

Financial report for the six months ended 30 June 2007

In accordance with London Stock Exchange Disclosure and Transparency Rule 4.2 “Half-yearly financial reports”.

- Key events**
- Operating and Financial Review**
- Responsibility Statement**
- Condensed Interim Financial Information (Unaudited) and Report on Review of Interim Financial Information**



Key events

- In March 2007 Halyk Bank (the “Bank”) successfully completed a post-IPO issue of 9,432,877 common shares.
- On 18 April 2007 the Bank’s special purpose vehicle subsidiary, HSBK (Europe) B.V raised a syndicated loan facility for a principal amount of USD 400 million with a two-year tenor with an extension option for one year from a syndicate of international banks. The benchmark loan bears a margin of 30 bps over LIBOR for the first two years with a step-up to 70 bps for the third year.
- On 23 April 2007 the Annual General Shareholders Meeting of the Bank resolved to increase the number of members of the Board of Directors and to elect Mr. Christof Ruehl and Sir Gavyn Arthur as new independent non-executive directors.
- At the Annual General Meeting held on 23 April 2007 shareholders approved a dividend of KZT2.50 per common share, totalling approximately KZT 2,450 million, and KZT15.04 per preferred share, totalling KZT1,578 million.
- On 3 May 2007 the Bank’s special purpose vehicle subsidiary, HSBK (Europe) B.V., successfully placed 10-year Eurobonds for the principal amount of USD 700 million fully guaranteed by the Bank priced at 220 bps over mid-swaps.
- On 4 May 2007 Moody’s confirmed the BFSR (Bank Financial Strength Rating) for the Bank at D corresponding to a Baseline Risk Assessment of Ba2.
- On 9 June 2007 the Bank was nominated the Best Retail Bank in Central Asia by Asian Banker.
- On 10 July 2007 Mr. Vasiliy Simachev, Deputy Chairman of the Bank resigned due to personal reasons.
- On 1 September 2007 Mr. Askar Smagulov was appointed as a Deputy Chairman, member of the Management Board of the Bank, after working as Head of Treasury of the Bank since 2005. Mr. Smagulov holds an MBA degree from Rochester University, USA. He previously held a number of positions in treasury at ABN AMRO Bank Kazakhstan.
- On 17 September 2007 Mr. Kozhamurat Uskimbayev was appointed as a Deputy Chairman, member of the Management Board of the Bank. Mr. Uskimbayev worked as Vice-Minister of the Ministry of Internal Affairs for the Republic of Kazakhstan.
- On 20 September 2007 the Bank’s special purpose vehicle subsidiary, HSBK (Europe) B.V., signed a new syndicated term loan facility for the principal amount of USD 300 million with a 3-year tenor. The loan bears the margin of 40 bps over the LIBOR.
- On 1 October 2007 Mr. Kadyrzhan Damitov, independent non-executive Director of the Bank, resigned due to his appointment as the Chairman of the social enterprise corporation “Ertys”.

Operating and Financial Review

Halyk Bank is one of Kazakhstan's leading diversified financial services groups, with the largest customer base and distribution network in Kazakhstan. The Bank is developing as a universal financial services group offering a broad range of services (banking, pensions, insurance, leasing, brokerage and asset management) to its retail, small and medium enterprises ("SME") and corporate customers.

As at 30 June 2007, according to statistics published by the Agency of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") and the National Bank of Kazakhstan (the "NBK"), the Bank had one of the largest retail deposit bases in Kazakhstan (with an 18.5 per cent. market share), as well as the largest portfolio in the fast-growing mortgage loan market (with a 24.5 per cent. market share) and had issued the largest number of payment cards (with approximately 48 per cent. market share). According to the FMSA, as at 30 June 2007, the Bank was the fourth largest bank in Kazakhstan in terms of total assets on an unconsolidated basis. As at 30 June 2007, amounts due to the Bank's retail customers were KZT 256,097 million while total amounts due to customers were KZT 612,006 million; retail loans were KZT 233,254 million of which 130,440 million were mortgages, while total gross loans were KZT 820,785 million. For the six month period ended 30 June 2007, the Bank had net income, after income tax expense, of KZT 21,545 million and operating income (net interest income plus net fees and commissions and other non-interest income) was KZT 44,878 million. Total equity amounted to KZT 141,157 million on 30 June 2007.

As at 30 June 2007, the Bank had more than 5.9 million retail customers (the largest customer base in Kazakhstan), more than 67,000 SME customers and 337 corporate customers. With the most extensive retail distribution network in Kazakhstan, the Bank, as at 30 June 2007, served its customers through 634 retail outlets, including regional and district branches in all 14 regions of Kazakhstan as well as through some 968 ATMs, the largest ATM network in Kazakhstan. Other distribution channels used by the Bank include the Internet and mobile banking and in-store points of sale located at certain shopping centres and supermarkets in Kazakhstan. In addition, the Bank also uses the distribution channels established by some of its other business lines, principally the pension fund and insurance businesses.

The Bank operates along two core business lines: retail and corporate banking (which serves both large corporates and SMEs). Through subsidiary companies, the Bank's operations also include pensions, insurance, leasing, brokerage and asset management. According to FMSA statistics, as at 30 June 2007, the Bank's pension fund business had the largest market share in Kazakhstan (28.9 per cent.) and the management of the Bank believes its insurance business had the largest network in the country.

The Bank offers a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, travellers' cheques, currency exchange, Internet and mobile banking and ATM services. The Bank's corporate banking business provides a range of wholesale banking products and services (including loans, payroll services and cash management) to corporate and SME business customers, financial institutions and Government entities.

Results of Operations for the six months ended 30 June 2007 and 2006

The following table presents the Bank's income statement and certain income statement ratios for the periods indicated:

	For the six months ended 30 June		Variations	
	2007 (KZT millions) ⁽¹⁾	2006 (KZT millions)	2007/06 (KZT millions)	(per cent.)
Interest income	54,850	35,506	19,344	54
Interest expense	24,187	14,536	9,651	66
Net interest income before impairment.....	30,663	20,970	9,693	46
Impairment charge	(6,169)	(7,045)	(876)	(12)
Net interest income	24,494	13,925	10,569	76
Net fees and commissions	11,475	9,866	1,609	16
Other non-interest income	8,909	1,154	7,755	672
Operating income ⁽²⁾	44,878	24,945	19,933	80
Other non-interest expense (operating expense)	(15,612)	(12,001)	3,611	30
Income before income tax expense	29,266	12,944	16,322	126
Income tax expense	(7,721)	(2,446)	5,275	216
Net income after income tax expense	21,545	10,498	11,047	105
Minority interest	282	373	(91)	(24)
Net income, less minority interest	21,263	10,125	11,138	110
Dividends to preferred shareholders	(840) ⁽³⁾	(790) ⁽⁴⁾	(50)	6
Net income attributable to common shareholders ⁽⁵⁾	20,423	9,335	11,088	119
Profitability ratios:				
Return on average common equity (per cent.) ⁽⁶⁾⁽⁷⁾	40.9	40.1		
Return on average assets (per cent.) ⁽⁷⁾⁽⁸⁾	4.0	3.0		
Net interest margin (per cent.) ⁽⁷⁾⁽⁹⁾	6.8	6.6		
Operating expense ⁽¹⁰⁾ /operating income before impairment charge (per cent.)	130.6	137.5		
Impairment charge/operating income before impairment charge (per cent.)	12.1	22		
Basic earnings per share (Tenge) ⁽¹¹⁾	19.6	10.1		
Basic earnings per common share (Tenge) ⁽¹²⁾	21.8	10.4		

Notes:

- (1) Except for percentages and per share data.
- (2) Operating income is net interest income, plus net fees and commissions and other non-interest income.
- (3) Dividends to preferred shareholders for the six-month period ended 30 June 2007 are calculated based on the Bank's year-end projections adjusted for the six-month period.
- (4) Dividends to preferred shareholders for the six-month period ended 30 June 2006 are calculated based on the actual dividend amount paid for 2006 adjusted for the six-month period.
- (5) Comprises net income after income tax expense, less minority interest and dividends to preferred shareholders.
- (6) Return on average common equity is (a) net income attributable to common shareholders, divided by (b) average common equity.
- (7) Amounts used in ratios are average monthly balances for the six-month periods ended 30 June 2007 and 2006.
- (8) Return on average total assets comprises (a) net income after income tax expense, less dividends on preferred shares, divided by (b) average total assets.
- (9) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.
- (10) Operating expense includes salaries and other employee benefits, administrative and operating expenses and depreciation and amortisation expenses.
- (11) Basic earnings per share is calculated as (a) net income, less minority interest, divided by (b) daily weighted average number of shares and preferred shares, less treasury shares.
- (12) Basic earnings per common share is calculated as (a) net income attributable to common shareholders, divided by (b) average number of common shares outstanding, less treasury shares.

Net income

The Bank's net income for the six months ended 30 June 2007 was KZT 21,263 million compared with KZT 10,125 million for the six months ended 30 June 2006. The increase of KZT 11,138 million, or 110 per cent. for the six months ended 30 June 2007, compared with the same period of 2006, was mainly attributable to an increase in net interest income of 76 per cent., an increase in net fee and commission income of 16 per cent., and a 672 per cent.,

increase in other non-interest income, which were partially offset by increases in non-interest expense of 30 per cent and income tax expense of 216 per cent.

Interest Income

The following table sets out the principal components of the Bank's interest income for the periods indicated:

	For the six months ended 30 June		Variations	
	2007	2006	2007/2006	
	<i>(KZT millions)</i>		<i>(KZT millions)</i>	<i>(per cent.)</i>
Interest on loans to customers	47,735	31,361	16,374	52
Interest on securities	4,418	1,971	2,447	124
Interest on cash and cash equivalents and amounts due from credit institutions	2,697	2,174	523	24
Interest income, total	54,850	35,506	19,344	54

Total interest income increased by KZT 19,344 million, or 54 per cent., to KZT 54,850 million in the first six months of 2007 from KZT 35,506 million in the first six months of 2006, mainly due to a 52 per cent. growth of interest income from loans to customers and a 124 per cent. growth of interest income from debt securities.

Interest income on loans to customers increased by KZT 16,374 million, or 52 per cent., in the first six months of 2007 to KZT 47,735 million from KZT 31,361 million in the first six months of 2006. The increase in interest income on loans to customers in the first six months of 2007, compared with 2006, was primarily due to overall growth of the Bank's loan portfolio. Gross loans to customers increased by KZT 190,915 million, or 30 per cent., to KZT 820,785 million as at 30 June 2007 from KZT 629,870 million as at 30 June 2006.

Interest on securities, principally treasury bills, Government bonds, short-term notes issued by the NBK and Eurobonds issued by the Government of the Republic of Kazakhstan, increased by KZT 2,447 million, or 124 per cent., to KZT 4,418 million in the first six months of 2007 from KZT 1,971 million in the first six months of 2006. The increase in the first six months of 2007 compared with the first six months of 2006 resulted from growth of the Bank's securities portfolio.

Interest on cash and cash equivalents and amounts due from credit institutions increased by KZT 523 million, or 24 per cent., to KZT 2,697 million in the first six months of 2007, from KZT 2,174 million in the first six months of 2006. The increase in the first six months of both 2007 and 2006 was mainly attributable to the increased balances of correspondent accounts and short-term deposits with the NBK, OECD-based banks and Kazakh banks.

The following table sets out the effective average annual interest rates payable to the Bank on its interest-earning Tenge and foreign currency assets for the periods indicated:

	For the six months ended 30 June					
	2007			2006		
	<i>(All currencies)</i>	<i>(KZT)</i>	<i>(Foreign currency)</i>	<i>(All currencies)</i>	<i>(KZT) (per cent.)</i>	<i>(Foreign currency)</i>
Loans to customers	15	17.5	12.5	15	18.8	11.9
Amounts due from credit institutions	6.4	9.7	4.7	4.1	4.1	4
Financial assets at fair value through profit or loss	5.9	5.7	6.5	5.8	5.7	5.9
Available for sale investment securities	6	6	8.1	7.1	7	7.2
Average interest rates on interest earning assets	12.3	13.2	11.2	11.6	12.8	10.2

Average interest rates on the loan portfolio did not change in the first six months of 2007 compared with the first six months of 2006, and remained at the level of 15.0 per cent. Average loans in foreign currencies represented 49.6 per cent. of the Bank's total average loan portfolio as at 30 June 2007, compared with 54.8 per cent. as at 30 June

2006. The share of foreign currency denominated loans in the total average loan portfolio in the first six months of 2007 declined due to the increase of consumer loans and mortgage loans which are mostly KZT-denominated.

Average annual rates on amounts due from credit institutions increased from 4.1 per cent. in the first six months of 2006 to 6.4 per cent. in the first six months of 2007. The increase was primarily due to increased interbank interest rates resulting from increases in LIBOR.

Average interest rates on financial assets at fair value through profit or loss increased from 5.8 per cent. in the first six months of 2006 to 5.9 per cent. in the first six months of 2007. The increase in average rates on the financial assets at fair value through profit or loss in the first six months of 2007 compared with the first six months of 2006 was primarily due to increased interbank interest rates resulting from increases in Kazakhstan treasury rates. Average interest rates on the available-for-sale securities portfolio for the first six months of 2007 and 2006 were 6.0 per cent. and 7.1 per cent. respectively. The decrease in average rates on the available-for-sale securities portfolios in the first six months of 2007 compared with the first six months of 2006 was primarily caused by extensive purchases of NBK Notes in this portfolio.

