

Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Unconsolidated Interim
Condensed Financial Statements
for the Six-Month Period ended
30 June 2013

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Independent Auditors' Report on review of Unconsolidated Interim Condensed Financial Information

To the Board of Directors and Management Board of Mortgage organisation Kazakhstan Mortgage Company JSC

Introduction

We have reviewed the accompanying unconsolidated interim condensed statement of financial position of Mortgage organisation Kazakhstan Mortgage Company JSC (the "Company") as at 30 June 2013, and the related unconsolidated interim condensed income statement and unconsolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the unconsolidated interim financial information (the "unconsolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this unconsolidated 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 unconsolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of unconsolidated 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 31 December 2012, 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 effects of this departure from International Financial Reporting Standards on derivative liability, other borrowed funds, accumulated losses as at 31 December 2012, accumulated losses as at 30 June 2012, net gain on financial instruments at fair value through profit or loss, income tax benefit, loss for the period, total comprehensive loss for the period and basic loss per share for the six-month periods ended 30 June 2013 and 30 June 2012 have not been determined.

Basis for Qualified Conclusion, continued

As described in the Note 8 to the unconsolidated interim condensed financial information, during the six-month period ended 30 June 2012 the Company revised certain assumptions applied to estimate the impairment losses on its loans to customers which resulted in recovery of impairment losses for the six-month period ended 30 June 2012. Due to limitations of the accounting records of the Company these revisions cannot be linked to underlying changes of that period. In accordance with International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*, impairment losses should be measured using historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions. The effects of this departure from International Financial Reporting Standards on accumulated losses, impairment recoveries, taxation, loss for the period, total comprehensive loss and basic loss per share as at and for the six-month period ended 30 June 2012 have not been determined.

Qualified Conclusion

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the unconsolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC

KPMG Audit LLC

23 July 2013



Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Income Statement for the six-month period ended 30 June 2013

		Unaudited Six-month period ended 30 June 2013 KZT'000	Unaudited Restated Six-month period ended 30 June 2012 KZT'000
Interest income	4	3,490,896	3,766,619
Interest expense	4	(4,211,090)	(4,301,659)
Net interest expense		(720,194)	(535,040)
Fee and commission income		2,901	1,650
Fee and commission expense		(6,673)	(6,813)
Net fee and commission expense		(3,772)	(5,163)
Loss from debt extinguishment	11	(3,689,198)	-
Net gain on available-for-sale financial assets		-	3,205
Net foreign exchange loss		(1,914)	(86,445)
Other income		21,067	22,510
Operating loss		(4,394,011)	(600,933)
Impairment (losses) recoveries	5	(186,187)	1,050,440
General administrative expenses		(609,653)	(551,145)
Loss before income tax		(5,189,851)	(101,638)
Income tax benefit	6	976,637	-
Loss for the period		(4,213,214)	(101,638)
Basic loss per share, in KZT	12(c)	(1,595)	(38)

These unconsolidated interim condensed financial statements as set out on pages 5 to 24 were approved by Management on 23 July 2013 and were signed on its behalf by:



Ibadullayev A.A.
Chairman of the Management Board

Toktarkozha A.T.
Chief Accountant

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Comprehensive Income for the six-month period ended 30 June 2013

	Unaudited Six-month period ended 30 June 2013 KZT'000	Unaudited Restated Six-month period ended 30 June 2012 KZT'000
Loss for the period	(4,213,214)	(101,638)
Other comprehensive loss, net of income tax		
Revaluation reserve for available-for-sale financial assets:		
Net change in fair value of available-for-sale financial assets	(262,178)	(332,386)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	(3,205)
Other comprehensive loss for the period, net of income tax	(262,178)	(335,591)
Total comprehensive loss for the period	(4,475,392)	(437,229)

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Financial Position as at 30 June 2013

