

**Kazakhstan Mortgage Company JSC**

Condensed Consolidated  
Interim Financial Statements  
for the six months ended  
30 June 2009

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## Independent Auditors' Report

To the Management of Kazakhstan Mortgage Company JSC

### Report on Review of the Condensed Consolidated Interim Financial Information

#### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of Kazakhstan Mortgage Company JSC (the "Company") and its subsidiary (the "Group") as at 30 June 2009, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

#### *Scope of Review*

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

#### *Basis for Qualified Conclusion*

As at 30 June 2009 and 31 December 2008, the Group had a loan payable which contained an embedded derivative option to put the loan from US Dollars ("USD") into Japanese Yen ("JPY") at a specified exchange rate if certain conditions are met. International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* requires that an embedded derivative of this type should be separated from the host contract and recognised in the financial statements at fair value on inception and subsequently at fair value at each reporting date. As at 30 June 2009 and 31 December 2008, the Group had reflected the embedded derivative at cost in the financial statements and had not determined its fair value. Considering the change in the USD/JPY exchange rate since its inception, at 30 June 2009 and 31 December 2008, the Group should have recognised a derivative liability in the condensed consolidated interim statement of financial position. Additionally, for the six-month period ended 30 June 2009, the Group should have recognised the change in the fair value of the embedded derivative in the condensed consolidated interim statement of comprehensive income. It was not practicable for us to estimate the fair value of this embedded derivative at 30 June 2009 and 31 December 2008. As such, the effect of this departure from International Financial Reporting Standards on the embedded derivative liability and retained earnings as at 30 June 2009 and 31 December 2008 and on fair value gain/loss, taxation, net income and total comprehensive income for the six-month period ended 30 June 2009 has not been determined.

*Basis for Qualified Conclusion, continued*

As at 30 June 2009 and 31 December 2008, the Group had classified certain debt securities issued by Doszhan Temir Zholy JSC ("DTZ") as available-for-sale. In August 2008, DTZ defaulted on payment of the coupon on these debt securities, which constitutes objective evidence that the asset is impaired. Payment of this coupon was made on 13 May 2009. In August 2009, DTZ again defaulted on payment of the coupon on these debt securities. As at 30 June 2009, the Group recognised KZT 482,395 thousand (31 December 2008: KZT 329,314 thousand) in respect of unrealised losses on calculation of the fair value of these securities directly in equity. International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement requires that upon impairment the cumulative loss that had been recognised in equity shall be reclassified from equity to the statement of comprehensive income as a reclassification adjustment. As at 30 June 2009, had the Group reclassified this unrealised loss, the revaluation reserve for available-for-sale assets would have increased and retained earnings would have decreased by KZT 482,395 thousand (31 December 2008: KZT 329,314 thousand). Additionally, for the six-month period ended 30 June 2009, income before taxes, net income and total comprehensive income would have decreased by KZT 153,081 thousand.

As at 30 June 2009, the Group had held-to-maturity debt securities which were impaired. International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement requires that the carrying amount of financial assets carried at amortised cost be reduced by any impairment losses and that the amount of this loss shall be recognised in profit or loss. Had such impairment losses been recognised, held-to-maturity investments and retained earnings would have decreased by KZT 487,817 thousand as at 30 June 2009. Additionally, for the six-month period ended 30 June 2009, impairment losses would have increased and income before taxes, net income and total comprehensive income would have decreased by KZT 487,817 thousand.

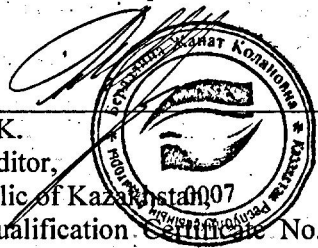
*Qualified Conclusion*

Based on our review, except for the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2009 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

*Emphasis of Matter*

Without further qualifying our conclusion, we draw attention to the fact that the corresponding figures for the six-month period ended 30 June 2008 are not audited and not reviewed.