Interest expense

The following table sets out the principal components of the Bank's interest expense for the periods indicated:

	For the six months ended 30 June		Variations	
	2007	2006	2007/2006	
	(KZT millions)		(KZT millions)	(per cent.)
Interest on amounts due to customers	(13,542)	(7,730)	5,812	75
Interest on debt securities issued	(7,106)	(3,614)	3,492	97
Interest on amounts due to credit institutions	(3,539)	(3,192)	347	11
Interest expense, total	(24,187)	(14,536)	9,651	66

Total interest expense increased by KZT 9,651 million, or 66 per cent., to KZT 24,187 million for the first six month period ended 30 June 2007 from KZT 14,536 million for the corresponding period in 2006 due to increases in the volume of customer deposits and debt securities issued.

Interest expense on amounts due to customers increased by KZT 5,812 million, or 75 per cent., to KZT 13,542 million for the first six month period ended 30 June 2007 from KZT 7,730 million for the corresponding period in 2006 due to increase in customer deposits. Average annual interest-bearing customer account balances (corporate and retail) increased by KZT 200,902 million, or 54.2 per cent., to KZT 571,865 million in the first six months of 2007 from KZT 370,963 million in the corresponding period in 2006 due to higher balances of customer term deposits. The Bank's amounts due to customers in foreign currencies are substantially denominated in U.S. Dollars and, to a lesser extent, in Euro. Average foreign currency amounts in the first six months of 2007 and 2006 accounted for 37.1 per cent. and 46.7 per cent., respectively, of the total average amounts due to customers for each six month period.

Interest expense on debt securities issued increased by KZT 3,492 million, or 97 per cent., to KZT 7,106 million for the first six month period ended 30 June 2007 from KZT 3,614 million for the corresponding period in 2006, primarily as a result of increased issuance of debt securities.

Interest expense on amounts due to credit institutions increased by KZT 347 million, or 11 per cent., to KZT 3,539 million for the six month period ended 30 June 2007 from KZT 3,192 million for the corresponding period in the first six months of 2006. This increase was primarily attributable to increased levels of longer-term deposits from other credit institutions. Average foreign currency balances on deposits and loans from credit institutions accounted for 63.8 per cent. in the first six months of 2007 and 78.9 per cent. in the first six months of 2006.

The following table sets out the average interest rates payable by the Bank on its Tenge and foreign currency interest-bearing liabilities for the periods indicated:

	For the six months ended 30 June					
	2007			2006		
	(All currencies)	(KZT)	(Foreign currency)	(All currencies)	(KZT)	(Foreign currency)
Amounts due to customers	4.8	2.9	8	4.2	3.7	4.7
Debt securities issued	8.7	11	6.6	7.7	8.1	7.2
Amounts due to credit Institutions	4.8	5.3	4.5	6	6.9	5.7
Average interest rates on interest-bearing liabilities	5.5	5.2	5.9	5.1	4.8	5.3

The average interest rates paid on interest-bearing customer balances for the first six months of 2007 and 2006 were 4.8 per cent. and 4.2 per cent. respectively. However, average interest rates for Tenge-denominated amounts due to customers decreased from 3.7 per cent. in the first six months of 2006 to 2.9 per cent. in the first six months of 2007 due to a decrease in interest rates generally on Tenge-denominated deposits while average interest rates on foreign currency-denominated amounts due to customers increased from 4.7 per cent. to 8.0 per cent. over the same periods due to an increase in rates on foreign currency-denominated instruments, which are predominately in US dollars, following trends in the domestic market.

The average interest rates paid on deposits and loans from credit institutions decreased from 6.0 per cent. in the first six months of 2006 to 4.8 per cent. in the first six months of 2007 primarily due to an increasing share of foreign currency denominated deposits which are typically lower interest-bearing within the deposit portfolio.

The average interest rate on securities issued increased in the first six months of 2007 to 8.7 per cent. from 7.7 per cent. in the first six months of 2006. This increase was primarily due to the issuance of domestic longer term subordinated debts, step-ups implemented on earlier issues and issuance of longer term Eurobonds on the international market in the second quarter of 2007.

Net interest income before impairment

The following table sets out certain data and ratios for the periods indicated:

	For the six months ended		Variation	
	30 June		2007/2006	
	2007	2006	(KZT millions)	(per cent.)
	<i>(KZT millions, except percentages)</i>			
Interest income	54,850	35,506	19,344	54
Interest expense	(24,187)	(14,536)	9,651	66
Net interest income before impairment	30,663	20,970	9,693	46
Net interest income before impairment charge/operating income before impairment charge (per cent.)	60.1	65.6		
Net interest margin (per cent.) ⁽¹⁾	6.8	6.6		

Note:

(1) Net interest margin comprises (a) net interest income before impairment charge, divided by (b) average interest-earning assets.

Net interest income before impairment charges increased by KZT 9,693 million, or 46 per cent., to KZT 30,663 million in the first six months of 2007 from KZT 20,970 million in the first six months of 2006. The increase in net interest margin from 6.6 per cent. in the first six months of 2006 to 6.8 per cent. in the first six months of 2007 was mainly attributable to the increased share of retail loans within the loan portfolio.

Impairment charge

The following table sets out certain data for the periods indicated:

	For the six months ended		Variation	
	30 June		2007/06	
	2007	2006	(KZT millions)	(per cent.)
	<i>(KZT millions, except percentages)</i>		<i>(KZT millions) (per cent.)</i>	
Impairment charge	(6,169)	(7,045)	(876)	(12)
Allowance for loan losses/total gross loans (per cent.)	4.9	5.3		
Impairment charge/operating income before impairment charge (per cent.)	12.1	22.0		

The Bank's impairment charge decreased by KZT 876 million, or 12 per cent., to KZT 6,169 million in the first six months of 2007 from KZT 7,045 million in the first six months of 2006. The reason for the decrease in impairment charges and allowance for loan losses as a percentage of total loans was due to general improvement in the overall quality of the loan portfolio and also due to the adoption of a pooling method for a portfolio provisioning policy in accordance with IAS/IFRS. The reason for the decrease in impairment charge as a percentage of operating income before impairment charge in the first six months of 2007 was growth in non-interest income, which resulted in increased operating income before impairment charge. In the first six months of 2007, the Bank's net write-offs were KZT 23 million compared with KZT 1,431 million in the first six months of 2006 which decrease was attributable to the Bank's changing of its write-off policy starting from 1 January 2007 whereby the Bank introduced tighter criteria for recognition of unrecoverable loans.

Fees and commissions

Net fee and commission income increased by KZT 1,609 million, or 16 per cent., to KZT 11,475 million in the first six months of 2007 from KZT 9,866 million in the first six months of 2006, primarily as a result of growing volumes of cash management, bank transfer and pension fund asset management services provided to the customers.

Fee and commission income

The following table sets out information on the Bank's fee and commission income for the periods indicated:

	For the six months ended		Variations	
	30 June		2007/06	
	2007	2006	(KZT millions)	(per cent.)
	<i>(KZT millions)</i>		<i>(KZT millions) (per cent.)</i>	
Pension fund and asset management	3,684	3,488	196	6
Bank transfers	4,431	2,869	1,562	54
Cash operations	2,427	1,108	1,319	119
Letters of credit and guarantees issued	721	662	59	9
Maintenance of customer accounts	776	616	160	26
Customers' pension payments	0	514	(514)	(100)
Utilities payments	0	202	(202)	(100)
Payment card maintenance	1	443	(442)	(100)
Foreign currency operations	15	211	(196)	(93)
Custody activities	76	51	25	49
Commission income from trust activities	2	0	2	
Other	288	129	159	123
Fee and commission income, total	12,421	10,293	2,128	21

Fee and commission income increased by KZT 2,128 million, or 21 per cent. to KZT 12,421 million in the first six months of 2007 from KZT 10,293 million in the first six months of 2006. In the first six months of 2007, the Bank earned KZT 3,684 million in pension fund and asset management fees and commissions, compared with KZT 3,488 million in the first six months of 2006. The increase of KZT 196 million, or 6 per cent., was mainly attributable to continued increase in the market value and volume of funds under management. Fees from bank transfers increased by KZT 1,562 million, or 54 per cent., to KZT 4,431 million in the first six months of 2007, compared with KZT 2,869 million

in the first six months of 2006, primarily as a result of growth in volumes of bank transfers. Fees from cash operations increased by KZT 1,319 million, or 119 per cent., to KZT 2,427 million in the first six months of 2007 from KZT 1,108 million in the first six months of 2006, due to growth in volumes of cash management while, in the same period, fees from letters of credit and guarantees increased by KZT 59 million, or 9 per cent., due to an increased volume of documentary transactions. Fees from foreign currency operations decreased by KZT 196 million, or 93 per cent., to KZT 15 million in the first six months of 2007 from KZT 211 million in the first six months of 2006 due to changes in fee policy whereby conversion fees were eliminated and incorporated into spreads on foreign exchange operations.

Fee and commission expense

The following table sets out information on the Bank's fee and commission expense for the periods indicated:

	For the six months ended		Variations	
	30 June		2007/06	
	2007	2006	(KZT millions)	(per cent.)
	<i>(KZT millions)</i>		<i>(KZT millions) (per cent.)</i>	
Payment cards	307	222	85	38.3
Bank transfers	49	76	(27)	(35.5)
Foreign currency operations	48	40	8	20
Other	543	90	453	503.3
Fee and commission expense, total	946	427	519	121.5

Fee and commission expense increased by KZT 519 million, or 121.5 per cent., to KZT 946 million in the first six months of 2007 from KZT 427 million in the first six months of 2006 primarily as a result of an increase in other fee and commission expense of KZT 453 million, or 503.3 per cent., to KZT 543 million in the first six months of 2007 from KZT 90 million in the first six months of 2006, due to an increase in intermediary fees incurred by JSC Kazakhinstrakh in its retail operations. Fee expense from payment cards increased by KZT 85 million, or 38.3 per cent., to KZT 307 million in the first six months of 2007 from KZT 222 million in the first six months of 2006, due to increased volumes of transactions through payment card accounts, partially offset by a decrease in fee expenses by foreign bank transfers of KZT 27 million, or 35.5 per cent., to KZT 49 million in the first six months of 2007 from KZT 76 million in the first six months of 2006 due to lower commissions paid to correspondent banks.

Other non-interest income

The following table sets out certain information on the Bank's other non-interest income for the periods indicated:

	For the six months ended		Variations	
	30 June		2007/06	
	2007	2006	(KZT millions)	(per cent.)
	<i>(KZT millions)</i>		<i>(KZT millions) (per cent.)</i>	
Gains less losses from foreign currencies	4,778	1,278	3,500	274
(Losses less gains) Gains less losses from financial assets at fair value through profit or loss	(68)	(1,155)	(1,087)	(94)
Gains less losses from available-for-sale securities	686	(175)	861	492
Share of income of associate	(15)	(13)	2	15
Insurance underwriting income	2,499	-	2,499	100
Other non-interest income	1,029	1,219	(190)	(16)
Other non-interest income, total	8,909	1,154	7,755	672

Total other non-interest income increased by KZT 7,755 million, or 672 per cent., to KZT 8,909 million in the first six months of 2007 from KZT 1,154 million in the first six months of 2006.

Gains less losses from foreign currencies increased by KZT 3,500 million, or 274 per cent., to KZT 4,778 million in the first six months of 2007 from KZT 1,278 million in the first six months of 2006. The increase in the first six months of

2007 was mainly due to increase of KZT 2,136 million in unrealized gains/accrued income on foreign currency forward and swap operations included on the balance sheet.

Gains less losses from financial assets at fair value through the profit or loss decreased by KZT 1,087 million, or 94 per cent., to a net loss of KZT 68 million in the first six months of 2007 from KZT 1,155 million in the first six months of 2006. The loss on financial assets at fair value through profit or loss during the first six months of 2007 and 2006 was incurred as the result of significant upward movement in U.S. and Kazakhstan treasury rates that negatively affected the value of those assets.

Gains less losses from available-for-sale securities increased by KZT 861 million, or 492 per cent., to KZT 686 million in the first six months of 2007 from KZT 175 million of losses less gains from available-for-sale securities in the first six months of 2006. Gains less losses from available-for-sale securities in the first six months of 2007 resulted primarily from the sale of NBK notes at favourable prices.

Share of losses of associates increased by KZT 2 million, or 15 per cent., to KZT 15 million in the first six months of 2007 from KZT 13 million in the first six months of 2006. The increase in the first six months of 2007 was attributable to losses at JSC National Processing Center and JSC Halyk Private Equity as well as derecognition of JSC Kazakhinstrakh as an associated company and its full consolidation starting from November 2006, which consequently was off-set by inclusion of JSC Kazakhinstrakh's insurance underwriting income for the amount of KZT 2,499 million into other non-interest income of the Bank.

Other non-interest income, comprising gains from disposals of fixed assets and other assets, decreased by KZT 190 million, or 16 per cent., to KZT 1,029 million in the first six months of 2007 from KZT 1,219 million in the first six months of 2006.

