

**JOINT STOCK COMPANY  
KAZKOMMERTSBANK**

**Condensed Interim Consolidated  
Financial Information (Unaudited)**  
For the six months ended 30 June 2012

# JOINT STOCK COMPANY KAZKOMMERTSBANK

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# JOINT STOCK COMPANY KAZKOMMERTSBANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

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Management is responsible for the preparation of the condensed interim consolidated financial information that presents fairly the consolidated financial position of the Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 30 June 2012 and the results of its operations for the three and the six month period then ended, as well as cash flows and changes in equity for the six month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

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

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

Management is also responsible for:

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

The condensed interim consolidated financial information of the Group for the six months ended 30 June 2012 was approved by the Management Board of JSC Kazkommertsbank on 20 August 2012.

On behalf of the Management Board of the Bank:



Zhussupova N.A.  
Chairperson of the Board

20 August 2012  
Almaty

A handwritten signature in blue ink, appearing to read "Shoinbekova".

Shoinbekova G.K.  
Chief Accountant

20 August 2012  
Almaty

## **INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION**

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

We have reviewed the accompanying condensed interim consolidated financial information of JSC Kazkommertsbank and its subsidiaries ("the Group") which comprises the condensed interim consolidated statement of financial position as at 30 June 2012 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three and the six months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2012, and a summary of significant accounting policies and selected explanatory information. Management of the Group is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

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

*Deloitte, LLP*

20 August 2012  
Almaty

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	Notes	Three months ended 30 June 2012 (unaudited) (KZT million)	Three months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
Interest income	4, 18	56,697	64,287	114,628	125,789
Interest expense	4, 18	(27,352)	(37,130)	(54,811)	(69,333)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		29,345	27,157	59,817	56,456
Provision for impairment losses on interest bearing assets	5, 18	(24,236)	(18,859)	(49,908)	(33,453)
NET INTEREST INCOME		5,109	8,298	9,909	23,003
Net loss on financial assets and liabilities at fair value through profit or loss	6	(6,865)	(1,502)	(2,440)	(2,954)
Net gain on foreign exchange and precious metals operations	7	4,687	1,508	5,350	1,847
Fee and commission income		6,742	6,083	12,813	11,438
Fee and commission expense		(3,336)	(2,293)	(6,157)	(4,157)
Net realized gain/(loss) on investments available-for- sale		4	4	614	(21)
Dividend income	8	8,449	27	8,454	29
Other income		2,291	1,575	4,826	3,306
NET NON-INTEREST INCOME		11,972	5,402	23,460	9,488
OPERATING INCOME		17,081	13,700	33,369	32,491
OPERATING EXPENSES	9, 18	(8,428)	(9,111)	(16,767)	(17,521)
PROFIT BEFORE OTHER OPERATING PROVISIONS		8,653	4,589	16,602	14,970
Provision for impairment losses on other transactions (Provision)/recovery of provision for guarantees and other contingencies	5, 18 5, 18	(1,133) (750)	(396) 3,291	(1,576) (139)	(1,368) 1,349
PROFIT BEFORE INCOME TAX		6,770	7,484	14,887	14,951
Income tax expense	10	(142)	(1,524)	(1,899)	(3,046)
NET PROFIT		6,628	5,960	12,988	11,905
Attributable to:					
Ordinary shareholders of the Parent		5,828	5,316	11,455	10,581
Preference shareholders of the Parent		751	679	1,442	1,320
Non-controlling interest		49	(35)	91	4
		6,628	5,960	12,988	11,905
EARNINGS PER SHARE					
<i>Basic and diluted (KZT)</i>	11	7.49	6.83	14.72	13.59

On behalf of the Management Board of the Bank:

Zhusupova N.A.  
Chairperson of the Board

20 August 2012  
Almaty

Shoinbekova G.K.  
Chief Accountant

20 August 2012  
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	Three months ended 30 June 2012 (unaudited) (KZT million)	Three months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
<b>NET PROFIT</b>	6,628	5,960	12,988	11,905
<i>Property and equipment:</i>				
Revaluation of property and equipment	73	9	73	40
	73	9	73	40
<i>Investments available-for-sale:</i>				
Unrealized loss on revaluation of investments available-for-sale	(1,452)	(572)	(113)	(591)
(Gain)/loss transferred to income statement on sale of investments available-for-sale	(4)	(4)	(614)	21
	(1,456)	(576)	(727)	(570)
<i>Cash flow hedges:</i>				
(Loss)/gain on cash flow hedges	-	(47)	-	26
Plus: net gain on hedging reserve transferred to earnings	91	198	231	388
	91	151	231	414
Exchange differences on translation of foreign operations	(1,332)	433	118	2,152
<i>Deferred income tax:</i>				
Deferred income tax recognized on gain/(loss) on investments available-for-sale, on cash flow hedges, on property and equipment	262	85	113	(77)
	262	85	113	(77)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,266</b>	<b>6,062</b>	<b>12,796</b>	<b>13,864</b>
Attributable to:				
Ordinary shareholders of the Parent	3,596	5,423	10,919	12,304
Preference shareholders of the Parent	613	669	1,777	1,536
Non-controlling interest	57	(30)	100	24
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,266</b>	<b>6,062</b>	<b>12,796</b>	<b>13,864</b>

On behalf of the Management Board of the Bank:

Zhussupova N.A.  
Chairperson of the Board

20 August 2012  
Almaty

Shoinbekova G.K.  
Chief Accountant

20 August 2012  
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012 (UNAUDITED)

	Notes	30 June 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
<b>ASSETS:</b>			
Cash and balances with national (central) banks	12	81,196	105,067
Precious metals		5,542	3,280
Financial assets at fair value through profit or loss	13	116,658	188,313
Loans and advances to banks and other financial institutions		77,720	53,968
Loans to customers	14, 18	2,115,037	2,079,661
Investments available-for-sale		14,224	15,419
Investments held to maturity		6,667	4,026
Goodwill		2,405	2,405
Property, equipment and intangible assets		32,242	33,028
Other assets		87,617	80,522
<b>TOTAL ASSETS</b>		<b>2,539,308</b>	<b>2,565,689</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Loans and advances from banks and other financial institutions		116,988	92,215
Customer accounts	15, 18	1,440,845	1,463,077
Financial liabilities at fair value through profit or loss	13	19,318	37,771
Debt securities issued	16	299,108	324,087
Other borrowed funds		23,074	26,359
Provisions	5	11,792	10,724
Deferred income tax liabilities	10	30,685	29,131
Dividends payable		389	6
Other liabilities		8,906	7,647
		1,951,105	1,991,017
Subordinated debt		138,933	138,040
<b>Total liabilities</b>		<b>2,090,038</b>	<b>2,129,057</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		9,015	9,023
Share premium reserve		194,774	194,924
Property and equipment revaluation reserve		5,516	5,488
Other reserves		238,753	226,085
<b>Total equity attributable to equity holders of the Parent</b>		<b>448,058</b>	<b>435,520</b>
Non-controlling interest		1,212	1,112
<b>Total equity</b>		<b>449,270</b>	<b>436,632</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,539,308</b>	<b>2,565,689</b>

On behalf of the Management Board of the Bank:

Zhussupova N.A.  
Chairperson of the Board

20 August 2012  
Almaty

Shoimbekova G.K.  
Chief Accountant

20 August 2012  
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

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



**JOINT STOCK COMPANY KAZKOMMERTSBANK**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)**

	Share capital (KZT million)	Treasury shares (KZT million)	Share premium reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for-sale fair value (deficit)/reserve <sup>1</sup> (KZT million)	Cumulative translation reserve <sup>1</sup> (KZT million)	Hedging reserve <sup>1</sup> (KZT million)	Statutory reserves <sup>1</sup> (KZT million)	Retained earnings <sup>1</sup> (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
<b>31 December 2011</b>	9,044	(21)	194,924	5,488	(621)	(1,273)	402	172,009	55,568	435,520	1,112	436,632
<i>Net profit</i>	-	-	-	-	-	-	-	-	12,897	12,897	91	12,988
Gain on revaluation of property and equipment	-	-	-	73	-	-	-	-	-	73	-	73
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(45)	-	-	-	-	45	-	-	-
Investments available-for-sale	-	-	-	-	(727)	-	231	-	-	(727)	-	(727)
Cash flow hedges	-	-	-	-	-	-	-	-	-	231	-	231
Exchange differences on translation of foreign operations	-	-	-	(7)	-	116	-	-	-	109	9	118
Deferred income tax	-	-	-	7	159	-	(46)	-	(7)	113	-	113
<b>Total comprehensive income</b>	-	-	-	28	(568)	116	185	-	12,935	12,696	100	12,796
Transfer to statutory reserve	-	-	-	-	-	-	-	12,115	(12,115)	-	-	-
Repurchase of treasury shares	-	(8)	(150)	-	-	-	-	-	-	(158)	-	(158)
<b>30 June 2012 (unaudited)</b>	9,044	(29)	194,774	5,516	(1,189)	(1,157)	587	184,124	56,388	448,058	1,212	449,270

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

On behalf of the Management Board of the Bank:

Zhusupova N.A.  
Chairperson of the Board  
20 August 2012  
Almaty

Shoibekova G.K.  
Chief Accountant  
20 August 2012  
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received on loans and advances to banks and other financial institutions	1,296	1,896
Interest received from financial assets at fair value through profit or loss	3,753	1,806
Interest received from loans to customers	84,310	99,868
Interest received from investments available-for-sale	377	518
Interest received from investments held to maturity	149	111
Interest paid on loans and advances from banks and other financial institutions	(2,085)	(3,125)
Interest paid on customer accounts	(32,092)	(40,804)
Interest paid on debt securities issued	(17,367)	(20,244)
Interest paid on other borrowed funds	(673)	(642)
Interest paid on subordinated debt	(5,038)	(5,041)
Fee and commission received	12,432	10,986
Fee and commission paid	(6,204)	(4,048)
Other income received	4,785	3,102
Operating expenses paid	(15,034)	(13,672)
<b>Cash inflow from operating activities before changes in operating assets and liabilities</b>	<b>28,609</b>	<b>30,711</b>
<b>Changes in operating assets and liabilities</b>		
<b>(Increase)/decrease in operating assets:</b>		
Funds deposited with National Bank of the Republic of Kazakhstan	2,985	(26,160)
Funds deposited with Central Bank of Russian Federation	(73)	(967)
Funds deposited with National Bank of the Kyrgyz Republic	(30)	(22)
Funds deposited with National Bank of Tajikistan	(5)	(8)
Precious metals	(2,262)	(7,873)
Financial assets at fair value through profit or loss	51,096	(125,611)
Loans and advances to banks and other financial institutions	(20,306)	22,815
Loans to customers	(57,299)	49,585
Other assets	(2,544)	(8,604)
<b>Increase/(decrease) in operating liabilities:</b>		
Loans and advances from banks and other financial institutions	24,358	(19,364)
Customer accounts	(26,070)	112,596
Other liabilities	1,460	1,955
<b>Cash (outflow)/inflow from operating activities before taxation</b>	<b>(81)</b>	<b>29,053</b>
<b>Income tax paid</b>	<b>(233)</b>	<b>(2,882)</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(314)</b>	<b>26,171</b>

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	Notes	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets		(829)	(1,973)
Proceeds on sale of property, equipment and intangible assets		646	506
Dividends received		8,454	29
Proceeds on sale of investments available-for-sale		2,603	2,133
Purchase of investments available-for-sale		(1,141)	(923)
Purchase of investments held to maturity		(2,700)	(558)
Proceeds on maturity of investments held to maturity		100	-
Net cash inflow/(outflow) from investing activities		7,133	(786)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repurchase of treasury shares		(158)	(21)
Proceeds from debt securities issued		6,677	43,749
Repurchase and repayment of debt securities issued		(28,521)	(44,078)
Repayment of other borrowed funds		(2,933)	(2,843)
Net cash outflow from financing activities		(24,935)	(3,193)
Effect of changes in foreign exchange rate on cash and cash equivalents		(24)	187
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(18,140)	22,379
CASH AND CASH EQUIVALENTS, beginning of period	12	78,064	118,223
CASH AND CASH EQUIVALENTS, end of period	12	59,924	140,602

On behalf of the Management Board of the Bank:

**Zhussupova N.A.**  
Chairperson of the Board

20 August 2012  
Almaty

**Shoimbekova G.K.**  
Chief Accountant

20 August 2012  
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

### 1. ORGANISATION

Joint Stock Company (“JSC”) Kazkommertsbank (“the Bank”, or “Kazkommertsbank”) is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank’s activities are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”) and by the Committee for control and supervision of financial market and financial organizations of the NBRK (“the FMSC”) in accordance with the license № 48 dated 27 December 2007. The Bank’s primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

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

As at 30 June 2012, the Bank has 23 branches in the Republic of Kazakhstan (31 December 2011: 23 branches in the Republic of Kazakhstan and a representative office in London).

Kazkommertsbank is the Parent company of the banking group (“the Group”). The subsidiaries consolidated in the condensed interim consolidated financial information are consistent with those presented in the consolidated financial statements for the year ended 31 December 2011.

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		30 June 2012 (unaudited)	31 December 2011	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card processing and related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Commercial bank
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	Insurance
OJSC Commercial bank Moskommertsbank	Russian Federation	100%	100%	Commercial bank
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	95.75%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund

## **2. BASIS OF PRESENTATION**

### **Accounting basis**

The condensed interim consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. The condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with selective notes to the consolidated financial statements of the Group for the year ended 31 December 2011.

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

The preparation of the condensed interim consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

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

### **Functional currency**

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

In preparing this condensed interim consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2011. There were no changes in accounting policies during the six months ended 30 June 2012.

#### 4. NET INTEREST INCOME

	Three months ended 30 June 2012 (unaudited) (KZT million)	Three months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
<b>Interest income comprise:</b>				
Interest income on financial assets recorded at amortized cost:				
- interest income on homogenous and individually assessed watch assets	37,707	39,502	72,375	74,462
- interest income on impaired financial assets	12,327	17,429	27,687	35,296
- interest income on unimpaired financial assets	5,138	5,253	11,141	12,235
Interest income on financial assets at fair value through profit or loss	1,349	1,905	3,060	3,410
Interest income on investments available-for-sale	176	198	365	386
<b>Total interest income</b>	<b>56,697</b>	<b>64,287</b>	<b>114,628</b>	<b>125,789</b>
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	54,256	61,284	109,681	119,964
Interest on loans and advances to banks and other financial institutions	788	835	1,362	1,917
Interest on investments held to maturity	128	65	160	112
Total interest income on financial assets recorded at amortized cost	55,172	62,184	111,203	121,993
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	1,349	1,905	3,060	3,410
Total interest income on financial assets at fair value through profit or loss	1,349	1,905	3,060	3,410
Interest income on investments available-for-sale	176	198	365	386
<b>Total interest income</b>	<b>56,697</b>	<b>64,287</b>	<b>114,628</b>	<b>125,789</b>
<b>Interest expense comprise:</b>				
Interest expense on financial liabilities recorded at amortized cost				
<b>Total interest expense</b>	<b>27,352</b>	<b>37,130</b>	<b>54,811</b>	<b>69,333</b>
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	16,601	24,990	33,328	44,717
Interest on debt securities issued	6,121	7,252	12,392	14,544
Interest on subordinated debt	2,912	3,050	5,894	6,072
Interest on loans and advances from banks and other financial institutions	1,187	1,376	2,098	3,025
Preference share dividends	174	171	377	372
Other interest expense	357	291	722	603
Total interest expense on financial liabilities recorded at amortized cost	27,352	37,130	54,811	69,333
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>29,345</b>	<b>27,157</b>	<b>59,817</b>	<b>56,456</b>

## 5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

Individually assessed watch assets represent loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, and/or some factors leading to the deterioration of the financial position of the borrower, which are not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools in comparison with unimpaired assets.