	Note	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
ASSETS			
Cash and cash equivalents	7	4,921,982	13,680,358
Placements with banks and other financial institutions		11,523,962	12,521,213
Available-for-sale financial assets		10,073,862	10,242,198
Loans to customers	8	48,541,797	51,472,092
Held-to-maturity investments		12,131,105	12,559,883
Current tax asset		685,460	628,864
Property and equipment		1,824,411	1,656,732
Investment property		807,468	663,719
Investments in subsidiary		799,027	799,027
Deferred tax asset	6	2,204,235	2,424,963
Assets held for sale		-	1,337,929
Other assets	9	1,553,827	254,293
Total assets		95,067,136	108,241,271
EQUITY AND LIABILITIES			
Debt securities issued		51,732,408	51,140,625
Subordinated debt securities issued	10	9,648,077	4,473,652
Other borrowed funds	11	17,344,146	30,610,965
Other liabilities		249,622	146,617
Total liabilities		78,974,253	86,371,859
Equity			
Share capital		28,920,000	28,920,000
Share premium		12,661	12,661
Treasury shares		(2,597,522)	(2,597,422)
Additional paid-in capital		5,800,796	6,998,161
Reserve capital		2,734,447	2,630,820
Revaluation reserve for available-for-sale financial assets		(879,994)	(617,816)
Accumulated losses		(17,897,505)	(13,476,992)
Total equity		16,092,883	21,869,412
Total equity and liabilities		95,067,136	108,241,271

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2013

	Unaudited Six months ended 30 June 2013 KZT'000	Unaudited Six months ended 30 June 2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax for the period	(5,189,851)	(101,638)
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	38,002	52,097
Impairment losses (recoveries)	186,187	(1,050,440)
Interest income	(3,490,896)	(3,766,619)
Interest expense	4,211,090	4,301,659
Loss from debt extinguishment	3,689,198	-
Net foreign exchange loss	1,914	86,445
Net gain on available-for-sale financial assets	-	(3,205)
Loss from disposal of investment property	-	1,361
	(554,356)	(480,340)
(Increase) decrease in operating assets		
Placements with banks and other financial institutions	1,005,302	(634,134)
Loans to customers	2,631,108	1,899,407
Assets held for sale	109,083	-
Other assets	(317,386)	(78,182)
Increase (decrease) in operating liabilities		
Other liabilities	124,018	(22,837)
Cash flow from operating activities before interest and income tax paid	2,997,769	683,914
Income tax paid	(56,596)	(87,043)
Interest received	3,472,260	4,091,326
Interest paid	(2,701,784)	(3,580,881)
Cash flows from operating activities	3,711,649	1,107,316

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2013

	Unaudited Six months ended 30 June 2013 KZT'000	Unaudited Six months ended 30 June 2012 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of held-to-maturity investments	390,000	-
Proceeds from sale of available-for-sale financial assets	-	972,687
Acquisition of available-for-sale financial assets	-	(2,212,459)
Purchase of property and equipment	(205,491)	-
Proceeds from sale of investment property	-	7,713
Net cash from (used in) investing activities	184,509	(1,232,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt securities issued	-	14,009
Repurchase/redemption of debt securities issued	(430,467)	(478,297)
Proceeds from placement of subordinated debt	5,049,402	-
Repayment of other borrowed funds	(17,169,697)	-
Purchase of treasury shares	(100)	-
Dividends paid	(103,672)	-
Cash flows used in financing activities	(12,654,534)	(464,288)
Net decrease in cash and cash equivalents	(8,758,376)	(589,031)
Cash and cash equivalents at beginning of the period	13,680,358	3,453,838
Cash and cash equivalents at end of the period	4,921,982	2,864,807

