

Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Consolidated Interim
Condensed Financial Statements
for the Six-Month Period ended
30 June 2010

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Independent Auditors' Report

To the Management of Mortgage Organisation Kazakhstan Mortgage Company JSC

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Mortgage Organisation Kazakhstan Mortgage Company JSC ("the Company") and its subsidiary ("the Company") as at 30 June 2010, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of selected explanatory notes (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed 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 consolidated interim condensed 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 2010 and 31 December 2009, the Company has not separated and measured at fair value a foreign currency written option feature embedded in a loan payable, which is required by International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The effect of this departure from International Financial Reporting Standards on derivative liability, other borrowed funds and accumulated loss as at 30 June 2010 and 31 December 2009, gain on financial instruments at fair value through profit or loss, interest expense, profit before taxes, taxation and profit for the six-month periods ended 30 June 2010 and 30 June 2009 has not been determined.

Qualified Conclusion

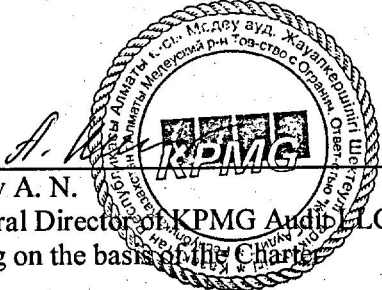
Based on our review, except for the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2010 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Abibullayeva E. Sh.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.0000288
of 11 November 1996

KPMG Audit LLC

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



Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

25 August 2010

*Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Comprehensive Income
for the Six-Month Period ended 30 June 2010*

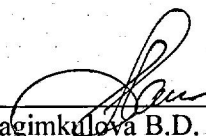
	Note	Unaudited Six-month period ended 30 June 2010 KZT'000	Unaudited Six-month period ended 30 June 2009 KZT'000
Interest income		4,063,041	4,588,908
Interest expense		(3,618,628)	(3,925,795)
Net interest income		444,413	663,113
Fee and commission income		7,999	25,066
Fee and commission expense		(19,889)	(42,884)
Net fee and commission expense		(11,890)	(17,818)
Net gain on financial instruments at fair value through profit or loss		65	1,156
Net foreign exchange gain/(loss)		87,840	(2,964,000)
Other income		4,079	1,939
		524,507	(2,315,610)
Reversal of/(impairment) losses	4	1,109,092	(1,028,223)
Personnel expenses		(284,608)	(324,584)
General administrative expenses		(303,900)	(254,630)
Profit/(loss) before taxes		1,045,091	(3,923,047)
Income tax benefit	5	14,645	710,773
Net profit/(loss) for the period		1,059,736	(3,212,274)
Other comprehensive income			
Revaluation reserve for assets available-for-sale:			
- Net change in fair value of available-for-sale assets, net of tax		145,000	152,779
Other comprehensive income, net of tax		145,000	152,779
Total comprehensive income/(loss) for the period		1,204,736	(3,059,495)
Basic and diluted earnings/(loss) per share, in KZT	11	391	(1,151)

These consolidated interim condensed financial statements as set out on pages 5 to 24 were approved by Management on 25 August 2010.



 Ibadullaev A. A.

 Chairman of the Management Board



 Sagimkulova B.D.

 Chief Accountant

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2010

	Note	Unaudited 30 June 2010 KZT'000	31 December 2009 KZT'000
ASSETS			
Cash and cash equivalents		8,619,504	10,135,404
Placements with banks and other financial institutions		3,037,944	7,534,281
Financial instruments at fair value through profit or loss		20,485	20,424
Available-for-sale assets	6	7,367,353	5,606,256
Loans to customers	7	66,021,780	68,028,272
Held-to-maturity investments	8	15,090,527	8,632,036
Current tax asset		395,079	281,474
Property and equipment		2,533,013	2,625,274
Intangible assets		33,983	68,136
Deferred tax assets	5	23,285	8,640
Other assets		328,330	292,509
Total assets		103,471,283	103,232,706
EQUITY AND LIABILITIES			
Debt securities issued	9	56,946,046	56,386,944
Other borrowed funds	10	23,698,160	23,762,793
Other liabilities		211,451	164,579
Total liabilities		80,855,657	80,314,316
Equity	11		
Share capital		28,920,000	28,920,000
Share premium		12,661	12,661
Treasury shares		(2,597,422)	(1,089,922)
Reserve capital		2,598,418	2,598,418
Revaluation reserve for available-for-sale assets		(476,880)	(621,880)
Retained earnings		(5,841,151)	(6,900,887)
Total equity		22,615,626	22,918,390
Total equity and liabilities		103,471,283	103,232,706