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

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

	<b>Loans and advances to banks and other financial institutions (KZT million)</b>	<b>Loans to customers (KZT million) (Note 14)</b>	<b>Investments available-for-sale (KZT million)</b>	<b>Total (KZT million)</b>
31 March 2011 (unaudited)	94	584,364	18	584,476
(Recovery of provision)/additional provision recognized	(10)	18,869	-	18,859
Write-off of assets	-	(4,038)	(18)	(4,056)
Foreign exchange difference	20	586	-	606
30 June 2011 (unaudited)	<u>104</u>	<u>599,781</u>	<u>-</u>	<u>599,885</u>
31 March 2012 (unaudited)	208	681,718	186	682,112
(Recovery of provision)/additional provision recognized	(2)	24,238	-	24,236
Write-off of assets	-	(7,573)	-	(7,573)
Foreign exchange difference	(13)	4,007	-	3,994
30 June 2012 (unaudited)	<u><u>193</u></u>	<u><u>702,390</u></u>	<u><u>186</u></u>	<u><u>702,769</u></u>

  

	<b>Loans and advances to banks and other financial institutions (KZT million)</b>	<b>Loans to customers (KZT million) (Note 14)</b>	<b>Investments available-for-sale (KZT million)</b>	<b>Total (KZT million)</b>
31 December 2010	136	572,450	18	572,604
(Recovery of provision)/additional provision recognized	(51)	33,504	-	33,453
Write-off of assets	-	(4,052)	(18)	(4,070)
Foreign exchange difference	19	(2,121)	-	(2,102)
30 June 2011 (unaudited)	<u>104</u>	<u>599,781</u>	<u>-</u>	<u>599,885</u>
31 December 2011	160	658,108	186	658,454
Additional provision recognized	47	49,861	-	49,908
Write-off of assets	-	(10,429)	-	(10,429)
Foreign exchange difference	(14)	4,850	-	4,836
30 June 2012 (unaudited)	<u><u>193</u></u>	<u><u>702,390</u></u>	<u><u>186</u></u>	<u><u>702,769</u></u>

As at 30 June 2012, the Group has identified certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group in the next few years. These loans are considered impaired by management. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to its collection. The accrued interest income on these loans for the six months ended 30 June 2012 amounted to KZT 21,244 million (30 June 2011: KZT 20,990 million). Management has established an allowance for loan losses against this interest. While there is currently evidence of impairment, the Group continues to progress work out strategies on these loans. The Group regularly evaluates probability of cash flows and introduces respective changes to the list of these corporate loans.

Total provisions for impairment losses on insurance provision, guarantees and other contingencies comprise:

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
Insurance provisions	9,116	8,200
Provision for guarantees and other contingencies	<u>2,676</u>	<u>2,524</u>
	<u><u>11,792</u></u>	<u><u>10,724</u></u>

The movements in insurance provisions, allowances for impairment losses on other transactions were as follows:

	<b>Insurance provisions (KZT million)</b>	<b>Other assets (KZT million)</b>	<b>Total (KZT million)</b>
31 March 2011 (unaudited)	6,641	4,191	10,832
Additional provision recognized/(recovery of provision)	497	(101)	396
Recovery of assets previously written-off	<u>1</u>	<u>68</u>	<u>69</u>
30 June 2011 (unaudited)	<u>7,139</u>	<u>4,158</u>	<u>11,297</u>
31 March 2012 (unaudited)	8,478	3,879	12,357
Additional provision recognized	638	495	1,133
Write-off of assets	-	(63)	(63)
Foreign exchange difference	<u>-</u>	<u>37</u>	<u>37</u>
30 June 2012 (unaudited)	<u><u>9,116</u></u>	<u><u>4,348</u></u>	<u><u>13,464</u></u>



	<b>Insurance provisions (KZT million)</b>	<b>Other assets (KZT million)</b>	<b>Total (KZT million)</b>
31 December 2010	6,287	4,033	10,320
Other corrections	(395)	11	(384)
Additional provision recognized	1,247	121	1,368
Write-off of assets	-	(6)	(6)
Foreign exchange difference	-	(1)	(1)
	<u>7,139</u>	<u>4,158</u>	<u>11,297</u>
30 June 2011 (unaudited)	7,139	4,158	11,297
31 December 2011	8,200	3,773	11,973
Additional provision recognized	916	660	1,576
Write-off of assets	-	(128)	(128)
Foreign exchange difference	-	43	43
	<u>9,116</u>	<u>4,348</u>	<u>13,464</u>
30 June 2012 (unaudited)	9,116	4,348	13,464

Insurance provisions comprised:

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>	<b>30 June 2011 (unaudited) (KZT million)</b>
Annuity insurance	4,095	3,798	3,242
Property	1,967	648	826
Civil liability for owners of vehicles	665	813	769
Civil liability for damage	497	1,493	982
Accidents	348	556	651
Vehicles	240	294	330
Life insurance	204	133	137
Financial loss insurance	190	221	16
Freight	88	127	105
Railway transport	24	42	6
Insurance of environmental risk	23	32	28
Other	775	43	47
	<u>9,116</u>	<u>8,200</u>	<u>7,139</u>

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

The movements in provision for guarantees and other contingencies were as follows:

	<b>Guarantees and other contingencies (KZT million)</b>
31 March 2011 (unaudited)	5,840
Recovery of provision	(3,291)
Foreign exchange difference	5
	<hr/>
30 June 2011 (unaudited)	2,554
	<hr/>
31 March 2012 (unaudited)	1,916
Additional provision recognized	750
Foreign exchange difference	10
	<hr/>
30 June 2012 (unaudited)	2,676
	<hr/> <hr/>
31 December 2010	3,903
Recovery of provision	(1,349)
	<hr/>
30 June 2011 (unaudited)	2,554
	<hr/>
31 December 2011	2,524
Additional provision recognized	139
Foreign exchange difference	13
	<hr/>
30 June 2012 (unaudited)	2,676
	<hr/> <hr/>

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

	<b>Three months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2011 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2011 (unaudited) (KZT million)</b>
Net loss on financial assets and liabilities held-for-trading	(6,865)	(1,502)	(2,440)	(2,954)
	<hr/>	<hr/>	<hr/>	<hr/>
	(6,865)	(1,502)	(2,440)	(2,954)
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Net loss on operations with financial assets and liabilities held-for-trading comprise:				
Realized gain on trading operations	79	600	768	598
Unrealized (loss)/gain on fair value adjustment	(3,132)	(1,246)	(1,657)	1,114
Net loss on operations with derivative financial instruments	(3,812)	(856)	(1,551)	(4,666)
	<hr/>	<hr/>	<hr/>	<hr/>
	(6,865)	(1,502)	(2,440)	(2,954)
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## 7. NET GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Three months ended 30 June 2012 (unaudited) (KZT million)	Three months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
Translation differences, net	3,517	616	2,741	(72)
Dealing, net	1,170	892	2,609	1,919
	<u>4,687</u>	<u>1,508</u>	<u>5,350</u>	<u>1,847</u>

## 8. DIVIDEND INCOME

The dividend income for the six months ended 30 June 2012 of KZT 8,454 million included dividend income on financial assets at fair value through profit or loss and investments available-for-sale of JSC Kazakhtelecom is the amount of KZT 6,698 million and KZT 1,523 million, respectively, and dividend income at amount KZT 233 million was from other investments available-for-sale.