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2013

	Share capital	Share premium	Treasury shares	Additional paid in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
KZT'000								
Balance at 1 January 2012	28,920,000	12,661	(2,597,422)	6,998,161	2,630,820	(94,228)	(13,684,291)	22,185,701
Total comprehensive income								
Loss for the period, unaudited, restated	-	-	-	-	-	-	(101,638)	(101,638)
Other comprehensive loss								
Net change in fair value of available-for-sale financial assets, unaudited	-	-	-	-	-	(332,386)	-	(332,386)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, unaudited	-	-	-	-	-	(3,205)	-	(3,205)
Total other comprehensive loss for the period, unaudited								
	-	-	-	-	-	(335,591)	-	(335,591)
Total comprehensive loss for the period, unaudited, restated								
	-	-	-	-	-	(335,591)	(101,638)	(437,229)
Balance at 30 June 2012, unaudited, restated	28,920,000	12,661	(2,597,422)	6,998,161	2,630,820	(429,819)	(13,785,929)	21,748,472
Balance at 1 January 2013	28,920,000	12,661	(2,597,422)	6,998,161	2,630,820	(617,816)	(13,476,992)	21,869,412
Total comprehensive income								
Loss for the period, unaudited	-	-	-	-	-	-	(4,213,214)	(4,213,214)
Other comprehensive loss								
Net change in fair value of available-for-sale financial assets, unaudited	-	-	-	-	-	(262,178)	-	(262,178)
Total other comprehensive loss for the period, unaudited								
	-	-	-	-	-	(262,178)	-	(262,178)
Total comprehensive loss for the period, unaudited								
	-	-	-	-	-	(262,178)	(4,213,214)	(4,475,392)
Dividends declared (Note 12(a))	-	-	-	-	-	-	(103,672)	(103,672)
Recognition of previously unrecognised deferred tax liability (Note 6)	-	-	-	(1,197,365)	-	-	-	(1,197,365)
Purchase of ordinary shares	-	-	(100)	-	-	-	-	(100)
Transfer to reserve capital (Note 12(b))	-	-	-	-	103,627	-	(103,627)	-
Balance at 30 June 2013, unaudited	28,920,000	12,661	(2,597,522)	5,800,796	2,734,447	(879,994)	(17,897,505)	16,092,883

The unconsolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated interim condensed financial

1 Background

(a) Principal activities

The Mortgage Organisation Kazakhstan Mortgage Company JSC (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 activity of the Company is the issuance of mortgage loans in accordance with the license of regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

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

The activities of the Company are regulated by the Committee for the control and supervision of the financial market and financial organisations of the NBRK (the “FMSC”) and the NBRK.

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

Under the realisation of the Program “Affordable Housing-2020” the Company established a subsidiary company, United Payment Systems LLC (state registration certificate of a legal entity № 1266-1910-02-TOO dated 9 July 2012). The main functions of the subsidiary are communications with potential lessees, conclusion of rent and utilities (maintenance) agreements, collection and arrangement of lease payments and payments relating to servicing of current mortgage transactions, and control over completeness and timeliness of cash flows.

United Payment Systems LLC established a subsidiary in the form of the joint-stock company, Kazakhstan Housing Construction Corporation JSC (state registration certificate of a legal entity № 1559-1910-02-AO dated 6 August 2012). In accordance with the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012 the main functions of the subsidiary are organisation and holding of necessary tenders, engineering supervision on all stages of construction, acceptance and setting into exploitation, and once it finished, supporting of transfer of leased property to the Company.

(b) Shareholders

As at 30 June 2013 and 31 December 2012 the Committee of the State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan owned 100.00% and 99.99% of the Company’s voting shares, respectively.

On 1 June 2012 the Committee transferred the rights of possession and use, without the right of disposal for 1,202,004 of the Company’s voting shares (41.56% out of the total number of issued and outstanding shares) to the Committee for Construction, Housing and Utilities.

(c) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. The unconsolidated 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 unconsolidated interim condensed financial statements are 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 unconsolidated financial statements of the Company as at and for the year ended 31 December 2012, as these unconsolidated interim condensed financial statements provide an update of previously reported financial information.

The Company also prepares consolidated interim condensed financial statements for the six-month period ended 30 June 2013 in accordance with IAS 34 that can be obtained from the Company's head office at 98, Karasay Batyr st., Almaty, Kazakhstan.

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency of the Company is the Kazakhstan Tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these unconsolidated interim condensed financial statements.

Except as indicated, financial information presented in KZT is 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements for the year ended 31 December 2012.

(e) Change in application of accounting policy

During the preparation of unconsolidated financial statements as at and for the year ended 31 December 2012, management of the Company reassessed accounting treatment of the initial recognition of the loan from the Ministry of Finance of the Republic of Kazakhstan received in 2007, affecting 30 June 2012 corresponding figures. The comparative information has also been restated to conform to changes in presentation in the current period.