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Cash Flows for the Six-Month Period ended 30 June 2010

	Unaudited Six months ended 30 June 2010 KZT'000	Unaudited Six months ended 30 June 2009 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax	1,045,091	(3,923,047)
Adjustments for non-cash items:		
Net gain on financial instrument at fair value through profit or loss	(65)	(1,156)
Depreciation and amortisation	127,214	118,475
Impairment losses	(1,109,092)	1,028,223
Interest income	(4,063,041)	(4,588,908)
Interest expense	3,618,628	3,925,795
Net foreign exchange gain/(loss)	(87,840)	2,964,000
Amortisation of discount on debt securities issued and other borrowed funds	153,387	(19,656)
	<u>(315,718)</u>	<u>(496,274)</u>
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	4,444,142	(8,907,392)
Financial instruments at fair value through profit or loss	-	(1,166)
Amounts receivable under reverse repurchase agreements	-	4,636,623
Loans to customers	2,722,412	(2,408,363)
Other assets	(147,724)	(91,188)
Increase/(decrease) in operating liabilities		
Other liabilities	46,872	(25,992)
Cash flows from operating activities before income taxes paid		
	<u>6,749,984</u>	<u>(3,251,872)</u>
Income tax paid	(1,702)	(151,448)
Interest received	3,776,881	4,910,846
Interest paid	(3,303,107)	(4,320,760)
Cash flows from/(used in) operating activities	<u>7,222,056</u>	<u>(2,813,234)</u>

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Cash Flows for the Six-Month Period ended 30 June 2010

	Unaudited Six months ended 30 June 2010 KZT'000	Unaudited Six months ended 30 June 2009 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of held-to-maturity investments	(6,421,470)	-
Redemption of held-to-maturity investments	-	1,107,903
Acquisition of available-for-sale assets	(923,747)	(3,118,760)
Purchase of property and equipment	(800)	(228,670)
Purchase of intangible assets	-	(5,832)
Net cash used in investing activities	(7,346,017)	(2,245,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of share capital	(1,507,500)	-
Proceeds from debt securities issued	5,706,051	6,167,055
Redemption of debt securities issued	(5,590,490)	(5,656,100)
Dividends paid	-	(247,903)
Cash flows (used in)/from financing activities	(1,391,939)	263,052
Net decrease in cash and cash equivalents	(1,515,900)	(4,795,541)
Cash and cash equivalents at beginning of the period	10,135,404	10,968,834
Cash and cash equivalents at end of the period	8,619,504	6,173,293

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Changes in Equity for the Six-Months Period ended 30 June 2010

	Share capital	Share premium	Treasury shares	Reserve capital	Revaluation reserve for available-for-sale assets	Retained earnings	Total
KZT'000							
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	-	-	-	-	-	(3,212,274)	(3,212,274)
Other comprehensive income							
Net change in fair value of available-for-sale assets, unaudited	-	-	-	-	152,779	-	152,779
Total other comprehensive income, unaudited							
	-	-	-	-	152,779	-	152,779
Total comprehensive income, unaudited							
Transfer to reserve capital, unaudited	-	-	-	221,239	152,779	(3,212,274)	(3,059,495)
Balance at 30 June 2009, unaudited	28,920,000	12,661	(1,089,922)	2,598,418	(167,380)	(3,131,038)	27,142,739
Balance at 1 January 2010	28,920,000	12,661	(1,089,922)	2,598,418	(621,880)	(6,900,887)	22,918,390
Total comprehensive income							
Profit for the period, unaudited	-	-	-	-	-	1,059,736	1,059,736
Other comprehensive income							
Net change in fair value of available-for-sale assets, unaudited	-	-	-	-	145,000	-	145,000
Total other comprehensive income, unaudited							
	-	-	-	-	145,000	-	145,000
Total comprehensive income, unaudited							
Treasury shares acquired, unaudited	-	-	(1,507,500)	-	-	-	(1,507,500)
Balance at 30 June 2010, unaudited	28,920,000	12,661	(2,597,422)	2,598,418	(476,880)	(5,841,151)	22,615,626

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 24.

