



Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Consolidated Interim
Condensed Financial Statements
for the Six-Month Period ended
30 June 2014

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Independent Auditors' Report on review of Consolidated 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 consolidated interim condensed statement of financial position of Mortgage organisation Kazakhstan Mortgage Company JSC and its subsidiaries (the "Group") as at 30 June 2014, and the related consolidated interim condensed income statement and consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim financial information (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 the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2014 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

The Group restated comparative information in the consolidated interim condensed financial information as at and for the six-month period ended 30 June 2013 to recognise a foreign currency derivative embedded in a loan payable that previously was not separated and measured at fair values as required by International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. In our review report dated 23 July 2013 on the consolidated interim condensed financial information of the Group as at and for the six-month ended 30 June 2013 we expressed a qualified conclusion on this matter.

Also during the six-month period ended 30 June 2013 the Group identified and adjusted prior period errors relating to measurement at initial recognition of fair values of certain held-to-maturity investments and available-for-sale assets and impairment of an investment in subsidiary.

The effect of the above adjustments is presented in Note 2(e) to the consolidated interim condensed financial information. As part of our review of the consolidated interim condensed financial information as at and for the six-month period ended 30 June 2014, we have reviewed the adjustments described in Note 2(e) to the consolidated interim condensed financial information that were applied to restate the consolidated interim condensed financial information as at and for the six-month period ended 30 June 2013. In our conclusion, such adjustments are appropriate and have been properly applied.

KPMG



KPMG Audit LLC

30 July 2014

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Income Statement for the six-month period ended 30 June 2014

| | | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Restated Six-month period ended 30 June 2013 KZT'000 |
|---|-------|---|---|
| Interest income | 4 | 7,553,726 | 3,549,225 |
| Interest expense | 4 | (5,758,774) | (4,112,151) |
| Net interest income (expense) | | 1,794,952 | (562,926) |
| Fee and commission income | | 890 | 2,901 |
| Fee and commission expense | | (114,489) | (6,763) |
| Net fee and commission expense | | (113,599) | (3,862) |
| Net foreign exchange gain (loss) | | 48,277 | (17,439) |
| Other income | | 59,525 | 20,606 |
| Operating income (loss) | | 1,789,155 | (563,621) |
| Impairment recoveries (losses) | 5 | 12,229 | (186,187) |
| Personnel expenses | | (483,367) | (372,612) |
| General administrative expenses | | (230,827) | (229,850) |
| Income (loss) before income tax | | 1,087,190 | (1,352,270) |
| Income tax (expense) benefit | 6 | (81,283) | 976,637 |
| Income (loss) for the period | | 1,005,907 | (375,633) |
| Basic earnings (loss) per share, in KZT | 11(c) | 197 | (142) |

These consolidated interim condensed financial statements as set out on pages 5 to 28 were approved by Management on 30 July 2014 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
Consolidated Interim Condensed Statement of Comprehensive Income for the six-month period ended 30 June 2014

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Restated Six-month period ended 30 June 2013 KZT'000 |
|---|---|---|
| Income (loss) for the period | 1,005,907 | (375,633) |
| Other comprehensive income, net of income tax | | |
| Revaluation reserve for available-for-sale financial assets: | | |
| Net change in fair value of available-for-sale financial assets | (120,399) | (270,597) |
| Other comprehensive income for the period, net of income tax | (120,399) | (270,597) |
| Total comprehensive income (loss) for the period | 885,508 | (646,230) |

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2014

| | Note | Unaudited 30 June 2014 KZT'000 | 31 December 2013 KZT'000 |
|---|------|--------------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 12,983,890 | 8,546,337 |
| Placements with banks and other financial institutions | 7 | 44,869,047 | 17,581,157 |
| Available-for-sale financial assets | | 9,752,318 | 8,992,960 |
| Loans to customers | 8 | 86,780,954 | 98,882,264 |
| Held-to-maturity investments | | 10,858,245 | 10,422,796 |
| Current tax asset | | 994,600 | 810,316 |
| Property and equipment | | 1,613,329 | 1,645,998 |
| Investment property | | 1,644,320 | 1,418,827 |
| Deferred tax asset | 6 | 1,952,481 | 2,033,764 |
| Other assets | 9 | 6,240,571 | 3,752,185 |
| Total assets | | 177,689,755 | 154,086,604 |
| EQUITY AND LIABILITIES | | | |
| Debt securities issued | 10 | 88,488,920 | 80,057,711 |
| Subordinated debt securities issued | | 9,735,634 | 9,666,887 |
| Other borrowed funds | | 28,684,111 | 28,550,720 |
| Other liabilities | | 5,896,743 | 6,006,247 |
| Total liabilities | | 132,805,408 | 124,281,565 |
| Equity | 11 | | |
| Share capital | | 58,113,800 | 43,920,000 |
| Share premium | | 12,661 | 12,661 |
| Treasury shares | | (2,597,522) | (2,597,522) |
| Additional paid-in capital | | 5,822,856 | 5,822,856 |
| Reserve capital | | 2,734,447 | 2,734,447 |
| Revaluation reserve for available-for-sale financial assets | | (585,606) | (465,207) |
| Accumulated losses | | (18,616,289) | (19,622,196) |
| Total equity | | 44,884,347 | 29,805,039 |
| Total equity and liabilities | | 177,689,755 | 154,086,604 |