\_\_\_\_\_  
Berdalina J. K.  
Certified Auditor,  
of the Republic of Kazakhstan,  
Auditor's Qualification Certificate No. 007  
of 28 February 1994

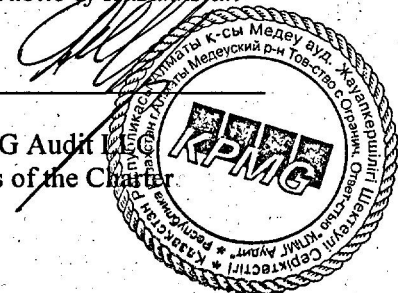


\_\_\_\_\_  
Gregor William Mowat  
Audit Partner

**KPMG Audit LLC**

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

\_\_\_\_\_  
Berdalina J. K.  
President of KPMG Audit LLC  
acting on the basis of the Charter  
25 August 2009

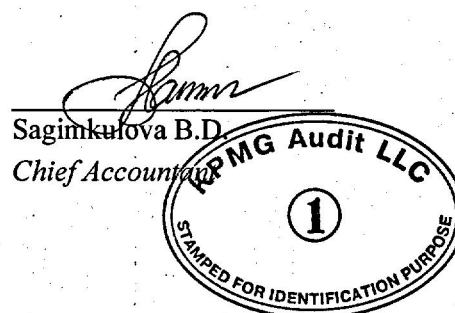




**Kazakhstan Mortgage Company JSC**  
*Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2009*

	Note	Unaudited Six months ended 30 June 2009 KZT'000	Unaudited Six months ended 30 June 2008 KZT'000
Interest income		4,588,908	4,535,447
Interest expense		(3,925,795)	(3,184,055)
<b>Net interest income</b>		<b>663,113</b>	<b>1,351,392</b>
Fee and commission income		25,066	24,589
Fee and commission expense		(42,884)	(60,038)
<b>Net fee and commission expense</b>		<b>(17,818)</b>	<b>(35,449)</b>
Net gain/(loss) on financial instruments at fair value through profit or loss		1,156	(15,919)
Net losses from investment securities		-	(231,537)
Net foreign exchange loss		(2,964,000)	(25,446)
Other income		1,939	549
		<b>(2,315,610)</b>	<b>1,043,590</b>
Impairment losses	4	(1,028,223)	-
General administrative expenses		(579,214)	(558,831)
<b>(Loss)/income before taxes</b>		<b>(3,923,047)</b>	<b>484,759</b>
Income tax benefit/(expense)	5	710,773	(235,397)
<b>Net (loss)/income for the period</b>		<b>(3,212,274)</b>	<b>249,362</b>
<b>Other comprehensive income, net of tax</b>			
Net unrealised gain on available-for-sale assets		152,779	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>(3,059,495)</b>	<b>249,362</b>
<b>Basic (loss)/earnings per share, in KZT</b>	10	<b>(1,151)</b>	<b>90</b>

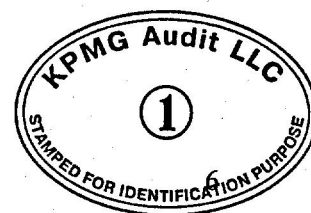
These condensed consolidated interim financial statements as set out on pages 5 to 20 were approved by Management on 25 August 2009.



The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 20.

*Kazakhstan Mortgage Company JSC*  
*Condensed Consolidated Interim Statement of Financial Position as at 30 June 2009*

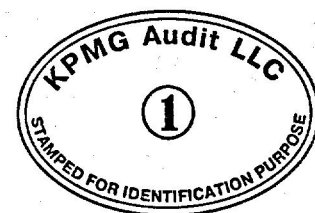
		<b>Unaudited</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2009</b>	<b>2008</b>
	<b>Note</b>	<b>KZT'000</b>	<b>KZT'000</b>
<b>ASSETS</b>			
Cash and cash equivalents		6,173,293	10,968,834
Placements with banks and other financial institutions		11,816,236	3,675,972
Financial instruments at fair value through profit or loss		51,189	50,412
Amounts receivable under reverse repurchase agreements		-	4,707,622
Available-for-sale assets	6	5,246,141	1,900,049
Loans to customers	7	70,391,071	72,500,099
Held-to-maturity investments		9,220,932	10,438,270
Property and equipment		2,432,607	2,283,017
Intangible assets		236,138	269,701
Deferred tax assets		719,734	8,640
Other assets		625,935	383,620
<b>Total assets</b>		<b>106,913,276</b>	<b>107,186,236</b>
<b>EQUITY AND LIABILITIES</b>			
Debt securities issued	8	52,746,326	52,680,776
Other borrowed funds	9	26,919,273	23,924,489
Other liabilities		104,938	378,737
<b>Total liabilities</b>		<b>79,770,537</b>	<b>76,984,002</b>
<b>Equity</b>	10		
Share capital		28,920,000	28,920,000
Share premium		12,661	12,661
Treasury shares		(1,089,922)	(1,089,922)
Reserve capital		2,598,418	2,377,179
Revaluation reserve for available-for-sale assets		(167,380)	(320,159)
(Accumulated losses)/retained earnings		(3,131,038)	302,475
<b>Total equity</b>		<b>27,142,739</b>	<b>30,202,234</b>
<b>Total equity and liabilities</b>		<b>106,913,276</b>	<b>107,186,236</b>