1 Background

(a) Principal activities

These consolidated interim condensed financial statements include the financial statements of Mortgage organisation Kazakhstan Mortgage Company JSC ("the Company") and its subsidiary up to the time of merge into one entity, which was registered by state authorities on 21 January 2010. The Company and its subsidiary are hereinafter, collectively, referred to as also "the Company".

The Company was established on 29 December 2000 in accordance with resolution number 469 of the National Bank of the Republic of Kazakhstan (the "NBRK") dated 20 December 2000. The principal activities of the Company are the issuance of mortgage loans in accordance with the license of regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

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

Kazipoteka was a joint stock company incorporated in the Republic of Kazakhstan and specialised in the provision of mortgage loans to individuals. 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. On 4 December 2009 the shareholders of the Company made a decision to merge Kazipoteka into Mortgage organisation Kazakhstan Mortgage Company JSC.

On 12 April 2010 the Company obtained a banking license #5.1.69 on banking lending transactions.

The Company's official address is 98, Karasay Batyr st., 050012, Almaty, Kazakhstan. The Company has a representative office in Astana.

On 4 May 2010 Moody's Investors Service downgraded the Company's long-term local currency issuer rating to B1 (31 December 2009: Ba2). On 9 June 2010 Rating Agency Regional Financial Centre of Almaty City JSC assigned to debt securities of the Company issued on Kazakhstan Stock Exchange credit ratings between BBB1 and BBB2.

(b) Shareholders

As at 30 June 2010 the Ministry of Finance of the Republic of Kazakhstan owned 99.99% (31 December 2009: 94.63% and 5.37% owned by the Ministry of Finance of the Republic of Kazakhstan and Halyk Bank of Kazakhstan JSC, respectively) of voting shares.

(c) Kazakhstan business environment

The Company'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 contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. These consolidated interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of preparation

(a) Statement of compliance

These consolidated interim condensed 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 Company as at and for the year ended 31 December 2009, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

(b) Basis of measurement

The consolidated interim condensed 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 Company's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Company. The KZT is also the Company's presentation currency for the purposes of these consolidated interim condensed 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 consolidated interim condensed 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 consolidated interim condensed financial statements the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Company's consolidated financial statements for the year ended 31 December 2009.

(e) Comparative information

Prior period reclassification

Comparative information has been reclassified to conform to changes in presentation in the current period. In the consolidated interim condensed statement of cash flows for the six-month period ended 30 June 2009 decrease in held-to-maturity investments of KZT 1,107,903 thousand and increase in available-for-sale assets of KZT 3,118,760 thousand have been reclassified from operating to investing activities.

The above reclassification does not impact the consolidated interim condensed statement of financial position, the consolidated interim condensed statement of comprehensive income and the consolidated interim condensed net result for the year or equity.

Management has considered the requirement, in the case of changes in classifications to provide three consolidated interim condensed statements of financial position and related notes, and determined that the changes in classifications do not impact the consolidated interim condensed statement of financial position.

3 Significant accounting policies

The accounting policies applied by the Company in these consolidated interim condensed financial statements are consistent with those applied by the Company in the consolidated financial statements for the year ended 31 December 2009.