Other non-interest expense

The following table sets out the composition of the Bank's other non-interest expense and certain ratios for the periods indicated:

	For the six months ended		Variations	
	30 June		2007/06	
	2007	2006	(KZT millions)	(per cent.)
	<i>(KZT millions)</i>		<i>(KZT millions) (per cent.)</i>	
Salaries and other employee benefits	(8,797)	(6,744)	2,053	30
Administrative and operating expenses	(4,811)	(2,827)	1,984	70
Depreciation and amortisation expenses	(1,540)	(1,122)	418	37
Taxes other than income tax	(815)	(729)	86	12
Insurance claims incurred, net of reinsurance	(756)	-	756	100
Other provisions ⁽¹⁾	1,107	(579)	(1,686)	(291)
Other non-interest expense, total	(15,612)	(12,001)	3,611	30
Operating expense ⁽²⁾ /operating income before impairment charge (per cent.)	30.6	37.5		

Notes:

(1) Other provisions represent provision for off-balance sheet items, including letters of credit and guarantees issued.

(2) Operating expense includes salaries and other employee benefits, administrative and operating expenses and depreciation and amortisation expenses.

Other non-interest expense increased by KZT 3,611 million or 30 per cent. in the first six months of 2007 to KZT 15,612 million from KZT 12,001 million in the first six months of 2006. The increase in other non-interest expense for each year-on-year period was mainly attributable to higher personnel expenses and administrative and other operating expenses relating to maintenance of branch network and expansion of the Bank's and its subsidiaries' operations.

Salaries and other employee benefits increased by KZT 2,053 million, or 30 per cent., in the first six months of 2007 to KZT 8,797 million from KZT 6,744 million in the first six months of 2006. The increase in salaries and other employee benefits in the first six months of 2007 was primarily attributable to inflation as well as an increase in headcount.

Administrative and operating expenses increased by KZT 1,984 million, or 70 per cent., to KZT 4,811 million in the first six months of 2007 compared with KZT 2,827 million in the first six months of 2006. Administrative and operating expenses increased in the first six months of 2007 mainly due to an increase in deposit insurance expenses, rent, other administrative expenses, security and procurement of professional and information services.

Depreciation and amortisation increased by KZT 418 million, or 37 per cent., in the first six months of 2007 to KZT 1,540 million compared with KZT 1,122 million in the first six months of 2006. The increase in the first six months of 2007 was mainly attributable to an increase in depreciation and amortisation expense in buildings, transportation and other fixed assets in line with the Bank's fixed assets increase over the period.

Taxes other than income taxes increased by KZT 86 million, or 12 per cent. in the first six months of 2007 to KZT 815 million from KZT 729 million in the first six months of 2006. Taxes other than income taxes include value added tax ("VAT"), property tax, auction and other taxes and duties due to the budget.

Other provisions, comprising provision for off-balance sheet items, including letters of credit and guarantees issued, decreased by KZT 1,686 million, or 291 per cent., to KZT 1,107 million in the first six months of 2007, compared with KZT 579 million of provisions in the first six months of 2006, primarily as a result of a decrease in financial commitments and contingencies issued during the period.

Taxation

The Bank reported income tax expense of KZT 7,721 million in the first six months of 2007 and KZT 2,446 million in the first six months of 2006.

The Bank's effective tax rate was 26 per cent. and 19 per cent. in the first six months of 2007 and 2006 respectively. The Bank's effective tax rate in the first six months of 2007 increased primarily due to changes in tax legislation in 2006 removing tax exemptions on income earned from long-term (more than three years) loans, including mortgage loans. The Bank's effective tax rate is not equivalent to the statutory tax rate because certain interest income, principally interest on mortgage loans and Government and other qualifying securities, is not taxable.

Minority interest in net income

Minority interest in net income decreased by KZT 91 million, or 24 per cent., to KZT 282 million for the first six months of 2007, compared with KZT 373 million in the first six months of 2006, primarily as a result of a decrease in the net income of Pension Fund of Halyk Bank of Kazakhstan, of which the Bank owned 85 per cent. as of 30 June 2007, and an increase of the Bank's stake in JSC Bank Khlebny from 77 per cent. as of 30 June 2006 to 100 per cent. as of 30 June 2007.

Financial Condition as at 30 June 2007 and 2006

Total assets

The following table presents data regarding the Bank's assets at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	<i>(KZT millions)</i>	<i>Per cent. of total</i>	<i>(KZT millions)</i>	<i>Per cent. of total</i>
Assets:				
Cash and cash equivalents	190,167	14.8	127,799	12.9
Obligatory reserves	74,423	5.8	55,106	5.6
Financial assets at fair value through profit or loss	51,995	4.0	53,106	5.3
Amounts due from credit institutions	6,207	0.5	2,049	0.2
Available-for-sale investment securities	139,837	10.9	123,339	12.4
Loans to customers	780,372	60.6	596,216	60.1
Property and equipment	23,370	1.8	21,215	2.1
Insurance assets	4,983	0.4	5,626	0.6
Other assets	15,597	1.2	6,993	0.8
Total assets	1,286,951	100	991,359	100

As at 30 June 2007, the Bank had total assets of KZT 1,286,951 million, reflecting an increase of KZT 295,592 million, or 30 per cent., from 31 December 2006, which was mainly attributable to increases in the net portfolio, cash and cash equivalents, available-for-sale investment securities and obligatory reserves.

The growth in the loan portfolio in this period was attributable to an overall increase in the Bank's lending activity. Lending to retail customers increased in the first six months of 2007 by 18 per cent., while loans to corporate customers (comprising large corporates and SMEs) grew 36 per cent. in the same period.

The decrease in investment securities in the six month period to 30 June 2007 compared with 31 December 2006 was attributable to the sale of sovereign bonds of the Republic of Kazakhstan, bonds of the Development Bank of Kazakhstan and NBK notes.

The growth in obligatory reserves in the six month period to 30 June 2007 was attributable to created reserves on additional international borrowings.

The growth in cash and cash equivalents in the six month period to 30 June 2007 was attributable to temporary excess liquidity referred to above.

Loan portfolio

Loans to customers

Loans to customers represent the largest part of the Bank's assets. As at 30 June 2007, the Bank had total loans to customers, net of allowance for loan impairment, of KZT 780,372, or 60.6 per cent. of total assets, an increase of KZT 184,156 million, or 30.9 per cent. from the 31 December 2006 amount. Loans to the Bank's 10 largest borrowers represented approximately 14.8 per cent. of the gross loan portfolio as at 30 June 2007, compared with 15 per cent. as at 31 December 2006. As at 30 June 2007 the Bank's exposure to the single largest borrower was KZT 18,306 million constituting 2.2 per cent. of total gross loans to customers compared with 2.2 per cent. in 2006.

Distribution of loans by sector

During the past few years, the Bank has focused on increasing the share of lending to retail and SME customers, as well as diversifying its loan portfolio (apart from retail loans) by industries and regions.

The following table sets out the composition of the Bank's gross loan portfolio by economic sector as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
Retail loans				
— mortgage loans	130,440	15.9	110,274	17.5
— consumer loans	102,814	12.5	86,907	13.8
Wholesale trade	136,478	16.6	113,510	18.0
Construction	103,236	12.6	70,064	11.1
Agriculture	64,623	7.9	47,474	7.5
Retail trade	65,368	8.0	42,098	6.7
Services	17	-	23,213	3.7
Real estate	21,555	2.6	14,896	2.4
Energy	11,540	1.4	14,745	2.3
Oil and gas	48,634	5.9	13,532	2.1
Transportation	13,118	1.6	11,503	1.8
Food industry	13,879	1.7	10,359	1.6
Hotel industry	8,164	1.0	5,811	0.9
Metallurgy	15,129	1.8	5,638	0.9
Mining	3,047	0.4	4,835	0.8
Consumer goods and automobile trade	4,723	0.6	4,639	0.7
Research and development	2,050	0.2	2,444	0.4
Machinery	2,008	0.2	2,194	0.3
Communication	2,109	0.3	1,888	0.3
Other	71,853	8.8	43,846	7.2
Gross loans, total	820,785	100	629,870	100

Growth in the loan portfolio in recent years was mainly driven by growth in mortgage and consumer loans, as well as increased lending to customers in the wholesale trade and construction sectors.

Distribution of loans by type of borrower

The Bank serves a large number of small, medium and large Kazakhstan businesses, as well as individuals.

The following table (derived from management accounts) sets out certain information relating to the Bank's gross loan portfolio by reference to the type of borrower as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
Large corporations	463,662	56.5	338,761	53.8
Small and medium sized businesses	123,869	15.1	93,928	14.9
Individuals	233,254	28.4	197,181	31.3
Gross loans, total	820,785	100	629,870	100

Loans to large corporations increased by KZT 124,901 million, or 36.9 per cent., to KZT 463,662 million as at 30 June 2007 from KZT 338,761 million as at 31 December 2006. Loans to large corporations increased by KZT 96,265 million, or 39.7 per cent., to KZT 338,761 million as at 31 December 2006. Loans to SMEs increased by KZT 29,941 million or 31.9 per cent., to KZT 123,869 million as at 30 June 2007 from the 31 December 2006 amount. Loans to individuals increased by KZT 36,073 million, or 18.3 per cent., to KZT 233,254 million as at 30 June 2007 from the 31 December 2006 amount.

The Bank's loan portfolio was 99.4% collateralised as at 30 June 2007 compared with 99.8% as at 31 December 2006. Collateral on loans extended by the Bank includes, but is not limited to, real estate, machinery and motor vehicles, industrial equipment, industrial goods, food-stock, commodities and other commercial goods, as well as cash deposits, securities and personal third party and corporate guarantees.

Composition by maturity

The following table sets out certain information relating to the maturity profile of the Bank's net loan portfolio as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
On demand	5,455	0.7	2,405	0.4
Less than one month	30,258	3.9	24,267	4.1
Between one and three months	37,535	4.8	49,929	8.4
Between three months and one year	108,585	13.9	251,183	42.1
Between one and three years	220,825	28.3	144,508	24.2
Over three years	377,714	48.4	123,925	20.8
Net loans, total	780,372	100	596,216	100

The increase of KZT 253,789, or 204.8 per cent., in loans maturing over three years to KZT 377,714, or 48.4 per cent. of the total loan portfolio, as at 30 June 2007, from KZT 123,925 million, or 20.8 per cent. of the total loan portfolio, as at 31 December 2006, was primarily attributable to the significant growth of the mortgage portfolio, where average maturities are generally longer, as well as increasing volumes of longer-term lending to existing corporate and SME customers. The Bank expects the maturity profile to increase further also as the result of more competition in the sector, especially with respect to corporate and SME customers. The decrease of KZT 142,598 million, or 56.7 per cent., in loans with maturities of between three months and one year to KZT 108,585 million, or 13.9 per cent., of the total loan portfolio, as at 30 June 2007, from KZT 251,183 million, or 42.1 per cent., of the total loan portfolio, as at 31 December 2006, was primarily due to early repayment of these loans by customers.

Composition of loan portfolio by currency

As at 30 June 2007, Tenge loans comprised 54.0 per cent., of the Bank's loan portfolio compared with 48.8 per cent., as at 31 December 2006. The general trend of growth in the Tenge-denominated part of the loan portfolio in recent years is attributable to the Bank's policy of promoting lending in Tenge resulting from higher liquidity and higher net interest margin earned on Tenge assets.

The following table sets forth an analysis of the exposure by currency of the Bank's net loan portfolio as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
Tenge	421,666	54	291,007	48.8
Foreign currencies	358,706	46	305,209	51.2
Net loans, total	780,372	100	596,216	100

Total liabilities

The following table presents data regarding the Bank's liabilities as at the dates indicated:

	As at 30 June		31 December	
	2007		2006	
	<i>(KZT millions)</i>	<i>Per cent. of total</i>	<i>(KZT millions)</i>	<i>Per cent. of total</i>
Liabilities:				
Amounts due to customers	612,006	53.4	597,935	68.7
Amounts due to credit institutions	271,880	23.7	118,719	13.6
Debt securities issued	236,826	20.7	134,413	15.4
Provisions	1,911	0.2	3,021	0.3
Deferred tax liability	3,376	0.3	2,530	0.3
Insurance liabilities	7,651	0.7	7,535	0.9
Other liabilities	12,144	1.1	6,579	0.7
Total liabilities	1,145,794	100	870,732	100

As at 30 June 2007, the Bank had total liabilities of KZT 1,145,794 million, reflecting an increase of KZT 275,062 million, or 32 per cent., as compared with 31 December 2006. The increase in total liabilities as at 30 June 2007 as compared with as at 31 December 2006 was primarily attributable to increases in customer accounts and deposits, debt securities and amounts due to credit institutions.

Amounts due to customers

Customer accounts

The Bank's amounts due to customers consist of customer current accounts and term deposits, amounting to 53.4 per cent. of the Bank's total liabilities as at 30 June 2007. Customer current accounts generally bear no interest and can be withdrawn upon demand. For term deposits, different interest rates are paid on the various types of deposits offered by the Bank.

