



Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Consolidated Interim
Condensed Financial Statements
for the Six-Month Period ended
30 June 2016

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

*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 2016, and the related consolidated interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed 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 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 2016 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*.

KPMG Audit LLC

KPMG Audit LLC

1 August 2016

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген; Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Profit or Loss for the six-month period ended 30 June 2016

		Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Interest income	4	9,398,913	8,700,622
Interest expense	4	(4,919,004)	(5,877,091)
Net interest income		4,479,909	2,823,531
Fee and commission income		572	517
Fee and commission expense		(150,322)	(193,564)
Net fee and commission expense		(149,750)	(193,047)
Net gain on available-for-sale financial assets		-	2,294
Net foreign exchange (loss) gain		(64,243)	84,742
Other income		419,255	121,472
Operating income		4,685,171	2,838,992
Impairment losses	5	(393,778)	(177,936)
Personnel expenses		(665,832)	(633,156)
General administrative expenses		(653,764)	(344,285)
Profit before income tax		2,971,797	1,683,615
Income tax expense	6	(625,467)	(718,785)
Profit for the period		2,346,330	964,830
Basic and diluted earnings per share, in KZT	18(c)	422	173

These consolidated interim condensed financial statements as set out on pages 4 to 34 were approved by Management on 1 August 2016 and were signed on its behalf by:

Dosmukhametov B.
Acting 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 2016

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Profit for the period	2,346,330	964,830
Other comprehensive loss, net of income tax		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	(128,322)	(369,570)
- Net change in fair value transferred to profit or loss	-	(2,294)
Other comprehensive loss for the period, net of income tax	(128,322)	(371,864)
Total comprehensive income for the period	2,218,008	592,966

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2016

	Note	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
ASSETS			
Cash and cash equivalents	7	42,729,970	26,811,589
Placements with banks and other financial institutions	8	26,777,180	17,337,140
Available-for-sale financial assets	9	11,419,867	13,960,071
Loans to customers	10	62,497,101	81,755,207
Finance lease receivables	11	57,688,505	31,434,418
Current tax asset		2,823,049	2,310,235
Advances paid for acquisition and construction of real estate	12	26,054,007	25,916,895
Assets to be transferred under finance lease agreements	13	16,234,827	26,503,605
Construction in progress	14	16,491,165	9,644,010
Property and equipment		1,888,954	1,743,083
Investment property		1,438,097	1,606,119
Deferred tax asset	6	-	83,847
Other assets		5,323,929	4,433,235
Total assets		271,366,651	243,539,454
EQUITY AND LIABILITIES			
Debt securities issued	15	48,620,798	57,983,488
Subordinated debt securities issued		10,063,966	9,981,675
Other borrowed funds	16	41,569,278	40,060,673
Deferred income	17	110,890,266	78,088,020
Deferred tax liability	6	541,620	-
Other liabilities		10,062,927	10,025,810
Total liabilities		221,748,855	196,139,666
Equity	18		
Share capital		58,113,800	58,113,800
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		(1,847,206)	(1,718,884)
Accumulated losses		(12,621,240)	(14,967,570)
Total equity		49,617,796	47,399,788
Total equity and liabilities		271,366,651	243,539,454

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2016

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,971,797	1,683,615
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	56,469	48,096
Impairment losses	393,778	177,936
Interest income	(9,398,913)	(8,700,622)
Interest expense	4,919,004	5,877,091
Net foreign exchange loss (gain)	64,243	(84,742)
Net gain on disposal of investment property	(16,907)	-
Net gain on available-for-sale financial assets	-	(2,294)
	(1,010,529)	(1,000,920)
(Increase) decrease in operating assets		
Placements with banks and other financial institutions	(9,280,175)	(1,278,364)
Loans to customers	18,977,847	6,908,814
Finance lease receivables	(26,286,465)	(10,275,212)
Advances paid for acquisition and construction of real estate	(137,112)	(17,847,568)
Assets to be transferred under finance lease agreements	10,268,778	(6,575,626)
Construction in progress	(6,847,155)	(3,956,722)
Other assets	(742,925)	(267,401)
Increase in operating liabilities		
Other liabilities	52,983	292,585
Cash flow used in operating activities before interest and income tax paid		
	(15,004,753)	(34,000,414)
Income tax paid	(523,220)	(449,941)
Interest received	8,242,561	7,707,978
Interest paid	(3,566,460)	(4,489,816)
Cash flows used in operating activities	(10,851,872)	(31,232,193)

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2016

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of held-to-maturity investments	-	3,710,029
Redemption and sale of available-for-sale financial assets	2,491,130	-
Purchase of property and equipment	(184,299)	(27,320)
Purchase of intangible assets	(796)	(23,763)
Proceeds from sale of investment property	14,600	36,870
Cash flows from investing activities	2,320,635	3,695,816
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/redemption of debt securities issued	(10,000,000)	(5,000,000)
Receipts of other borrowed funds	41,592,292	92,500,000
Repayment of other borrowed funds	(7,208,333)	-
Dividends paid	-	(355,205)
Cash flows from financing activities	24,383,959	87,144,795
Net increase in cash and cash equivalents	15,852,722	59,608,418
Effect of changes in exchange rates on cash and cash equivalents	65,659	32,726
Cash and cash equivalents at beginning of the period	26,811,589	13,970,781
Cash and cash equivalents at end of the period (Note 7)	42,729,970	73,611,925