4 Reversal of/(impairment) losses

	Unaudited Six-month period ended 30 June 2010 KZT'000	Unaudited Six-month period ended 30 June 2009 KZT'000
Loans to customers	593,375	(1,028,223)
Available-for-sale assets	548,575	-
Other assets	86	-
Held-to-maturity investments	(32,944)	-
	1,109,092	(1,028,223)

5 Income tax benefit

	Unaudited Six-month period ended 30 June 2010 KZT'000	Unaudited Six-month period ended 30 June 2009 KZT'000
<i>Current tax expense</i>		
Current period	-	(321)
	-	(321)
<i>Deferred tax benefit</i>		
Origination and reversal of temporary differences	14,645	950,707
Change in tax rate	-	(239,613)
	14,645	711,094
	14,645	710,773

The Company's applicable tax rate for the six-month period ended 30 June 2010 is the income tax rate of 20% for Kazakhstan companies (30 June 2009: 20%). With effect from 1 January 2009, the income tax rate for Kazakhstan companies is reduced to 20% in 2009, 17.5% in 2010 and 15% in 2011. During 2009 the Government postponed the reduction in the income tax rate for 2010. In accordance with the changes the income tax rate will remain at 20% for 2010 - 2012 and will be decreased to 17.5% for 2013 and to 15% for later years. These rates are used in the calculation of deferred tax assets and liabilities as at 30 June 2010 and as at 31 December 2009.

Reconciliation of effective tax rate:

	Unaudited Six-month period ended 30 June 2010		Unaudited Six-month period ended 30 June 2009	
	KZT'000	%	KZT'000	%
Profit/(loss) before taxes	1,045,091	100	(3,923,047)	(100)
Income tax using the applicable tax rate	(209,018)	(20)	784,609	20
Tax effect of changes in tax rate	-	-	(239,613)	(6)
Change in unrecognised deferred tax assets	65,380	6	-	-
Tax effect of non-taxable items	158,283	15	165,777	4
Total income tax benefit	14,645	1	710,773	18

5 Income tax benefit, continued

Recognised deferred tax asset

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 30 June 2010 and 31 December 2009. These deferred tax assets have been recognised in these consolidated interim condensed financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Company's ability to claim the deductions in future periods.

Movements in temporary differences during the six-month periods ended 30 June 2010 and 30 June 2009 are presented as follows:

'000 KZT	Balance 1 January 2010	Unaudited Recognised in profit or loss	Unaudited Balance 30 June 2010
Property and equipment	8,394	7,316	15,710
Other liabilities	246	7,329	7,575
	8,640	14,645	23,285

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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Unaudited 30 June 2010 KZT'000	31 December 2009 KZT'000
Deductible temporary differences	334,860	533,154
Tax loss carry-forwards	621,271	488,357
	956,131	1,021,511

The tax losses expire in 2019-2020. Deferred tax assets have not been recognised in respect of these items because management does not consider it probable that future taxable profit will be available against which the Company can utilise the benefits there from.

6 Available-for-sale assets

	Unaudited	
	30 June 2010 KZT'000	31 December 2009 KZT'000
Corporate bonds		
- issued by local banks	4,820,620	4,604,510
- issued by local companies	3,253,946	2,257,534
Total corporate bonds	8,074,566	6,862,044
Impairment allowance	(707,213)	(1,255,788)
	7,367,353	5,606,256

Corporate bonds are interest-bearing securities, issued by local companies and Banks. These securities are freely tradable in the Kazakhstan Stock Exchange, except for the bonds of Doszhan Temir Zholy JSC ("DTZ") and Rosa JSC ("Rosa").

Rosa bonds were excluded from trading on KASE from 2 October 2009 as the issuer defaulted on payments of the coupon on its debt securities in issue. The impairment provision for the bonds of Rosa remained at 100% in the amount of KZT 450,138 thousand due to no changes in the issuer's financial position.

DTZ has regularly delayed the coupon payments and again in August 2010 defaulted on the coupon payment on its debt securities in issue.

As at 30 June 2010, the Company re-estimated an impairment provision for the bonds of DTZ to be 35.2% (31 December 2009: 100%) in the amount of KZT 257,075 thousand due to improvements in the issuer's creditworthiness owing to the Government funding and which resulted in repayment by DTZ of coupon payments outstanding as at 31 December 2009.