Deposits by account and customer type

The following table sets out a breakdown of the Bank's current and term deposits as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	<i>(KZT millions)</i>	<i>(per cent.)</i>	<i>(KZT millions)</i>	<i>(per cent.)</i>
Current accounts				
Commercial entities	87,171	14.2	66,809	11.2
Individuals	67,274	11	52,597	8.8
Government entities	34,201	5.6	29,438	4.9
Non-governmental non-commercial entities	1,270	0.2	—	—
Current accounts, total	189,916	31	148,844	24.9
Term deposits				
Individuals	188,823	30.9	157,281	26.3
Commercial entities	186,433	30.5	263,192	44
Government entities	45,244	7.4	27,908	4.7
Non-governmental non-commercial entities	1,576	0.3	—	—
Term deposits, total	422,076	69	448,381	75
Guarantee and other restricted accounts	14	0	710	0.1
Customer account, total	612,006	100	597,935	100

Customer accounts by currency

The following table sets out certain information relating to the amounts due to customers in Tenge and foreign currency as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
Amounts due to customers in Tenge	474,616	77.6	303,199	50.7
Amounts due to customers in foreign currencies	137,390	22.4	294,736	49.3
Customer accounts, total	612,006	100	597,935	100

Customer accounts by maturity

The following table sets out information on the maturity profile of the Bank's term deposits as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
On demand	195,383	31.9	148,844	24.9
Less than one month	169,246	27.7	149,704	25
Between one and three months	58,644	9.6	27,941	4.7
Between three months and one year	122,673	20	219,707	36.7
Between one and three years	48,107	7.9	41,981	7
Over three years	17,953	2.9	9,758	1.6
Customer accounts, total	612,006	100	597,935	100

Deposits by sector

The following table sets out the composition of the Bank's customer accounts, by reference to the economic sector of the deposit, as at the dates indicated:

	As at 30 June		As at 31 December	
	2007		2006	
	(KZT millions)	(per cent.)	(KZT millions)	(per cent.)
Individuals and entrepreneurs	256,097	41.8	209,877	35.1
Metallurgy	29,207	4.8	102,345	17.1
Construction	15,629	2.6	81,319	13.6
Oil and gas	61,526	10.1	67,540	11.3
Water collection, clearance and distribution	62,045	10.1	-	-
Financial sector	18,037	2.9	44,168	7.4
Other transportation	31,324	5.1	17,291	2.9
Wholesale trade	11,463	1.9	15,780	2.6
Energy	15,113	2.5	12,843	2.1
Transportation of oil and gas	1,569	0.3	1,794	0.3
Other	109,996	18	44,978	7.5
	612,006	100	597,935	100

As at 30 June 2007, total deposits of individuals and entrepreneurs represented 41.8 per cent., of total amounts due to customers. In addition, customers in oil and gas, water collection, clearance and distribution and other transportation sectors customers represented 10.1 per cent., 10.1 per cent., and 5.1 per cent., of total deposits, respectively. As at 30 June 2007, the Bank's 10 largest customers accounted for approximately 38.8 per cent., of total amounts due to customers compared with 52 per cent. as at 31 December 2006. The largest single customer as of the same date accounted for approximately 27.1 per cent. of total amounts due to customers compared with 19 per cent. as at 31 December 2006. The Bank believes that in the event of withdrawal of funds, the Bank would be given sufficient notice so as to arrange for the necessary funds to enable repayment.

Total equity

In January-March 2007, the Bank completed the placement of 9,432,877 common shares following an IPO in December 2006 for total consideration of KZT 3,632 million (U.S.\$30 million based on an exchange rate of U.S.\$1=KZT 121.66 as at 29 June 2007).

As at 30 June 2007, the Bank's total equity amounted to KZT 141,157 million (11 per cent. of total assets), reflecting an increase of KZT 20,530 million, or 17 per cent., over the total equity as at 30 June 2006. Total equity in the first six months of 2007 increased as a result of completing the post-IPO offering of common shares totalling KZT 3,632 million as well as retained earnings during the first six months of 2007. In May 2007, the Bank announced the payment of dividends on preferred shares in the amount of KZT 1,578 million and dividends on common shares in the amount of KZT 2,450 million as approved at the Annual General Shareholders Meeting for the year ended 31 December 2006.

Capital Expenditures

Capital expenditures increased by KZT 147 million, or 3.9 per cent., to KZT 3,963 million for the six months ended 30 June 2007 from KZT 3,816 million for the six months ended 30 June 2006, primarily due to an increase in expenditures in computer and banking equipment of KZT 1,068 million, or 237.2 per cent., to KZT 1,518 million for the six months ended 30 June 2007 from KZT 450 million for the six months ended 30 June 2006 as a result of an increase in the purchase of new workstations and ATMs. Expenditures in intangible assets increased by KZT 520 million, or 391.5 per cent. to KZT 653 million from KZT 133 million resulting from the purchase of banking software such as SAP, Landocs and various Colvir software modules. Expenditures in buildings decreased by KZT 1,306 million, or 76.7 per cent., to KZT 397 million for the six months ended 30 June 2007 from KZT 1,703 million for the six months ended 30 June 2006, mainly due to the opening of VIP centres for retail customers and "all for small business" centres for SME customers and the purchase of a new building for the Halyk Pension Fund in the first two quarters of 2006. Expenditures in vehicles decreased by KZT 350 million, or 71.6 per cent., to KZT 139 million for the six months ended 30 June 2007 from KZT 489 million for the six months ended 30 June 2006, due to purchased of new armoured and passenger vehicles for the Bank's fleet in the first two quarters of 2006.

Off-Balance Sheet Arrangements

The Bank enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include guarantees and letters of credit, expose the Bank to credit risk and are not reflected in the Bank's consolidated balance sheet. The Bank's maximum exposure to credit losses for guarantees and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. The details of the Bank's consolidated credit commitments, guarantees and commercial letters of credit are provided in Note 20 to the condensed interim financial information.

As at 30 June 2007, the top 10 guarantees (by amount) amounted to approximately 64 per cent. of the Bank's total financial guarantees and represented approximately 14 per cent. of the Bank's total equity, compared with approximately 63 per cent. and 21 per cent. respectively for the year ended 31 December 2006. The increase in the concentration of the guarantee portfolio in the first six months of 2007 was due to two large guarantees issued and outstanding as of 30 June 2007 in the agriculture sectors. As at 30 June 2007, the top 10 letters of credit (by amount) amounted to approximately 84 per cent. of the Bank's total commercial letters of credit and represented approximately 9 per cent. of the Bank's total equity, compared with approximately 78 per cent. and approximately 12 per cent., respectively, for the year ended 31 December 2006.

The following table sets out the residual maturity of the Bank's consolidated guarantees, commercial letters of credit and commitments to extend credit as at the dates indicated:

As at 30 June 2007

	Residual maturity of contingent liabilities						Overdue contingent liabilities
	Total balance	Up to 30 days	1 to 3 months	3 to 6 months	Up to 1 year	Over 1 year	
	<i>(KZT millions)</i>						
Guarantees	30,911	1,875	2,420	3,551	5,800	7,964	9,301
Commercial letters of credit	15,059	49	1,996	2,522	5,547	2,334	2,611
Commitments to extend credit	28,765	1,364	876	1,410	2,487	21,830	798
Total guarantees, commercial letters of credit and commitments to extend credit, gross	74,735	3,288	5,292	7,483	13,834	32,128	12,710

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for its on-balance sheet operations. As at 30 June 2007, the provision for contingent liabilities was KZT 1,911 million, compared with KZT 2,852 million as at 30 June 2006.

Foreign currency position

The following table sets out the net open foreign currency position of the Bank as at the dates indicated:

	As at 30 June 2007	As at 31 December 2006
Net balance sheet position (U.S.\$ millions) ⁽¹⁾	649.6	234
Net balance sheet position (expressed in KZT millions) ⁽²⁾	79,030	29,715
/total capital (per cent.) ⁽¹⁾⁽³⁾	48.5	20.4
/total liabilities (per cent.) ⁽²⁾	6.9	3.4
/foreign currency liabilities ⁽²⁾	17.8	7
Net long/(short) position (U.S.\$ millions) ⁽¹⁾	42	(40)
Net long/(short) position (expressed in KZT millions) ⁽¹⁾	5,087	(5,035)
/regulatory capital (per cent.) ⁽¹⁾⁽⁴⁾	3.4	(3.6)

Notes:

(1) Unaudited.

(2) Audited.

(3) Consolidated total capital (Tier I and Tier II, less investments) is calculated in accordance with BIS Guidelines.

(4) Unconsolidated regulatory capital (Tier I and Tier II, less investments) is calculated in accordance with FMSA prudential requirements, not BIS Guidelines. As calculated under FMSA requirements, regulatory capital was KZT 150,721 million as at 30 June 2007 and KZT 139,297 million as at 31 December 2006.

The FMSA regulates and closely monitors the net open foreign currency position of banks. According to the FMSA's requirements effective from 1 September 2006, a bank's aggregate net open foreign currency position may not exceed 25 per cent. of its regulatory capital and the open foreign currency position for any single currency of a country with a sovereign rating no lower than "A" assigned by Standard & Poor's may not exceed 12.5 per cent. of its regulatory capital. The open short and long positions for any currency of a country with a sovereign rating lower than "A" by Standard & Poor's are limited to 5 per cent. of the Bank's regulatory capital.

Capital adequacy and liquidity

The capital adequacy requirements currently in effect in Kazakhstan exceed guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements (the "BIS Guidelines"). The FMSA requires banks to maintain a Tier I capital adequacy ratio of minimum 6 per cent. and total capital adequacy ratio of minimum 12 per cent. compared with 4 per cent. and 8 per cent., respectively, recommended by the BIS Guidelines. However, there are two major differences between FMSA capital adequacy methodology and BIS Guidelines: (i) Tier I capital is calculated over total on-balance sheet assets as opposed to risk-weighted assets as

per BIS guidelines; and (ii) current period earnings are included in the Tier II part of total capital whereas BIS guidelines include those in Tier I capital. In addition, for a bank with a regulated banking holding company (that is, an entity holding more than 25.0 per cent. of its voting share capital, alone or together with affiliated companies) among its shareholders, the Tier I capital adequacy ratio is reduced to 5.0 per cent. and the total capital adequacy ratio is reduced to 10.0 per cent.

The following table gives certain information regarding the Bank's Tier I and Tier II capital and its risk-weighted capital adequacy ratio as at the dates indicated based on BIS Guidelines and the consolidated financial statements of the Bank:

	<u>As at 30</u> <u>June</u>	<u>As at 31</u> <u>December</u>
	<u>2007</u>	<u>2006</u>
	<i>(KZT millions, except percentages)</i>	
Tier I capital	139,058	119,205
Tier II capital	24,249	26,424
Gross Tier I and Tier II available capital	163,307	145,63
Less investments	(265)	(281)
Tier I and Tier II capital	163,041	145,349
Total risk-weighted assets	1,026,602	851,628
Tier I capital adequacy ratio (per cent.)	13,5	14
Total risk-weighted capital adequacy ratio(1) (per cent.)	15.9	17.1

Note:

(1) Tier I + Tier II/total risk-weighted assets.

Responsibility statement

We herewith confirm that, to the best of our knowledge:

- (i) the consolidated financial statements in this semi-annual report are prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of JSC Halyk Bank and its subsidiaries included in the consolidation taken as a whole; and
- (ii) the semi-annual report includes a fair review of the development and performance of the business and the position of JSC Halyk Bank and its subsidiaries included in the consolidation taken as a whole and the principal risks and uncertainties JSC Halyk Bank faces.



Dauren Karabayev

Deputy Chairman of the Management Board

Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including, but not limited to, the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "target", "will", or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding Halyk Bank's intentions, beliefs and statements of current expectations concerning, amongst other things, Halyk Bank's results of operations, financial condition, liquidity, prospects, growth, potential acquisitions, strategies and as to the industries in which Halyk Bank operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of Halyk Bank's operations, financial condition and liquidity and the development of the country and the industries in which Halyk Bank operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. Halyk Bank does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this document, whether as a result of new information, future events or otherwise. Halyk Bank does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

**JOINT STOCK COMPANY
HALYK BANK KAZAKHSTAN**

**Condensed Interim Financial Information
(Unaudited)**

For the six months ended 30 June 2007

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

JOINT STOCK COMPANY HALYK BANK KAZAKHSTAN

TABLE OF CONTENTS

Page

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007	1
---	---

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2-3
--	-----

Condensed Interim Consolidated Balance Sheets (unaudited)	4
Condensed Interim Consolidated Statements of Income (unaudited)	5
Condensed Interim Consolidated Statements of Changes in Equity (unaudited)	6
Condensed Interim Consolidated Statements of Cash Flows (unaudited)	7

Selected explanatory notes to the condensed interim consolidated financial information:

1. Principal Activities	8
2. Basis of Preparation	8
3. Summary of Accounting Policies	11
4. Significant Accounting Judgements and Estimates	11
5. Cash and Cash Equivalents	13
6. Obligatory Reserves	13
7. Financial Assets at Fair Value through Profit or Loss	14
8. Amounts Due from Credit Institutions	14
9. Investment Securities Available-for-sale	15
10. Loans to Customers	15
11. Allowances for Impairment and Other Provisions	16
12. Insurance Assets and Liabilities	17
13. Other assets	18
14. Taxation	18
15. Amounts Due to Customers	20
16. Amounts Due to Credit Institutions	21
17. Debt Securities Issued	22
18. Other liabilities	23
19. Equity	23
20. Commitments, Contingencies and Derivative Financial Instruments	24
21. Fee and Commission Income	25
22. Insurance Underwriting Income	25
23. Administrative and Operating Expenses	26
24. Business Combination	26
25. Earnings per share	28
26. Financial Risk Management	28
27. Related Party Transactions	31
26. Capital Adequacy	33
27. Segment Analysis	33

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

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

Management is responsible for the preparation of the condensed interim consolidated financial information that present fairly the financial position of the Group as at 30 June 2007, and the results of its operations, cash flows and changes in equity for the six months ended 30 June 2007, in accordance with International Financial Reporting Standards ("IFRS").