Mortgage organisation Kazakhstan Mortgage Company JSC
Consolidated Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2016

KZT'000	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2015	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(730,235)	(18,438,187)	44,917,820
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	964,830	964,830
Other comprehensive income								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Net change in fair value of available-for-sale financial assets, unaudited	-	-	-	-	-	(369,570)	-	(369,570)
Net change in fair value of available-for sale financial assets transferred to profit or loss, unaudited	-	-	-	-	-	(2,294)	-	(2,294)
Total other comprehensive loss for the period, unaudited	-	-	-	-	-	(371,864)	-	(371,864)
Total comprehensive income for the period, unaudited	-	-	-	-	-	(371,864)	964,830	592,966
Transactions with owners, recorded directly in equity								
Dividends paid, unaudited	-	-	-	-	-	-	(355,205)	(355,205)
Balance as at 30 June 2015, unaudited	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,102,099)	(17,828,562)	45,155,581
Balance as at 1 January 2016	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,718,884)	(14,967,570)	47,399,788
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	2,346,330	2,346,330
Other comprehensive loss								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Net change in fair value of available-for sale financial assets, unaudited	-	-	-	-	-	(128,322)	-	(128,322)
Total other comprehensive loss for the period, unaudited	-	-	-	-	-	(128,322)	-	(128,322)
Total comprehensive income for the period, unaudited	-	-	-	-	-	(128,322)	2,346,330	2,218,008
Balance as at 30 June 2016, unaudited	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,847,206)	(12,621,240)	49,617,796

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 JSC and Kazakhstan Housing-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). On 19 January 2015 the subsidiary company was re-organised from the form of the limited liability company to the form of the joint-stock company. 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 JSC 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.

On 14 November 2014 the Management Board of Mortgage organisation Kazakhstan Mortgage Company JSC approved a reorganisation plan, under which during 2015 Kazakhstan Housing-Construction Corporation JSC was merged with its parent company United Payment Systems JSC, which later was merged with its parent company, Mortgage organisation Kazakhstan Mortgage Company JSC.

On 21 July 2015 Kazakhstan Housing-Construction Corporation JSC was merged with its parent company, United Payment Systems JSC. On 13 November 2015 United Payment Systems JSC merged with its parent company, Mortgage Organisation Kazakhstan Mortgage Company JSC.

(b) Shareholders

As at 30 June 2016 and 31 December 2015 the Group is wholly-owned by National Management Holding Baiterek JSC (“Baiterek”).

1 Background, continued

(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 emerging-market characteristics. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment. 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 2015, 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 available-for-sale financial assets 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 2015.

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 2015.

4 Net interest income

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Interest income		
Loans to customers	3,716,685	4,394,475
Cash and cash equivalents	2,730,315	2,044,200
Finance lease receivables	1,545,236	335,579
Placements with banks and other financial institutions	857,326	1,121,491
Available-for-sale financial assets	530,969	529,824
Held-to-maturity investments	-	163,647
Reverse repurchase agreements	-	51,751
Other assets	18,382	59,655
	9,398,913	8,700,622
Interest expense		
Debt securities issued	(2,897,832)	(3,876,206)
Other borrowed funds	(1,538,882)	(1,507,499)
Subordinated debt securities issued	(482,290)	(493,386)
	(4,919,004)	(5,877,091)
	4,479,909	2,823,531

Interest income on finance lease receivables for the six-month period ended 30 June 2016 includes amortisation of deferred income of KZT 683,815 thousand, unaudited (30 June 2015: KZT 87,668 thousand) (Note 17).

5 Impairment losses

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Loans to customers (Note 10)	49,388	(130,541)
Finance lease receivables (Note 11)	(107,419)	-
Held-to-maturity investments	-	(24,966)
Available-for-sale financial assets (Note 9)	-	(15,551)
Other assets	(335,747)	(6,878)
	(393,778)	(177,936)

6 Income tax expense

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Deferred tax movement due to origination and reversal of temporary differences and movement in valuation allowance	(625,467)	(718,785)
Total income tax expense	(625,467)	(718,785)

In 2016, the applicable tax rate for current and deferred tax is 20% (2015: 20%).

Reconciliation of effective tax rate:

	Unaudited Six-month period ended 30 June 2016 KZT'000	%	Unaudited Six-month period ended 30 June 2015 KZT'000	%
Profit before income tax	2,971,797		1,683,615	
Income tax at the applicable tax rate	(594,359)	(20)	(336,723)	(20)
Tax exempt interest on securities	107,829	4	128,809	8
Other non-deductible expenses	(138,937)	(5)	(139,877)	(8)
Change in unrecognised deferred tax assets	-	-	(370,994)	(22)
Total income tax expense	(625,467)	(21)	(718,785)	(42)

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 liability as at 30 June 2016 and net deferred tax asset as at 31 December 2015. 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.

