	(4,235)	(4,041)
	<u>1,961</u>	<u>2,946</u>	<u>4,005</u>	<u>4,683</u>

27. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Salaries and other employee benefits	4,024	4,720	8,290	10,361
Depreciation and amortization expenses	1,677	1,250	3,253	2,251
Deposit insurance	769	294	1,131	823
Repair and maintenance	454	448	904	747
Taxes other than income tax	410	507	889	896
Rent	382	500	806	919
Insurance agents' fees	362	-	625	-
Security	332	270	652	511
Communication	283	435	589	668
Professional services	184	178	387	268
Information services	153	122	287	177
Business trip expenses	94	198	200	333
Transportation	85	104	189	198
Advertisement	85	350	158	532
Stationery and office supplies	32	57	226	106
Charity	27	48	33	67
Hospitality expenses	6	-	18	-
Social events	2	18	4	39
Other	182	1,049	403	1,503
	<u>9,543</u>	<u>10,548</u>	<u>19,044</u>	<u>20,399</u>

28. (LOSS)/EARNINGS PER SHARE

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

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

The following table presents basic and diluted (loss)/earnings per share:

	Three months ended 30 June 2009 (unaudited)	Three months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009 (unaudited)	Six months ended 30 June 2008 (unaudited)
Basic (loss)/earnings per share				
Net profit for the year attributable to equity holders of the parent	202	5,474	4,178	15,173
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	-	-	-	-
Less: Dividends paid on preference shares	(1,680)	(1,679)	(1,680)	(1,679)
Net profit for the year attributable to preferred shareholders	(1,680)	(1,679)	(1,680)	(1,679)
Earnings attributable to common shareholders	(1,478)	3,795	2,498	13,494
Weighted average number of common shares for the purposes of basic earnings per share	1,235,202,347	979,763,070	1,113,763,704	979,753,783
Basic (loss)/earnings per share (in Kazakhstani Tenge)	(1.20)	3.87	2.24	13.77
Diluted (loss)/earnings per share				
Earnings for the period attributable to common shareholders	(1,478)	3,795	2,498	13,494
Add: Dividends paid on convertible preferred shares	N/A	N/A	N/A	1,284
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	N/A	N/A	N/A	-
Less: Amounts payable to convertible preferred shareholders upon conversion	N/A	N/A	N/A	(1,139)
Earnings used in the calculation of total diluted earnings per share	(1,478)	3,795	2,498	13,639
Weighted average number of common shares for the purposes of basic earnings per share	1,235,202,347	979,763,070	1,113,763,704	979,753,783
Shares deemed to be issued:				
Weighted average number of common shares that would be issued for the convertible preferred shares	N/A	N/A	N/A	80,173,520
Weighted average number of common shares for the purposes of diluted earnings per share	1,235,202,347	979,763,070	1,113,763,704	1,059,927,303
Diluted (loss)/earnings per share (in Kazakhstani Tenge)*	(1.20)	3.87	2.24	12.87

*For the three and six months ended 30 June 2009 and three months ended 30 June 2008 the convertible preferred shares were not included in the computation of diluted (loss)/earnings per share as their effect was anti-dilutive.

29. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

	30 June 2009 (unaudited)			31 December 2008		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	123,535	419,646	543,181	4,282	156,806	161,088
Obligatory reserves	12,575	17,293	29,868	20,165	10,660	30,825
Financial assets at fair value through profit or loss	2,168	6,871	9,039	8,090	6,897	14,987
Amounts due from credit institutions	2,678	10,460	13,138	5,777	4,580	10,357
Available-for-sale investment securities	95,431	5,632	101,063	132,879	2,922	135,801
Investments held to maturity	7,111	13,935	21,046	-	8,689	8,689
Loans to customers	560,237	649,717	1,209,954	643,078	545,202	1,188,280
Other financial assets	2,025	356	2,381	2,579	318	2,897
	<u>805,760</u>	<u>1,123,910</u>	<u>1,929,670</u>	<u>816,850</u>	<u>736,074</u>	<u>1,552,924</u>
FINANCIAL LIABILITIES:						
Amounts due to customers	526,315	662,262	1,188,577	465,863	401,529	867,392
Amounts due to credit institutions	31,727	204,617	236,344	91,522	198,086	289,608
Financial liabilities at fair value through profit or loss	-	5,873	5,873	-	6,048	6,048
Debt securities issued	54,563	248,768	303,331	62,873	200,118	262,991
Other financial liabilities	1,973	392	2,365	8,862	96	8,958
	<u>614,578</u>	<u>1,121,912</u>	<u>1,736,490</u>	<u>629,120</u>	<u>805,877</u>	<u>1,434,997</u>
Net balance sheet position	<u>191,182</u>	<u>1,998</u>	<u>193,180</u>	<u>187,730</u>	<u>(69,803)</u>	<u>117,927</u>