The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 20.

**Kazakhstan Mortgage Company JSC**  
*Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2009*

	Unaudited Six months ended 30 June 2009 KZT'000	Unaudited Six months ended 30 June 2008 KZT'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/income before income tax	(3,923,047)	484,759
<b>Adjustments for non-cash items:</b>		
Net (gain)/loss on financial instrument at fair value through profit or loss	(1,156)	15,919
Depreciation and amortisation	118,475	111,372
Impairment losses	1,028,223	-
Amortisation of discount and foreign exchange loss on borrowed funds	3,535,029	485,817
Amortisation of discount and interest charge on debt securities issued	3,335,110	2,387,847
	<b>4,092,634</b>	<b>3,485,714</b>
<b>Operating income before changes in working capital</b>		
<b>(Increase)/decrease in operating assets</b>		
Placements with banks and other financial institutions	(8,140,264)	(2,811,534)
Financial instruments at fair value through profit or loss	379	7,250
Amounts receivable under reverse repurchase agreements	4,707,622	9,894,454
Available-for-sale assets	(3,193,313)	-
Loans to customers	1,080,901	(6,713,226)
Held-to-maturity investments	1,217,338	487,501
Other assets	(91,188)	(839,105)
<b>Increase/(decrease) in operating liabilities</b>		
Other liabilities	(25,992)	139,915
<b>Cash flows from operating activities before income taxes paid</b>		
Income tax paid	(351,883)	3,650,969
Interest paid	(151,448)	(132,457)
	(4,320,760)	(2,805,092)
<b>Cash flows from operating activities</b>	<b>(4,824,091)</b>	<b>713,420</b>



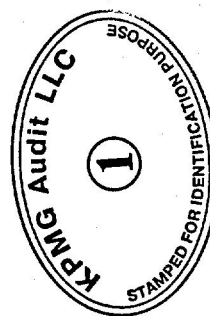
**Kazakhstan Mortgage Company JSC**  
*Condensed Consolidated Interim Statement of Cash Flows for the six months ended 30 June 2009*

	<b>Unaudited</b> <b>Six months ended</b> <b>30 June 2009</b> <b>KZT'000</b>	<b>Unaudited</b> <b>Six months ended</b> <b>30 June 2008</b> <b>KZT'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(228,670)	(883)
Purchase of intangible assets	(5,832)	-
<b>Net cash used in investing activities</b>	<b>(234,502)</b>	<b>(883)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	-	2,512,661
Repurchase of share capital	-	(17,839)
Proceeds from debt securities issued	6,167,055	1,200,000
Repurchase/redemption of debt securities issued	(5,656,100)	(7,811,600)
Proceeds from other borrowers funds	-	1,770,119
Dividends paid	(247,903)	(439,375)
<b>Cash flows from financing activities</b>	<b>263,052</b>	<b>(2,786,034)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,795,541)</b>	<b>(2,073,497)</b>
Cash and cash equivalents at beginning of the period	10,968,834	11,498,717
<b>Cash and cash equivalents at end of the period</b>	<b>6,173,293</b>	<b>9,425,220</b>



**Kazakhstan Mortgage Company JSC**  
*Condensed Consolidated Interim Statement of Changes in Equity for the six months ended 30 June 2009*