6 Income tax expense, continued

Movement in temporary differences during the six-month periods ended 30 June 2016 and 2015 are presented as follows:

KZT'000	Balance 1 January 2016	Unaudited Recognised in profit or loss	Unaudited Balance 30 June 2016
Property and equipment	(48,223)	(33,292)	(81,515)
Available-for-sale financial assets	3,804	1,635	5,439
Other assets	3,677	(3,677)	-
Other borrowed funds	(16,659,503)	(6,547,699)	(23,207,202)
Deferred income	15,617,604	6,560,449	22,178,053
Other liabilities	36,271	10,773	47,044
Tax losses carried-forward	1,501,211	(613,656)	887,555
	454,841	(625,467)	(170,626)
Unrecognised deferred tax asset	(370,994)	-	(370,994)
	83,847	(625,467)	(541,620)

KZT'000	Balance 1 January 2015	Unaudited Recognised in profit or loss	Unaudited Balance 30 June 2015
Property and equipment	(2,071)	(14,015)	(16,086)
Available-for-sale financial assets	-	4,366	4,366
Held-to-maturity investments	372,456	(372,456)	-
Other assets	22,574	(11,931)	10,643
Other borrowed funds	(1,079,295)	(15,593,708)	(16,673,003)
Deferred income	-	15,620,199	15,620,199
Other liabilities	19,372	3,524	22,896
Tax losses carried-forward	2,421,781	16,230	2,438,011
	1,754,817	(347,791)	1,407,026
Unrecognised deferred tax asset	-	(370,994)	(370,994)
	1,754,817	(718,785)	1,036,032

7 Cash and cash equivalents

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Nostro accounts with banks		
- rated BB+	-	71,503
- rated BB	9,338,835	331
- rated BB-	91	27,241
- rated B+	29,202	7,932
- rated B	18,937,699	12,133,102
- rated B-	14,389,642	14,463,480
- rated CCC+	34,501	-
- not rated	-	108,000
Total cash and cash equivalents	42,729,970	26,811,589

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit ratings agency or analogues of similar international agencies.

No cash and cash equivalents are impaired or past due.

As at 30 June 2016 the Group has three banks (31 December 2015: two banks) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2016 is KZT 27,947,424 thousand, unaudited (31 December 2015: KZT 15,282,914 thousand).

8 Placements with banks and other financial institutions

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
- rated BBB	-	11,718,500
- rated BBB-	11,776,160	-
- rated B+	8,177,020	170,005
- rated B	-	5,448,635
- rated B-	6,824,000	-
	26,777,180	17,337,140

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit ratings agency or analogues of similar international agencies.

None of placements with banks and other financial institutions are impaired or past due.

As at 30 June 2016 the Group placed term deposits with interest rates ranging from 6% to 9.5% per annum, unaudited (31 December 2015: from 6% to 9.5%) and which have maturities from September 2016 to March 2017, unaudited (31 December 2015: from February 2016 to October 2016).

As at 30 June 2016 the Group has three banks (31 December 2015: one bank) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2016 is KZT 26,743,314 thousand, unaudited (31 December 2015: KZT 11,718,500 thousand).

9 Available-for-sale financial assets

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,215,955	3,225,575
Corporate bonds rated BBB-	-	1,153,653
Corporate bonds rated from BB+ to BB-	1,209,984	1,839,440
Corporate bonds rated from B+ to B-	4,401,185	2,985,428
Corporate bonds not rated	6,148,282	6,311,514
	12,975,406	15,515,610
Impairment allowance	(1,555,539)	(1,555,539)
	11,419,867	13,960,071

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit ratings agency or analogues of similar international agencies.

Analysis of movements in the impairment allowance:

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Balance at the beginning of the period	1,555,539	437,743
Net charge, unaudited	-	15,551
Transfer from held-to-maturity investments, unaudited	-	1,212,139
Write-offs, unaudited	-	(465,086)
Balance at the end of the period, unaudited	1,555,539	1,200,347

10 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 2016 KZT'000	31 December 2015 KZT'000
Mortgage loans with recourse	15,098,314	19,322,855
Mortgage loans without recourse	50,370,576	65,078,808
Accrued interest	742,567	1,118,529
Gross loans to customers	66,211,457	85,520,192
Impairment allowance	(3,714,356)	(3,764,985)
Net loans to customers	62,497,101	81,755,207

10 Loans to customers, continued**(a) Credit quality of mortgage loans**

The following table provides information on credit quality of mortgage loans as at 30 June 2016 and 31 December 2015:

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Mortgage loans with recourse to the seller		
- not overdue	14,728,755	18,367,310
- overdue less than 30 days	410,888	615,859
- overdue 30-89 days	146,562	375,846
- overdue 90-179 days	5,262	236,839
- overdue 180-360 days	-	147,709
- overdue more than 360 days	-	105,868
Total mortgage loans with recourse to the seller	15,291,467	19,849,431
Mortgage loans without recourse to the seller		
- not overdue	45,447,150	56,565,005
- overdue less than 30 days	2,029,138	2,443,116
- overdue 30-89 days	1,081,152	1,534,027
- overdue 90-179 days	615,147	1,655,251
- overdue 180-360 days	162,776	930,885
- overdue more than 360 days	1,584,627	2,542,477
Total mortgage loans without recourse to the seller	50,919,990	65,670,761
Impairment allowance on loans without recourse to the seller	(3,714,356)	(3,764,985)
Net mortgage loans without recourse to the seller	47,205,634	61,905,776
Total loans to customers	66,211,457	85,520,192
Total impairment allowance on loans to customers	(3,714,356)	(3,764,985)
Total net loans to customers	62,497,101	81,755,207

(b) Key assumptions and judgements for estimating loan impairment

As at 30 June 2016, 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 2015.