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

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

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

	30 June 2009 (unaudited)								
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:									
Cash and cash equivalents	75,366	467,813	2	-	-	-	-	-	543,181
Obligatory reserves	8,343	4,532	2,485	7,411	4,045	2,119	116	817	29,868
Financial assets at fair value through profit or loss	9,039	-	-	-	-	-	-	-	9,039
Amounts due from credit institutions	-	61	179	2,513	227	21	2,006	8,131	13,138
Available-for-sale investment securities	2,493	18,359	34,203	15,457	9,310	3,660	12,268	5,313	101,063
Investments held to maturity	98	1,384	403	10,512	2,059	202	-	6,388	21,046
Loans to customers	17,280	101,728	88,273	630,680	100,738	71,648	58,807	140,800	1,209,954
Other financial assets	115	1,975	23	204	20	24	2	18	2,381
	<u>112,734</u>	<u>595,852</u>	<u>125,568</u>	<u>666,777</u>	<u>116,399</u>	<u>77,674</u>	<u>73,199</u>	<u>161,467</u>	<u>1,929,670</u>
FINANCIAL LIABILITIES:									
Amounts due to customers	380,863	203,416	64,032	267,460	136,251	94,669	5,219	36,667	1,188,577
Amounts due to credit institutions	3,465	24,741	57,293	64,200	49,411	7,948	10,141	19,145	236,344
Financial liabilities at fair value through profit or loss	5,873	-	-	-	-	-	-	-	5,873
Debt securities issued	3	107	-	39,350	-	10,062	113,254	140,555	303,331
Other financial liabilities	839	1,133	76	251	3	-	61	2	2,365
	<u>391,043</u>	<u>229,397</u>	<u>121,401</u>	<u>371,261</u>	<u>185,665</u>	<u>112,679</u>	<u>128,675</u>	<u>196,369</u>	<u>1,736,490</u>
Net position	<u>(278,309)</u>	<u>366,455</u>	<u>4,167</u>	<u>295,516</u>	<u>(69,266)</u>	<u>(35,005)</u>	<u>(55,476)</u>	<u>(34,902)</u>	
Accumulated gap	<u>(278,309)</u>	<u>88,146</u>	<u>92,313</u>	<u>387,829</u>	<u>318,563</u>	<u>283,558</u>	<u>228,082</u>	<u>193,180</u>	

	31 December 2008								Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	
FINANCIAL ASSETS:									
Cash and cash equivalents	32,338	128,750	-	-	-	-	-	-	161,088
Obligatory reserves	7,900	7,464	1,861	9,166	1,361	1,676	806	591	30,825
Financial assets at fair value through profit or loss	14,987	-	-	-	-	-	-	-	14,987
Amounts due from credit institutions	-	1,428	778	3,676	221	14	4,235	5	10,357
Available-for-sale investment securities	725	8,825	33,355	47,027	20,352	3,941	6,852	14,724	135,801
Investments held to maturity	-	868	421	4,645	-	-	-	2,755	8,689
Loans to customers	8,620	46,261	112,823	518,568	234,252	4,103	108,710	154,943	1,188,280
Other financial assets	67	1,520	156	558	76	8	508	4	2,897
	<u>64,637</u>	<u>195,116</u>	<u>149,394</u>	<u>583,640</u>	<u>256,262</u>	<u>9,742</u>	<u>121,111</u>	<u>173,022</u>	<u>1,552,924</u>
FINANCIAL LIABILITIES:									
Amounts due to customers	225,889	208,134	52,001	255,837	37,727	47,157	24,000	16,647	867,392
Amounts due to credit institutions	2,824	93,609	28,286	56,481	89,838	6,473	9,595	2,502	289,608
Financial liabilities at fair value through profit or loss	6,048	-	-	-	-	-	-	-	6,048
Debt securities issued	3	107	16,141	32,586	5,016	-	93,824	115,314	262,991
Other financial liabilities	8,401	237	235	24	-	-	61	-	8,958
	<u>243,165</u>	<u>302,087</u>	<u>96,663</u>	<u>344,928</u>	<u>132,581</u>	<u>53,630</u>	<u>127,480</u>	<u>134,463</u>	<u>1,434,997</u>
Net position	<u>(178,528)</u>	<u>(106,971)</u>	<u>52,731</u>	<u>238,712</u>	<u>123,681</u>	<u>(43,888)</u>	<u>(6,369)</u>	<u>38,559</u>	
Accumulated gap	<u>(178,528)</u>	<u>(285,499)</u>	<u>(232,768)</u>	<u>5,944</u>	<u>129,625</u>	<u>85,737</u>	<u>79,368</u>	<u>117,927</u>	

30. SEGMENT ANALYSIS

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

Business Segments

The Group is organized on a basis of two main business segments:

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

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

There were no transactions between business segments during the six-month periods ended 30 June 2009 and 2008.