## 9. OPERATING EXPENSES

	Three months ended 30 June 2012 (unaudited) (KZT million)	Three months ended 30 June 2011 (unaudited) (KZT million)	Six months ended 30 June 2012 (unaudited) (KZT million)	Six months ended 30 June 2011 (unaudited) (KZT million)
Staff costs	4,510	5,132	9,333	10,124
Depreciation and amortization Property and equipment maintenance	810	910	1,617	1,721
Lease	641	546	1,122	917
Advertising and communications costs	625	662	1,238	1,272
Taxes, other than income tax	438	623	859	1,068
Bank card services	347	329	665	761
Other expenses	208	216	419	399
	849	693	1,514	1,259
	<u>8,428</u>	<u>9,111</u>	<u>16,767</u>	<u>17,521</u>

## 10. INCOME TAX

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2012 and 31 December 2011 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 30 June 2012 and 31 December 2011:

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
<b>Deferred income tax assets:</b>		
Tax losses carried forward	6,142	2,517
Unrealised loss on trading securities and derivatives	1,210	4,093
Bonuses accrued	533	309
Provision on guarantees and letters of credit	169	61
Other assets	171	165
Total deferred income tax assets	<u>8,225</u>	<u>7,145</u>
<b>Deferred income tax liabilities:</b>		
Allowance for losses on loans and advances to banks and customers, and securities	36,998	34,447
Property, equipment and intangible assets and accumulated depreciation	1,766	1,729
Unrealised loss on revaluation of financial instruments treated as cash flow hedges	146	100
Total deferred income tax liabilities	<u>38,910</u>	<u>36,276</u>
Net deferred income tax liabilities	<u>30,685</u>	<u>29,131</u>

The Bank had not recognized a deferred income tax asset arising in OJSC Moskommertsbank as the Bank does not expect to generate sufficient income to realize the deferred income tax asset in the foreseeable future from this subsidiary.

Relationships between tax expenses and accounting profit for the six months ended 30 June 2012 and 2011 are explained as follows:

	<b>Three months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2011 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2011 (unaudited) (KZT million)</b>
Profit before income tax	<u>6,770</u>	<u>7,484</u>	<u>14,887</u>	<u>14,951</u>
Tax at the statutory tax rate (20%)	1,354	1,497	2,977	2,990
Tax effect of permanent differences:				
- tax exempt income	(2,175)	(1,411)	(2,476)	(1,570)
- non-deductible expense	<u>963</u>	<u>1,438</u>	<u>1,398</u>	<u>1,626</u>
Income tax expense	<u>142</u>	<u>1,524</u>	<u>1,899</u>	<u>3,046</u>
Current income tax expense	-	919	225	4,824
Deferred income tax expense/(benefit)	<u>142</u>	<u>605</u>	<u>1,674</u>	<u>(1,778)</u>
Income tax expense	<u>142</u>	<u>1,524</u>	<u>1,899</u>	<u>3,046</u>

The corporate income tax rate in the Republic of Kazakhstan was 20% during the six months ended 30 June 2012 and 2011.

	<b>Six months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Year ended 31 December 2011 (KZT million)</b>
<b>Deferred income tax liabilities</b>		
As at beginning of the period	29,131	30,035
Increase/(decrease) of deferred tax liability	1,674	(896)
Change in hedging reserve	46	147
Change in deferred tax liability from revaluation of property and equipment	(7)	(1)
Change in available-for-sale reserve	(159)	(154)
	<u>30,685</u>	<u>29,131</u>
As at end of the period	<u>30,685</u>	<u>29,131</u>

## 11. EARNINGS PER SHARE

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

Dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	<b>Three months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2011 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2012 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2011 (unaudited) (KZT million)</b>
<b>Basic and diluted earnings per share</b>				
Net profit attributable to equity holders of the Parent	6,579	5,995	12,897	11,901
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(751)	(679)	(1,442)	(1,320)
Net profit attributable to ordinary shareholders	5,828	5,316	11,455	10,581
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>778,033,262</u>	<u>778,578,826</u>	<u>778,085,049</u>	<u>778,584,282</u>
<b>Earnings per share – basic and diluted (KZT)</b>	<u>7.49</u>	<u>6.83</u>	<u>14.72</u>	<u>13.59</u>

The book value per share for each type of shares as at 30 June 2012 and 31 December 2011 is as follows:

Type of shares	Outstanding shares	30 June 2012 (unaudited)		31 December 2011		
		Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	778,121,463	441,665	567.60	778,362,588	428,912	551.04
Preferred shares	123,358,780	13,334	108.09	123,963,374	13,002	104.89
		<u>454,999</u>			<u>441,914</u>	

The number of outstanding ordinary and preferred shares is calculated net of treasury shares.

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

## 12. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	30 June 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Cash on hand	45,551	41,308
Balances with the national (central) banks	<u>35,645</u>	<u>63,759</u>
	<u>81,196</u>	<u>105,067</u>

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

	30 June 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)	30 June 2011 (unaudited) (KZT million)
Cash and balances with national (central) banks	81,196	105,067	112,325
Loans and advances to banks with original maturities less than 3 months	33,625	30,771	93,654
Less funds deposited with the National Bank of the Republic of Kazakhstan (“the NBRK”)	(51,668)	(54,653)	(61,853)
Less funds deposited with the Central Bank of Russian Federation (“the CBR”)	(2,989)	(2,916)	(3,345)
Less funds deposited with the National Bank of the Kyrgyz Republic (“the NBKR”)	(156)	(126)	(132)
Less funds deposited with the National Bank of Tajikistan (“the NBT”)	(84)	(79)	(47)
	<u>59,924</u>	<u>78,064</u>	<u>140,602</u>

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

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
Debt securities	106,342	165,359
Equity investments	6,934	9,852
Derivative financial instruments	3,382	13,102
	<u>116,658</u>	<u>188,313</u>

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

	<b>30 June 2012 (unaudited)</b>		<b>31 December 2011</b>	
	<b>Nominal interest rate</b>	<b>Amount</b>	<b>Nominal interest rate</b>	<b>Amount</b>
	<b>%</b>	<b>(KZT million)</b>	<b>%</b>	<b>(KZT million)</b>
<b>Debt securities:</b>				
State treasury bonds of the Ministry of Finance of Republic of Kazakhstan	3.30-8.75	79,682	2.50-8.75	86,456
Bonds of foreign companies	5.38-13.50	9,210	5.38-14.25	12,106
Short-term NBRK notes	-	5,787	-	41,621
Bonds of foreign banks	5.26-9.00	2,957	4.24-9.00	3,054
Bonds of Kazakhstani companies	0.00-10.10	2,865	0.00-9.50	2,509
Bonds of local executive bodies of the Russian Federation	8.76-9.00	1,847	8.79-9.00	2,195
Eurobonds of Kazakhstani banks	7.25-9.25	1,478	7.25-9.25	3,398
Eurobonds of Kazakhstani companies	8.38	871	6.25-9.13	2,889
Bonds of Kazakhstani banks	6.00-9.70	783	6.00-10.00	586
Eurobonds of Eurasian Development Bank	7.38	661	7.38	638
Bonds of Development Bank of Kazakhstan	6.50	153	6.50	147
Eurobonds of the government of the Russian Federation	7.85	48	7.85	8,765
Bonds of international financial organizations	-	-	6.75	922
Bonds of federal loan of the Ministry of Finance of the Russian Federation	-	-	8.00	73
		<u>106,342</u>		<u>165,359</u>

As at 30 June 2012, the Group used quoted market prices from independent information sources to value all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models based on non-observable market data.