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

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


Management is also responsible for:

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

On behalf of the Management Board of the Bank:



Grigory A. Marchenko
Chairman of the Board



Pavel A. Cheussov
Chief Accountant

17 August 2007

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders of JSC Halyk Bank Kazakhstan:

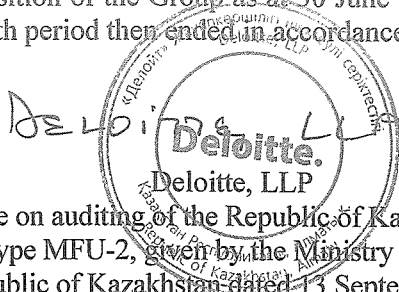
We have reviewed the accompanying condensed interim consolidated balance sheet of JSC "Halyk Bank Kazakhstan" and subsidiaries (collectively – the "Group") as at 30 June 2007 and the related condensed interim consolidated income statements for the six-month period then ended and condensed interim statement of changes in equity and condensed interim cash flows for the six-month period then ended, and a summary of significant accounting policies and other selected explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with International Financial Reporting Standards ("IFRS"). 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 does not present fairly, in all material respects, the financial position of the Group as at 30 June 2007, and of its financial performance and its cash flows for the six-month period then ended in accordance with IFRS.



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



Nurlan Bekentov
General Director and Engagement Partner
Deloitte, LLP


17 August 2007
Almaty, Kazakhstan

JOINT STOCK COMPANY HALYK BANK KAZAKHSTAN

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007 (UNAUDITED) (Millions of Kazakhstani tenge)

	Notes	30 June 2007 (Unaudited)	31 December 2006
ASSETS			
Cash and cash equivalents	5	190,167	127,799
Obligatory reserves	6	74,423	55,106
Financial assets at fair value through profit or loss	7	51,995	53,016
Amounts due from credit institutions	8	6,207	2,049
Investment securities available-for-sale	9	139,837	123,339
Loans to customers	10	780,372	596,216
Property, equipment and intangible assets		23,370	21,215
Insurance assets	12	4,983	5,626
Other assets	13	15,597	6,993
TOTAL ASSETS		1,286,951	991,359
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	15	612,006	597,935
Amounts due to credit institutions	16	271,880	118,719
Debt securities issued	17	236,826	134,413
Provisions	11	1,911	3,021
Deferred tax liability	14	3,376	2,530
Insurance liabilities	12	7,651	7,535
Other liabilities	18	12,144	6,579
Total liabilities		1,145,794	870,732
EQUITY			
Share capital	19	64,316	60,684
Share premium reserve		2,183	2,183
Treasury shares	19	(234)	(38)
Retained earnings and other reserves		73,862	56,736
Minority interest		140,127	119,565
		1,030	1,062
Total equity		141,157	120,627
TOTAL LIABILITIES AND EQUITY		1,286,951	991,359

On behalf of the Management Board of the Bank:


Grigory A. Marchenko
Chairman of the Board


Pavel A. Chernyssov
Chief Accountant

17 August 2007

The accompanying notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information

JOINT STOCK COMPANY HALYK BANK KAZAKHSTAN

CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

(Millions of Kazakhstani tenge)

	Notes	Six months ended 30 June 2007 (Unaudited)	Six months ended 30 June 2006 (Unaudited)
INTEREST INCOME			
Loans to customers		47,735	31,361
Debt securities		4,418	1,971
Amounts due from credit institutions		2,697	2,174
		<u>54,850</u>	<u>35,506</u>
INTEREST EXPENSE			
Amounts due to customers		(13,542)	(7,730)
Debt securities issued		(7,106)	(3,614)
Amounts due to credit institutions		(3,539)	(3,192)
		<u>(24,187)</u>	<u>(14,536)</u>
NET INTEREST INCOME BEFORE IMPAIRMENT			
		30,663	20,970
Impairment charge	11	<u>(6,169)</u>	<u>(7,045)</u>
NET INTEREST INCOME			
		<u>24,494</u>	<u>13,925</u>
FEES AND COMMISSIONS			
Fee and commission income	21	12,421	10,293
Fee and commission expense		<u>(946)</u>	<u>(427)</u>
		<u>11,475</u>	<u>9,866</u>
NON-INTEREST INCOME			
Net losses from financial assets at fair value through profit or loss		(68)	(1,155)
Net gains/ (losses) from available-for-sale investment securities		686	(175)
Net gains from dealing in foreign currencies		7,448	1,777
Net losses from translation of foreign currencies		(2,670)	(499)
Insurance underwriting income	22	2,499	-
Share of losses of associates		(15)	(13)
Other income		1,029	1,219
		<u>8,909</u>	<u>1,154</u>
NON-INTEREST EXPENSE			
Salaries and other employee benefits		(8,797)	(6,744)
Taxes other than income tax		(815)	(729)
Depreciation and amortization expenses		(1,540)	(1,122)
Administrative and operating expenses	23	(4,811)	(2,827)
Insurance claims incurred, net of reinsurance		(756)	-
Other provisions	11	1,107	(579)
		<u>(15,612)</u>	<u>(12,001)</u>
INCOME BEFORE INCOME TAX EXPENSE			
		29,266	12,944
Income tax expense	14	<u>(7,721)</u>	<u>(2,446)</u>
NET INCOME AFTER INCOME TAX EXPENSE			
		<u>21,545</u>	<u>10,498</u>
Minority interest in net income		282	373
NET INCOME			
		<u>21,263</u>	<u>10,125</u>

On behalf of the Management Board of the Bank:


Grigory A. Marchenko
Chairman of the Board


Pavel A. Chevssov
Chief Accountant

17 August 2007

The accompanying notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY HALYK BANK KAZAKHSTAN

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

(Millions of Kazakhstani tenge)

	Share Capital - Common Shares	Share Capital - Non- Convertible Preferred Shares	Share Capital - Convertible Preferred Shares	Share Premium Reserve	Treasury Shares	Revaluation reserve of available-for- sale investment Securities*	Other Reserves*	Retained Earnings*	Total	Minority Interest	Total Equity
30 December 2005	14,222	2,474	12,320	2,192	(16)	301	290	32,215	63,998	446	64,444
Treasury shares purchased	-	-	-	(9)	(22)	-	-	-	(31)	-	(31)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	(2)	2	-	-	-
Net income	-	-	-	-	-	-	-	10,125	10,125	373	10,498
Fair value change of available-for-sale investment securities, net of tax	-	-	-	-	-	654	-	-	654	140	794
Preferred shares issued	-	-	913	-	-	-	-	-	913	-	913
Dividends - preferred shares	-	-	-	-	-	-	-	(1,331)	(1,331)	-	(1,331)
Dividends - common shares	-	-	-	-	-	-	-	(1,355)	(1,355)	-	(1,355)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(58)	(58)
30 June 2006 (Unaudited)	14,222	2,474	13,233	2,183	(38)	955	288	39,656	72,973	901	73,874
31 December 2006	44,977	2,474	13,233	2,183	(38)	258	285	56,193	119,565	1,062	120,627
Fair value change of available-for-sale investment securities, net of tax	-	-	-	-	-	(146)	-	-	(146)	(8)	(154)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	(3)	3	-	-	-
Net income	-	-	-	-	-	-	-	21,263	21,263	282	21,545
Common shares issued	3,632	-	-	-	-	-	-	-	3,632	-	3,632
Treasury shares purchased	-	-	-	-	(196)	-	-	-	(196)	-	(196)
Dividends - preferred shares	-	-	-	-	-	-	-	(1,578)	(1,578)	-	(1,578)
Dividends - common shares	-	-	-	-	-	-	-	(2,450)	(2,450)	(150)	(2,600)
Acquisition of minority interest in subsidiary	-	-	-	-	-	-	-	-	-	(156)	(156)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	36	1	37	-	37
30 June 2007 (Unaudited)	48,609	2,474	13,233	2,183	(234)	112	318	73,432	140,127	1,030	141,157

*The amounts included within the Revaluation reserve of available-for-sale investment Securities, Other reserves columns and Retained earnings, in the above table, are included within "Retained earning and Other reserves" in the Balance sheet.

On behalf of the Management Board of the Bank:

Grigory A. Marchenko
Chairman of the Board

Pavel A. Cheussov
Chief Accountant

17 August 2007

The accompanying notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.


JOINT STOCK COMPANY HALYK BANK KAZAKHSTAN

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED)

(Millions of Kazakhstani tenge)

	Notes	Six months ended 30 June 2007 (Unaudited)	Six months ended 30 June 2006 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		29,266	12,944
Adjustments for:			
Impairment charge and other provisions		5,062	7,625
Depreciation and amortization		1,540	1,122
Loss from disposal of property and equipment and other assets		30	191
Insurance reserves change		1,096	-
Net gains from financial assets at fair value through profit and loss		68	1,155
Share of loss of associate		15	12
Unrealized foreign exchange loss		(1,961)	498
Operating income before changes in net operating assets		35,116	23,547
(Increase) decrease in operating assets:			
Obligatory reserves		(19,317)	3,066
Financial assets at fair value through profit or loss		953	(65,111)
Amounts due from credit institutions		(4,126)	1,307
Loans to customers		(190,114)	(37,995)
Insurance assets		643	-
Other assets		(6,743)	102
Increase (decrease) in operating liabilities:			
Amounts due to credit institutions		153,161	(15,268)
Amounts due to customers		14,071	143,539
Insurance liabilities		(980)	-
Other liabilities		5,565	(1,153)
Net cash flows from operating activities before income taxes		(11,771)	52,034
Income tax paid		(6,875)	(2,622)
Net cash flows (used in)/ from operating activities		(18,646)	49,412
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3,981)	(3,319)
Proceeds from sale of property and equipment		256	(191)
Purchase of available-for-sale investment securities		(16,652)	(1,273)
Purchase of minority share of subsidiary		(156)	-
Net cash flows used in investing activities		(20,533)	(4,783)
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued		3,632	256
Purchase of treasury shares		(196)	(31)
Dividends paid		(4,178)	(2,744)
Debt securities issued		102,413	70,889
Net cash flows from financing activities		101,671	68,370
Effects of exchange rate changes on cash and cash equivalents		(124)	(977)
NET CHANGE IN CASH AND CASH EQUIVALENTS		62,368	112,022
CASH AND CASH EQUIVALENTS, at the beginning of the period		127,799	57,102
CASH AND CASH EQUIVALENTS, at the end of the period		190,167	169,124

On behalf of the Management Board of the Bank:


Grigory A. Marchenko
Chairman of the Board
17 August 2007


Pavel A. Cheussov
Chief Accountant

The accompanying notes on pages 8 to 35 are an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY HALYK BANK KAZAKHSTAN

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007 (UNAUDITED) (Millions of Kazakhstani tenge)

1. PRINCIPAL ACTIVITIES

Joint Stock Company Halyk Bank Kazakhstan (the “Bank”) and its subsidiaries (together the “Group”) provide retail and corporate banking services in Kazakhstan, Russia and Kyrgyzstan, and pension and asset management and insurance services in Kazakhstan. The Bank was incorporated in 1995 and is domiciled in the Republic of Kazakhstan. The Bank operates under a general banking license renewed by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of Kazakhstan (“FMSA”) on 30 September 2005. The Bank also possesses licenses for securities operations and custody services from the FMSA, renewed on 19 February 2004. 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 channelling various budgetary payments and pensions through its nationwide network.

The address of the Bank’s registered office is: 97 Rozybakiyev Street, Almaty, 050046, Republic of Kazakhstan. The Bank has a primary listing in the Kazakhstan Stock Exchange (“KASE”). In addition, certain of the Bank’s debt securities issued are listed on Luxembourg and London Stock Exchanges.

In December 2006, the Bank listed its Global Depository Receipts (“GDRs”) through an initial public offering (“IPO”) made on the London Stock Exchange. The Bank’s controlling shareholder JSC Holding Group Almex (“Almex”) placed its shares and obtained all of the IPO proceeds.

As of 30 June 2007, the Bank was controlled by Almex via its 62.08% share in the Bank’s equity (31 December 2006 – 64.34%). The Bank is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As of 30 June 2007, the Bank operates through its head office in Almaty and its 19 regional branches, 127 sub-regional offices and 439 cash settlement units (31 December 2006 – 19, 127 and 428, respectively) located throughout Kazakhstan.

2. BASIS OF PREPARATION

General

The interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in millions of Kazakhstani tenge (“KZT”), except per share amounts and unless otherwise indicated.

The interim condensed consolidated financial information has been prepared under the historical cost convention except as disclosed in the summary of accounting policies below.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following revision of IAS 39.

According to the revised IAS 39, an entity may designate financial assets and liabilities as at fair value through profit or loss only upon initial recognition when doing so results in more relevant information, because either:

- i)* it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- ii)* a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel (as defined in IAS 24 Related Party Disclosures (revised 2003)), for example the entity’s Board of Directors and Chief executive officer.

The adoption of the above pronouncement did not have a significant impact on the Group’s condensed interim consolidated financial information.

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

IFRS 8 “Operating Segments”;

Amendment to IAS 1 “Presentation of Financial Statements” – “Capital Disclosures”;

IFRIC 8 “Scope of IFRS 2”;

IFRIC 9 “Reassessment of Embedded Derivatives”;

IFRIC 10 “Interim Financial Reporting and Impairment”;

IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”; and

IFRIC 12 “Service Concession Arrangements”.

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group’s interim condensed consolidated financial information in the period of initial application.