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2014

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Restated Six-month period ended 30 June 2013 KZT'000 |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) before income tax | 1,087,190 | (1,352,270) |
| <i>Adjustments for non-cash items:</i> | | |
| Depreciation and amortisation | 35,620 | 47,210 |
| Impairment (recoveries) losses | (12,229) | 186,187 |
| Interest income | (7,553,726) | (3,549,225) |
| Interest expense | 5,758,774 | 4,112,151 |
| Net foreign exchange (gain) loss | (48,277) | 17,439 |
| | (732,648) | (538,508) |
| (Increase) decrease in operating assets | | |
| Placements with banks and other financial institutions | (26,439,811) | 1,005,302 |
| Loans to customers | 15,240,998 | 2,631,108 |
| Other assets | (2,769,987) | (143,620) |
| Increase (decrease) in operating liabilities | | |
| Other liabilities | (568,430) | 137,480 |
| Cash flow (used in) from operating activities before interest and income tax paid | (15,269,878) | 3,091,762 |
| Income tax paid | (184,284) | (56,596) |
| Interest received | 7,165,385 | (2,701,784) |
| Interest paid | (4,222,560) | 3,472,260 |
| Cash flows (used in) from operating activities | (12,511,337) | 3,805,642 |

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2014

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Restated Six-month period ended 30 June 2013 KZT'000 |
|--|--|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Redemption of held-to-maturity investments | - | 390,000 |
| Sale of available-for-sale financial assets | 471,509 | - |
| Acquisition of available-for-sale financial assets | (1,186,321) | - |
| Purchase of property and equipment | (3,276) | (211,660) |
| Purchase of intangible assets | (1,460) | - |
| Proceeds from sale of investment property | 95,217 | - |
| Cash flows (used in) from investing activities | (624,331) | 178,340 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from shares issued | 14,193,800 | - |
| Proceeds from debt securities issued | 6,896,272 | - |
| Repurchase/redemption of debt securities issued | (3,874,205) | (430,467) |
| Receipts 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 from (used in) financing activities | 17,215,867 | (12,654,534) |
| Net increase (decrease) in cash and cash equivalents | 4,080,199 | (8,670,552) |
| Effect of changes in exchange rates on cash and cash equivalents | 357,354 | - |
| Cash and cash equivalents at beginning of the period | 8,546,337 | 13,826,675 |
| Cash and cash equivalents at end of the period | 12,983,890 | 5,156,123 |

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements.

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2014

| | 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 as at 1 January 2013 | 28,920,000 | 12,661 | (2,597,422) | 6,998,161 | 2,630,820 | (340,097) | (19,582,593) | 16,041,530 |
| Total comprehensive income | | | | | | | | |
| Loss for the period, restated, unaudited | - | - | - | - | - | - | (375,633) | (375,633) |
| Other comprehensive income | | | | | | | | |
| Net change in fair value of available-for-sale financial assets, restated, unaudited | - | - | - | - | - | (270,597) | - | (270,597) |
| Total other comprehensive income for the period, restated, unaudited | | | | | | | | |
| Total comprehensive loss for the year, restated, unaudited | | | | | | | | |
| Dividends declared | - | - | - | - | - | (270,597) | - | (270,597) |
| Recognition of previously unrecognised deferred tax liability | - | - | - | (1,197,365) | - | - | - | (1,197,365) |
| Purchase of ordinary shares | - | - | (100) | - | - | - | - | (100) |
| Transfer to reserve capital | - | - | - | - | 103,627 | - | (103,627) | - |
| Balance at 30 June 2013, restated, unaudited | 28,920,000 | 12,661 | (2,597,522) | 5,800,796 | 2,734,447 | (610,694) | (20,165,525) | 14,094,163 |
| Balance at 1 January 2014 | 43,920,000 | 12,661 | (2,597,522) | 5,822,856 | 2,734,447 | (465,207) | (19,622,196) | 29,805,039 |
| Total comprehensive income | | | | | | | | |
| Income for the period, unaudited | - | - | - | - | - | - | 1,005,907 | 1,005,907 |
| Other comprehensive income | | | | | | | | |
| Net change in fair value of available-for-sale, unaudited | - | - | - | - | - | (120,399) | - | (120,399) |
| Total other comprehensive income for the period, unaudited | | | | | | | | |
| Total comprehensive income for the period, unaudited | | | | | | | | |
| Increase in share capital | 14,193,800 | - | - | - | - | (120,399) | 1,005,907 | 885,508 |
| Balance at 30 June 2014, unaudited | 58,113,800 | 12,661 | (2,597,522) | 5,822,856 | 2,734,447 | (585,606) | (18,616,289) | 44,884,347 |

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.

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 fully-owned subsidiaries, United Payment Systems LLC and Kazakh Housing and Construction Corporation JSC (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 (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 National Bank of the Republic of Kazakhstan.

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). The main functions of the subsidiary are organisation and holding tenders (biddings) for development of design and estimate documentation, construction and installation works, selection of a contracting construction and mounting organization, support in carrying out state expert reviews, organisation of construction of rental houses, project finance, financing of construction of rental houses, engineering supervision on all stages of construction, acceptance and setting of houses into exploitation.

(b) Shareholders

As at 30 June 2014 National Management Holding Baiterek JSC (“Baiterek”) and the Committee of the State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan owned 72.70659% and 27.29340% of the Company’s voting shares, respectively.

As at 31 December 2013 Baiterek owned 97.62168% of the Company’s voting shares.