Analysis of movements in the impairment allowance

	Six-month period ended 30 June 2010 KZT'000	Six-month period ended 30 June 2009 KZT'000
Balance at the beginning of the year	1,255,788	-
Net recovery for the period, unaudited	(548,575)	-
Balance at the end of the period, unaudited	707,213	-

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 the underlying housing real estate.

	Unaudited 30 June 2010 KZT'000	31 December 2009 KZT'000
Mortgage loans with recourse	26,857,951	28,711,414
Mortgage loans without recourse		
- with guarantee	37,007,842	37,845,182
- without guarantee	3,201,652	3,233,802
Accrued interest	628,633	506,175
	67,696,078	70,296,573
Impairment allowance	(1,674,298)	(2,268,301)
	66,021,780	68,028,272

Loans to customers carry interest at rates ranging from 7% to 19.2% per annum (31 December 2009: from 7.8% to 16% per annum).

(a) Credit quality of mortgage loans

The following table provides information on credit quality of mortgage loans as at 30 June 2010:

	Unaudited Gross loans KZT'000	Unaudited Impairment KZT'000	Unaudited Net loans KZT'000	Unaudited Impairment to gross loans %
Mortgage loans with recourse to the seller				
- Current	26,235,510	-	26,235,510	0%
- Overdue less than 30 days	548,447	-	548,447	0%
- Overdue 30-89 days	178,420	-	178,420	0%
- Overdue 90-179 days	81,477	-	81,477	0%
Mortgage loans without recourse to the seller guaranteed by the JSC Kazakhstan Fund of Guaranteeing Mortgage Loans				
- Current	29,353,736	873,264	28,480,472	3%
- Overdue less than 30 days	1,596,621	59,242	1,537,379	4%
- Overdue 30-89 days	649,822	41,023	608,799	6%
- Overdue 90-179 days	3,831,187	288,029	3,543,158	8%
- Overdue 180-360 days	724,804	75,985	648,819	10%
- Overdue more than 360 days	1,256,144	235,244	1,020,900	19%
Mortgage loans without recourse to the seller and without guarantee of JSC Kazakhstan Fund of Guaranteeing Mortgage				
- Current	2,499,485	55,108	2,444,377	2%
- Overdue less than 30 days	206,667	6,052	200,615	3%
- Overdue 30-89 days	30,322	931	29,391	3%
- Overdue 90-179 days	74,754	2,677	72,077	4%
- Overdue 180-360 days	121,259	8,279	112,980	7%
- Overdue more than 360 days	307,423	28,464	278,959	9%
	67,696,078	1,674,298	66,021,780	2%

7 Loans to customers, continued

(a) Credit quality of mortgage loans, continued

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

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Mortgage loans with recourse to the seller				
- Current	27,765,286	2,137	27,763,149	0%
- Overdue less than 30 days	537,782	2,201	535,581	0%
- Overdue 30-89 days	294,220	7,285	286,935	2%
- Overdue 90-179 days	98,567	75,018	23,549	76%
- Overdue 180-360 days	56,994	56,994	-	100%
- Overdue more than 360 days	119,357	119,357	-	100%
Mortgage loans without recourse to the seller guaranteed by the JSC Kazakhstan Fund of Guaranteeing Mortgage Loans				
- Current	33,520,199	701,722	32,818,477	2%
- Overdue less than 30 days	1,194,043	52,209	1,141,834	4%
- Overdue 30-89 days	642,909	34,125	608,784	5%
- Overdue 90-179 days	1,048,695	156,429	892,266	15%
- Overdue 180-360 days	841,089	324,737	516,352	39%
- Overdue more than 360 days	938,084	622,030	316,054	66%
Mortgage loans without recourse to the seller and without guarantee of JSC Kazakhstan Fund of Guaranteeing Mortgage				
- Current	2,236,905	47,037	2,189,868	2%
- Overdue less than 30 days	553,369	24,760	528,609	4%
- Overdue 30-89 days	127,026	4,896	122,130	4%
- Overdue 90-179 days	76,510	4,089	72,421	5%
- Overdue 180-360 days	162,506	15,607	146,899	10%
- Overdue more than 360 days	83,032	17,668	65,364	21%
	70,296,573	2,268,301	68,028,272	3%