Consolidated Subsidiaries

The interim condensed consolidated financial information include the following subsidiaries:

Subsidiary	Holding interest				Country	Industry
	30 June 2007	31 December 2006	30 June 2006	31 December 2005		
JSC Halyk Leasing	100%	100%	100%	100%	Kazakhstan	Leasing
JSC Kazteleport	100%	100%	100%	100%	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100%	100%	100%	100%	Netherlands	Issue and placement of Eurobonds
OJSC Halyk Bank Kyrgyzstan	100%	100%	100%	100%	Kyrgyzstan	Banking
JSC Halyk Finance	100%	100%	100%	100%	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100%	100%	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 Kazakhinstrakh	98%	98%	41%	41%	Kazakhstan	Insurance
JSC Accumulated Pension fund of Halyk Bank	85%	85%	85%	85%	Kazakhstan	Pension assets accumulation and management
JSC Bank Khlebny	100%	77%	77%	77%	Russia	Banking
LLP ARIR	-	-	100%	100%	Kazakhstan	Financial markets research

Associates

The following associates are accounted for under the equity method:

Associate	Holding %	Country	Activity	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
JSC Processing Center	25.14	Kazakhstan	Processing	(28)	737	19	718	46

Investments in associates are classified within other assets.

3. SUMMARY OF ACCOUNTING POLICIES

The condensed interim consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard № 34 “Interim Financial Reporting”. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and with the selective notes to the consolidated financial statements of the Group for the year ended 31 December 2006.

The condensed interim consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for the revaluation of property and the cost of financial assets and liabilities modified for the measurement at fair value of investments available-for-sale, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards (“IFRS”) 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 date of the financial statements, 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 setup of impairment loss provisions on loans and investments, determination of the fair value of financial instruments and determination of the deferred tax liabilities.

Although the condensed interim consolidated financial statements are unaudited, they do reflect 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 periods. All such adjustments to the financial statements are of a normal, recurring nature. Because the results from common banking activities are so 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.

In preparing these condensed interim consolidated financial statements 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 2006 issued on 15 March 2007.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Allowances for impairment of assets and other provisions
- Taxation
- Claims liability arising from insurance contracts
- Goodwill impairment testing

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 Bank uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Taxation

Kazakh 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. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. As of 30 June 2007, 31 December 2006, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Claims liability arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Goodwill impairment testing

The management of the Group believes that JSC Kazakhinstrakh as a whole represents the appropriate level within the Group at which the goodwill is monitored for management purposes; and, therefore, should be considered as the cash-generating unit for impairment testing purposes. The recoverable amount of a cash-generating unit has been determined based on a value in use calculation. The cash flow projections for the years 2007, 2008 and 2009 were based on the financial budgets approved by the Management Board. The discount rate applied to cash flow projections is 20%; and, the estimated future cash flows, based on a conservative approach beyond the three-year period, are estimated to be equal to the cash flows of the year 2009.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 June 2007	31 December
	(Unaudited)	2006
Correspondent accounts with the NBRK	42,973	-
Term deposits with the NBRK	40,025	-
Correspondent accounts with OECD based banks	38,239	6,328
Overnight deposits with OECD based banks	24,339	81,495
Cash on hand	20,576	14,931
Overnight deposits with Kazakh banks	12,955	381
Overnight deposits with non-OECD based banks	8,519	-
Correspondent accounts with non-OECD based banks	2,403	1,100
Short-term deposits with non-OECD based banks	138	-
Short-term deposits with Kazakh banks	-	23,564
	<u>190,167</u>	<u>127,799</u>

As at 30 June 2007 interest rates and currencies in which interest earning cash and cash equivalents are denominated follow:

	KZT	Foreign
		currencies
Overnight deposits with OECD based banks	-	5.38%
Short-term deposits with Kazakh banks	-	
Short-term deposits with OECD based banks	-	-
Short-term loans with Kazakh banks and financial institutions	9%	-
Overnight deposits with Kazakh banks	-	6%
Overnight deposits with non-OECD based banks	-	5.6%

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 June 2007	31 December
	(Unaudited)	2006
Due from NBRK allocated to obligatory reserves	74,423	48,318
Cash on hand allocated to obligatory reserves	-	6,788
	<u>74,423</u>	<u>55,106</u>

During 2006, the NBRK changed its reserve requirements in respect of local and international borrowings, which resulted in significant increase in obligatory reserves balances as at 30 June 2007.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	30 June 2007 (Unaudited)	31 December 2006
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	29,141	29,162
Equity securities of Kazakh corporations	6,426	352
Securities in foreign countries and organizations	6,413	-
Eurobonds of Kazakh banks	5,904	3,011
Reverse Repo with debt securities	2,511	-
Corporate bonds	816	5,279
Equity securities of Kazakh banks	489	428
Mutual investment funds shares	176	1,452
Derivative instruments	119	-
Sovereign bonds of the Republic of Kazakhstan	-	6,290
Bonds of the Development Bank of Kazakhstan	-	4,545
NBK notes	-	2,497
	<u>51,995</u>	<u>53,016</u>
Financial assets at fair value through profit or loss		
	973	1,000
Subject to repurchase agreements		

Financial assets at fair value through profit or loss were designated by the Group as such upon their initial recognition.

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

	30 June 2007 (Unaudited)		31 December 2006	
	%	Maturity	%	Maturity
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3.35-6.68%	2008-2014	3.35-6.68%	2008-2014
Corporate bonds	7.3-9.5%	2009-2010	7.3-9.5%	2009-2010
Sovereign bonds of the Republic of Kazakhstan	-	-	-	-
Bonds of the Development Bank of Kazakhstan	-	-	5.7-7.3%	2007-2026
Eurobonds of Kazakh banks	5.7-7.3%	2007-2026	-	-
NBK notes	-	-	-	-

8. AMOUNT DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2007 (Unaudited)	31 December 2006
Term deposits	3,525	1,885
Due from banks for cash	2,434	-
Loans to Kazakh credit institutions	261	170
	<u>6,220</u>	<u>2,055</u>
Less: Allowance for impairment	(13)	(6)
Amounts due from credit institutions	<u>6,207</u>	<u>2,049</u>

Interest rates and maturity of amounts due from credit institutions follow:

	30 June 2007 (Unaudited)		31 December 2006	
	%	Maturity	%	Maturity
Term deposits	4.1% - 10.60%	2007-2008	4.1% - 10.60%	2007-2008
Loans to local credit institutions	4.1%-10.60%	2007-2011	4.1%- 0.60%	2007-2011
	13%-15%		13%-15%	

9. INVESTMENT SECURITIES AVAILABLE FOR SALE

Investment securities available-for-sale comprise:

	30 June 2007 (Unaudited)	31 December 2006
NBRK notes	120,635	107,856
Corporate bonds	14,186	10,166
Bonds of Kazakh banks	2,203	3,085
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,563	1,061
Equity securities of Kazakh corporations	929	971
Treasury bills of the Kyrgyz Republic	241	114
Local municipal bonds	80	86
Available-for-sale investments securities	<u>139,837</u>	<u>123,339</u>
Subject to repurchase agreements	87,047	29,500

Interest rates and maturities of investment securities are:

	30 June 2007 (Unaudited)		31 December 2006	
	%	Maturity	%	Maturity
NBK notes	4.5-6.5%	2007-2008	2.9-4.8%	2007
Corporate bonds	7.04-10.42%	2008-2014	7.5-13.0%	2007-2017
Bonds of Kazakh banks	7.0-11.4%	2008-2015	5.9-12.0%	2007-2014
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4.30%	2014	3.5-5.7%	2008-2014
Local municipal bonds	8.5%	2008	8.5%	2008
Treasury bills of the Kyrgyz Republic	5.2%-16.0%	2007-2008	-	-

10. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2007 (Unaudited)	31 December 2006
Loans to customers	815,455	625,566
Overdrafts	2,693	2,743
Promissory notes	2,637	1,561
	<u>820,785</u>	<u>629,870</u>
Less: Allowance for loan impairment (Note 11)	(40,413)	(33,654)
Loans to customers	<u>780,372</u>	<u>596,216</u>

Loans are made to the following sectors:

	30 June 2007 (Unaudited)	31 December 2006
Retail loans:	233,254	197,181
- mortgage loans	130,440	110,274
- consumer loans	102,814	86,907
Wholesale trade	136,478	113,510
Construction	103,236	70,064
Retail trade	65,368	42,098
Agriculture	64,623	47,474
Oil and gas	48,634	13,532
Real estate	21,555	14,896
Metallurgy	15,129	5,638
Food industry	13,879	10,359
Transportation	13,118	11,503
Energy	11,540	14,745
Hotel industry	8,164	5,811
Consumer goods and automobile trading	4,723	4,639
Mining	3,047	4,835
Communication	2,109	1,888
Research and development	2,050	2,444
Machinery	2,008	2,194
Services	17	23,213
Other	71,853	43,846
	<u>820,785</u>	<u>629,870</u>

11. ALLOWANCES FOR IMPAIRMENT AND OTHER PROVISIONS

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

	Due from credit institutions	Loans to customers	Other assets	Total
31 December 2005	-	(25,921)	(134)	(26,055)
Impairment charge	-	(6,600)	(445)	(7,045)
Write-offs	-	1,345	86	1,431
Revaluation	-	(2,343)	-	(2,343)
30 June 2006 (Unaudited)	<u>-</u>	<u>(33,519)</u>	<u>(493)</u>	<u>(34,012)</u>
31 December 2006	(6)	(33,654)	(217)	(33,877)
Impairment charge	(7)	(5,956)	(206)	(6,169)
Write-offs	-	6	17	23
Revaluation	-	(809)	(341)	(1,150)
30 June 2007 (Unaudited)	<u>(13)</u>	<u>(40,413)</u>	<u>(747)</u>	<u>(41,173)</u>

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

The movements in other provisions were as follows:

	Other Provisions
31 December 2005	(2,280)
Provision	(579)
Write-offs	7
	<hr/>
30 June 2006 (Unaudited)	<u>(2,852)</u>
31 December 2006	(3,021)
Provision	1,107
Write-offs	2
Recoveries	1
	<hr/>
30 June 2007 (Unaudited)	<u>(1,911)</u>

Other provisions represent provisions against letters of credit and guarantees issued.

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Unearned insurance premium reserve, reinsurance share	2,829	2,609
Reserves for claims, reinsurance share	110	189
	<hr/>	<hr/>
	2,939	2,798
Future periods expenses	509	-
Premiums receivable	1,535	2,828
	<hr/>	<hr/>
Insurance assets	<u>4,983</u>	<u>5,626</u>

Insurance liabilities comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Gross unearned insurance premium reserve	5,988	5,290
Reserves for claims	471	391
	<hr/>	<hr/>
	6,459	5,681
Payables on insurance (reinsurance) agreement	300	-
Payables to reinsurers and agents	892	1,854
	<hr/>	<hr/>
Insurance liabilities	<u>7,651</u>	<u>7,535</u>

Insurance reserves comprised the following:

	30 June 2007 (Unaudited)	31 December 2006
Unearned insurance premium reserve, reinsurance share	2,829	2,609
Reserves for claims, reinsurance share	<u>110</u>	<u>189</u>
	2,939	2,798
Gross unearned insurance premium reserve	(5,988)	(5,290)
Reserves for claims	<u>(471)</u>	<u>(391)</u>
	<u>(6,459)</u>	<u>(5,681)</u>
Net insurance reserves	<u>(3,520)</u>	<u>(2,883)</u>

Reserves have been established on the basis of information currently available, including potential outstanding loss notifications, experience with similar claims and case law. The reserve for claims incurred but not reported is actuarially determined by lines of business and is based on statistical claims' data for the period typical for loss development of the classes and sub-classes of business, the Group's previous experience and availability of data. While management considers that the gross reserve for claims and the related reinsurance recoveries are fairly stated on the basis of the information available to them, the ultimate liability may vary as a result of subsequent information and events and may result in adjustments to the amounts provided.

Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the period in which the necessary adjustments become known and estimable.

13. OTHER ASSETS

As at 30 June 2007, other assets comprised Prepayments for fixed assets in amount of 7,653 million tenge (31 December 2006: 1,419 million tenge) and Accrued income on forward operations with foreign currency in amount of 2,230 million tenge (31 December 2006: 94 million tenge).