2 Basis of preparation, continued

(e) Change in application of accounting policy, continued

At receipt, in December 2007, the loan was initially recognised at nominal value as it had been considered repayable on demand due to certain contractual conditions imposed by the lender. In 2012 the Company reassessed the probability of meeting these conditions and concluded that the conditions had been met at the date of receipt of the loan, as they were closely aligned with the Company's operating objectives. Accordingly, the Company reassessed the loan as being repayable on its contractual maturity, in December 2027. The fair value of the loan at initial recognition was therefore re-estimated by discounting the contractual future cash flows on the loan using management's estimate of a long term market borrowing rate for the Company. This borrowing rate of 8% was estimated with reference to the effective interest rates on the Company's other fixed rate borrowings in December 2007.

The resulting difference of KZT 6,998,161 thousand between the fair value of the proceeds received and the fair value of the loan obligation was recorded as additional paid-in capital with effect from 26 December 2007. Interest expense was also re-calculated for all the periods affected.

The effect of the change in application of accounting policy on the corresponding figures can be summarised as follows:

KZT'000	As previously reported	Effect of the change in application of accounting policy	As restated
Income statement for the six-month period ended 30 June 2012			
Interest expense	(4,195,032)	(106,627)	(4,301,659)
Net interest expense	(428,413)	(106,627)	(535,040)
Operating loss	(494,306)	(106,627)	(600,933)
Loss before income tax	4,989	(106,627)	(101,638)
Loss for the period	4,989	(106,627)	(101,638)
Statement of comprehensive income for the six-month period ended 30 June 2012			
Total comprehensive loss for the period	(330,602)	(106,627)	(437,229)
	(330,602)	(106,627)	(437,229)
Statement of changes in equity for the six-month period ended 30 June 2012			
Additional paid-in capital as at 30 June 2012	-	6,998,161	6,998,161
Accumulated losses as at 30 June 2012	(12,990,580)	(795,349)	(13,785,929)
Total equity as at 30 June 2012	15,545,660	6,202,812	21,748,472
Statement of cash flows for the six-month period ended 30 June 2012			
Loss before income tax	4,989	(106,627)	(101,638)
<i>Adjustments for non-cash items:</i>			
Interest expense	4,195,032	106,627	4,301,659
Cash flows from operations	1,107,316	-	1,107,316

3 Significant accounting policies

The accounting policies applied by the Company in these unconsolidated interim condensed financial statements are consistent with those applied by the Company in the unconsolidated financial statements for the year ended 31 December 2012.

Certain new standards and improvements to IFRS became effective from 1 January 2013 and have been adopted by the Company since that date. These changes do not have a significant effect on the unconsolidated interim condensed financial statements.

3 Significant accounting policies, continued

- IFRS 12 *Disclosure of Interests in Other Entities* introduced disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.
- IFRS 13 *Fair Value Measurement* replaced the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards.

4 Net interest expense

	Unaudited Six-month period ended 30 June 2013 KZT'000	Unaudited Restated Six-month period ended 30 June 2012 KZT'000
Interest income		
Loans to customers	2,360,723	2,614,005
Available-for-sale financial assets	454,143	462,798
Placements with banks and other financial institutions	385,359	336,159
Held-to-maturity investments	250,601	353,657
Other assets	40,070	-
	3,490,896	3,766,619
Interest expense		
Debt securities issued	(2,937,454)	(3,500,211)
Other borrowed funds	(803,936)	(801,448)
Subordinated debt securities issued	(325,303)	-
Other assets (recognition of discount)	(144,397)	-
	(4,211,090)	(4,301,659)
	(720,194)	(535,040)

5 Impairment (losses) recoveries

	Unaudited Six-month period ended 30 June 2013 KZT'000	Unaudited Six-month period ended 30 June 2012 KZT'000
Loans to customers (Note 8)	(203,187)	821,000
Available-for-sale financial assets	14,767	119,436
Held-to-maturity investments	649	83,427
Other assets	1,584	26,577
	(186,187)	1,050,440

6 Income tax benefit

	Unaudited Six-month period ended 30 June 2013 KZT'000	Unaudited Restated Six-month period ended 30 June 2012 KZT'000
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	976,637	-
Total income tax benefit	976,637	-

In 2013, the applicable tax rate for current and deferred tax is 20% (2012: 20%).