	Share capital	Share premium	Treasury shares	Reserve capital	Revaluation reserve for available-for-sale assets	(Accumulated losses)/ retained earnings	Total
<b>KZT'000</b>							
Balance at 1 January 2008	26,420,000	-	-	1,937,804	-	654,232	29,012,036
Total comprehensive income for the period, unaudited	-	-	-	-	-	249,362	249,362
Shares issued, unaudited	2,500,000	12,661	-	-	-	-	2,512,661
Treasury shares acquired, unaudited	-	-	(17,839)	-	-	-	(17,839)
Transfer to reserve capital, unaudited	-	-	-	439,376	-	(439,376)	-
<b>Balance at 30 June 2008, unaudited</b>	<b>28,920,000</b>	<b>12,661</b>	<b>(17,839)</b>	<b>2,377,180</b>	<b>-</b>	<b>464,218</b>	<b>31,756,220</b>
Balance at 1 January 2009	28,920,000	12,661	(1,089,922)	2,377,179	(320,159)	302,475	30,202,234
Total comprehensive income/(loss) for the period, unaudited	-	-	-	-	152,779	(3,212,274)	(3,059,495)
Transfer to reserve capital, unaudited	-	-	-	221,239	-	(221,239)	-
<b>Balance at 30 June 2009, unaudited</b>	<b>28,920,000</b>	<b>12,661</b>	<b>(1,089,922)</b>	<b>2,598,418</b>	<b>(167,380)</b>	<b>(3,131,038)</b>	<b>27,142,739</b>



The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 10 to 20.

## 1 Background

### (a) Principal activities

These condensed consolidated interim financial statements include the financial statements of Kazakhstan Mortgage Company JSC (the "Company") and its subsidiary (together referred to as the "Group").

The Company was established on 29 December 2000 in accordance with resolution number 469 of the National Bank of the Republic of Kazakhstan ("NBRK") dated 20 December 2000. Prior to 13 February 2009, the Company operated under a licence issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the "FMSA"), dated 27 April 2004, for lending in national currency, factoring and issuing its own securities. In accordance with the changes in the Law "About Banks and Banking Activity in the Republic of Kazakhstan", on 13 February 2009, the FMSA suspended this license and informed the Company that it did not require a licence for its current operations. The principal activities of the Company are the purchase of mortgage loans from banks and credit institutions.

During the year ended 31 December 2008, the Company acquired a subsidiary, United Mortgage Company JSC, later re-registered as MO Kazipoteka JSC ("Kazipoteka").

Kazipoteka is a joint stock company incorporated in the Republic of Kazakhstan and specialises in the provision of mortgage loans to individuals. Kazipoteka operates under licence #57 issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the "FMSA"), dated 7 October 2008, for banking lending operations. The Company acquired Kazipoteka in order to fulfil its responsibilities under the State program for the development and construction of residential premises in the Republic of Kazakhstan.

The Company's official address is 98 Karasay-batyr street, Almaty, Kazakhstan. The Company has a representative office in Astana.

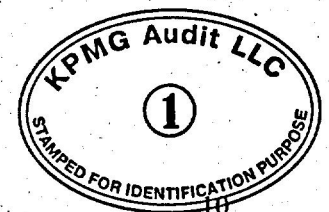
On 24 February 2009, Moody's Investors Service downgraded the Company's long-term local currency issuer rating from Baa1 to Baa3.

### (b) Shareholders

As at 30 June 2009 (unaudited), the Ministry of Finance of the Republic of Kazakhstan owned 94.63% of voting shares and JSC Halyk Bank of Kazakhstan owned 5.37% of Company's voting shares.

### (c) Kazakhstan business environment

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The condensed consolidated interim financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.



## **2 Basis of preparation**

### **(a) Statement of compliance**

The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

### **(b) Basis of measurement**

The condensed consolidated interim financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial instruments are stated at fair value.

### **(c) Functional and presentation currency**

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"). Management has determined the Group's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Group. The KZT is also the Group's presentation currency for the purposes of these condensed consolidated interim financial statements.

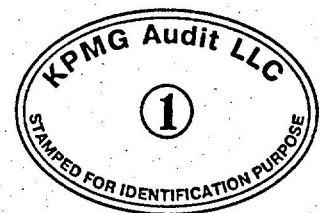
Except as indicated, financial information presented in KZT has been rounded to the nearest thousand.