(c) Kazakhstan business environment

The Group’s operations are primarily located in Kazakhstan. Consequently, the Group 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 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 Group. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated 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 consolidated financial statements of the Group as at and for the year ended 31 December 2013, 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, available-for-sale financial assets and investment property are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Company and its subsidiaries 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 consolidated 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 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 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 2013.

(e) Correction of errors

During the preparation of consolidated condensed interim financial statements as at and for the period ended 30 June 2014, management of the Group identified errors affecting 30 June 2013 corresponding figures.

(i) *Recognition of previously unrecognised derivative embedded in a loan payable to a foreign organisation*

During the year ended 31 December 2013 management decided to restate prior period financial information to recognise as required by IAS 39 *Financial Instruments: Recognition and Measurement* a foreign currency derivative instrument that was embedded in the loan payable to Credit Suisse International. As a result, the Group recognised a financial liability at fair value through profit or loss of KZT 2,897,804 thousand and KZT 2,951,358 thousand as at 31 December 2011 and 2012, respectively.

2 Basis of preparation, continued

(e) Correction of errors, continued

(i) *Recognition of previously unrecognised derivative embedded in a loan payable to a foreign organisation, continued*

Fair value of the derivative was calculated using a model based on the forward knock out derivative model. The forward knock out derivative model is based on a forward contract with a specified delivery price maturing at a specified time with an attached barrier. The forward feature ceases to exist as soon as the underlying spot price reaches this barrier.

In December 2012 the Group took a decision to terminate the loan agreement and sent an official notice to the counterparty. On 10 January 2013 the loan was repaid in full. To reflect the change in expected cash flows of the loan, all its components including the embedded derivative were recognised at terminal values as at 31 December 2012. The Group has also made a reversal of previously accrued loss from debt extinguishment of KZT 3,689,198 thousand related to ahead-of-schedule repayment of the loan and accrued interest expense of KZT 98,939 thousand for the six-month period ended 30 June 2013.

(ii) *Initial recognition of financial assets available-for-sale and held-to-maturity instruments at fair value*

In 2010 the Group acquired fixed coupon bonds of Bank of America Corp and Goldman Sachs Group Inc for the nominal value of USD 23,500 thousand. These bonds were classified as held to maturity and measured at amortised cost in the consolidated financial statements. During the year ended 31 December 2013 management adjusted the fair value of these bonds at initial recognition. The fair value recalculated using market quotes for similar instruments at acquisition period was estimated at USD 10,221 thousand.

The comparative information for the six-month period ended 30 June 2013 presented in the consolidated condensed interim financial statements for the six-month period ended 30 June 2014 is therefore adjusted to measure the bonds at their fair value on initial recognition and to recognise a loss equal to the difference between the fair value on initial recognition and the transaction price. Interest income and net foreign exchange loss were adjusted by KZT 49,910 thousand and KZT 15,525 thousand for the six-month period ended 30 June 2013.

During 2013 management also adjusted the value at initial recognition of certain domestic bonds purchased in 2009 and 2011. These bonds are classified as available-for-sale assets in the Group's consolidated financial statements. The Group therefore recognised a loss in the total amount of KZT 300,185 thousand in profit or loss at initial recognition. As a result, interest income and net change in fair value of available-for-sale financial assets were understated by KZT 8,419 thousand for the six-month period ended 30 June 2013.

2 Basis of preparation, continued

(e) Correction of errors, continued

(ii) *Initial recognition of financial assets available-for-sale and held-to-maturity instruments at fair value, continued*

The effect of the above correction of errors on the comparative figures can be summarised as follows:

| KZT'000 | Unaudited As previously reported | Unaudited Correction of errors | Unaudited As restated |
|---|--|--------------------------------------|--------------------------|
| Consolidated interim condensed income statement for the six-month period ended 30 June 2013 | | | |
| Interest income | 3,490,896 | 58,329 | 3,549,225 |
| Interest expense | (4,211,090) | 98,939 | (4,112,151) |
| Net interest expense | (720,194) | 157,268 | (562,926) |
| Loss from debt extinguishment | (3,689,198) | 3,689,198 | - |
| Net foreign exchange loss | (1,914) | (15,525) | (17,439) |
| Other income | 17,556 | 3,050 | 20,606 |
| Operating loss | (4,397,612) | 3,833,991 | (563,621) |
| General administrative expenses | (605,338) | 2,876 | (602,462) |
| Loss before income tax | (5,189,137) | 3,836,867 | (1,352,270) |
| Loss for the period | (4,212,500) | 3,836,867 | (375,633) |
| Consolidated interim condensed statement of comprehensive income for the six-month period ended 30 June 2013 | | | |
| Revaluation reserve for available-for-sale financial assets: | | | |
| - Net change in fair value of available-for-sale financial assets | (262,178) | (8,419) | (270,597) |
| Other comprehensive loss for the period | (262,178) | (8,419) | (270,597) |
| Total comprehensive loss for the period | (4,474,678) | 3,828,448 | (646,230) |
| Consolidated interim condensed statement of cash flows for the six-month period ended 30 June 2013 | | | |
| Loss before income tax | (5,189,137) | 3,836,867 | (1,352,270) |
| <i>Adjustments for non-cash items:</i> | | | |
| Interest income | (3,490,896) | (58,329) | (3,549,225) |
| Interest expense | 4,211,090 | (98,939) | 4,112,151 |
| Net foreign exchange loss | 1,914 | 15,525 | 17,439 |
| Loss from debt extinguishment | 3,689,198 | (3,689,198) | - |
| Other liabilities | 143,406 | (5,926) | 137,480 |
| Consolidated interim condensed statement of changes in equity for the six-month period ended 30 June 2013 | | | |
| Revaluation reserve for available-for-sale financial assets as at 30 June 2013 | (879,994) | 269,300 | (610,694) |
| Accumulated losses as at 30 June 2013 | (17,955,985) | (2,209,540) | (20,165,525) |
| Total equity as at 30 June 2013 | 16,034,403 | (1,940,240) | 14,094,163 |

3 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2013.