Reconciliation of effective tax rate:

	Unaudited Six-month period ended 30 June 2013		Unaudited Restated Six-month period ended 30 June 2012	
	KZT'000	%	KZT'000	%
Loss before income tax	(5,189,851)	100	(101,638)	100
Income tax at the applicable tax rate	1,037,970	20	20,328	20
Tax effect of non-taxable items	(61,333)	(1)	(20,328)	(20)
Total income tax benefit	976,637	19	-	-

Deferred tax asset and liability

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 2013 and 31 December 2012. These deferred tax assets are recognised in these unconsolidated 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.

The deductible temporary differences do not expire under current tax legislation. The tax losses carry-forward expire in 2019-2023.

As at 30 June 2013, the Company has recognised net deferred tax asset of KZT 2,204,235 thousand arising from tax losses carried forward. Management believes that the Company will be able to earn sufficient future taxable profit based on the realisation of the government programme "Affordable housing - 2020" under the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012. The significant assumptions used by management in estimating the amount of deferred tax asset to be recognised remain unchanged since 31 December 2012.

During the six-month period ended 30 June 2013 the Company has recognised a deferred tax liability related to the equity component of a low interest rate loan received from the shareholder in prior periods. The transfer was made directly in equity and was not done on a retrospective basis since it was not considered significant to comparative information.

6 Income tax benefit, continued

Deferred tax asset and liability, continued

Movement in temporary differences during the six-month periods ended 30 June 2013 and 2012 are presented as follows:

KZT'000	Balance 1 January 2013	Unaudited Recognised in profit or loss	Unaudited Recognised in additional paid-in capital	Unaudited Balance 30 June 2013
Property and equipment	29,279	(28,327)	-	952
Loans to customers	10,517	81,029	-	91,546
Other assets	-	20,865	-	20,865
Other borrowed funds	-	-	(1,197,365)	(1,197,365)
Interest expense accrued	-	41,816	-	41,816
Tax losses carried-forward	2,385,167	861,254	-	3,246,421
	<u>2,424,963</u>	<u>976,637</u>	<u>(1,197,365)</u>	<u>2,204,235</u>

KZT'000	Balance 1 January 2012	Unaudited Recognised in profit or loss	Unaudited Balance 30 June 2012
Property and equipment	21,091	-	21,091
Loans to customers	(44,612)	-	(44,612)
	<u>(23,521)</u>	<u>-</u>	<u>(23,521)</u>

7 Cash and cash equivalents

	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
Nostro accounts with other banks		
- rated BBB	-	24
- rated BB	527,231	119,040
- rated BB-	249,198	2,038
- rated B+	198,920	35,092
- rated B	1,919	10,019
- rated B-	42,385	10,112
Total nostro accounts with other banks	<u>1,019,653</u>	<u>176,325</u>
Term deposits with other banks		
- rated BB	-	3,301,128
- rated BB-	-	3,901,250
- rated B-	3,902,329	6,301,655
Total term deposits with other banks	<u>3,902,329</u>	<u>13,504,033</u>
Total cash and cash equivalents	<u>4,921,982</u>	<u>13,680,358</u>

Credit ratings are presented by Standard&Poor's scale.

None of cash and cash equivalents are impaired or past due.

As at 30 June 2013 the Company has one bank (31 December 2012: four banks) whose balance exceed 10% of equity. The gross value of these balances as at 30 June 2013 is KZT 3,902,329 thousand (31 December 2012: KZT 13,504,033 thousand).