### **(d) Use of estimates and judgments**

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated interim financial statements in conformity with IAS 34. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated interim financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2008, with the exception of impairment loss for loans to customers, the assumptions related to which are described in note 7.



### 3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements, with the exception of the implementation of IAS 1 *Presentation of Financial Statements* and IFRS 8 *Operating Segments*, are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2008. The implementation of IAS 1 involved the Group presenting a statement of comprehensive income. The adoption of IFRS 8 had no impact on the consolidated financial statements as the Group's operations continue to constitute a single business segment.

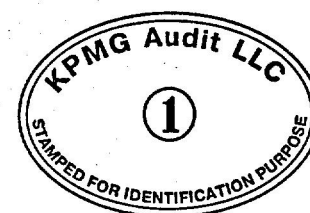
### 4 Impairment losses

	Unaudited Six months ended 30 June 2009 KZT'000	Unaudited Six months ended 30 June 2008 KZT'000
Loans to customers	1,028,223	-

### 5 Income tax (benefit)/expense

	Unaudited Six months ended 30 June 2009 KZT'000	Unaudited Six months ended 30 June 2008 KZT'000
<i>Current tax expense</i>		
Current period	321	22,034
Non-creditable income tax withheld at the source of payment	-	206,266
	<b>321</b>	<b>228,300</b>
<i>Deferred tax (benefit)/expense</i>		
Origination and reversal of temporary differences	(950,707)	24,188
Change in unrecognised deferred tax assets	-	(17,091)
Change in tax rate	239,613	-
	<b>(711,094)</b>	<b>7,097</b>
	<b>(710,773)</b>	<b>235,397</b>

The Group's applicable tax rate for current tax is 20% (2008: 30%).





## 5 Income tax (benefit)/expense, continued

### Movement in temporary differences during the period:

'000 KZT	Balance 1 January 2009 KZT'000	Unaudited Recognised in income KZT'000	Unaudited Balance 30 June 2009 KZT'000
Property and equipment	10,437	(10,202)	235
Tax loss carry-forwards	-	718,605	718,605
Other	(1,797)	2,691	894
	<u>8,640</u>	<u>711,094</u>	<u>719,734</u>

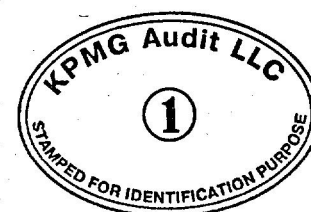
### Reconciliation of effective tax rate:

	Unaudited Six months ended 30 June 2009		Unaudited Six months ended 30 June 2008	
	KZT'000	%	KZT'000	%
Income before taxes	(3,923,047)	(100)	484,759	100
Income tax using the applicable tax rate	(784,609)	(20)	145,428	30
Change in unrecognised deferred tax assets	-	-	(17,091)	(4)
Tax effect of changes in tax rate	239,613	6	-	-
Non-creditable income tax withheld at the source of payment	-	-	206,266	43
Tax effect of non-taxable / non-deductible items	(165,777)	(4)	(99,206)	(20)
<b>Total income tax (benefit)/expense</b>	<u>(710,773)</u>	<u>(18)</u>	<u>235,397</u>	<u>49</u>

## 6 Available-for-sale assets

	Unaudited 30 June 2009 KZT'000	31 December 2008 KZT'000
Corporate bonds		
- issued by local banks	4,514,843	1,036,615
- issued by local companies	731,298	863,434
	<u>5,246,141</u>	<u>1,900,049</u>

Corporate bonds are interest-bearing securities, issued by local companies. These securities are freely tradable in the Kazakhstan Stock Exchange.



## 6 Available-for-sale assets, continued

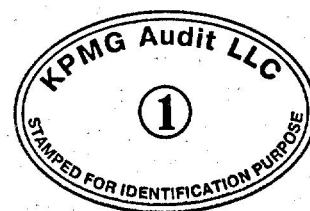
In August 2008, JSC Doszhan Temir Zholy defaulted on payment of the coupon on its debt securities in issue and the Group reclassified debt securities with a fair value on the date of reclassification of KZT 450,920 thousand from held-to-maturity to available-for-sale securities. On reclassifying these debt securities, the Group recognised a loss of KZT 329,314 thousand, calculated as the difference between the carrying amount before reclassification and the fair value of reclassification, directly in equity. The Group reclassified these bonds due to an unanticipated, significant deterioration in the issuer's creditworthiness that was evidenced by a temporary substantial drop in the market value of these bonds and a significant growth in the yield in comparison with corporate bonds of other issuers.