Certain new standards and improvements to IFRS became effective from 1 January 2014 and have been adopted by the Group since that date. These changes do not have a significant effect on the consolidated interim condensed financial statements.

- Amendments to IAS 32 *Financial Instruments, Disclosure and Presentation* further clarify the definition of a legally enforceable right to set off the financial assets and liabilities conditional on the fact that the right is not contingent on a future event; and enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy if the entity and of the counterparties.

4 Net interest income (expense)

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Restated Six-month period ended 30 June 2013 KZT'000 |
|--|--|--|
| Interest income | | |
| Loans to customers | 4,914,288 | 2,360,723 |
| Placements with banks and other financial institutions | 1,652,830 | 385,359 |
| Available-for-sale financial assets | 410,620 | 462,562 |
| Held-to-maturity investments | 305,723 | 300,511 |
| Reverse repurchase agreements | 207,915 | - |
| Other assets | 62,350 | 40,070 |
| | 7,553,726 | 3,549,225 |
| Interest expense | | |
| Debt securities issued | (4,000,104) | (2,937,454) |
| Other borrowed funds | (1,210,191) | (704,997) |
| Subordinated debt securities issued | (468,747) | (325,303) |
| Other assets (recognition of discount) | (79,732) | (144,397) |
| | (5,758,774) | (4,112,151) |
| | 1,794,952 | (562,926) |

5 Impairment recoveries (losses)

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Six-month period ended 30 June 2013 KZT'000 |
|-------------------------------------|--|--|
| Loans to customers (Note 8) | (100,000) | (203,187) |
| Available-for-sale financial assets | 111,591 | 14,767 |
| Held-to-maturity investments | 699 | 649 |
| Other assets | (61) | 1,584 |
| | 12,229 | (186,187) |

During six-month period ended 30 June 2014 the Group sold bonds of Doszhan Temir Zholy JSC for the total amount of KZT 488,777 thousand. As at the selling date the carrying value of the bonds net of impairment allowance comprised KZT 377,185 thousand

6 Income tax (expense) benefit

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | Unaudited Six-month period ended 30 June 2013 KZT'000 |
|---|--|--|
| Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance | (81,283) | 976,637 |
| Total income tax (expense) benefit | (81,283) | 976,637 |

In 2014, the applicable tax rate for current and deferred tax is 20% (2013: 20%).

Reconciliation of effective tax rate:

| | Unaudited Six-month period ended 30 June 2014 KZT'000 | % | Unaudited Restated Six-month period ended 30 June 2013 KZT'000 | % |
|--|---|------------|---|--------------|
| Income (loss) before income tax | 1,087,190 | 100 | (1,352,270) | (100) |
| Income tax at the applicable tax rate | (217,438) | (20) | 270,454 | 20 |
| Change in unrecognised deferred tax assets | - | - | 890,515 | 66 |
| Tax effect of non-taxable items | 136,155 | 13 | (184,332) | (14) |
| Total income tax (expense) benefit | (81,283) | (7) | 976,637 | 72 |

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 2014 and 31 December 2013. These deferred tax assets are 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 Group'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 2014, the Group has recognised net deferred tax asset of KZT 1,952,481 thousand arising from tax losses carried forward (31 December 2013: KZT 2,033,764 thousand). Management believes that the Group 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 2013.

6 Income tax (expense) benefit, continued

Movement in temporary differences during the six-month periods ended 30 June 2014 and 2013 are presented as follows:

| KZT'000 | Balance 1 January 2014 | Unaudited Recognised in profit or loss | Unaudited Balance 30 June 2014 |
|-------------------------------------|------------------------------|--|--------------------------------------|
| Property and equipment | (19,078) | (7,960) | (27,038) |
| Held-to-maturity investments | 334,784 | 52,300 | 387,084 |
| Other assets | 6,691 | 3,477 | 10,168 |
| Debt securities issued | 246,550 | 102,090 | 348,640 |
| Subordinated debt securities issued | 39,556 | - | 39,556 |
| Other borrowed funds | (1,128,410) | 25,495 | (1,102,915) |
| Other liabilities | 17,875 | -4,669 | 22,544 |
| Tax losses carried-forward | 2,535,796 | (261,354) | 2,274,442 |
| | 2,033,764 | (81,283) | 1,952,481 |

| KZT'000 | Balance 1 January 2013 | Restated Unaudited Recognised in profit or loss | Unaudited Recognised in additional paid-in capital | Restated Unaudited Balance 30 June 2013 |
|---|------------------------------|--|---|--|
| Loans to customers | 10,517 | 81,029 | - | 91,546 |
| Held-to-maturity investments | 347,725 | (6,471) | - | 341,254 |
| Property and equipment | 29,279 | (28,327) | - | 952 |
| Other assets | - | 20,865 | - | 20,865 |
| Other borrowed funds | - | - | (1,197,365) | (1,197,365) |
| Financial liability at fair value through profit or loss | 608,408 | (608,408) | - | - |
| Other liabilities | - | 41,816 | - | 41,816 |
| Tax losses carried-forward | 2,319,549 | 585,618 | - | 2,905,167 |
| | 3,315,478 | 86,122 | (1,197,365) | 2,204,235 |
| Unrecognised deferred tax asset | (890,515) | 890,515 | - | - |
| | 2,424,963 | 976,637 | (1,197,365) | 2,204,235 |