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2009 and 2008 is set out below:

	Retail Banking	Corporate banking	Other	Total
Six months ended 30 June 2009 (unaudited)				
External revenues	48,157	81,025	5,156	134,338
Total revenues	48,157	81,025	5,156	134,338
Total revenues comprise:				
- Interest income	29,224	73,048	-	102,272
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	1,150	1,150
- Net realized loss from available-for-sale investment securities	-	-	(1,138)	(1,138)
- Net gain from repurchase of debt securities issued	-	-	439	439
- Share of loss of associates	-	-	(21)	(21)
- Net gains on foreign exchange operations	2,602	4,189	-	6,791
- Fee and commission income	16,331	3,809	-	20,140
- Insurance underwriting income and other income	-	-	4,705	4,705
Total revenues	48,157	81,025	5,156	134,338
- Interest expense on amounts due to customers	(12,201)	(20,728)	-	(32,929)
- Impairment charge	(12,467)	(41,132)	-	(53,599)
- Fee and commission expense	(247)	(722)	-	(969)
- Salaries and other employee benefits	(2,321)	(5,969)	-	(8,290)
- Deposit insurance and advertisement expenses	-	-	(1,289)	(1,289)
- Provisions	31	(224)	-	(193)
Segment result	20,952	12,250	3,867	37,069
Total unallocated costs				(32,441)
Income before income tax expense				4,628
Income tax expense				(310)
Net income				4,318
Total segment assets	340,283	1,426,314	131,148	1,897,745
Unallocated assets				137,393
Total assets				2,035,138
Total segment liabilities	(372,896)	(815,681)	(3,416)	(1,191,993)
Unallocated liabilities				(573,886)
Total liabilities				(1,765,879)
Other segment items:				
Capital expenditure (unallocated)				(5,448)
Depreciation and amortization expense (unallocated)				(3,253)

	Retail Banking	Corporate banking	Other	Total
Six months ended 30 June 2008 (unaudited)				
External revenues	45,167	61,988	4,138	111,293
Total revenues	45,167	61,988	4,138	111,293
Total revenues comprise:				
- Interest income	35,420	54,183	-	89,603
- Net losses from financial assets and liabilities at fair value through profit or loss	-	-	(2,551)	(2,551)
- Net realized gain from available-for-sale investment securities	-	-	445	445
- Share of loss of associates	-	(13)	-	(13)
- Net gains on foreign exchange operations	395	2,781	-	3,176
- Fee and commission income	9,352	5,037	-	14,389
- Insurance underwriting income and other income	-	-	6,244	6,244
Total revenues	45,167	61,988	4,138	111,293
- Interest expense on amounts due to customers	(14,055)	(20,004)	-	(34,059)
- Impairment charge	(3,261)	(11,698)	-	(14,959)
- Fee and commission expense	(309)	(432)	-	(741)
- Salaries and other employee benefits	(3,026)	(7,335)	-	(10,361)
- Deposit insurance and advertisement expenses	(1,355)	-	-	(1,355)
- Provisions	(484)	(1,196)	-	(1,680)
Segment result	22,677	21,323	4,138	48,138
Total unallocated costs				(27,084)
Income before income tax expense				21,054
Income tax expense				(5,442)
Net income				15,612
Total segment assets	356,970	1,054,956	131,540	1,534,466
Unallocated assets				164,823
Total assets				1,708,289
Total segment liabilities	(355,194)	(641,397)	-	(996,591)
Unallocated liabilities				(539,565)
Total liabilities				(1,536,156)
Other segment items:				
Capital expenditure (unallocated)				(13,768)
Depreciation and amortization expense (unallocated)				(2,251)

Some of the assets and liabilities that cannot be allocated to a particular segment are included in unallocated assets and liabilities. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Geographical segments – Segment information for the main geographical segments of the Group is set out below for the six-month periods ended 30 June 2009 and 2008 and for the periods then ended.