Movements in the loan impairment allowance are as follows:

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Balance at the beginning of the period	3,764,985	3,484,117
Net (recovery) charge, unaudited	(49,388)	130,541
Write-offs, unaudited	(1,241)	-
Balance at the end of the period, unaudited	3,714,356	3,614,658

11 Finance lease receivables

The components of net investments in finance lease as at 30 June 2016 and 31 December 2015 are as follows:

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Within one year	4,261,562	2,428,401
More than one year, but less than five years	17,033,141	9,759,623
More than five years	59,452,485	33,795,555
Minimum lease payments	80,747,188	45,983,579
Less unearned finance income		
Less than one year	(1,996,324)	(1,249,325)
From one to five years	(7,589,832)	(4,737,830)
More than five years	(13,026,649)	(8,223,547)
Less unearned finance income, total	(22,612,805)	(14,210,702)
Impairment allowance	(445,878)	(338,459)
Net investments in finance lease	57,688,505	31,434,418

(a) Credit quality of finance lease receivables

The following table provides information on credit quality of finance lease receivables as at 30 June 2016 and 31 December 2015:

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Finance lease receivables under Own Programme		
- not overdue	3,873,774	3,903,452
- overdue 90-179 days	13,460	-
Total finance lease receivables under Own Programme	3,887,234	3,903,452
Finance lease receivables under Nurly Zhol Programme		
- not overdue	50,692,654	26,385,575
- overdue less than 30 days	3,058,514	1,275,496
- overdue 30-89 days	466,543	197,242
- overdue 90-179 days	3,815	11,112
- overdue 180-360 days	25,623	-
Total finance lease receivables under Nurly Zhol Programme	54,247,149	27,869,425
Impairment allowance on finance lease receivables under Nurly Zhol Programme	(445,878)	(338,459)
Net finance lease receivables under Nurly Zhol Programme	53,801,271	27,530,966
Total finance lease receivables	58,134,383	31,772,877
Total impairment allowance on finance lease receivables	(445,878)	(338,459)
Total net finance lease receivables	57,688,505	31,434,418

Movements in the finance lease receivables impairment allowance are as follows:

	Unaudited Six-month period ended 30 June 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Balance at the beginning of the period	338,459	-
Net charge, unaudited	107,419	-
Balance at the end of the period, unaudited	445,878	-

11 Finance lease receivables, continued

(a) Credit quality of finance lease receivables, continued

The Group leases out housing real estate under Nurly Zhol and Own programme. These lease agreements are classified as finance lease under IAS 17 because ownership of the assets gets transferred to lessees by the end of the lease term, and at the inception the present value of the minimum lease payments amounts to substantially all of the fair value of the leased assets.

The finance lease agreements for Own programme have a maturity term ranging from 15 to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements for Nurly Zhol have a maturity term of 20 years and monthly lease payments limited to KZT 1,120 per square meter for Almaty and Astana cities and KZT 924 per square meter in other regions.

12 Advances paid for acquisition and construction of real estate

Advances paid for acquisition and construction of real estate comprise advances made by the Group for housing real estate to be acquired from third parties. The Group plans to lease it out under finance lease, once the legal title on the property passes to the Group.

As at 30 June 2016 the largest advance payment was made to Capital Construction Enterprise of Akimat of Almaty city in the amount of KZT 11,633,067 thousand, unaudited, for construction of Olympic village for Universiade 2017 in Almaty city (31 December 2015: Baiterek Development JSC in the amount of KZT 11,905,891 thousand for construction and property acquisition in Kyzylorda, Pavlodar and Aktobe cities).

13 Assets to be transferred under finance lease agreements

Assets to be transferred under finance lease agreements include housing real estate, which the Group intends to transfer to lessees in 2016.

The major portion of the assets relates to assets to be transferred under Nurly Zhol programme.

As at 30 June 2016 the largest micro districts acquired by the Group are located in cities of Almaty, Kyzylorda, Aktobe and Aktau in the total amount of KZT 9,955,406 thousand, unaudited (31 December 2015: micro districts in Shymkent, Aktobe, Taraz, Kyzylorda and Aktau in the total amount of KZT 20,797,332 thousand).

During the six-month period ended 30 June 2016, the Group transferred some apartments to finance lease receivables in micro districts "Kaitpas" (Shymkent), "Atshabar" (Taraz), "Batys" (Aktobe) and "Arai" (Kyzylorda) for the total amount of KZT 7,235,423 thousand, unaudited, which were acquired in 2015.

14 Construction in progress

Construction in progress represents capitalised costs incurred by the Group during construction of residential real estate in different regions of Kazakhstan as part of "Regions Development till 2020" program approved by the Decree #728 of the Government of the Republic of Kazakhstan dated 28 June 2014 and launched under the President's "Nurly Zhol" statement. The Group will lease out the constructed real estate under finance lease terms approved under this programme.