7 Placement with banks and other financial institutions

| | Unaudited 30 June 2014 KZT'000 | 31 December 2013 KZT'000 |
|---------------------------------------|--------------------------------------|--------------------------------|
| - rated BBB- | 10,180,894 | 2,012,274 |
| - rated BB+ | 5,714,800 | - |
| - rated B+ | 5,116,402 | 5,011 |
| - rated B | 12,610,885 | 6,328,233 |
| - rated B- | 9,228,806 | 7,020,350 |
| - rated CCC | - | 200,000 |
| - not rated | 2,017,260 | 2,015,289 |
| Total term deposits with banks | 44,869,047 | 17,581,157 |

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

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

7 Placement with banks and other financial institutions, continued

As at 30 June 2014 the Group placed term deposits at interest rates up to 9% per annum (31 December 2013: up to 9%) with maturity dates between July 2014 to August 2015 (31 December 2013: March 2014 to April 2015).

As at 30 June 2014 the Group has four banks (31 December 2013: two banks) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2014 is KZT 28,775,024 thousand (31 December 2013: KZT 8,118,250 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 KZT and USD 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 2014 KZT'000 | 31 December 2013 KZT'000 |
|---------------------------------|--------------------------------------|--------------------------------|
| Mortgage loans with recourse | 21,882,258 | 23,026,670 |
| Mortgage loans without recourse | 67,495,620 | 78,347,951 |
| Accrued interest | 700,200 | 840,990 |
| Gross loans to customers | 90,078,078 | 102,215,611 |
| Impairment allowance | (3,297,124) | (3,333,347) |
| Net loans to customers | 86,780,954 | 98,882,264 |

(a) Credit quality of mortgage loans

The following table provides information on credit quality of mortgage loans as at 30 June 2014:

| | 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 | 18,846,250 | - | 18,846,250 | - |
| - overdue less than 30 days | 2,181,840 | - | 2,181,840 | - |
| - overdue 30-89 days | 803,623 | - | 803,623 | - |
| - overdue 90-179 days | 96,874 | - | 96,874 | - |
| - overdue 180-360 days | 321,409 | - | 321,409 | - |
| Total mortgage loans with recourse to the seller | 22,249,996 | - | 22,249,997 | - |
| Mortgage loans without recourse to the seller | | | | |
| - not overdue | 61,477,129 | (52,772) | 61,424,357 | 0.09 |
| - overdue less than 30 days | 908,591 | (35,056) | 873,535 | 3.86 |
| - overdue 30-89 days | 950,298 | (79,445) | 870,853 | 8.36 |
| - overdue 90-179 days | 505,295 | (198,029) | 307,266 | 39.19 |
| - overdue 180-360 days | 333,123 | (223,071) | 110,052 | 66.96 |
| - overdue more than 360 days | 3,653,646 | (2,708,751) | 944,895 | 74.14 |
| Total mortgage loans without recourse to the seller | 67,828,082 | (3,297,124) | 64,530,958 | 4.86 |
| Total loans to customers | 90,078,078 | (3,297,124) | 86,780,954 | 3.66 |

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 2013:

| | Gross loans KZT'000 | Impairment KZT'000 | Net loans KZT'000 | Impairment to gross loans, % |
|--|------------------------|-----------------------|----------------------|------------------------------------|
| Mortgage loans with recourse to the seller | | | | |
| - not overdue | 20,575,250 | - | 20,575,250 | - |
| - overdue less than 30 days | 1,000,235 | - | 1,000,235 | - |
| - overdue 30-89 days | 576,896 | - | 576,896 | - |
| - overdue 90-179 days | 1,378,151 | - | 1,378,151 | - |
| Total mortgage loans with recourse to the seller | 23,530,532 | - | 23,530,532 | - |
| Mortgage loans without recourse to the seller | | | | |
| - not overdue | 73,469,676 | (53,332) | 73,416,344 | 0.07 |
| - overdue less than 30 days | 436,950 | (10,341) | 426,609 | 2.37 |
| - overdue 30-89 days | 350,515 | (67,899) | 282,616 | 19.37 |
| - overdue 90-179 days | 386,935 | (207,303) | 179,632 | 53.58 |
| - overdue 180-360 days | 306,596 | (216,208) | 90,388 | 70.52 |
| - overdue more than 360 days | 3,734,407 | (2,778,264) | 956,143 | 74.40 |
| Total mortgage loans without recourse to the seller | 78,685,079 | (3,333,347) | 75,351,732 | 4.24 |
| Total loans to customers | 102,215,611 | (3,333,347) | 98,882,264 | 3.26 |

(b) Key assumptions and judgements for estimating loan impairment

As at 30 June 2014, the significant assumptions used in determining impairment losses for mortgage loans are the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2013.