(b) Analysis of impairment

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

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

- Mortgage loans with recourse overdue more than 60 days can be sold back by the Company at any time at their gross amount. Management believes that recourse counterparties are institutions of good reputation, with good credit standing, except for the following partners: BTA Bank JSC, JSC Subsidiary Mortgage organisation of BTA Bank "BTA Ipoteka", JSC Subsidiary organisation of BTA Bank "Temirbank", JSC Mortgage organisation "Astana-Finance", which are currently under restructuring processes.

7 Loans to customers, continued

(b) Analysis of impairment, continued

- Mortgage loans guaranteed by the State Fund Kazakhstan Fund of 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. Management assumes that the Company can recover mortgage loans guaranteed by KFGML in full through the sale of collateral.
- Other mortgage loans are subject to collective impairment assessment based on their past loss experience.

Movements in the loan impairment allowance are as follows:

	Six-month period ended 30 June 2010 KZT'000	Six-month period ended 30 June 2009 KZT'000
Loan impairment allowance as at 1 January	2,268,301	173,459
Loan impairment losses, unaudited	98,068	1,183,453
Decrease due to reversal, unaudited	(691,443)	(155,230)
Loans written-off as uncollectable, unaudited	(628)	(569)
Loan impairment allowance as at the end of the period, unaudited	1,674,298	1,201,113

As at 30 June 2010 KZT 96,623 thousand of interest was accrued on impaired loans (31 December 2009: KZT 265,076 thousand).

During the six months ended 30 June 2010, the Company renegotiated loans that were issued with recourse or guarantee that would otherwise be past due or impaired of KZT 2,626,090 thousand (31 December 2009: KZT 4,820,760 thousand), for which the Company granted a privilege period of an average of four-six months with either capitalisation of interest for the whole privilege period to a principal amount of a respective loan or immediate repayment of the accrued interest after a privilege period. This restructuring activity is aimed at managing customer relationships.

(c) Asset securitisation

The loans to customers in the amount of KZT 60,386,608 thousand (31 December 2009: KZT 58,337,466 thousand) serve as collateral for debt securities issued by the Company (Note 9). As at 30 June 2010, the carrying amount of the notes is KZT 56,946,046 thousand (31 December 2009: KZT 56,386,944 thousand).

(d) Significant credit exposures

As at 30 June 2010 and 31 December 2009, the Company has two banks with credit exposure equal to 15% and 12% of loans to customers, respectively.

8 Held-to-maturity investments

	Unaudited	
	30 June 2010 KZT'000	31 December 2009 KZT'000
Governments bonds		
Treasury bills of the Ministry of Finance of Republic of Kazakhstan	2,108,653	2,175,800
Corporate bonds		
- issued by local banks and financial institutions	12,018,012	5,971,247
- issued by local companies	1,629,806	1,117,989
Total corporate bonds	13,647,818	7,089,236
Impairment allowance	(665,944)	(633,000)
Total net corporate bonds	12,981,874	6,456,236
	15,090,527	8,632,036

As at 30 June 2010 and 31 December 2009, the Company made an impairment provision for the bonds of BTA Bank JSC and Astana-Finance JSC in the amount of KZT 165,213 thousand and KZT 500,731 thousand, respectively, due to defaults of the issuers (31 December 2009: KZT 150,000 thousand and KZT 483,000 thousand).

Analysis of movements in the impairment allowance

	Six-month period ended 30 June 2010 KZT'000	Six-month period ended 30 June 2009 KZT'000
Balance as at the beginning of the year	633,000	-
Net charge for the period, unaudited	32,944	-
Balance as at the end of the period, unaudited	665,944	-

9 Debt securities issued

Debt securities issued as at 30 June 2010 and 31 December 2009 comprised KZT denominated bonds.