## 7 Loans to customers

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loans comprise only KZT denominated mortgage loans due from individuals located within the Republic of Kazakhstan. All loans are secured by real estate collateral.

	Unaudited	
	30 June 2009	31 December 2008
	KZT'000	KZT'000
Mortgage loans with recourse	34,035,367	44,751,196
Mortgage loans without recourse		
- with guarantee	35,535,414	26,419,707
- without guarantee	1,465,633	932,152
Accrued interest	555,770	570,503
	<b>71,592,184</b>	<b>72,673,558</b>
Impairment allowance	(1,201,113)	(173,459)
	<b>70,391,071</b>	<b>72,500,099</b>

Loans to customers carry interest at rates ranging from 7.8 % to 21.16% per annum (2008: 7.8% to 21.6% per annum).

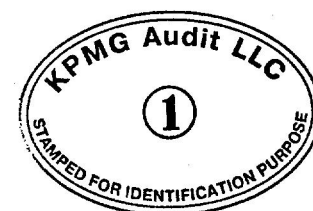


## 7 Loans to customers, continued

### (a) Credit quality of mortgage loans

The following table provides information on credit quality of mortgage loans as at 30 June 2009 and 31 December 2008:

	<b>Unaudited 30 June 2009 KZT'000</b>	<b>31 December 2008 KZT'000</b>
<b>Mortgage loans with recourse to the seller</b>		
- Current	32,140,439	42,568,354
- Overdue less than 30 days	1,283,591	684,793
- Overdue 30-89 days	481,658	1,482,360
- Overdue 90-179 days	183,465	169,742
- Overdue 180-360 days	82,193	183,437
- Overdue more than 360 days	140,543	17,464
<b>Mortgage loans without recourse to the seller guaranteed by the JSK Kazakhstan Fund of Guaranteeing Mortgage Loans</b>		
- Current	32,564,998	25,148,008
- Overdue less than 30 days	951,251	381,526
- Overdue 30-89 days	702,024	410,219
- Overdue 90-179 days	800,259	398,979
- Overdue 180-360 days	447,441	257,269
- Overdue more than 360 days	325,175	33,238
<b>Mortgage loans without recourse to the seller and without guarantee of JSC Kazakhstan Fund of Guaranteeing Mortgage</b>		
- Current	664,119	720,330
- Overdue less than 30 days	31,735	2,684
- Overdue 30-89 days	389,895	41,535
- Overdue 90-179 days	145,147	6,937
- Overdue 180-360 days	115,872	-
- Overdue more than 360 days	142,379	166,683
Impairment allowance	(1,201,113)	(173,459)
	<b>70,391,071</b>	<b>72,500,099</b>



## 7 Loans to customers, continued

### (b) Analysis of impairment

As described in Note 2, the Group uses its experience and judgment to estimate the amount of impairment loss for loans to customers.

The significant assumptions used in determining impairment losses for mortgage loans include:

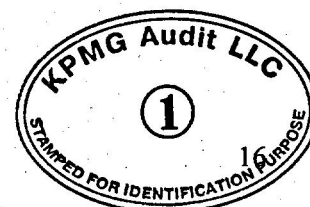
- In determining the provision for unimpaired loans, the management have considered past losses on impaired loans and current economic conditions.
- Mortgage loans with recourse overdue more than 60 days can be sold back by the Group at any time at their gross amount. Management believes that its recourse counterparties are institutions of good reputation, with good credit standing. However, the long-term local currency issuer ratings issued by Moody's Investors Service for Bank TuranAlem and Alliance Bank, which are among the Company's recourse counterparties, were reduced to Caa3. In relation to mortgage loans with recourse made to these two institutions, provision for impairment losses was made for the difference between the fair value of collateral and the gross amounts of loans, as management assumes that collection will be through the sale of collateral.
- Mortgage loans guaranteed by the State Fund JSK Kazakhstan Fund for Guaranteeing Mortgage Loans ("JSC KFGML") can be recovered from the guarantor if the sale of the collateral is not sufficient to repay the loan in full.
- For mortgage loans without recourse or guarantee that are overdue, with the exception of three loans, management assumes that collection will be made through the sale of collateral. Accordingly, provision for impairment losses was made for the difference between the fair value of collateral and the gross amounts of loans.
- For three mortgage loans without recourse overdue more than 360 days, management provided 100% provision because it believes that foreclosure is improbable.