	30 June 2012 (unaudited)		31 December 2011	
	Ownership share %	Amount (KZT million)	Ownership share %	Amount (KZT million)
<b>Equity investments:</b>				
Shares of Kazakhstani companies	3.08	4,650	0.01-3.08	6,642
GDRs of Kazakhstani banks	0.015-1.10	1,209	0.0001-1.10	1,421
Shares of foreign companies	0.0004-1.47	627	0.0001-1.47	668
GDRs of foreign banks	0.009	230	0.0001-0.01	264
Shares of foreign banks	0.0008-0.007	105	0.0002-0.01	225
GDRs of foreign companies	0.0002	93	0.001-0.005	122
ADRs of foreign companies	0.00008-0.0001	20	0.0002-0.004	45
GDRs of Kazakhstani companies	-	-	0.05	465
		<u>6,934</u>		<u>9,852</u>

As at 30 June 2012, financial assets at fair value through profit or loss included accrued interest income on debt securities of KZT 1,942 million (31 December 2011: KZT 2,510 million).

As at 30 June 2012, fair value of financial assets at fair value through profit or loss pledged under repurchase agreements amounted to KZT 57,801 million (31 December 2011: KZT 29,404 million).

	Notional amount	30 June 2012 (unaudited) Fair value (KZT million)		Notional amount	31 December 2011 Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
<b>Derivative financial instruments:</b>						
<i>Foreign exchange contracts:</i>						
Swaps	177,471	3,217	(9,070)	268,016	13,012	(26,605)
Spot	24,005	44	(26)	10,044	5	(17)
Forwards	9,339	-	(39)	3,768	12	-
<i>Interest rate contracts:</i>						
Swaps	56,019	121	(10,183)	68,068	73	(11,149)
		<u>3,382</u>	<u>(19,318)</u>		<u>13,102</u>	<u>(37,771)</u>

#### 14. LOANS TO CUSTOMERS

	30 June 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
<b>Recorded as loans and receivables:</b>		
Originated loans	2,810,682	2,731,605
Net investments in finance lease	<u>6,745</u>	<u>6,164</u>
	2,817,427	2,737,769
Less allowance for impairment losses	<u>(702,390)</u>	<u>(658,108)</u>
	<u>2,115,037</u>	<u>2,079,661</u>



As at 30 June 2012, accrued interest income included in loans to customers amounted to KZT 367,749 million (31 December 2011: KZT 343,680 million).

Movements in allowances for impairment losses on loans to customers for the six month period ended 30 June 2012 and 2011 are disclosed in Note 5.

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

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
<b>Analysis by type of collateral:</b>		
Loans collateralized by real estate	1,085,306	962,619
Loans collateralized by equipment	466,114	557,616
Loans collateralized by inventories	224,671	213,059
Loans collateralized by shares of the banks and other companies	137,713	162,865
Loans collateralized by accounts receivable	74,176	74,744
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	28,936	2,072
Loans collateralized by mixed types of collateral	25,338	21,784
Loans collateralized by cash or Kazakhstan Government guarantees	24,892	36,051
Loans collateralized by guarantees of enterprises	8,721	17,109
Loans collateralized by guarantees of financial institutions	256	-
Unsecured loans	38,914	31,742
	<u>2,115,037</u>	<u>2,079,661</u>

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

As at 30 June 2012, the Bank has its own bonds with a nominal value of KZT 12,760 million (USD 85 million) (31 December 2011: KZT 12,673 million (USD 85 million)) as collateral for certain loans.

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
<b>Analysis by sector:</b>		
Housing construction	540,296	538,737
Commercial real estate construction	321,424	280,338
Individuals	217,583	208,786
Wholesale and retail trade	208,568	207,291
Hospitality business	157,252	132,654
Real estate	135,760	131,525
Production of other non-metal materials	105,391	99,485
Investments and finance	72,553	96,886
Industrial and other construction	57,203	53,892
Energy	50,883	54,286
Transport and communication	27,210	64,311
Agriculture	26,779	27,376
Food industry	18,836	17,258
Production of construction materials	18,573	18,616
Mining and metallurgy	8,795	13,361
Medicine	7,092	6,905
Machinery construction	6,438	6,424
Culture and art	177	574
Other	134,224	120,956
	<u>2,115,037</u>	<u>2,079,661</u>

During the six month period ended 30 June 2012 and the year ended 31 December 2011, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 June 2012, such assets in the amount of KZT 73,214 million (31 December 2011: KZT 68,141 million) are included in the other assets line of the condensed interim consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions.

Loans to individuals comprise the following products:

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
Mortgage loans	127,908	127,527
Consumer loans	82,821	72,954
Car loans	3,031	3,483
Business loans	2,098	2,231
Other	1,725	2,591
	<u>217,583</u>	<u>208,786</u>

As at 30 June 2012, the Group granted loans to borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 594,211 million (31 December 2011: KZT 401,578 million).

As at 30 June 2012, a significant part of loans 88.61% (31 December 2011: 87.67%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

As at 30 June 2012 and 31 December 2011, there were no loans under reverse repurchase agreements.

## 15. CUSTOMER ACCOUNTS

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
<b>Recorded at amortized cost:</b>		
Time deposits	949,515	894,543
Demand deposits	367,154	457,588
JSC National Welfare Fund "Samruk-Kazyna", JSC Entrepreneurship Development Fund "Damu" and JSC Stress Assets Fund	120,387	107,689
Accounts in precious metals	3,428	3,257
Loans under repurchase agreements	361	-
	<u>1,440,845</u>	<u>1,463,077</u>

As at 30 June 2012, customer accounts included accrued interest expense of KZT 13,473 million (31 December 2011: KZT 12,238 million).

As at 30 June 2012, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 6,708 million (31 December 2011: KZT 7,697 million).

As at 30 June 2012, the total amount of funds deposited under the stabilization program of the Government of Kazakhstan by means of deposits from JSC National Welfare Fund “Samruk-Kazyna” and JSC Stress Assets Fund excluding accrued interest amounted to KZT 104,386 million (31 December 2011: KZT 105,072 million), including:

- KZT 23,314 million for refinancing mortgage loans (initially granted and deposited in the Bank KZT 24,000 million);
- KZT 77,432 million for completion of construction projects in Almaty and Astana (initially granted and deposited in the Bank KZT 111,998 million); and
- KZT 3,640 million for financing large-scale businesses in the manufacturing sector.

On 23 February 2012, the Bank has completed a program of refinancing mortgage loans under the government program of the JSC National Welfare Fund “Samruk-Kazyna”.

As at 30 June 2012, customer accounts of KZT 575,650 million or 39.95% (31 December 2011: KZT 610,002 million or 41.69%), were due to 10 customers, which represents a significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	<b>30 June 2012 (unaudited) (KZT million)</b>	<b>31 December 2011 (KZT million)</b>
<b>Analysis by sector:</b>		
Individuals	606,163	569,638
Chemical and petrochemical industry	152,489	114,558
Investments and finance	135,061	121,196
Public authorities	84,970	84,862
Public organizations and unions	77,761	71,082
Transport and communication	70,956	116,924
Individual services	60,201	66,891
Wholesale and retail trade	51,296	55,525
Distribution of electricity, gas and water	43,782	98,340
Construction	40,782	55,868
Education	29,542	25,494
Mining and metallurgy	24,933	18,723
Agriculture	21,586	22,841
Other	41,323	41,135
	<u>1,440,845</u>	<u>1,463,077</u>

## 16. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 June 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
<b>Recorded at amortized cost:</b>					
Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.):					
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.625	-	25,903
Issued in December 2007 at the price 98.88%	USD	December 2012	12.85	10,156	10,384
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	45,587	45,279
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875	28,762	26,851
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	42,435	39,030
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	42,893	41,410
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875	73,758	75,258
Issued in May 2011 at the price 99.353%*	USD	May 2018	8.50	44,789	44,490
				<u>288,380</u>	<u>308,605</u>
(Less)/including:					
Discount on Eurobonds issued				(2,085)	(2,038)
Accrued interest on Eurobonds issued				4,598	8,886
Total issued Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.)				<u>290,893</u>	<u>315,453</u>
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%		April 2016	9.00	2,329	2,329
Accrued interest expenses on debt securities issued of JSC Kazkommertsbank				47	47
Premium on debt securities issued of JSC Kazkommertsbank				69	79
Issued promissory notes and bonds of OJSC Moskommertsbank at the price of 88.00%-100.00%		April 2013	2.25-12.00	719	471
Accrued interest expense on issued promissory notes and bonds of OJSC Moskommertsbank				8	7
Issued bonds of Moscow Stars B.V. at the price of 99.00%		March 2022	1.99-5.49	5,035	5,692
Accrued interest on bonds of Moscow Stars B.V.				8	9
				<u>299,108</u>	<u>324,087</u>

\* Eurobonds issued by JSC Kazkommertsbank initially.