As at 30 June 2016 the largest construction projects relate to construction of micro district "Assar" located in Shymkent and "SPMK-70" in Kyzylorda in the amounts of KZT 6,836,138 thousand and KZT 2,203,470 thousand, respectively, unaudited (31 December 2015: micro districts "SPMK-70" located in Kyzylorda and "Assar" in Shymkent in the amounts of KZT 2,689,464 thousand and KZT 2,592,679 thousand, respectively).

15 Debt securities issued

Debt securities issued as at 30 June 2016 and 31 December 2015 comprised USD and KZT denominated bonds.

Emission	Maturity date	Nominal coupon rate	Effective rate	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
KZ2C0Y05E529	26.07.2018	6.00%	6.00%	11,660,234	11,706,566
KZ2C0Y07E517	26.07.2020	8.50%	8.50%	10,348,888	10,346,821
		1.00%+NBRK refinancing rate (limited to maximum			
KZ2C0Y08D913	23.12.2018	10%, minimum 6%)	12.62%	8,719,159	8,504,529
KZ2C0Y05E503	26.07.2018	8.00%	8.00%	8,183,511	8,181,163
		0.01%+floating inflation index (limited to 7.5%)			
KZPC4Y10B547	15.01.2017	0.01%+floating inflation index (limited to 7.5%)	13.45%	5,021,493	4,805,618
		0.01%+floating inflation index (limited to 7.5%)			
KZPC2Y12B547	10.04.2017	7.00%	7.42%	4,680,392	4,650,295
KZ2C0Y08E218	02.04.2020	7.00%	7.00%	7,121	7,121
		0.7%+floating inflation index (limited to 12.0%)			
KZP02Y09C495	10.06.2016		-	-	9,781,375
				48,620,798	57,983,488

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 10) with a principal amount of KZT 23,662,554 thousand, unaudited (31 December 2015: KZT 25,907,249 thousand).

16 Other borrowed funds

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Loan from National Management Holding Baiterek JSC	23,332,232	14,687,024
Loans from banks of the Republic of Kazakhstan	14,441,336	21,725,945
Due to the Government of the Republic of Kazakhstan	3,795,710	3,647,704
	41,569,278	40,060,673

During the six-month period ended 30 June 2016, the Group received two loans for the total amount of KZT 41,592,292 thousand (unaudited) from the National Management Holding Baiterek JSC under the programme "Regions Development till 2020" approved by the Decree #728 of the Government of the Republic of Kazakhstan date 28 June 2014 and launched under the President's "Nurly Zhol" statement. As set out in the programme, the purpose of the loans is to finance construction and acquisition of housing real estate to be further leased out under operating and finance leases. The loans bear a nominal interest rate of 0.15% per annum and mature in January 2046. The repayment of principal is at maturity. At initial recognition the loans were recognised at fair value measured by applying a relevant market interest rate to discount the contractual future cash flows. The discount on these loans of KZT 33,486,061 thousand, unaudited, was recognised as deferred income (Note 17).

During the six-month period ended 30 June 2016, the Group repaid principal on loans from SB Sberbank JSC and Halyk Bank of Kazakhstan JSC in accordance with the repayment schedules in amounts of KZT 3,575,000 thousand and KZT 3,633,334 thousand, respectively (unaudited).

17 Deferred income

	Unaudited 30 June 2016 KZT'000	Unaudited 30 June 2015 KZT'000
Balance at the beginning of the period	78,088,020	-
Deferred income from low-interest rate loans obtained during the period (Note 16), unaudited	33,486,061	78,188,663
Amortisation for the period, unaudited	(683,815)	(87,668)
Balance at the end of the period, unaudited	110,890,266	78,100,995

17 Deferred income, continued

As at 30 June 2016 the Group recorded as deferred income the benefits of KZT 33,486,061 thousand, unaudited (31 December 2015: KZT 78,543,224 thousand), provided by means of a low interest rate on the loans from National Management Holding Baiterek JSC. The benefits are to be allocated further to the Group's lessees by providing leases at favourable rates.

18 Equity

(a) Share capital, share premium and treasury shares

As at 30 June 2016 and 31 December 2015 authorised share capital comprises 13,681,600 ordinary shares, and issued and outstanding share capital comprises 5,811,380 shares including 250,000 treasury shares. All shares have a nominal value of KZT 10 thousand.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Group'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 Group's insolvency.

During six-month period ended 30 June 2016, no dividends were declared and paid (six-month period ended 30 June 2015: dividends of KZT 355,205 thousand or KZT 63.87 per ordinary share).

(c) Basic and diluted earnings per share

The calculation of basic and diluted earnings 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 2016	Unaudited Six-month period ended 30 June 2015
Profit for the period, in thousand of KZT	2,346,330	964,830
Weighted average number of ordinary shares	5,561,380	5,561,380
Basic and diluted earnings per share, in KZT	422	173

There are no potentially dilutive shares for the period ended 30 June 2016 (30 June 2015: nil).

19 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 2016 there were no significant changes in relation to market and liquidity risks since 31 December 2015. Changes in credit risks are disclosed in respective notes.