Movements in the loan impairment allowance for the six months ended 30 June 2009 and 31 December 2008 are as follows:

	Unaudited Six months ended 30 June 2009 KZT'000	Unaudited Six months ended 30 June 2008 KZT'000
Balance at the beginning of the period	173,459	-
Net charge for the period	1,028,223	-
Write-offs	(569)	-
<b>Balance at the end of the period</b>	<b>1,201,113</b>	<b>-</b>

As at 30 June 2009, the interest accrued on impaired loans was KZT 33,176 thousand (31 December 2008: nil).

During the six months ended 30 June 2009, the Group renegotiated loans that were issued with recourse or guarantee that would otherwise be past due or impaired of KZT 5,715,768 thousand (six months ended 30 June 2008: KZT 4,654,568 thousand), for which the Group granted a privilege period of an average of four to six months without the accrual of interest. This restructuring activity is aimed at managing customer relationships.



## 8 Debt securities issued

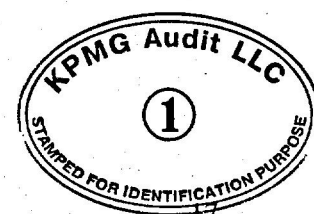
Debt securities issued as at 30 June 2009 and 31 December 2008 comprised KZT denominated bonds.

Issue number	Maturity date	Coupon rate	Effective rate	Unaudited	
				30 June 2009 KZT'000	31 December 2008 KZT'000
KZPO2Y09C495	10.06.2016	0.7%+ floating inflation index (limited to 12.0%)	20.48%	7,162,188	1,081,709
KZ2CKY07B303	01.10.2011	0.10%+ floating inflation index	15.73%	5,197,179	5,258,546
KZPC4Y12B547	10.04.2017	0.01%+ floating inflation index (limited to 7.5%)	10.34%	5,110,818	5,112,061
KZPC2Y05B145	01.03.2010	5.69%	7.98%	5,021,814	4,970,343
KZPC1Y10B543	10.04.2015	6.90%	7.25%	4,995,874	4,990,318
KZ2CKY10B315	01.10.2014	0.1%+ floating inflation index	17.46%	4,949,918	4,990,606
KZP03Y05C491	01.12.2012	11.00%	11.99%	4,766,123	4,734,655
KZ2CKY07B220	01.04.2011	0.39%+ floating inflation index	16.33%	4,284,892	4,331,141
KZPC2Y10B547	15.01.2017	0.01%+ floating inflation index (limited to 7.5%)	7.41%	3,613,745	3,562,341
KZ2CKY10B075	01.04.2014	0.50%+ floating inflation index	16.43%	3,059,139	3,435,903
KZ2CKY10A986	01.04.2014	1.00%+ floating inflation index	17.17%	3,030,250	3,404,722
KZ2CKY10A853	01.10.2013	0.80%+ floating inflation index	16.74%	1,554,386	1,571,262
KZ2CKY05B216	01.04.2009	0.39%+ floating inflation index	18.09%	-	5,237,169
				<b>52,746,326</b>	<b>52,680,776</b>

These obligations are secured by loan agreements with customers in the amount of KZT 53,644,087 thousand (31 December 2008: KZT 61,262,137 thousand).

The floating inflation rate is based on the inflation index for the prior 12 months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during six months ended 30 June 2009 and the year ended 31 December 2008.



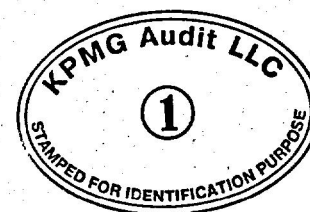
**9 Other borrowed funds**

	Unaudited	
	30 June 2009 KZT'000	31 December 2008 KZT'000
Due to the Government of the Republic of Kazakhstan	12,006,167	12,000,167
Loan from foreign financial institutions	14,913,106	11,924,322
	<b>26,919,273</b>	<b>23,924,489</b>

Due to the Government of the Republic of Kazakhstan consists of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second tier banks. The loan carries an interest rate of 0.1% per annum, repayable on demand but not later than in December 2027.