14. TAXATION

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

The income tax expense comprises:

	For six months ended 30 June 2007 (Unaudited)	For six months ended 30 June 2006 (Unaudited)
Current tax charge	(6,223)	(2,446)
Deferred tax charge	<u>(1,498)</u>	<u>-</u>
Income tax expense	<u>(7,721)</u>	<u>(2,446)</u>

Kazakhstani legal entities must file individual tax declarations. The tax rate for banks for income other than on state and other qualifying securities was 30% for 30 June of 2007 and 31 December of 2006. The tax rate for companies other than banks was also 30% for 30 June of 2007 and 31 December of 2006, except for insurance companies taxed at 4%. Income on state and other qualifying securities is tax exempt.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	For the six months ended 30 June 2007 (unaudited)	For the six months ended 30 June 2006 (unaudited)
Income before income tax expense	29,266	12,944
Statutory tax rate	<u>30%</u>	<u>30%</u>
Tax expense at the statutory rate	(8,780)	(3,883)
Tax exempt interest income on mortgage loans and long-term loans issued by the Bank to modernize equipment	958	1,201
Tax exempt interest income and other related income on state and other qualifying securities	1,338	434
Non deductible expenditures:		
- other provisions	(126)	(360)
- general and administrative expenses	(788)	(44)
- withholding tax on interest	(44)	(34)
- charity	(9)	(11)
- interest on deposits to non-residents	-	(40)
- other	<u>(270)</u>	<u>291</u>
Income tax expense	<u><u>(7,721)</u></u>	<u><u>(2,446)</u></u>

Deferred tax assets and liabilities comprise:

	30 June 2007 (Unaudited)	31 December 2006
Tax effect of deductible temporary differences		
Bonuses accrued	<u>799</u>	<u>870</u>
Deferred tax asset	799	870
Tax effect of taxable temporary differences:		
Loans to customers	(2,548)	(1,599)
Property and equipment	<u>(1,627)</u>	<u>(1,801)</u>
Deferred tax liability	<u>(4,175)</u>	<u>(3,400)</u>
Net deferred tax liability	<u><u>(3,376)</u></u>	<u><u>(2,530)</u></u>

15. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 June 2007 (Unaudited)	31 December 2006
Term deposits		
Individuals	188,823	157,281
Commercial entities	186,433	263,192
Governmental entities	45,244	27,908
Non-governmental non-commercial entities	1,576	-
	<u>422,076</u>	<u>448,381</u>
Current accounts		
Commercial entities	87,171	66,809
Individuals	67,274	52,597
Governmental entities	34,201	29,438
Non-governmental non-commercial entities	1,270	-
	<u>189,916</u>	<u>148,844</u>
Guarantees and other restricted accounts	<u>14</u>	<u>710</u>
Amounts due to customers	<u><u>612,006</u></u>	<u><u>597,935</u></u>

An analysis of customer accounts by sector follows:

	30 June 2007 (Unaudited)	31 December 2006
Individuals and entrepreneurs	256,097	209,877
Water collection, clearance and distribution	62,045	61
Oil and gas	61,526	81,319
Services for enterprises	38,558	24,538
Other transportation	31,324	44,168
Metallurgy	29,207	102,345
Financial sector	18,037	67,540
Construction	15,629	17,291
Energy	15,113	12,843
Wholesale trade	11,463	15,780
Research and development	7,984	3,871
Education	7,037	5,108
Transportation of oil and gas	1,569	1,794
Other	56,417	11,400
	<u><u>612,006</u></u>	<u><u>597,935</u></u>

16. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2007 (Unaudited)	31 December 2006
Loans from OECD based banks	211,625	73,126
Loans from Kazakh banks	29,309	36,007
Overnight deposits	29,197	3,338
Correspondent accounts	1,636	525
Loans from non-OECD based banks	113	5,073
Loans from other financial institutions	-	650
	<u>271,880</u>	<u>118,719</u>
Amounts due to credit institutions	<u>271,880</u>	<u>118,719</u>

Interest rates and maturities of amounts due to credit institutions follow:

	30 June 2007 (Unaudited)		31 December 2006	
	%	Maturity	%	Maturity
Loans from OECD based banks	2.3%-8.37%	2007-2015	2.3%-8.37%	2007-2015
Loans from non-OECD based banks	4.64%-6.66%	2007-2012	4.64%-6.66%	2007-2012
Loans from Kazakh banks	0.7%-7.00%	2007	0.7%-7.00%	2007
Loans from other financial institutions	5.89%-8.36%	2007-2012	5.89%-8.36%	2007-2012
Overnight deposits	2.5%-4.8%	2007	2.5%-4.8%	2007

Financial covenants

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. In addition, and in accordance with the terms of certain of those loans, the Bank is required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares. Furthermore, certain of the Bank's outstanding financing agreements include covenants restricting the Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. As of 30 June 2007 and 31 December 2006, management believes that the Bank was in compliance with the covenants of the various debt agreements the Bank has with other banks and financial institutions.

17. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 June 2007 (Unaudited)	31 December 2006
Fixed rate KZT denominated bonds	20,164	20,139
Inflation indexed KZT denominated bonds	4,996	5,005
Reverse inflation indexed KZT denominated bonds	4,056	4,049
USD denominated bonds	2	3,742
Subordinated debt securities issued	29,218	32,935
Less: subordinated debt securities held by the Group	(572)	(2,227)
Subordinated debt securities issued	28,646	30,708
USD denominated bonds	148,159	64,154
KZT denominated bonds	60,029	41,002
Unsubordinated debt securities issued	208,188	105,156
Less: unsubordinated debt securities held by the Group	(8)	(1,451)
Unsubordinated debt securities issued	208,180	103,705
Debt securities issued	236,826	134,413

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

	30 June 2007 (Unaudited) %	Maturity	31 December 2006 %	Maturity
Subordinated debt securities issued				
KZT denominated bonds	7.5%-9.0%	2009-2015	7.5%-9.6%	2007-2015
	7.2%-7.3%		6.1-7.75%	
Reverse inflation indexed KZT denominated bonds	(15.0% minus inflation rate)	2015	(15.0% minus inflation rate)	2015
	9.1%-9.9%		7.5-10.6%	
	(inflation rate plus 1.0%,inflation rate plus 2.0%)	2014	inflation rate plus (1.0%, inflation rate plus 2.0%)	2014
Inflation indexed KZT denominated bonds	8-11.8%	2007	8-11.8%	2007
USD denominated bonds				
Unsubordinated debt securities issued				
USD denominated bonds	8.125%	2009	7.8%-8.1%	2009-2013
KZT denominated bonds	7.1%-7.8%	2008-2009	5.0%-7.3%	2007-2009

Subordinated securities are unsecured obligations of the Bank and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Bank.

In accordance with the terms of the USD denominated bonds, the Bank 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 Bank's ability to create security interests over its assets. In addition, should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank's other financing arrangements. Management believes that as of 30 June 2007 and 31 December 2006, the Bank was in compliance with the other covenants of the agreements the Bank has with the notes' trustee and holders.

18. OTHER LIABILITIES

As at 30 June 2007 Other liabilities comprised Taxes payable in amount of 4,504 million tenge (31 December 2006: 1,002 million tenge), Salary payable in amount 2,196 million tenge (31 December 2006: 3,043 million tenge), Other prepayments received in amount of 1,231 million tenge (31 December 2006: 358 million tenge) and Unused vacation reserve in amount of 1,011 million tenge (31 December 2006: 579 million tenge).

19. EQUITY

Authorized and issued share capital as of 30 June 2007, consisted of 980,083,783 common shares, 24,742,000 non-convertible preferred shares and 80,215,187 convertible preferred shares (31 December 2006 – 970,905,778, 24,742,000 and 80,215,187, respectively). All shares are KZT denominated. Each common share is entitled to one vote and is equal for dividends. Effective 13 May 2003, the date of the new edition to the Law concerning “Joint Stock Companies” nominal amount concept has been restricted to placement of shares only between the founders of an entity. For all other investors share capital is recorded at placement value being the consideration received by an entity for its shares.

In accordance with IAS 32 “Financial Instruments: Disclosure and Presentation”, preferred shares are classified as part of equity as these shares are not redeemable and the terms of the preferred shares require that the Bank pay a nominal dividend amount of 0.01 KZT per share to comply with the Kazakh legislation with regard to preferred shares which requires joint stock companies to pay a certain amount of preferred dividends. The remainder of the dividends on preferred shares is linked to the Bank’s profitability and is paid out only if the Bank is profitable. Preferred shares do not have any voting rights, unless payment of preferred dividends has been delayed for three months or more from the date they became due. The dividend to the preferred shareholders is paid only if declared and approved by the Board of Directors and the Annual General Meeting of the Shareholders.

Movements of shares authorized, fully paid and outstanding follow:

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2005	897,383,050	24,742,000	74,887,521	14,205	2,474	12,320
Capital contributions	75,531,122	-	5,327,666	30,755	-	913
Purchase of treasury shares	(2,008,394)	-	-	(31)	-	-
31 December 2006	970,905,778	24,742,000	80,215,187	44,929	2,474	13,233
Reciprocal shares	(216,742)	-	-	(56)	-	-
Capital contributions	9,432,877	-	-	3,632	-	-
Purchase of treasury shares	(38,130)	-	-	(140)	-	-
30 June 2007	<u>980,083,783</u>	<u>24,742,000</u>	<u>80,215,187</u>	<u>48,365</u>	<u>2,474</u>	<u>13,233</u>

As at 30 June 2007, the Group held 3,896,876 of the Bank’s shares as treasury shares at 234 million tenge (31 December 2006 – 3,858,746 at 38 million tenge).

20. COMMITMENTS, CONTINGENCIES AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial Commitments and Contingencies

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

	30 June 2007 (Unaudited)	31 December 2006
Guarantees issued	30,911	39,897
Commitments to extend credit	28,765	21,629
Commercial letters of credit	<u>15,059</u>	<u>18,326</u>
	74,735	79,852
Less: cash collateral against letters of credit	(730)	(132)
Less: provisions	<u>(1,911)</u>	<u>(3,021)</u>
Financial commitments and contingencies	<u><u>72,094</u></u>	<u><u>76,699</u></u>

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

The Group provides fiduciary services to third parties which involve the Group making allocation, purchase and sales decisions in relation to the securities. Those securities that are held in a fiduciary capacity are not included in these consolidated financial statements.

Derivative Financial Instruments

The Group enters into derivative financial instruments for trading purposes. The outstanding deals with derivative financial instruments and trading liabilities are as follows:

	30 June 2007 (Unaudited)			31 December 2006		
	Notional principal	Fair values Asset	Fair values Liabilities	Notional principal	Fair values Asset	Fair values Liabilities
Interest rate contracts						
Forwards and Swaps – domestic	1,288	9	-	2,147	48	-
Foreign exchange contracts						
Forwards and Swaps – domestic	<u>211,705</u>	<u>2,576</u>	<u>-</u>	<u>178,973</u>	<u>103</u>	<u>-</u>
Total derivative asset/liabilities	<u><u>212,993</u></u>	<u><u>2,585</u></u>	<u><u>-</u></u>	<u><u>181,120</u></u>	<u><u>151</u></u>	<u><u>-</u></u>

21. FEE FND COMISSION INCOME

Fee and commission income was derived from the following sources:

	For the six months ended 30 June 2007 (unaudited)	For the six months ended 30 June 2006 (unaudited)
Bank transfers	4,431	2,869
Pension fund and asset management	3,684	3,488
Cash operations	2,427	1,108
Maintenance of customer accounts	776	616
Letters of credit and guarantees issued	721	662
Custody activities	76	51
Foreign currency operations	15	211
Commission income from trust activities	2	-
Plastic cards maintenance	1	443
Customers' pension payments	-	514
Utilities payments	-	202
Other	288	129
	<u>12,421</u>	<u>10,293</u>

22. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	For the six months ended 30 June 2007 (unaudited)	For the six months ended 30 June 2006 (unaudited)
Insurance premiums written, gross	5,561	-
Ceded reinsurance share	(2,722)	-
Change in unearned insurance premiums, net	(340)	-
	<u>2,499</u>	<u>-</u>

23. ADMINISTRATIVE AND OPERATING EXPENSES

Administrative and operating expenses comprised:

	For the six months ended 30 June 2007 (unaudited)	For the six months ended 30 June 2006 (unaudited)
Deposit insurance	926	407
Rent	536	223
Communication	414	259
Advertisement	388	263
Security	384	178
Repair and maintenance	315	195
Business trip expenses	290	211
Professional services	282	104
Information services	199	37
Transportation	163	84
Stationery and office supplies	119	177
Social events	41	39
Charity	30	35
Penalties	26	7
Expenses on disposal of materials	4	4
Hospitality expenses	2	8
Loss from sale of fixed assets	30	191
Other	662	403
	<u>4,811</u>	<u>2,827</u>

24. BUSINESS COMBINATION

During 2006, the Bank acquired 56.7% of the share capital of JSC Kazakhinstrakh for 4,782 million tenge bringing its share in the Company to 98.4%. The consideration was paid in two portions on 27 October 2006 and 30 October 2006 and control was obtained on 27 October 2006.

On 27 October 2006, the estimated fair value of the net assets of JSC Kazakhinstrakh comprised:

Cash and cash equivalents	269
Amounts due from credit institutions	440
Available-for-sale investment securities	3,733
Unearned premiums, reinsurance share	2,859
Insurance reserves, reinsurance share	63
Insurance receivables	1,113
Other assets	486
Unearned premiums	(4,596)
Insurance reserves	(331)
Other creditors	(1,073)
Net assets	<u>2,963</u>
Group's share of the fair value of net assets	1,680
Goodwill	<u>3,102</u>
Consideration paid in cash	<u>4,782</u>

At the date of acquisition the estimated fair value of the net assets of JSC Kazakhinstrakh approximated their carrying amounts.

During 2006, the Bank acquired 100% of the share capital of JSC Halyk Life for 560 million tenge. The consideration was paid in two portions on 1 September 2006 and 8 September 2006 and control was obtained on 1 September 2006.

On 1 September 2006, the estimated fair value of the net assets of JSC Halyk Life comprised:

Amounts due from credit institutions	360
Available-for-sale investment securities	204
Other assets	7
Liabilities	<u>(40)</u>
Net assets	531
Goodwill	<u>29</u>
Consideration paid in cash	<u><u>560</u></u>

At the date of acquisition the estimated fair value of the net assets of JSC Halyk Life approximated their carrying amounts.

During 2004, the Bank acquired 77% of the share capital of JSC Bank Khlebny for 163 million tenge. The consideration was paid and control was obtained on 15 April 2004.