(a) Market risk

(i) Interest rate risk

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

19 Risk management, continued

(a) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

Unaudited KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
30 June 2016							
ASSETS							
Cash and cash equivalents	42,468,019	-	-	-	-	261,951	42,729,970
Placements with banks and other financial institutions	386,266	19,635,663	6,755,251	-	-	-	26,777,180
Available-for-sale financial assets	5,095,890	554,600	-	4,608,475	1,160,902	-	11,419,867
Loans to customers	1,276,570	8,441,759	2,078,092	17,748,468	32,952,212	-	62,497,101
Finance lease receivables	633,407	537,878	1,089,928	9,443,310	45,983,982	-	57,688,505
Other financial assets	-	-	-	-	-	3,345,001	3,345,001
Total assets	49,860,152	29,169,900	9,923,271	31,800,253	80,097,096	3,606,952	204,457,624
LIABILITIES							
Debt securities issued	5,953,936	13,399,672	-	29,267,190	-	-	48,620,798
Subordinated debt securities issued	-	197,778	9,866,188	-	-	-	10,063,966
Other borrowed funds	3,791,409	3,579,635	3,576,193	3,575,000	27,047,041	-	41,569,278
Other financial liabilities	-	-	-	-	-	8,343,513	8,343,513
Total liabilities	9,745,345	17,177,085	13,442,381	32,842,190	27,047,041	8,343,513	108,597,555
Net position	40,114,807	11,992,815	(3,519,110)	(1,041,937)	53,050,055	(4,736,561)	95,860,069

19 Risk management, continued

(a) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2015							
ASSETS							
Cash and cash equivalents	26,340,549	-	-	-	-	471,040	26,811,589
Placements with banks and other financial institutions	3,101,080	-	14,236,060	-	-	-	17,337,140
Available-for-sale financial assets	1,529,760	5,336,018	1,258,814	4,533,935	1,301,544	-	13,960,071
Loans to customers	1,817,659	10,453,408	2,791,134	22,948,205	43,744,801	-	81,755,207
Finance lease receivables	319,095	276,522	581,272	5,021,792	25,235,737	-	31,434,418
Other financial assets	-	-	-	-	-	3,837,985	3,837,985
Total assets	33,108,143	16,065,948	18,867,280	32,503,932	70,282,082	4,309,025	175,136,410
LIABILITIES							
Debt securities issued	5,739,230	22,936,320	-	29,307,938	-	-	57,983,488
Subordinated debt securities issued	-	197,778	-	9,783,897	-	-	9,981,675
Other borrowed funds	3,856,041	3,575,000	7,206,696	7,150,000	18,272,936	-	40,060,673
Other financial liabilities	-	-	-	-	-	8,574,799	8,574,799
Total liabilities	9,595,271	26,709,098	7,206,696	46,241,835	18,272,936	8,574,799	116,600,635
Net position	23,512,872	(10,643,150)	11,660,584	(13,737,903)	52,009,146	(4,265,774)	58,535,775

19 Risk management, continued

(a) Market risk, continued

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 30 June 2016 and 31 December 2015 is as follows:

	Unaudited		31 December	
	30 June 2016		2015	
	KZT'000		KZT'000	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	(333,729)	(333,729)	(134,696)	(134,696)
100 bp parallel fall	333,729	333,729	134,696	134,696

19 Risk management, continued**(b) Liquidity risk**

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated interim condensed statement of financial position as at 30 June 2016:

Unaudited Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	42,729,970	-	-	-	-	-	42,729,970
Placements with banks and other financial institutions	352,400	33,866	26,390,914	-	-	-	26,777,180
Available-for-sale financial assets	1,419,844	45,888	49,925	6,482,503	3,421,707	-	11,419,867
Loans to customers	668,733	781,002	3,600,146	20,482,098	36,965,122	-	62,497,101
Finance lease receivables	277,410	355,997	1,627,806	9,443,310	45,983,982	-	57,688,505
Current tax asset	-	-	-	-	-	2,823,049	2,823,049
Advances paid for acquisition and construction of real estate	1,836,425	338,300	23,879,282	-	-	-	26,054,007
Assets to be transferred under finance lease agreements	-	-	-	-	-	16,234,827	16,234,827
Construction in progress	-	-	16,491,165	-	-	-	16,491,165
Property and equipment	-	-	-	-	-	1,888,954	1,888,954
Investment property	-	-	-	-	-	1,438,097	1,438,097
Other assets	24,854	99,288	3,369,608	1,504	3,259	1,825,416	5,323,929
Total assets	47,309,636	1,654,341	75,408,846	36,409,415	86,374,070	24,210,343	271,366,651
Liabilities							
Debt securities issued	1,105,359	-	9,543,535	37,971,904	-	-	48,620,798
Subordinated debt securities issued	-	-	10,063,966	-	-	-	10,063,966
Other borrowed funds	3,786,523	4,886	7,155,828	3,575,000	27,047,041	-	41,569,278
Deferred income	-	-	-	-	110,890,266	-	110,890,266
Deferred tax liability	-	-	-	541,620	-	-	541,620
Other liabilities	1,378,244	307,451	7,005,972	985,759	385,501	-	10,062,927
Total liabilities	6,270,126	312,337	33,769,301	43,074,283	138,322,808	-	221,748,855
Net position as at 30 June 2016	41,039,510	1,342,004	41,639,545	(6,664,868)	(51,948,738)	24,210,343	49,617,796

19 Risk management, continued**(b) Liquidity risk, continued**

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2015:

	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Assets							
Cash and cash equivalents	26,811,589	-	-	-	-	-	26,811,589
Placements with banks and other financial institutions	228,581	2,872,498	14,236,061	-	-	-	17,337,140
Available-for-sale financial assets	718,200	22,084	3,084,477	6,373,375	3,761,935	-	13,960,071
Loans to customers	1,006,129	1,048,306	4,752,474	26,190,387	48,757,911	-	81,755,207
Finance lease receivables	131,768	187,327	857,794	5,021,792	25,235,737	-	31,434,418
Current tax asset	-	-	-	-	-	2,310,235	2,310,235
Advances paid for acquisition and construction of real estate	-	273,880	13,826,120	11,816,895	-	-	25,916,895
Assets to be transferred under finance lease agreements	-	-	-	-	-	26,503,605	26,503,605
Construction in progress	-	-	9,644,010	-	-	-	9,644,010
Property and equipment	-	-	-	-	-	1,743,083	1,743,083
Investment property	-	-	-	-	-	1,606,119	1,606,119
Deferred tax asset	-	-	-	-	-	83,847	83,847
Other assets	19,180	1,158,007	2,764,212	1,504	3,447	486,885	4,433,235
Total assets	28,915,447	5,562,102	49,165,148	49,403,953	77,759,030	32,733,774	243,539,454
Liabilities							
Debt securities issued	1,023,760	-	9,841,581	47,118,147	-	-	57,983,488
Subordinated debt securities issued	-	-	197,778	9,783,897	-	-	9,981,675
Other borrowed funds	217,900	3,638,141	10,781,696	7,150,000	18,272,936	-	40,060,673
Deferred income	-	-	-	-	78,088,020	-	78,088,020
Other liabilities	489,456	220,381	7,266,711	1,542,993	506,269	-	10,025,810
Total liabilities	1,731,116	3,858,522	28,087,766	65,595,037	96,867,225	-	196,139,666
Net position as at 31 December 2015	27,184,331	1,703,580	21,077,382	(16,191,084)	(19,108,195)	32,733,774	47,399,788

19 Risk management, continued

(b) Liquidity risk, continued

As at 30 June 2016 included in the category “More than 5 years” are overdue loans to customers and finance lease receivables with net book values of KZT 2,321,196 thousand and KZT 3,122,077 thousand, respectively (unaudited) (31 December 2015: KZT 6,822,892 thousand and KZT 1,145,391 thousand, respectively).

20 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 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Members of the Board of Directors	23,267	6,132
Members of the Management Board	43,140	42,885
	66,407	49,017

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 2016 and 31 December 2015 with the members of the Management Board are as follows:

	Unaudited 30 June 2016 KZT'000	Unaudited Average interest rate	31 December 2015 KZT'000	Average interest rate
Consolidated Interim Condensed Statement of Financial Position				
Loans to customers	17,172	10.72	7,629	8.50
Other liabilities	13,140	-	26,280	-

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 2016 KZT'000	Unaudited Six-month period ended 30 June 2015 KZT'000
Consolidated Interim Condensed Statement of Profit or Loss		
Interest income	765	997

20 Related party transactions, continued

(b) Transactions with other related parties

Other related parties include Baiterek Group and other state organisations.

The amounts below are included in the consolidated interim condensed statement of financial position as at 30 June 2016 and consolidated statement of financial position as at 31 December 2015, consolidated interim condensed statement of profit or loss and consolidated interim condensed statement of comprehensive income for the six-month periods ended 30 June 2016 and 2015:

	Unaudited, Six-month period ended 30 June 2016	Unaudited, Six-month period ended 30 June 2016	Unaudited, Six-month period ended 30 June 2015	Unaudited, Six-month period ended 30 June 2015
	Baiterek Group KZT'000	Other state organisations KZT'000	Baiterek Group KZT'000	Other state organisations KZT'000
Consolidated Interim Condensed Statement of Profit or Loss				
Interest income	552,320	113,255	-	170,959
Interest expense	(1,354,539)	(1,790,640)	(1,525,755)	(138,472)
Net foreign exchange gain (loss)	11,678	-	(403,579)	-
Commission expense	-	(637)	-	(423)
Other income	3,135	18,917	3,343	5,546
General administrative expenses	(129,360)	(185,228)	-	(147,316)
Income tax expense	-	(625,467)	-	(718,785)
Consolidated Interim Condensed Statement of Comprehensive Income				
Other Comprehensive Income				
Net change in fair value of available- for-sale financial assets	-	172,472	-	(22,614)

20 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as at 30 June 2016 include:

	Unaudited Baiterek Group		Unaudited Other state organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks and other financial institutions	11,776,160	9.50	-	-
Available-for-sale financial assets	-	-	2,425,939	6.53
Current tax asset	-	-	2,823,049	-
Other assets	2,230,126	-	83,143	-
Debt securities issued	18,977,761	6.49	23,661,774	7.74
Subordinated debt securities issued	-	-	3,366,648	8.00
Other borrowed funds	23,332,232	7.13	3,795,710	8.00
Deferred tax liability	-	-	541,620	-
Other liabilities	240,240	-	20,462	-
Revaluation reserve for available-for-sale financial assets	-	-	(314,598)	-

The balances with related parties as of 31 December 2015 include:

	Baiterek Group		Other state organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks and other financial institutions	11,718,500	9.50	-	-
Available-for-sale financial assets	-	-	4,379,229	6.06
Current tax asset	-	-	2,310,235	-
Advances paid for acquisition and construction of real estate	11,905,891	-	-	-
Deferred tax asset	-	-	83,847	-
Other assets	4	-	41,782	-
Debt securities issued	18,910,349	6.51	28,290,232	10.16
Subordinated debt securities issued	-	-	3,339,120	9.76
Other borrowed funds	14,687,024	7.01	3,647,704	8.00
Other liabilities	110,880	-	64,194	-
Revaluation reserve for available-for-sale financial assets	-	-	(297,554)	-

21 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2016:

Unaudited KZT'000	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	42,729,970	-	-	42,729,970	42,729,970
Placements with banks and other financial institutions	26,777,180	-	-	26,777,180	26,777,180
Available-for-sale financial assets	-	11,419,867	-	11,419,867	11,419,867
Loans customers	62,497,101	-	-	62,497,101	60,997,035
Finance lease receivables	57,688,505	-	-	57,688,505	33,844,485
Other financial assets	3,345,001	-	-	3,345,001	3,345,001
	193,037,757	11,419,867	-	204,457,624	202,957,558
Debt securities issued	-	-	48,620,798	48,620,798	46,741,796
Subordinated debt securities issued	-	-	10,063,966	10,063,966	9,438,690
Other borrowed funds	-	-	41,569,278	41,569,278	40,410,696
Deferred income	-	-	110,890,266	110,890,266	110,890,266
Other financial liabilities	-	-	8,343,513	8,343,513	8,343,513
	-	-	219,487,821	219,487,821	215,824,961

21 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	26,811,589	-	-	26,811,589	26,811,589
Placements with banks and other financial institutions	17,337,140	-	-	17,337,140	17,337,140
Available-for-sale financial assets	-	13,960,071	-	13,960,071	13,960,071
Loans customers	81,755,207	-	-	81,755,207	79,653,830
Finance lease receivables	31,434,418	-	-	31,434,418	31,434,418
Other financial assets	3,837,985	-	-	3,837,985	3,837,985
	161,176,339	13,960,071	-	175,136,410	173,035,033
Debt securities issued	-	-	57,983,488	57,983,488	55,226,331
Subordinated debt securities issued	-	-	9,981,675	9,981,675	9,161,180
Other borrowed funds	-	-	40,060,673	40,060,673	38,599,256
Deferred income	-	-	78,088,020	78,088,020	78,088,020
Other financial liabilities	-	-	8,574,799	8,574,799	8,574,799
	-	-	194,688,655	194,688,655	189,649,586

21 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

21 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value in the consolidated interim condensed statement of financial position as at 30 June 2016 and consolidated statement of financial position as at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Unaudited 30 June 2016 Level 2 KZT'000	31 December 2015 Level 2 KZT'000
Financial assets		
Available-for-sale financial assets	11,419,867	13,960,071
	11,419,867	13,960,071

As at 30 June 2016 and 31 December 2015 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market inputs.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2016:

Unaudited KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	42,729,970	-	42,729,970	42,729,970
Placements with banks and other financial institutions	26,777,180	-	26,777,180	26,777,180
Loans to customers	59,051,067	1,945,968	60,997,035	62,497,101
Finance lease receivables	32,401,860	1,442,625	33,844,485	57,688,505
Liabilities				
Debt securities issued	46,741,796	-	46,741,796	48,620,798
Subordinated debt securities issued	9,438,690	-	9,438,690	10,063,966
Other borrowed funds	40,410,696	-	40,410,696	41,569,278

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2015:

KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	26,811,589	26,811,589	26,811,589
Placements with banks and other financial institutions	17,337,140	17,337,140	17,337,140
Loans to customers	79,653,830	79,653,830	81,755,207
Finance lease receivables	31,434,418	31,434,418	31,434,418
Liabilities			
Debt securities issued	55,226,331	55,226,331	57,983,488
Subordinated debt securities issued	9,161,180	9,161,180	9,981,675
Other borrowed funds	38,599,256	38,599,256	40,060,673

22 Capital management

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

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Tier 1 capital		
Share capital	55,528,939	55,528,939
Reserve capital	2,734,447	2,734,447
Additional paid-in capital	5,822,856	5,822,856
Statutory accumulated losses for prior periods	(14,967,570)	(18,788,692)
Total tier 1 capital	49,118,672	45,297,550
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	(1,847,206)	(1,718,884)
Subordinated debt securities issued	1,973,238	3,913,559
Net profit for the current year in accordance with NBRK requirements	2,346,330	3,821,122
Total tier 2 capital	2,472,362	6,015,797
Total capital	51,591,034	51,313,347
Total statutory assets	271,366,651	243,539,454
Credit risk weighted assets and contingent liabilities	206,069,831	157,515,136
Operational risk	4,089,365	-
k1 ratio	18%	19%
k1-2 ratio	24%	29%
k1-3 ratio	25%	33%

As at 30 June 2016 and 31 December 2015 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

23 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.

24 Subsequent events

On 11 July 2016 the Group fully repaid a loan received from SB Sberbank JSC in the amount of KZT 3,633,333 thousand.