As at 30 June 2012, accrued interest expense included in debt securities issued amounted to KZT 4,661 million (31 December 2011: KZT 8,949 million).

On 13 February 2012, the Bank has repaid Eurobonds for amount of GBP 122 million issued in February 2007 for the original amount of GBP 350 million.

During the six months ended 30 June 2012, the Bank acquired its own bonds for a total nominal amount of KZT 556 million (USD 4 million) (31 December 2011: KZT 47,841 million (USD 322 million)) and realized previously repurchased bonds for a total nominal amount of KZT 6,119 million (USD 41 million).

## 17. COMMITMENTS AND CONTINGENCIES

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

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

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

As at 30 June 2012, provision for losses on guarantees and other contingencies amounted to KZT 2,676 million (31 December 2011: KZT 2,524 million).

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

As at 30 June 2012 and 31 December 2011, the nominal or contract amounts and risk-weighted amounts were:

	<b>30 June 2012 (unaudited)</b>		<b>31 December 2011</b>	
	<b>Nominal amount (KZT million)</b>	<b>Risk- weighted amount (KZT million)</b>	<b>Nominal amount (KZT million)</b>	<b>Risk- weighted amount (KZT million)</b>
<b>Contingent liabilities and credit commitments:</b>				
Guarantees issued and similar commitments	65,262	65,262	68,895	68,895
Commitments on loans and unused credit lines	14,094	14,094	14,053	14,053
Letters of credit and other transaction related to contingent obligations	3,604	140	5,280	155
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	34	34	40	40
	<u>82,994</u>	<u>79,530</u>	<u>88,268</u>	<u>83,143</u>

The decision to issue loans to customers within open credit lines is made by the Group at the request of a customer and depends on the financial position of the borrower, credit history and other factors. As at 30 June 2012, the amount of liabilities on such unused credit lines equals KZT 374,487 million (31 December 2011: KZT 396,716 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit line without warning the borrower for any reason including: the borrower violates the obligations before the Group; insufficiency of collateral when revaluing the collateral due to a decrease in its pledge value or if change of prices in the market; or as a result of provision of the credit line (provision of loan) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks.

## **Capital commitments**

As at 30 June 2012, capital commitments amounted to KZT 307 million (31 December 2011: KZT 395 million).

## **Legal proceedings**

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

## **Taxation**

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

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses 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, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all probable tax amounts due. Income tax related provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

## **Operating environment**

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

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

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kazakhstani economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstani economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during the periods ended 30 June 2012 and 31 December 2011.

The Group's Banking counterparties have neither changed their terms of co-operation nor decreased their limits in a manner, which would negatively affect the Group.

As at 30 June 2012 and 31 December 2011, the Group was in compliance with the covenants of the various debt agreements.

## 18. TRANSACTIONS WITH RELATED PARTIES

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

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

	30 June 2012 (unaudited) (KZT million)		31 December 2011 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Loans to customers</b>	1,076	2,817,427	1,006	2,737,769
- key management personnel of the entity or its parent	1,076		1,006	
<b>Allowance for impairment losses on loans to customers</b>	(57)	(702,390)	(78)	(658,108)
- key management personnel of the entity or its parent	(57)		(78)	
<b>Customer accounts</b>	4,701	1,440,845	5,758	1,463,077
- parent company	1,830		1,456	
- entities with joint control or significant influence over the entity	99		303	
- key management personnel of the entity or its parent	2,583		3,761	
- other related parties	189		238	
<b>Commitments on loans and unused credit lines</b>	103	14,094	121	14,053
- key management personnel of the entity or its parent	103		121	
<b>Guarantees issued and similar commitments</b>	13	65,262	19	68,895
- key management personnel of the entity or its parent	13		19	

Included in the condensed interim consolidated income statement for the six months ended 30 June 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2012 (unaudited) (KZT million)		Six months ended 30 June 2011 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Interest income</b>	37	114,628	40	125,789
- <i>key management personnel of the entity or its parent</i>	37		40	
<b>Interest expense</b>	(138)	(54,811)	(210)	(69,333)
- <i>parent company</i>	(31)		(60)	
- <i>entities with joint control</i>	-		(1)	
- <i>key management personnel of the entity or its parent</i>	(107)		(149)	
<b>Operating expenses</b>	(260)	(16,767)	(1,840)	(17,521)
<i>Short-term employee benefits</i>	(260)	(9,333)	(1,840)	(10,124)
<b>Recovery/(provision) for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies</b>	7	(51,623)	(20)	(33,472)
- <i>key management personnel of the entity or its parent</i>	7		(20)	

Key management personnel compensation for the six months ended 30 June 2012 and 2011 is represented by short-term employee benefits.

As at 30 June 2012 and 31 December 2011, the Group does not pledge any assets in connection with guarantees issued to management.

## 19. SEGMENT REPORTING

### Business segments

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

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

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



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

Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

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

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

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>For the six months ended 30 June 2012 (unaudited)</b>
	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(KZT million)</b>
External interest income	15,598	94,083	4,495	452	-	-	114,628
Internal interest income	29,802	15,678	90,837	-	-	(136,317)	-
External interest expenses	(21,915)	(11,816)	(21,080)	-	-	-	(54,811)
Internal interest expenses	(8,121)	(72,448)	(55,748)	-	-	136,317	-
Net interest income before provision for impairment losses on interest bearing assets	15,364	25,497	18,504	452	-	-	59,817
Recovery of provision/(provision) for impairment losses on interest bearing assets	4,575	(54,435)	(48)	-	-	-	(49,908)
<b>NET INTEREST INCOME</b>	<b>19,939</b>	<b>(28,938)</b>	<b>18,456</b>	<b>452</b>	<b>-</b>	<b>-</b>	<b>9,909</b>
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(2,397)	(43)	-	-	(2,440)
Net gain/(loss) on foreign exchange and precious metals operations	892	538	3,922	(2)	-	-	5,350
Fee and commission income	6,508	4,414	1,891	-	-	-	12,813
Fee and commission expense	(3,555)	(133)	(226)	(2,243)	-	-	(6,157)
Net realized gain on investments available-for-sale	-	-	611	3	-	-	614
Dividends received	-	-	8,313	141	-	-	8,454
Other (expense)/income	(143)	1,050	87	3,832	-	-	4,826
<b>NET NON-INTEREST INCOME</b>	<b>3,702</b>	<b>5,869</b>	<b>12,201</b>	<b>1,688</b>	<b>-</b>	<b>-</b>	<b>23,460</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>23,641</b>	<b>(23,069)</b>	<b>30,657</b>	<b>2,140</b>	<b>-</b>	<b>-</b>	<b>33,369</b>
<b>OPERATING EXPENSES</b>	<b>(9,146)</b>	<b>(4,786)</b>	<b>(1,500)</b>	<b>(1,335)</b>	<b>-</b>	<b>-</b>	<b>(16,767)</b>
<b>PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS</b>	<b>14,495</b>	<b>(27,855)</b>	<b>29,157</b>	<b>805</b>	<b>-</b>	<b>-</b>	<b>16,602</b>
Provision for impairment losses on other transactions	-	(594)	-	(982)	-	-	(1,576)
Provision for guarantees and other contingencies	-	(139)	-	-	-	-	(139)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>14,495</b>	<b>(28,588)</b>	<b>29,157</b>	<b>(177)</b>	<b>-</b>	<b>-</b>	<b>14,887</b>
Segment assets as at 30 June 2012	245,425	1,976,022	323,194	60,333	6,841	(72,507)	2,539,308
Segment liabilities as at 30 June 2012	609,106	840,573	629,166	10,726	31,474	(31,007)	2,090,038