On 15 April 2004, the estimated fair value of the net assets of JSC Bank Khlebny comprised:

Cash and cash equivalents	93
Loans to customers	87
Property and equipment	53
Other assets	11
Liabilities	<u>(151)</u>
Net assets	93
Less minority interest	<u>(21)</u>
Net assets less minority interest	<u>72</u>
Group's share of the fair value of net assets	55
Goodwill	<u>108</u>
Consideration paid in cash	<u><u>163</u></u>

At the date of acquisition the estimated fair value of the net assets of JSC Bank Khlebny approximated their carrying amounts.

During 2004, the Bank acquired 100% of the share capital of JSC Kairat Bank for 180 million tenge (re-registered under name OJSC Halyk Bank Kyrgyzstan on 31 December 2004). The consideration was paid and control was obtained on 30 September 2004.

On 30 September 2004, the estimated fair value of the net assets of JSC Kairat Bank comprised:

Cash and cash equivalents	454
Amounts due from credit institutions	88
Investment securities	449
Other assets	45
Liabilities	<u>(886)</u>
Net assets	150
Goodwill	<u>30</u>
Consideration paid in cash	<u><u>180</u></u>

At the date of acquisition the estimated fair value of the net assets of JSC Kairat Bank approximated their carrying amounts.

25. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year. Participating shares comprise common and preferred shares as, in accordance with Kazakhstan legislation, preferred shareholders are entitled to at least the same amount of per share dividends as common shareholders.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For six months ended 30 June 2007 (unaudited)		For six months ended 30 June 2006 (unaudited)	
Net income attributable to equity holders of the parent		21,263		10,125
Weighted average number of participating shares	common shares	preferred shares	common shares	preferred shares
Weighted average number of participating shares	<u>977,420,675</u>	<u>104,957,187</u>	<u>895,925,538</u>	<u>103,814,797</u>
Basic and diluted earnings per share (Tenge)	<u>19.64</u>	<u>19.64</u>	<u>10.13</u>	<u>10.13</u>

26. FINANCIAL RISK MANAGEMENT

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit, liquidity and market movements in interest and foreign exchange rates. A summary description of the Bank's risk management policies in relation to those risks follows.

Credit risk

The Bank is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry. Limits on the level of credit risk by borrower and industry sector for corporate loans are approved by the Commercial Direction, and for retail loans – by the Retail Credit Committee. Where appropriate, and in the case of most loans, the Bank obtains collateral.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Commercial Direction and Credit Committee. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the consolidated financial statements and the disclosed financial commitments.

With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Geographical Concentration

All assets and liabilities, except for those located in OECD and non-OECD countries, as presented in Notes 5, 8 and 16, are located in Kazakhstan.

Currency Risk

The Bank 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 NBK. The Bank's exposure to foreign currency exchange rate risk follows:

	30 June 2007 (Unaudited)			31 December 2006		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
Financial assets						
Cash and cash equivalents	49,566	140,601	190,167	31,957	95,842	127,799
Obligatory reserves	74,423	-	74,423	18,873	36,233	55,106
Financial assets at fair value through profit or loss	38,638	13,357	51,995	37,484	15,532	53,016
Amounts due from credit institutions	1,004	5,203	6,207	1,929	120	2,049
Investment securities available-for-sale	139,220	617	139,837	122,157	1,182	123,339
Loans to customers	421,666	358,706	780,372	291,007	305,209	596,216
Insurance assets	4,847	136	4,983	5,252	374	5,626
Other assets	2,368	4,850	7,218	2,925	1,416	4,341
	<u>731,732</u>	<u>523,470</u>	<u>1,255,202</u>	<u>511,584</u>	<u>455,908</u>	<u>967,492</u>
Financial liabilities						
Amounts due to customers	474,616	137,390	612,006	303,199	294,736	597,935
Amounts due to credit institutions	118,200	153,680	271,880	55,042	63,677	118,719
Debt securities issued	89,072	147,754	236,826	68,188	66,225	134,413
Provisions	238	1,673	1,911	3,014	7	3,021
Deferred tax liability	3,358	18	3,376	2,524	6	2,530
Insurance liabilities	6,880	771	7,651	6,425	1,110	7,535
Other liabilities	8,990	3,154	12,144	5,757	432	6,189
	<u>701,354</u>	<u>444,440</u>	<u>1,145,794</u>	<u>444,149</u>	<u>426,193</u>	<u>870,342</u>
Net balance sheet position	30,378	79,030	109,408	67,435	29,715	97,150
Net position on off-balance sheet assets and liabilities	<u>182,177</u>	<u>460,008</u>	<u>642,185</u>	<u>80,203</u>	<u>159,191</u>	<u>239,394</u>
Net open position	<u>212,555</u>	<u>539,038</u>	<u>751,593</u>	<u>147,638</u>	<u>188,906</u>	<u>336,544</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 Bank'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 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 monetary assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date, except for financial assets at fair value through profit or loss and available-for-sale investment securities which are included in the column "On demand" as they are available to meet the Bank's short-term liquidity needs.

	30 June 2007 (unaudited)						Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	
Financial assets							
Cash and cash equivalents	104,100	86,055	12	-	-	-	190,167
Obligatory reserves	18,606	15,629	5,953	11,908	8,931	13,396	74,423
Financial assets at fair value through profit or loss	12,728	2,310	463	9,299	12,884	14,311	51,995
Amounts due from credit institutions	2,434	127	1,403	1,238	976	29	6,207
Investment securities available-for-sale	-	53,522	52,914	18,702	4,253	10,446	139,837
Loans to customers	5,455	30,258	37,535	108,585	220,825	377,714	780,372
Insurance assets	3,433	116	501	901	2	30	4,983
Other assets	236	1,928	428	785	279	3,562	7,218
	<u>146,992</u>	<u>189,945</u>	<u>99,209</u>	<u>151,418</u>	<u>248,150</u>	<u>419,488</u>	<u>1,255,202</u>
Financial liabilities							
Amounts due to customers	195,383	169,246	58,644	122,673	48,107	17,953	612,006
Amounts due to credit institutions	4,596	122,587	3,516	49,958	20,506	70,717	271,880
Debt securities issued	-	107	921	21,473	67,166	147,159	236,826
Provisions	25	1,224	10	22	330	300	1,911
Deferred tax liability	-	154	-	1,630	-	1,592	3,376
Insurance liabilities	6,463	81	358	749	-	-	7,651
Other liabilities	1,586	5,371	207	1,809	1,021	2,150	12,144
	<u>208,053</u>	<u>298,770</u>	<u>63,656</u>	<u>198,314</u>	<u>137,130</u>	<u>239,871</u>	<u>1,145,794</u>
Net position	<u>(61,061)</u>	<u>(108,825)</u>	<u>35,553</u>	<u>(46,896)</u>	<u>111,020</u>	<u>179,617</u>	
Accumulated gap	<u>(61,061)</u>	<u>(169,886)</u>	<u>(134,333)</u>	<u>(181,229)</u>	<u>(70,209)</u>	<u>109,408</u>	

	31 December 2006						Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	
Financial assets							
Cash and cash equivalents	22,359	86,031	19,409	-	-	-	127,799
Obligatory reserves	13,718	13,797	2,575	20,248	3,869	899	55,106
Financial assets at fair value through profit or loss	51,984	1,032	-	-	-	-	53,016
Amounts due from credit institutions	-	-	162	148	1,711	28	2,049
Investment securities available-for-sale	-	109,302	66	182	4,597	9,192	123,339
Loans to customers	2,405	24,267	49,929	251,183	144,508	123,924	596,216
Insurance assets	3,535	667	525	768	24	107	5,626
Other assets	-	2,751	264	1,032	-	294	4,341
	<u>94,001</u>	<u>237,847</u>	<u>72,930</u>	<u>273,561</u>	<u>154,709</u>	<u>134,444</u>	<u>967,492</u>
Financial liabilities							
Amounts due to customers	148,844	149,704	27,941	219,707	41,981	9,758	597,935
Amounts due to credit institutions	524	48,824	11,384	32,909	5,108	19,970	118,719
Debt securities issued	-	-	-	3,926	103,530	26,957	134,413
Provisions	3,021	-	-	-	-	-	3,021
Deferred tax liability	-	-	-	730	-	1,800	2,530
Insurance liabilities	5,681	434	472	933	15	-	7,535
Other liabilities	-	366	1,002	4,712	109	-	6,189
	<u>158,070</u>	<u>199,328</u>	<u>40,799</u>	<u>262,917</u>	<u>150,743</u>	<u>58,485</u>	<u>870,342</u>
Net position	<u>(64,069)</u>	<u>38,519</u>	<u>32,131</u>	<u>10,644</u>	<u>3,966</u>	<u>75,959</u>	
Accumulated gap	<u>(64,069)</u>	<u>(25,550)</u>	<u>6,581</u>	<u>17,225</u>	<u>21,191</u>	<u>97,150</u>	

27. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 “Related Party Disclosures” (“IAS 24”), parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at 30 June 2007 and 31 December 2006, and related expenses and income for the years then ended are as follows:

	Six months ended 30 June 2007 (unaudited)			Year ended 31 December 2006				
	Controlling shareholder and entities under common control	Entities influenced by the controlling shareholder	Associates	Key management personnel	Controlling shareholder and entities under common control	Entities influenced by the controlling shareholder	Associates	Key management personnel
Loans outstanding, gross, beginning of the period	230	4,012	-	45	681	1,157	-	72
Loans issued during the period	7	365	-	-	602	7,919	-	47
Loans repaid during the period	(190)	(4,026)	-	(3)	(1,054)	(4,104)	-	(74)
Loans outstanding, gross, ending of the period	47	351	-	42	229	4,972	-	45
Less: allowance for impairment	(2)	(13)	-	-	-	(959)	-	-
Loans outstanding, net, ending	45	338	-	42	229	4,013	-	45
Interest income on loans	1	74	-	1	73	385	-	6
Deposits and current accounts, beginning of the period	101,025	116,306	238	423	807	15,448	183	240
Receipt of deposits and current accounts during the period	425,850	4,569,984	-	397	1,000,939	5,108,431	11,169	589
Payments of deposits and current accounts during the period	(434,106)	(4,574,924)	(238)	(331)	(900,721)	(5,007,572)	(11,113)	(406)
Deposits and current accounts, ending of the period	92,769	111,366	-	489	101,025	116,307	239	423
Interest expense on deposits	881	1,717	-	52	1,944	2,696	4	20
Commitments and guarantees issued	-	21	-	-	-	586	7	-
Fee and commission income	-	-	-	-	9	109	8	-

Compensation of members of the Management Board and Board of Directors of the Bank was comprised of the following:

	For six months ended 30 June 2007 (unaudited)	For six months ended 30 June 2006 (unaudited)
Salaries and bonuses	<u>731</u>	<u>190</u>
Total key management compensation	<u>731</u>	<u>190</u>

28. CAPITAL ADEQUACY

The FMSA requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed on the basis of statutory accounting. At 30 June 2007 and 31 December 2006 the Bank's capital adequacy ratios complied with the FMSA requirements in that regard.

The Bank's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 June 2007 and 31 December 2006, was 16% and 17% respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

29. SEGMENT ANALYSIS

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

Business Segments. The Group is organised 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 six months ended 30 June 2007 and 2006.

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2007 and 2006 is set out below:

	Six months ended 30 June 2007 (unaudited)			
	Retail banking	Corporate banking	Other	Total
External revenues	<u>29,986</u>	<u>42,048</u>	<u>4,146</u>	<u>76,180</u>
TOTAL REVENUES	<u>29,986</u>	<u>42,048</u>	<u>4,146</u>	<u>76,180</u>
Total revenues comprise:				
- Interest income	21,389	33,461	-	54,850
- Losses less gains from financial assets at fair value through profit or loss	-	-	(68)	(68)
- Gains less losses from available- for-sale investment securities	-	-	686	686
- Share of income of associate	-	(15)	-	(15)
- Gains less losses from foreign currencies	605	4,173	-	4,778
- Fee and commission income	7,992	4,429	-	12,421
- Insurance income	-	-	2,499	2,499
- Other operating income	<u>-</u>	<u>-</u>	<u>1,029</u>	<u>1,029</u>
TOTAL REVENUES	<u>29,986</u>	<u>42,048</u>	<u>4,146</u>	<u>76,180</u>
Segment result	18,765	24,919	4,146	47,830
Unallocated costs				<u>(18,564)</u>
Income before income tax expense				29,266
Income tax expense				<u>(7,721)</u>
NET INCOME				<u><u>21,545</u></u>

	Six months ended 30 June 2006 (unaudited)			
	Retail banking	Corporate banking	Other	Total
External revenues	<u>21,011</u>	<u>26,053</u>	<u>(111)</u>	<u>46,953</u>
TOTAL REVENUES	<u>21,012</u>	<u>26,053</u>	<u>(111)</u>	<u>46,953</u>
Total revenues comprise:				
- Interest income	14,170	21,336	-	35,506
- Losses less gains from financial assets at fair value through profit or loss	-	-	(1,155)	(1,155)
- Gains less losses from available- for-sale investment securities	-	-	(175)	(175)
- Share of income of associate	-	(13)	-	(13)
- Gains less losses from foreign currencies	434	844	-	1,278
- Fee and commission income	6,407	3,886	-	10,293
- Insurance income	-	-	-	-
- Other operating income	-	-	1,219	1,219
TOTAL REVENUES	<u>21,011</u>	<u>26,053</u>	<u>(111)</u>	<u>46,953</u>
Segment result	11,178	13,098	(111)	24,166
Unallocated costs				<u>(11,222)</u>
Income before income tax expense				12,944
Income tax expense				<u>(2,446)</u>
NET INCOME				<u><u>10,498</u></u>