Issue number	Maturity date	Coupon rate	Effective rate	Unaudited 30 June 2010 KZT'000	Effective rate	31 December 2009 KZT'000
KZPO2Y09C495	10.06.2016	0.7%+ floating inflation index (limited to 12%)	13.59%	7,309,179	16.85%	7,181,036
KZP05Y06C494	10.06.2015	3.7%+floating inflation index (limited to 11%)	20.06%	5,844,148	-	-
KZPC2Y10B547	15.01.2017	0.01%+ floating inflation index (limited to 7.5%)	12.36%	5,166,975	13.46%	3,772,962
KZ2C0Y07B224	01.04.2011	0.39%+ floating inflation index	6.99%	5,106,988	13.28%	4,205,754
KZ2C0Y07B307	01.10.2011	0.1%+ floating inflation index	6.46%	5,105,112	12.71%	5,095,561
KZPC1Y10B543	10.04.2015	6.9%	7.25%	5,007,700	7.25%	5,001,727
KZ2C0Y10B319	01.10.2014	0.1%+ floating inflation index	7.74%	4,902,515	16.68%	4,870,304
KZP04Y04C492	15.07.2013	10.2%	19.87%	4,194,254	18.52%	4,091,496
KZP03Y05C491	01.12.2012	11%	13.08%	3,946,912	13.08%	4,800,090
KZPC4Y12B547	10.04.2017	0.01%+ floating inflation index (limited to 7.5%)	6.46%	3,741,929	7.08%	5,092,747
KZ2C0Y10B079	01.04.2014	0.5%+ floating inflation index	10.94%	2,709,888	13.38%	3,002,133
KZ2C0Y10A980	01.04.2014	1%+ floating inflation index	11.66%	2,686,438	14.13%	2,976,110
KZ2C0Y10A857	01.10.2013	0.8%+ floating inflation index	7.40%	1,224,008	13.70%	1,220,409
KZPC2Y05B145	01.03.2010	5.69%	-	-	7.98%	5,076,615
				56,946,046		56,386,944

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 7) of KZT 60,386,608 thousand (31 December 2009: KZT 58,337,466 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 Company has not had any defaults of principal, interest or other breaches with respect to its debt securities during six months ended 30 June 2010 and the year ended 31 December 2009.

The bonds of the Company are included in the category "rated debt securities (the highest category)" of the Kazakhstan Stock Exchange.

10 Other borrowed funds

	Unaudited 30 June 2010 KZT'000	31 December 2009 KZT'000
Loan from foreign financial institutions	14,673,703	14,742,847
Due to the Government of the Republic of Kazakhstan	9,024,457	9,019,946
	23,698,160	23,762,793

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. On 4 December 2009 the Company has repaid the principal of this loan at the amount of KZT 2,980,179 thousand.

In December 2007 the Company received a USD denominated loan from Credit Suisse International in the amount of USD 85 million at an interest rate of 7.4% per annum that was arranged by Credit Suisse London branch. In February 2008 the Company received an additional USD 15 million 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 changes 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 installments 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.

According to another amendment signed on 15 December 2009 the interest rate increased from 6.4% to 7.7% per annum and a knockout exchange rate of JPY:USD changed to 79.75:1.

11 Share capital

(a) Issued capital and share premium

As at 30 June 2010 and 31 December 2009 authorised share capital comprised 2,906,200 ordinary shares issued and outstanding share capital comprised 2,892,000 shares. All shares have a nominal value of KZT 10,000.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory consolidated interim condensed financial statements prepared in accordance with IFRSs or profit for the period if there is an accumulated loss brought forward. As at 30 June 2010 the Company had negative retained earnings, including the profit for the current year, of KZT 5,841,151 thousand (31 December 2009: KZT 6,900,887 thousand).

During the six-month period ended 30 June 2010 and the year ended 31 December 2009, no dividends were declared to the Company's shareholders.

11 Share capital, continued

(c) Treasury shares

As at 30 June 2010 the Company held 249,990 of its own shares (31 December 2009: 99,990).

On 14 December 2009 JSC Halyk Bank made a proposal to the Company to buy back its 150,000 shares. On 19 March 2010 the Company repurchased 150,000 of its shares priced at 10,050 tenge per share, which increase the amount of treasury shares held by the Company as at 30 June 2010 to KZT 2,597,422 thousand (31 December 2009: KZT 1,089,922 thousand).