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>For the six months ended 30 June 2011 (unaudited)</b>
	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(KZT million)</b>
External interest income	14,294	105,656	5,418	421	-	-	125,789
Internal interest income	27,795	26,096	79,626	-	-	(133,517)	-
External interest expenses	(22,739)	(21,979)	(24,615)	-	-	-	(69,333)
Internal interest expenses	(8,945)	(74,257)	(50,315)	-	-	133,517	-
Net interest income before provision for impairment losses on interest bearing assets	10,405	35,516	10,114	421	-	-	56,456
Recovery of provision/(provision) for impairment losses on interest bearing assets	274	(31,661)	(2,066)	-	-	-	(33,453)
<b>NET INTEREST INCOME</b>	<b>10,679</b>	<b>3,855</b>	<b>8,048</b>	<b>421</b>	<b>-</b>	<b>-</b>	<b>23,003</b>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	114	-	(3,214)	146	-	-	(2,954)
Net gain/(loss) on foreign exchange and precious metals operations	407	23	1,436	(19)	-	-	1,847
Fee and commission income	5,006	4,628	1,804	-	-	-	11,438
Fee and commission expense	(858)	(393)	(2,066)	(840)	-	-	(4,157)
Net realized gain/(loss) on investments available-for-sale	-	-	27	(48)	-	-	(21)
Dividends received	-	-	13	16	-	-	29
Other (expense)/income	(74)	145	246	2,989	-	-	3,306
<b>NET NON-INTEREST INCOME/(LOSS)</b>	<b>4,595</b>	<b>4,403</b>	<b>(1,754)</b>	<b>2,244</b>	<b>-</b>	<b>-</b>	<b>9,488</b>
<b>OPERATING INCOME</b>	<b>15,274</b>	<b>8,258</b>	<b>6,294</b>	<b>2,665</b>	<b>-</b>	<b>-</b>	<b>32,491</b>
<b>OPERATING EXPENSES</b>	<b>(9,413)</b>	<b>(5,021)</b>	<b>(1,864)</b>	<b>(1,223)</b>	<b>-</b>	<b>-</b>	<b>(17,521)</b>
<b>PROFIT BEFORE OTHER OPERATING PROVISIONS</b>	<b>5,861</b>	<b>3,237</b>	<b>4,430</b>	<b>1,442</b>	<b>-</b>	<b>-</b>	<b>14,970</b>
Provision for impairment losses on other transactions	-	(144)	(9)	(1,215)	-	-	(1,368)
Recovery of provision for guarantees and other contingencies	-	1,349	-	-	-	-	1,349
<b>PROFIT BEFORE INCOME TAX</b>	<b>5,861</b>	<b>4,442</b>	<b>4,421</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>14,951</b>
Segment assets as at 31 December 2011	236,547	1,945,678	383,429	59,431	4,594	(63,990)	2,565,689
Segment liabilities as at 31 December 2011	568,301	900,580	640,855	9,812	31,669	(22,160)	2,129,057

## 20. RISK MANAGEMENT POLICIES

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

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

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

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

The risk management policies that the Group applied during six months ended 30 June 2012 are not significantly different from the Group's risk management policies disclosed in the audited consolidated financial statements for the year ended 31 December 2011.

### **Liquidity risk**

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

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

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

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2012 Total
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
<b>FINANCIAL ASSETS:</b>							
Debt securities and derivatives in the financial assets at fair value through profit or loss	93,565	23	4,918	2,340	6,936	-	107,782
Loans and advances to banks and other financial institutions	52,231	619	10,676	13,837	75	-	77,438
Loans to customers	16,138	79,524	463,741	697,893	489,992	-	1,747,288
Debt securities included in investments available-for-sale	408	-	721	3,774	7,669	-	12,572
Investments held to maturity	-	-	3	4,703	1,870	-	6,576
<b>Total interest bearing assets</b>	<b>162,342</b>	<b>80,166</b>	<b>480,059</b>	<b>722,547</b>	<b>506,542</b>	<b>-</b>	<b>1,951,656</b>
Cash and balances with national (central) banks	78,207	-	-	-	2,989	-	81,196
Precious metals	5,542	-	-	-	-	-	5,542
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	6,934	6,934
Equity securities in the investments available-for-sale	-	-	-	-	-	1,147	1,147
Accrued interest income on interest-bearing assets	37,709	55,045	80,203	197,506	106	-	370,569
Other financial assets	3,045	450	2,286	13	-	-	5,794
<b>TOTAL FINANCIAL ASSETS AND PRECIOUS METALS</b>	<b>286,845</b>	<b>135,661</b>	<b>562,548</b>	<b>920,066</b>	<b>509,637</b>	<b>8,081</b>	<b>2,422,838</b>
<b>FINANCIAL LIABILITIES:</b>							
Loans and advances from banks and other financial institutions	84,869	10,254	2,582	19,038	-	-	116,743
Customer accounts	138,211	162,762	490,849	138,449	100,869	-	1,031,140
Debt securities issued	113	247	56,976	191,288	45,823	-	294,447
Other borrowed funds	-	-	32	19,801	2,820	-	22,653
Subordinated debt	-	-	-	109,189	20,898	6,790	136,877
<b>Total interest bearing liabilities</b>	<b>223,193</b>	<b>173,263</b>	<b>550,439</b>	<b>477,765</b>	<b>170,410</b>	<b>6,790</b>	<b>1,601,860</b>
Financial liabilities at fair value through profit or loss	2,180	7	1,690	14,195	1,246	-	19,318
Customer accounts	396,232	-	-	-	-	-	396,232
Dividends payable	8	-	381	-	-	-	389
Accrued interest expense on interest-bearing liabilities	6,686	3,008	9,463	1,699	-	-	20,856
Other financial liabilities	7,311	352	119	-	-	-	7,782
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>635,610</b>	<b>176,630</b>	<b>562,092</b>	<b>493,659</b>	<b>171,656</b>	<b>6,790</b>	<b>2,046,437</b>
Liquidity gap	(348,765)	(40,969)	456	426,407	337,981	-	-
Interest sensitivity gap	(60,851)	(93,097)	(70,380)	244,782	336,132	-	-
Cumulative interest sensitivity gap	(60,851)	(153,948)	(224,328)	20,454	356,586	-	-
Cumulative interest sensitivity gap as a percentage of total assets	(2.5%)	(6.4%)	(9.3%)	0.8%	14.7%	-	-
Contingent liabilities and credit commitments	424	-	30,054	25,678	12,200	510	-