Movements in the loan impairment allowance are as follows:

| | Six-month period ended 30 June 2014 KZT'000 | Six-month period ended 30 June 2013 KZT'000 |
|--|--|--|
| Balance at the beginning of the period | 3,333,347 | 3,874,770 |
| Net charge (recovery) for the period, unaudited | 100,000 | 203,187 |
| Write-offs of loans, unaudited | (136,223) | (111,418) |
| Balance at the end of the period, unaudited | 3,297,124 | 3,966,539 |

9 Other assets

| | Unaudited 30 June 2014 KZT'000 | 31 December 2013 KZT'000 |
|--|--------------------------------------|--------------------------------|
| Receivable from sale of assets held for sale | 1,083,858 | 1,168,780 |
| Receivables on loan acquisition transactions | 922,329 | 651,106 |
| Other receivables | 48,345 | 48,000 |
| Total other financial assets | 2,054,532 | 1,867,886 |
| Construction in progress | 3,664,740 | 1,442,518 |
| Foreclosed property | 270,612 | 364,478 |
| Other prepayments | 211,733 | 20,596 |
| Inventory | 25,720 | 16,348 |
| Intangible assets | 3,323 | 3,424 |
| Other | 16,227 | 43,072 |
| Impairment allowance | (6,316) | (6,137) |
| Total other non-financial assets | 4,186,039 | 1,884,299 |
| Total other assets | 6,240,571 | 3,752,185 |

Construction in progress represents capitalised costs incurred by the Group during construction of residential real estate in different regions of Kazakhstan under 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 Group will lease out the constructed real estate under finance lease terms approved in this programme. As at 30 June 2014, the largest construction project relates to construction of micro district “Nursat” located in Shymkent, Kazakhstan, in the amount of KZT 1,916,518 thousand.

10 Debt securities issued

Debt securities issued as at 30 June 2014 comprised USD and KZT denominated bonds.

| Emission | Maturity date | Coupon rate | Effective rate | Unaudited 30 June 2014 KZT'000 | 31 December 2013 KZT'000 |
|--------------|---------------|---|----------------|--------------------------------------|--------------------------------|
| KZ2C0Y05E529 | 26-Jul-18 | 6.0% | 6.02% | 26,547,195 | 22,286,912 |
| KZ2C0Y07E517 | 26-Jul-20 | 8.5% | 8.57% | 10,341,846 | 6,225,653 |
| KZPO2Y09C495 | 10-Jun-16 | 0.70%+floating inflation index (limited to 12.00%) | 15.10% | 8,810,652 | 8,546,538 |
| KZ2C0Y05E503 | 26-Jul-18 | 8.0% | 8.09% | 8,174,893 | 5,028,854 |
| KZ2C0Y08D913 | 23-Dec-18 | 1.00%+ NBRK refinancing rate (limited to maximum 10.00%, minimum 6.00%) | 12.86% | 7,894,664 | 7,732,522 |
| KZP05Y06C494 | 10-Dec-15 | 3.70%+floating rate (limited to 11%) | 16.46% | 7,460,711 | 7,177,013 |
| KZ2C0Y10B319 | 1-Oct-14 | 0.1%+floating inflation index | 7.35% | 5,065,254 | 5,029,547 |
| KZPC1Y10B543 | 10-Apr-15 | 6.90% | 7.26% | 5,064,553 | 5,056,579 |
| KZPC2Y12B547 | 10-Apr-17 | 0.01%+floating inflation index (limited to 7.5%) | 6.13% | 4,674,222 | 4,667,571 |
| KZPC4Y10B547 | 15-Jan-17 | 0.01%+floating inflation index (limited to 7.50%) | 10.79% | 4,447,809 | 4,367,471 |
| KZ2C0Y08E218 | 2-Apr-20 | 7.0% | 7.00% | 7,121 | 7,121 |
| KZ2C0Y10A980 | 1-Apr-14 | 1.00%+floating inflation index | 6.55% | - | 1,966,167 |
| KZ2C0Y10B079 | 1-Apr-14 | 0.50%+floating inflation index | 5.89% | - | 1,965,763 |
| | | | | 88,488,920 | 80,057,711 |

11 Equity

(a) Issued capital and share premium

During the six-month period ended 30 June 2014 the Company issued 1,419,380 ordinary shares at their nominal value of KZT 10 thousand.

As at 30 June 2014 and 31 December 2013 authorised share capital comprises 13,681,600 ordinary shares, respectively, and issued and outstanding share capital comprises 5,811,380 and 4,392,000 shares, respectively. All shares have a nominal value of KZT 10 thousand.

(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 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 2014 KZT 1,005,907 thousand reserve was available for distribution (31 December 2013: KZT 167,696 thousand).

During six-month period ended 30 June 2014 no dividend were declared and paid (six-month period ended 30 June 2013: KZT 103,672 thousand).

(c) Basic income (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 2014 | Unaudited Restated Six-month period ended 30 June 2013 |
|--|--|--|
| Income (loss) for the period, in thousand of KZT | 1,005,907 | (375,633) |
| Weighted average number of ordinary shares | 5,106,974 | 2,642,000 |
| Basic earnings (loss) per share, in KZT | 197 | (142) |

12 Risk management

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

As at 30 June 2014 there were no significant changes in relation to market and liquidity risks since 31 December 2013. Changes in credit risks in relation to placements with banks and other financial institutions and loans to customers are disclosed in Note 7 and Note 8, respectively.