(d) Reserve capital

In accordance with the Law of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan", the Company should establish a capital reserve. At 30 June 2010 and 31 December 2009, the capital reserve amounted to KZT 2,598,418 thousand. This reserve is non-distributable.

(e) Basic and diluted earnings/(loss) per share

Basic and diluted earnings per share for six-month period ended 30 June 2010 is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the period. The following table shows the profit and share data used in the basic and diluted earnings per share calculations:

	Unaudited Six-month period ended 30 June 2010	Unaudited Six-month period ended 30 June 2009
Net profit/(loss), in thousand of KZT	1,059,736	(3,212,274)
Weighted average number of ordinary shares	2,711,177	2,792,010
Basic and diluted earnings per share, in KZT	391	(1,151)

12 Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 "Segment Reporting". The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Executive Chairman, only receives and reviews the information on the Company as a whole.

13 Financial risk management

Management of risk is fundamental to the mortgage business and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

As at 30 June 2010 there were no significant changes in relation to market and liquidity risks since 31 December 2009.

14 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company's property or relating to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Company.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years but under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

15 Related party transactions

(a) Transactions with the members of the Management Board

Total remuneration included in employee compensation:

	Unaudited Six-month period ended 30 June 2010 KZT'000	Unaudited Six-month period ended 30 June 2009 KZT'000
Members of the Board of Directors	3,103	11,866
Members of the Management Board	28,814	32,761
	31,917	44,627

The above amounts include non-cash benefits in respect of the members of the Management Board.

The outstanding balances and average interest rates as at 30 June 2010 and 31 December 2009 with the members of the Management Board as follows:

	Unaudited 30 June 2010 KZT'000	Average interest rate	31 December 2009 KZT'000	Average interest rate
Consolidated interim condensed statement of financial position				
ASSETS				
Loans to customers	5,776	7.00%	94,208	7.79%

Amounts included in profit or loss in relation to transactions with the members of the Management Board are as follows:

	Unaudited Six-month period ended 30 June 2010 KZT'000	Unaudited Six-month period ended 30 June 2009 KZT'000
Consolidated interim condensed statement of comprehensive income		
Interest income	956	2,833

(b) Transaction with other related parties

Other related parties include the Ministry of Finance of the Republic of Kazakhstan and State organisations. The amounts below are included in the consolidated interim condensed statement of financial position and consolidated interim condensed statement of comprehensive income for transactions with related parties as at 30 June 2010 and 31 December 2009:

	Unaudited, 30 June 2010 KZT'000	Unaudited, 30 June 2010 KZT'000	Unaudited, 30 June 2009 KZT'000	Unaudited, 30 June 2009 KZT'000
	Ministry of Finance	State organisations	Ministry of Finance	State organisations
Interest income	52,855	-	40,276	-
Interest expense	(14,897)	-	(15,174)	-
Net gain on financial instruments at fair value through profit or loss	65	-	1,238	-

15 Related party transactions, continued

(b) Transaction with other related parties, continued

The balances with related parties as at 30 June 2010 include:

	Ministry of Finance		State organizations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Cash and cash equivalents	-	-	5,221,316	-
Financial instruments at fair value through profit or loss	-	-	20,485	6.27
Held-to maturity investments	2,108,653	5.50	-	-
Deferred tax assets	-	-	23,285	-
Current tax asset	-	-	395,079	-
Other borrowed funds	9,024,457	0.10	-	-
Other liabilities	-	-	80,137	-

The balances with related parties as at 31 December 2009 include:

	Ministry of Finance		State organizations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Cash and cash equivalents	-	-	1,694,318	-
Financial instruments at fair value through profit or loss	-	-	20,424	6.27
Held-to maturity investments	2,175,800	5.50	-	-
Deferred tax assets	-	-	8,640	-
Current tax asset	-	-	281,474	-
Other borrowed funds	9,019,946	0.10	-	-
Other liabilities	-	-	72,559	-