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>FINANCIAL ASSETS:</b>							
Debt securities and derivatives in the financial assets at fair value through profit or loss	12,500	29,872	33,636	48,241	51,702	-	175,951
Loans and advances to banks and other financial institutions	31,775	745	2,489	18,679	60	-	53,748
Loans to customers	32,470	43,609	605,174	527,473	527,255	-	1,735,981
Debt securities included in investments available-for-sale	154	-	202	3,131	7,300	-	10,787
Investments held to maturity	-	-	95	2,173	1,670	-	3,938
<b>Total interest bearing assets</b>	<b>76,899</b>	<b>74,226</b>	<b>641,596</b>	<b>599,697</b>	<b>587,987</b>	<b>-</b>	<b>1,980,405</b>
Cash and balances with national (central) banks	102,151	-	-	-	2,916	-	105,067
Precious metals	3,280	-	-	-	-	-	3,280
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	9,852	9,852
Equity securities in the investments available-for-sale	-	-	-	-	-	4,107	4,107
Accrued interest income on interest-bearing assets	70,578	28,335	84,731	163,312	67	-	347,023
Other financial assets	3,452	920	2,058	-	-	-	6,430
<b>TOTAL FINANCIAL ASSETS AND PRECIOUS METALS</b>	<b>256,360</b>	<b>103,481</b>	<b>728,385</b>	<b>763,009</b>	<b>590,970</b>	<b>13,959</b>	<b>2,456,164</b>
<b>FINANCIAL LIABILITIES:</b>							
Loans and advances from banks and other financial institutions	35,019	576	17,202	39,182	-	-	91,979
Customer accounts	79,605	144,029	411,958	238,866	105,117	-	979,575
Debt securities issued	234	26,124	10,351	160,381	118,048	-	315,138
Other borrowed funds	-	-	1,512	20,711	3,765	-	25,988
Subordinated debt	-	-	-	71,647	57,510	6,744	135,901
<b>Total interest bearing liabilities</b>	<b>114,858</b>	<b>170,729</b>	<b>441,023</b>	<b>530,787</b>	<b>284,440</b>	<b>6,744</b>	<b>1,548,581</b>
Financial liabilities at fair value through profit or loss	730	22,673	866	5,511	7,991	-	37,771
Customer accounts	471,264	-	-	-	-	-	471,264
Dividends payable	6	-	-	-	-	-	6
Accrued interest expense on interest-bearing liabilities	4,684	10,136	7,204	1,909	-	-	23,933
Other financial liabilities	4,356	56	83	-	-	-	4,495
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>595,898</b>	<b>203,594</b>	<b>449,176</b>	<b>538,207</b>	<b>292,431</b>	<b>6,744</b>	<b>2,086,050</b>
Liquidity gap	(339,538)	(100,113)	279,209	224,802	298,539		
Interest sensitivity gap	(37,959)	(96,503)	200,573	68,910	303,547		
Cumulative interest sensitivity gap	(37,959)	(134,462)	66,111	135,021	438,568		
Cumulative interest sensitivity gap as a percentage of total assets	(1.5%)	(5.5%)	2.7%	5.5%	17.9%		
Contingent liabilities and credit commitments	7,511	2,718	23,889	27,305	12,752	676	

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

### Currency risk

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

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

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

As at 30 June 2012 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	RUR	Other CCY	30 June 2012 Total
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
<b>FINANCIAL ASSETS:</b>						
Cash and balances with national (central) banks	59,583	10,500	4,907	4,409	1,797	81,196
Precious metals	-	-	-	-	5,542	5,542
Financial assets at fair value through profit or loss	93,865	6,906	3,198	12,671	18	116,658
Loans and advances to banks and other financial institutions	20,151	49,176	2,111	4,851	1,431	77,720
Loans to customers	1,005,380	1,074,909	8,340	26,307	101	2,115,037
Investments available-for-sale	10,993	2,747	-	484	-	14,224
Investments held to maturity	4,828	1,048	-	791	-	6,667
Other financial assets	2,924	2,021	37	737	75	5,794
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,197,724</b>	<b>1,147,307</b>	<b>18,593</b>	<b>50,250</b>	<b>8,964</b>	<b>2,422,838</b>
<b>FINANCIAL LIABILITIES:</b>						
Loans and advances from banks and other financial institutions	50,645	54,429	4,497	7,237	180	116,988
Customer accounts	856,272	498,329	52,077	28,968	5,199	1,440,845
Financial liabilities at fair value through profit or loss	15,719	3,452	1	-	146	19,318
Debt securities issued	2,446	220,696	75,269	697	-	299,108
Other borrowed funds	18,986	4,088	-	-	-	23,074
Dividends payable	-	381	-	-	8	389
Other financial liabilities	7,513	-	3	179	87	7,782
Subordinated debt	33,837	105,096	-	-	-	138,933
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>985,418</b>	<b>886,471</b>	<b>131,847</b>	<b>37,081</b>	<b>5,620</b>	<b>2,046,437</b>
<b>OPEN POSITION</b>	<b>212,306</b>	<b>260,836</b>	<b>(113,254)</b>	<b>13,169</b>	<b>3,344</b>	

## Derivative financial instruments and spot contracts

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 30 June 2012:

	KZT	USD	EUR	RUR	Other CCY	30 June 2012 Total (unaudited) (KZT million)
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
Accounts payable on spot and derivative contracts	(5,622)	(174,183)	(20,303)	(4,175)	(6,532)	(210,815)
Accounts receivable on spot and derivative contracts	30,178	36,544	134,067	573	5,598	206,960
<b>NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION</b>	<b>24,556</b>	<b>(137,639)</b>	<b>113,764</b>	<b>(3,602)</b>	<b>(934)</b>	
<b>OPEN POSITION</b>	<b>236,862</b>	<b>123,197</b>	<b>510</b>	<b>9,567</b>	<b>2,410</b>	

As at 31 December 2011, the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	RUR	Other CCY	31 December 2011 Total (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>FINANCIAL ASSETS:</b>						
Cash and balances with national (central) banks	75,947	21,498	2,426	4,290	906	105,067
Precious metals	-	-	-	-	3,280	3,280
Financial assets at fair value through profit or loss	137,515	15,201	7,582	22,585	5,430	188,313
Loans and advances to banks and other financial institutions	2,855	38,800	5,749	2,214	4,350	53,968
Loans to customers	957,602	1,089,404	6,073	26,117	465	2,079,661
Investments available-for-sale	10,380	4,471	-	568	-	15,419
Investments held to maturity	2,629	583	-	814	-	4,026
Other financial assets	3,224	2,222	49	925	10	6,430
<b>TOTAL FINANCIAL ASSETS AND PRECIOUS METALS</b>	<b>1,190,152</b>	<b>1,172,179</b>	<b>21,879</b>	<b>57,513</b>	<b>14,441</b>	<b>2,456,164</b>
<b>FINANCIAL LIABILITIES:</b>						
Loans and advances from banks and other financial institutions	30,658	55,942	5,476	39	100	92,215
Customer accounts	882,272	485,772	58,681	30,954	5,398	1,463,077
Financial liabilities at fair value through profit or loss	33,182	4,445	-	8	136	37,771
Debt securities issued	2,455	214,408	79,355	231	27,638	324,087
Other borrowed funds	20,359	6,000	-	-	-	26,359
Dividends payable	-	-	-	-	6	6
Other financial liabilities	4,289	-	1	122	83	4,495
Subordinated debt	33,734	104,306	-	-	-	138,040
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,006,949</b>	<b>870,873</b>	<b>143,513</b>	<b>31,354</b>	<b>33,361</b>	<b>2,086,050</b>
<b>OPEN POSITION</b>	<b>183,203</b>	<b>301,306</b>	<b>(121,634)</b>	<b>26,159</b>	<b>(18,920)</b>	

## Derivative financial instruments and spot contracts

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 31 December 2011:

	KZT	USD	EUR	RUR	Other CCY	31 December 2011 Total (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Accounts payable on spot and derivative contracts	(12,472)	(249,779)	(1,685)	-	(17,892)	(281,828)
Accounts receivable on spot and derivative contracts	11,368	30,710	125,289	1,738	91,239	260,344
<b>NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION</b>	<u>(1,104)</u>	<u>(219,069)</u>	<u>123,604</u>	<u>1,738</u>	<u>73,347</u>	
<b>OPEN POSITION</b>	<u>182,099</u>	<u>82,237</u>	<u>1,970</u>	<u>27,897</u>	<u>54,427</u>	

## 21. SUBSEQUENT EVENTS

On 27 July 2012, the Bank foreclosed loans to customers in the amount of KZT 7,505 million (USD 50 million) for subordinated bonds at nominal value of KZT 7,517 million (USD 50 million). This transaction had no impact on the capital adequacy of the Bank, as these subordinated bonds were excluded from the calculation of regulatory capital since the acceptance of them as collateral on loans to customers.