8 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 2013 KZT'000	31 December 2012 KZT'000
Mortgage loans with recourse	14,153,600	16,209,558
Mortgage loans without recourse	37,879,507	38,566,076
Accrued interest	475,228	571,228
Gross loans to customers	52,508,335	55,346,862
Impairment allowance	(3,966,538)	(3,874,770)
Net loans to customers	48,541,797	51,472,092

(a) Credit quality of mortgage loans

The following table provides information on credit quality of mortgage loans as at 30 June 2013:

	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				
- not overdue	13,994,575	-	13,994,575	-
- overdue less than 30 days	203,290	-	203,290	-
- overdue 30-89 days	42,773	-	42,773	-
Total mortgage loans with recourse to the seller	14,240,638	-	14,240,638	-
Mortgage loans without recourse to the seller				
- not overdue	31,727,709	(53,670)	31,674,039	0.17
- overdue less than 30 days	903,065	(31,089)	871,976	3.44
- overdue 30-89 days	342,437	(101,657)	240,780	29.69
- overdue 90-179 days	430,797	(288,462)	142,335	66.96
- overdue more than 180 days	4,863,689	(3,491,660)	1,372,029	71.79
Total mortgage loans without recourse to the seller	38,267,697	(3,966,538)	34,301,159	10.37
Total loans to customers	52,508,335	(3,966,538)	48,541,797	7.55

8 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 2012:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans, %
Mortgage loans with recourse to the seller				
- not overdue	16,092,730	-	16,092,730	-
- overdue less than 30 days	129,641	-	129,641	-
- overdue 30-89 days	77,729	-	77,729	-
- overdue 90-179 days	7,970	-	7,970	-
Total mortgage loans with recourse to the seller	16,308,070	-	16,308,070	-
Mortgage loans without recourse to the seller				
- not overdue	32,410,963	(71,590)	32,339,373	0.22
- overdue less than 30 days	937,102	(76,151)	860,951	8.13
- overdue 30-89 days	452,513	(120,090)	332,423	26.54
- overdue 90-179 days	232,097	(133,082)	99,015	57.34
- overdue more than 180 days	5,006,117	(3,473,857)	1,532,260	69.39
Total mortgage loans without recourse to the seller	39,038,792	(3,874,770)	35,164,022	9.93
Total loans to customers	55,346,862	(3,874,770)	51,472,092	7.00

(b) Analysis of impairment

As at 30 June 2013, the significant assumptions used in determining impairment losses for mortgage loans are the same as those that applied to the Company's unconsolidated financial statements for the year ended 31 December 2012.

During the six-month period ended 30 June 2012 the Company applied revised assumptions used in determining impairment losses for mortgage loans compared to those applied to the Company's financial statements for the year ended 31 December 2011, such as follows:

- The historical period for calculation of migration rates was decreased from 12 to 6 months;
- Discount rates applied to determine recoverable values of collateral at foreclosure were reduced by 10% in average.

Movements in the loan impairment allowance are as follows:

	Six-month period ended 30 June 2013 KZT'000	Six-month period ended 30 June 2012 KZT'000
Balance at the beginning of the period	3,874,770	4,216,880
Net charge (recovery) for the period, unaudited	203,187	(821,000)
Write-offs of loans, unaudited	(111,418)	(64,745)
Balance at the end of the period, unaudited	3,966,538	3,331,135

8 Loans to customers, continued

(c) Repossessed property

During the six-month period ended 30 June 2013, the Company obtained certain assets by taking possession of collateral for loans to retail customers. As at 30 June 2013, the carrying amount of such assets was KZT 925,146 thousand (31 December 2012: KZT 2,082,258 thousand), which consisted of investment property of KZT 807,468 thousand (31 December 2012: KZT 663,719 thousand) and other assets of KZT 117,678 thousand (31 December 2012: KZT 80,610 thousand and of assets held for sale of KZT 1,337,929 thousand).

9 Other assets

	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
Receivable from sale of assets held-for-sale	1,128,536	-
Other	425,291	250,072
	1,553,827	250,072

One-year receivable due from one individual under sale of assets held-for-sale has been recognised at amortised cost in the unconsolidated interim condensed statement of financial position, reflecting fair value of the receivable at origination in 2013. Fair value was assessed using an estimated market rate of interest of 12% p.a. Discount of KZT 144,398 thousand arising at initial recognition was recognised as interest expense in the unconsolidated interim condensed income statement.