Also in December 2007 the Group received a USD denominated loan from Credit Suisse International of USD 85,000 thousand at an interest rate of 7.4% per annum. In February 2008, the Group received an additional USD 15,000 thousand under the same loan agreement. The loan matures in December 2014.

In accordance with an amendment signed on 21 July 2008 the above USD denominated loan was transferred from USD to JPY currency at an initial exchange rate of JPY:USD 107.15:1 with a corresponding reduction in interest rate from 7.4% to 6.4% per annum. Interest expenses are calculated on the loan principal amount of JPY 10,715,000 thousand and are payable in USD at the current exchange rate between JPY and USD. Principal repayment should be repaid in 9 equal instalments every six months starting from 21 December 2010. The amendment specifies a Knockout exchange rate of JPY:USD 84.95:1. Loan repayments should be made in USD applying the initial exchange rate of JPY:USD 107.15:1 to the JPY repayment amounts if the exchange rate remains above the Knockout rate for the duration of the tenor of the loan. If the exchange rate falls below the Knockout rate at any point during the life of the loan, then loan repayments should be made in USD applying the current JPY:USD exchange rate to the JPY repayment amounts.



## 10 Share capital

### (a) Issued capital and share premium

As at 30 June 2009 (unaudited) and 31 December 2008 authorised share capital comprised 2,906,200 ordinary shares and issued and outstanding share capital comprised 2,892,000 shares and 2,792,010 shares, respectively. All shares have a nominal value of KZT 10,000.

On 31 March 2008, the Company issued 250,000 shares at KZT 10,000 par value. These shares were placed through public offering on JSC Regional Financial Centre of Almaty City's stock exchange. The price per share ranged between KZT 10,050 and KZT 10,060. Total capital raised was KZT 2,512,661 thousand, with KZT 2,500,000 thousand being recorded as share capital and KZT 12,661 thousand as share premium.

Share capital as at 30 June 2009 (unaudited) and 31 December 2008 amounted to KZT 28,920,000 thousand. Share premium amounted to KZT 12,661 thousand as at 30 June 2009 (unaudited) and 31 December 2008.

### (b) Treasury shares

At 30 June 2009 (unaudited) and 31 December 2008 the Group held 99,990 of its own shares, which it bought during the year ended 31 December 2008 at a cost of KZT 1,089,922 thousand.

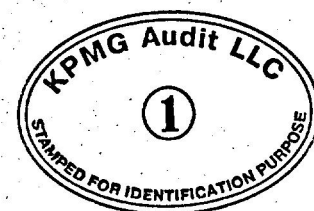
### (c) Reserve capital

In accordance with the Law of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan", the Group should establish a capital reserve. At 30 June 2009 (unaudited) and 31 December 2008, the capital reserve amounted to KZT 2,598,418 thousand and KZT 2,377,180 thousand, respectively. This reserve is non-distributable.

### (d) (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/income for the period attributable to common shareholders by the weighted average number of ordinary shares outstanding during the period.

	Unaudited Six months ended 30 June 2009	Unaudited Six months ended 30 June 2008
Net (loss)/income, in thousand of KZT	(3,212,274)	249,362
Weighted average number of ordinary shares	2,792,010	2,770,802
Basic earning per share, in KZT	<b>(1,151)</b>	<b>90</b>



## **11 Event subsequent to the balance sheet date**

### **(a) Doszhan Temir Zholy default**

In August 2009, JSC Doszhan Temir Zholy defaulted on payment of the coupon on its debt securities in issue because of continuing liquidity problems.

### **(b) Credit Suisse International agreement**

On 10 July 2009, Moody's Investors Service downgraded the Company's long-term local currency issuer rating from Baa3 to Ba2. According to clause 7.2 of Schedule 2 of the Term Facility Agreement, dated 10 December 2007, between the Company and Credit Suisse International, if the Company's credit rating falls below Baa3, Credit Suisse may cancel the loan agreement, with not less than three days notice to the Company, and require all outstanding amounts to be immediately repaid.