12 Risk management, continued

(a) Currency risk

The following table shows the foreign currency exposure structure of monetary financial assets and liabilities as at 30 June 2014:

| KZT'000 | Unaudited USD |
|---|-------------------|
| Assets | |
| Cash and cash equivalents | 2,445,692 |
| Placement with banks and other financial institutions | 7,743,204 |
| Loans to customers | 16,019,323 |
| Held-to-maturity investments | 2,379,889 |
| Other assets | 713,162 |
| Total financial assets | 29,301,270 |
| Liabilities | |
| Debt securities issued | 26,547,195 |
| Other liabilities | 2,675,638 |
| Total financial liabilities | 29,222,833 |
| Net on and off balance sheet position as at 30 June 2014 | 78,437 |
| Net on and off balance sheet position as at 31 December 2013 | (298,775) |

The following table shows the foreign currency exposure structure of monetary financial assets and liabilities as at 31 December 2013:

| KZT'000 | USD |
|---|-------------------|
| Assets | |
| Cash and cash equivalents | 151,695 |
| Placement with banks and other financial institutions | 2,304,150 |
| Loans to customers | 19,609,311 |
| Held-to-maturity investments | 1,942,271 |
| Other assets | 188,723 |
| Total financial assets | 24,196,150 |
| Liabilities | |
| Debt securities issued | 22,286,912 |
| Other liabilities | 2,208,013 |
| Total financial liabilities | 24,494,925 |
| Net on and off balance sheet position as at 31 December 2013 | (298,775) |

(b) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated interim condensed statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated interim condensed statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

12 Risk management, continued

(b) Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 30 June 2014:

| KZT'000 Unaudited | Gross amounts of recognised financial asset/liability | Gross amount of recognised financial liability/asset offset in the consolidated interim condensed statement of financial position | Net amount of financial assets/liabilities presented in the consolidated interim condensed statement of financial position |
|---|--|---|---|
| Types of financial assets/ liabilities | Gross amounts of recognised financial asset/liability | Gross amount of recognised financial liability/asset offset in the consolidated interim condensed statement of financial position | Net amount of financial assets/liabilities presented in the consolidated interim condensed statement of financial position |
| Loans to customers | 28,743,861 | (2,220,299) | 26,523,562 |
| Total financial assets | 28,743,861 | (2,220,299) | 26,523,562 |
| Interest strip payable | (2,220,299) | 2,220,299 | - |
| Total financial liabilities | (2,220,299) | 2,220,299 | - |

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

| KZT'000 | Gross amounts of recognised financial asset/liability | Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position | Net amount of financial assets/liabilities presented in the consolidated statement of financial position |
|---|--|--|--|
| Types of financial assets/ liabilities | Gross amounts of recognised financial asset/liability | Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position | Net amount of financial assets/liabilities presented in the consolidated statement of financial position |
| Loans to customers | 30,037,389 | (2,487,536) | 27,549,853 |
| Total financial assets | 30,037,389 | (2,487,536) | 27,549,853 |
| Interest strip payable | (2,487,536) | 2,487,536 | - |
| Total financial liabilities | (2,487,536) | 2,487,536 | - |

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated interim condensed statement of financial position that are disclosed in the above tables are measured in the consolidated interim condensed statement of financial position on the following basis:

- loans to customers – amortised cost
- interest strip payable – amortised cost.

The amounts in the above tables that are offset in the consolidated interim condensed statement of financial position are measured on the same basis.

12 Risk management, continued

(b) Offsetting financial assets and financial liabilities, continued

The table below reconciles the “Net amounts of financial assets and financial liabilities presented in the consolidated interim condensed statement of financial position”, as set out above, to the line items presented in the consolidated interim condensed statement of financial position as at 30 June 2014.

| KZT'000 Unaudited | | Line item in the Consolidated interim condensed statement of financial position | Carrying amount in the Consolidated interim condensed statement of financial position | Financial asset/ liability not in the scope of offsetting disclosure | Note |
|--|----------------|---|--|---|------|
| Types of financial assets/liabilities | Net amounts | | | | |
| Loans to customers | 26,523,562 | Loans to customers | 86,780,954 | 60,257,392 | 8 |
| Interest strip payable | - | Other liabilities | 5,897,938 | 5,897,938 | - |

The table below reconciles the “Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2013.

| KZT'000 | | Line item in the Consolidated statement of financial position | Carrying amount in the Consolidated statement of financial position | Financial asset/ liability not in the scope of offsetting disclosure | Note |
|---|----------------|---|--|---|------|
| Types of financial assets/liabilities | Net amounts | | | | |
| Loans to customers | 27,549,853 | Loans to customers | 98,882,264 | 71,332,411 | 8 |
| Interest strip payable | - | Other liabilities | 6,034,790 | 6,034,790 | - |

13 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 2014 KZT'000 | Unaudited Six-month period ended 30 June 2013 KZT'000 |
|-----------------------------------|--|--|
| Members of the Board of Directors | 1,840 | 7,656 |
| Members of the Management Board | 64,099 | 69,331 |
| | 65,939 | 76,987 |

13 Related party transactions, continued

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

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 2014 and 31 December 2013 with the members of the Management Board are as follows:

| | Unaudited 30 June 2014 KZT'000 | Unaudited Average interest rate | 31 December 2013 KZT'000 | Average interest rate |
|---|---|---------------------------------------|--------------------------------|--------------------------|
| Consolidated Interim Condensed Statement of Financial Position | | | | |
| Loans to customers | 51,124 | 6.80% | 54,090 | 6.86% |
| Other liabilities | 101,806 | - | 50,985 | - |

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 2014 KZT'000 | Unaudited Six-month period ended 30 June 2013 KZT'000 |
|--|---|---|
| Consolidated Interim Condensed Income Statement | | |
| Interest income | 1,774 | 2,881 |

(b) **Transactions with other related parties**

Other related parties include the Baiterek Group and other state organisations.