10 Subordinated debt securities issued

Emission	Maturity date	Coupon rate	Effective rate	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
KZ2C0Y05E206	02.04.2017	8.00%	9.99%	9,648,077	4,473,652
				9,648,077	4,473,652

11 Other borrowed funds

	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
Loan from Kazakh bank	14,306,514	14,306,514
Due to the Government of the Republic of Kazakhstan	3,037,632	2,918,936
Loan from foreign financial institution	-	13,385,515
	17,344,146	30,610,965

On 10 January 2013 the Company fully repaid a loan from Atonline Limited for the total amount of USD 108,889 thousand. The loss recognised as a result of this ahead-of-schedule repayment is KZT 3,689,198 thousand.

12 Equity

(a) 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 financial statements prepared in accordance with IFRSs or profit for the period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency. As at 30 June 2013 no reserves were available for distribution (31 December 2012: KZT 207,299 thousand).

During six-month period ended 30 June 2013 dividends of KZT 103,672 thousand relating to the previous year results of the Company were declared and paid (six-month period ended 30 June 2012: nil).

(b) Reserve capital

The Company has established a capital reserve in accordance with the decision of shareholders. At 30 June 2013 the capital reserve amounted to KZT 2,734,447 thousand (31 December 2012: KZT 2,630,820 thousand). This statutory reserve is available for distribution.

During six-month period ended 30 June 2013, the shareholders made a transfer of KZT 103,627 thousand from accumulated losses to this statutory reserve capital (six-month period ended 30 June 2012: nil).

(c) Basic loss per share

The calculation of basic loss per share is based on the profit or loss for the period attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period.

	Unaudited Six-month period ended 30 June 2013	Unaudited Restated Six-month period ended 30 June 2012
Loss for the period, in thousand of KZT	(4,213,214)	(101,638)
Weighted average number of ordinary shares	2,642,000	2,642,010
Basic loss per share, in KZT	(1,595)	(38)

13 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 Chairman of the Management Board, only receives and reviews the information on the Company as a whole.

14 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 2013 there were no significant changes in relation to market and liquidity risks since 31 December 2012. Changes in credit risks in relation to loans to customers are disclosed in Note 8.

15 Related party transactions

(a) Transactions with the members of the Management Board and Board of Directors

Total remuneration included in employee compensation:

	Unaudited Six-month period ended 30 June 2013 KZT'000	Unaudited Six-month period ended 30 June 2012 KZT'000
Members of the Board of Directors	4,056	4,555
Members of the Management Board	34,580	19,664
	38,636	24,219

The above amounts include non-cash benefits in respect of the members of the Management Board. The outstanding balances and average interest rates as of 30 June 2013 and 31 December 2012 with the members of the Management Board are as follows:

	Unaudited 30 June 2013 KZT'000	Average interest rate	31 December 2012 KZT'000	Average interest rate
Unconsolidated Interim Condensed Statement of Financial Position				
Loans to customers	47,416	7.3%	42,737	7.8%

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 2013 KZT'000	Unaudited Six-month period ended 30 June 2012 KZT'000
Unconsolidated Interim Condensed Income Statement		
Interest income	1,693	622

(b) Transactions with other related parties

Other related parties include the Ministry of Finance of the Republic of Kazakhstan and other state organisations.

The amounts below are included in the unconsolidated interim condensed statement of financial position as at 30 June 2013 and 31 December 2012 and unconsolidated interim condensed income statement and unconsolidated interim condensed statement of comprehensive income for the six-month periods ended 30 June 2013 and 2012:

15 Related party transactions, continued

(b) Transactions with other related parties, continued

	Unaudited, Six-month period ended 30 June 2013	Unaudited, Six-month period ended 30 June 2013	Unaudited, Six-month period ended 30 June 2013	Unaudited, Restated Six-month period ended 30 June 2012	Unaudited, Six-month period ended 30 June 2012
	Ministry of Finance KZT'000	Other state organisations KZT'000	Subsidiaries of the Company KZT'000	Ministry of Finance KZT'000	Other state organisations KZT'000
Unconsolidated Interim Condensed Income Statement					
Interest income	69,080	134,425	-	58,335	90,456
Interest expense	(118,696)	(1,086,151)	-	(4,510)	(1,339,261)
Impairment recoveries	-	14,767	-	-	119,436
General administrative expenses	(73,027)	(50,763)	(34,865)	(57,761)	(55,084)
Income tax benefit	976,637	-	-	-	-
Unconsolidated Interim Condensed Statement of Comprehensive Income					
Other Comprehensive Income					
Net change in fair value of available-for-sale financial assets	(41,358)	-	-	(129,310)	-