	Kazakhstan	OECD	Non-OECD	Total
30 June 2009 (unaudited)				
Total segment assets	1,646,339	378,095	10,704	2,035,138
31 December 2008				
Total segment assets	1,509,039	134,850	7,460	1,651,349
Six months ended				
30 June 2009 (unaudited)				
External revenues	129,489	4,716	133	134,338
Capital expenditure	(5,448)	-	-	(5,448)
Six months ended				
30 June 2008 (unaudited)				
External revenues	111,288	4	1	111,293
Capital expenditure	(13,768)	-	-	(13,768)

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.

Samruk-Kazyna is a shareholder of the Group since 27 March 2009 (please see Note 1). The ultimate shareholder of the Group Timur Kulibayev holds the position of deputy chairman in Samruk-Kazyna since October 2008. The functional responsibilities of Timur Kulibayev do not allow him to exercise significant control over the operations and policies of Samruk-Kazyna or otherwise influence its governance.

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 transactions outstanding as at 30 June 2009 and 31 December 2008 with related parties:

	30 June 2009 (unaudited)		31 December 2008	
	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	1,516	9,039	-	14,987
- <i>Subsidiaries of Samruk-Kazyna</i>	1,516		-	
Available-for-sale investment securities before allowance for impairment	5,948	101,528	-	135,801
- <i>Subsidiaries of Samruk-Kazyna</i>	5,948		-	
Allowance for available-for-sale investment securities impairment	(257)	(465)	-	-
- <i>Subsidiaries of Samruk-Kazyna</i>	(257)		-	
Investments held to maturity	5,994	21,046	-	8,689
- <i>Subsidiaries of Samruk-Kazyna</i>	5,994		-	
Loans to customers before allowance for loan impairment	16,142	1,389,713	13,992	1,303,332
- <i>entities with joint control or significant influence over the entity</i>	10,075		9,379	
- <i>key management personnel of the entity or its parent</i>	197		49	
- <i>other related parties</i>	5,870		4,564	
Allowance for loan impairment	(871)	(179,759)	(677)	(115,052)
- <i>entities with joint control or significant influence over the entity</i>	(859)		(469)	
- <i>key management personnel of the entity or its parent</i>	(9)		(1)	
- <i>other related parties</i>	(3)		(207)	
Amounts due to customers	454,128	1,188,577	207,574	867,392
- <i>the parent</i>	9,263		85,956	
- <i>entities with joint control or significant influence over the entity</i>	9,988		116,550	
- <i>associates</i>	51		39	
- <i>key management personnel of the entity or its parent</i>	1,322		2,514	
- <i>Samruk-Kazyna and its subsidiaries</i>	430,872		-	
- <i>other related parties</i>	2,632		2,515	
Amounts due to credit institutions	16,144	236,344	-	289,608
- <i>Subsidiaries of Samruk-Kazyna</i>	16,144		-	

	30 June 2009 (unaudited)		31 December 2008	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Revaluation reserve of available- for-sale investment securities	(1,873)	(2,589)	-	(1,797)
- <i>Subsidiaries of Samruk- Kazyna</i>	(1,873)		-	

Included in the condensed interim consolidated income statement for the six-month periods ended 30 June 2009 and 2008 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2009 (unaudited)		Six months ended 30 June 2008 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	1,466	102,272	167	89,603
- <i>entities with joint control or significant influence over the entity</i>	472		-	
- <i>key management personnel of the entity or its parent</i>	2		-	
- <i>Subsidiaries of Samruk- Kazyna</i>	768		-	
- <i>other related parties</i>	224		167	
Interest expense	(11,551)	(54,133)	(997)	(49,958)
- <i>the parent</i>	(342)		(942)	
- <i>entities with joint control or significant influence over the entity</i>	(180)		-	
- <i>key management personnel of the entity or its parent</i>	(96)		(41)	
- <i>Samruk-Kazyna and its subsidiaries</i>	(10,744)		-	
- <i>other related parties</i>	(189)		(14)	
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	(51)	1,150	-	(2,551)
- <i>Subsidiaries of Samruk- Kazyna</i>	(51)		-	
(Loss)/gain on revaluation of available-for-sale investment securities	(1,507)	(1,930)	-	68
- <i>Subsidiaries of Samruk- Kazyna</i>	(1,507)		-	

	Six months ended 30 June 2009 (unaudited)		Six months ended 30 June 2008 (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:	129	8,290	984	10,361
- <i>short-term employee benefits</i>	129		984	