The amounts below are included in the consolidated interim condensed statement of financial position as at 30 June 2014 and 31 December 2013 and consolidated interim condensed income statement and consolidated interim condensed statement of comprehensive income for the six-month periods ended 30 June 2014 and 2013:

13 Related party transactions, continued

(b) Transactions with other related parties, continued

| | Unaudited, Six-month period ended 30 June 2014 | Unaudited, Six-month period ended 30 June 2014 | Unaudited, Six-month period ended 30 June 2013 | Unaudited, Six-month period ended 30 June 2013 |
|---|--|--|--|--|
| | Baiterek Group KZT'000 | Other state organisations KZT'000 | Ministry of Finance KZT'000 | Other state organisations KZT'000 |
| Consolidated Interim Condensed Income Statement | | | | |
| Interest income | - | 341,551 | 69,080 | 134,425 |
| Interest expense | (1,355,018) | (2,203,817) | (118,696) | (1,086,151) |
| Net foreign exchange loss | (4,153,837) | - | - | - |
| Impairment recoveries | - | - | - | 14,767 |
| Commission expense | - | (3) | - | - |
| General administrative expenses | - | (94,926) | (73,027) | (50,763) |
| Income tax (expense) benefit | - | (81,283) | 976,637 | - |
| Consolidated Interim Condensed Statement of Comprehensive Income | | | | |
| Other Comprehensive Income | | | | |
| Net change in fair value of available-for-sale financial assets | - | (37,032) | (41,358) | - |

13 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as at 30 June 2014 include:

| | Unaudited Baiterek Group | | Unaudited Other state organisations | |
|--|-----------------------------|--------------------------------|--|--------------------------------|
| | KZT'000 | Average interest rate, % | KZT'000 | Average interest rate, % |
| Available-for-sale financial assets | - | - | 2,637,469 | 7.1 |
| Held-to maturity investments | - | - | 1,977,981 | 3.5 |
| Deferred tax asset | - | - | 1,952,481 | - |
| Current tax asset | - | - | 994,600 | - |
| Other assets | 48,000 | - | 18,234 | - |
| Debt securities issued | 36,293,815 | 8.1 | 39,103,044 | 10.4 |
| Subordinated debt securities issued | - | - | 3,256,813 | 9.1 |
| Other borrowed funds | - | - | 3,270,899 | 8.0 |
| Other liabilities | - | - | 14,346 | - |
| Revaluation reserve for available-for-sale financial assets | - | - | 147,756 | - |

The balances with related parties as of 31 December 2013 include:

| | Baiterek Group | | Other state organisations | |
|--|----------------|--------------------------------|---------------------------|--------------------------------|
| | KZT'000 | Average interest rate, % | KZT'000 | Average interest rate, % |
| Placements with banks | - | - | 207,851 | 7.3 |
| Available-for-sale financial assets | 381,636 | 3.5 | 1,423,056 | 5.7 |
| Held-to maturity investments | - | - | 2,047,326 | 3.5 |
| Deferred tax asset | - | - | 2,033,764 | - |
| Current tax asset | - | - | 810,316 | - |
| Other assets | 48,000 | - | 10,392 | - |
| Debt securities issued | 30,075,308 | 6.9 | 18,494,274 | 7.0 |
| Subordinated debt securities issued | - | - | 97 | 9.5 |
| Other borrowed funds | - | - | 3,143,420 | 8.0 |
| Other liabilities | - | - | 9,651 | - |
| Revaluation reserve for available-for-sale financial assets | - | - | 110,724 | - |

As at 30 June 2014, the Group has a right to sell the acquired loans to individuals overdue more than 60 days back to government owned banks under recourse agreements in the total amount of KZT 7,386,866 thousand (31 December 2013: KZT 9,713,937 thousand).

14 Capital management

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

| | Unaudited 30 June 2014 KZT'000 | 31 December 2013 KZT'000 |
|--|---|---|
| Tier 1 capital | | |
| Share capital | 55,528,939 | 41,335,139 |
| Reserve capital | 2,734,447 | 2,734,447 |
| Additional paid-in capital | 5,822,856 | 5,822,856 |
| Statutory accumulated losses | (19,610,929) | (20,355,957) |
| Total tier 1 capital | 44,475,313 | 29,536,485 |
| Tier 2 capital | | |
| Reserves on revaluation of available-for-sale financial assets | (585,606) | (465,207) |
| Subordinated debt securities issued | 5,722,714 | 7,575,287 |
| Net profit for the current year in accordance with NBRK requirements | 973,466 | 745,028 |
| Total tier 2 capital | 6,110,574 | 7,855,108 |
| Investments in subsidiaries | 554,291 | 554,291 |
| Total capital | 50,031,596 | 36,837,302 |
| Total statutory assets | 177,694,369 | 154,126,414 |
| Credit risk weighted assets and contingent liabilities | 155,301,574 | 130,430,787 |
| | | |
| k1 ratio | 25% | 19% |
| k1-2 ratio | 29% | 23% |
| k1-3 ratio | 32% | 28% |

As at 30 June 2014 and 31 December 2013 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

15 Segment reporting

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