The balances with related parties as at 30 June 2013 include:

	Unaudited Ministry of Finance		Unaudited Other state organisations		Unaudited Subsidiaries of the Company	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks	-	-	4,226,565	7.0	-	-
Available-for-sale financial assets	1,385,347	2.9	357,501	6.4	-	-
Held-to maturity investments	2,012,354	3.5	-	-	-	-
Investments in subsidiary	-	-	-	-	799,027	-
Deferred tax asset	2,204,234	-	-	-	-	-
Current tax asset	685,460	-	-	-	-	-
Other assets	1,223	-	7,407	-	172,080	-
Debt securities issued	-	-	18,921,463	11.4	-	-
Subordinated debt securities issued	-	-	241,202	-	-	-
Other borrowed funds	3,037,632	-	-	-	-	-
Other liabilities	60	-	983	-	30,176	-

15 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as of 31 December 2012 include:

	Ministry of Finance		State organisations		Subsidiaries of the Company	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks	-	-	3,919,493	7.0	-	-
Available-for-sale financial assets	1,380,457	2.9	357,501	6.4	-	-
Held-to maturity investments	2,081,120	3.5	-	-	-	-
Investment in subsidiary	-	-	-	-	799,027	-
Deferred tax asset	2,424,963	-	-	-	-	-
Current tax asset	628,864	-	-	-	-	-
Other assets	1,794	-	119,636	-	11,228	-
Debt securities issued	-	-	18,826,919	11.4	-	-
Subordinated debt securities issued	-	-	89	12.0	-	-
Other borrowed funds	2,918,936	8.0	-	-	-	-
Other liabilities	22,626	-	1,450	-	8,534	-
Revaluation reserve for available-for-sale financial assets	(270,604)	-	-	-	-	-

16 Capital management

The following table shows the composition of the capital position calculated in accordance with the NBRK statutory rules.

	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
Tier 1 capital		
Share capital	26,335,139	26,335,239
General reserves	2,734,447	2,630,820
Additional paid-in capital	5,800,796	6,998,161
Intangible assets	(92)	(390)
Statutory accumulated losses	(18,519,951)	(15,067,442)
Total tier 1 capital	16,350,339	20,896,388
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	(879,994)	(617,816)
Subordinated debt securities issued	3,528,093	2,440,773
Net profit for the current year in accordance with NBRK requirements	-	968,004
Total tier 2 capital	2,648,099	2,790,961
Investments in subsidiaries	(799,027)	(799,027)
Total capital	18,199,411	22,888,322
Total statutory assets	94,654,771	107,618,824
Credit risk weighted assets and contingent liabilities	78,642,032	91,727,939
Operational risk	51,453	51,453
k1 ratio	17%	19%
k1-2 ratio	21%	23%
k1-3 ratio	23%	25%

16 Capital management, continued

As at 30 June 2013 and 31 December 2012 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

The Company also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the Company’s capital position calculated in accordance with the requirement of the Basle Accord, as at 30 June 2013 and 31 December 2012:

	Unaudited 30 June 2013 KZT'000	31 December 2012 KZT'000
Tier 1 capital		
Share capital	26,335,139	26,335,239
General reserves	2,734,447	2,630,820
Additional paid-in capital	5,800,796	6,998,161
Accumulated losses	(17,955,985)	(13,536,186)
Total tier 1 capital	16,914,397	22,428,034
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	(879,994)	(617,816)
Total tier 2 capital	(879,994)	(617,816)
Total capital	16,034,403	21,810,218
Risk-weighted assets		
Banking book	88,042,811	87,285,428
Trading book	3,573,504	9,845,494
Total risk weighted assets	91,616,315	97,130,922
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	18%	22%
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	18%	23%

17 Events after the reporting date

On 9 July 2013 the shareholder transferred KZT 14,014,900 thousand as a contribution to share capital of the Company in accordance with the Decree of the Government of the Republic of Kazakhstan #821 dated 21 June 2012 “On approval of the program “Affordable Housing – 2020”.