



Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Unconsolidated Interim
Condensed Financial Statements
for the Six-Month Period ended
30 June 2015

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

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

Introduction

We have reviewed the accompanying unconsolidated condensed statement of financial position of Mortgage organisation Kazakhstan Mortgage Company JSC (the "Company") as at 30 June 2015, and the related unconsolidated 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 unconsolidated interim condensed financial information (the "unconsolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this unconsolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this unconsolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unconsolidated interim condensed financial information as at 30 June 2015 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

KPMG Audit LLC

3 August 2015



Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Profit or Loss for the six-month period ended 30 June 2015

		Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Interest income	4	8,700,582	7,553,726
Interest expense	4	(5,877,091)	(5,758,774)
Net interest income		2,823,491	1,794,952
Fee and commission income		517	890
Fee and commission expense		(192,184)	(110,699)
Net fee and commission expense		(191,667)	(109,809)
Net gain on available-for-sale financial assets		2,294	-
Net foreign exchange gain		84,742	48,277
Other income		117,251	43,848
Operating income		2,836,111	1,777,268
Impairment (losses)/recoveries	5	(177,936)	12,229
Personnel expenses		(619,647)	(445,897)
General administrative expenses		(323,061)	(264,258)
Profit before income tax		1,715,467	1,079,342
Income tax expense	6	(718,785)	(81,283)
Profit for the period		996,682	998,059
Basic earnings per share, in KZT	18(c)	179	195

These unconsolidated interim condensed financial statements as set out on pages 4 to 35 were approved by Management on 3 August 2015 and were signed on its behalf by:



Zhumalbekov S. L.
Acting Chairman of the Management Board


Zhumanova Sh.
Chief Accountant

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Comprehensive Income for the six-month period ended 30 June 2015

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Profit for the period	996,682	998,059
Other comprehensive income, 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	(369,570)	(120,399)
Net change in fair value transferred to profit or loss	(2,294)	-
Other comprehensive income for the period, net of income tax	(371,864)	(120,399)
Total comprehensive income for the period	624,818	877,660

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Financial Position as at 30 June 2015

	Note	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
ASSETS			
Cash and cash equivalents	7	73,592,797	13,853,101
Placements with banks and other financial institutions	8	26,515,313	24,361,759
Available-for-sale financial assets	9	15,894,729	9,632,176
Loans to customers	10	80,397,531	87,193,112
Finance lease receivables	11	12,689,064	2,325,891
Held-to-maturity investments		-	10,231,995
Current tax asset		1,760,423	1,310,488
Advances paid under finance lease agreements	12	19,517,960	1,670,392
Assets to be transferred under finance lease agreements	13	9,057,878	2,482,252
Construction in progress	14	10,296,208	6,339,486
Property and equipment		1,711,156	1,713,294
Investment property		1,242,403	1,130,962
Investments in subsidiary		554,291	554,291
Deferred tax asset	6	1,036,032	1,754,817
Other assets		3,033,897	2,865,100
Total assets		257,299,682	167,419,116
EQUITY AND LIABILITIES			
Debt securities issued	15	73,457,303	77,188,204
Subordinated debt securities issued		9,903,052	9,809,666
Other borrowed funds	16	43,550,557	28,808,521
Deferred income	17	78,100,995	-
Other liabilities		7,095,642	6,690,205
Total liabilities		212,107,549	122,496,596
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		(1,102,099)	(730,235)
Accumulated losses		(17,792,010)	(18,433,487)
Total equity		45,192,133	44,922,520
Total equity and liabilities		257,299,682	167,419,116

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2015

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	1,715,467	1,079,342
<i>Adjustments for non-cash items:</i>		
Depreciation and amortisation	39,598	31,780
Impairment losses/(recoveries)	177,936	(12,229)
Interest income	(8,700,582)	(7,553,726)
Interest expense	5,877,091	5,758,774
Net foreign exchange gain	(84,742)	(48,277)
Net gain on available-for-sale financial assets	(2,294)	-
	(977,526)	(744,336)
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	(1,278,404)	(26,439,811)
Loans to customers	6,908,814	15,240,998
Finance lease receivables	(10,275,212)	-
Advances paid under finance lease agreements	(17,847,568)	-
Assets to be transferred under finance lease agreements	(6,575,626)	-
Construction in progress	(3,956,722)	(2,222,222)
Other assets	(250,101)	(559,986)
Increase/(decrease) in operating liabilities		
Other liabilities	350,477	(595,779)
Cash flow used in operating activities before interest and income tax paid	(33,901,868)	(15,321,136)
Income tax paid	(449,935)	(184,284)
Interest received	7,707,978	7,165,385
Interest paid	(4,489,816)	(4,222,560)
Cash flows used in operating activities	(31,133,641)	(12,562,595)

Mortgage organisation Kazakhstan Mortgage Company JSC
Unconsolidated Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2015

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of held-to-maturity investments (Note 9)	3,710,029	-
Redemption and sale of available-for-sale financial assets	-	471,509
Acquisition of available-for-sale financial assets	-	(1,186,321)
Purchase of property and equipment	(27,320)	(482)
Purchase of intangible assets	(23,763)	-
Proceeds from sale of investment property	36,870	95,217
Cash flows from/(used in) investing activities	3,695,816	(620,077)
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	(5,000,000)	(3,874,205)
Receipts of other borrowed funds	92,500,000	-
Dividends paid	(355,205)	-
Cash flows from financing activities	87,144,795	17,215,867
Net increase in cash and cash equivalents	59,706,970	4,033,195
Effect of changes in exchange rates on cash and cash equivalents	32,726	357,354
Cash and cash equivalents at beginning of the period	13,853,101	8,402,919
Cash and cash equivalents at end of the period (Note 7)	73,592,797	12,793,468

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 2014	43,920,000	12,661	(2,597,522)	5,822,856	2,734,447	(465,207)	(19,610,929)	29,816,306
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	998,059	998,059
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	-	-	-	-	-	(120,399)	-	(120,399)
Total other comprehensive income for the period, unaudited	-	-	-	-	-	(120,399)	-	(120,399)
Total comprehensive income for the period, unaudited	-	-	-	-	-	(120,399)	998,059	877,660
Transactions with owners, recorded directly in equity								
Increase in share capital, unaudited	14,193,800	-	-	-	-	-	-	14,193,800
Balance as at 30 June 2014, unaudited	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(585,606)	(18,612,870)	44,887,766
Balance as at 1 January 2015	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(730,235)	(18,433,487)	44,922,520
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	996,682	996,682
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 income for the period, unaudited	-	-	-	-	-	(371,864)	-	(371,864)
Total comprehensive income for the period, unaudited	-	-	-	-	-	(371,864)	996,682	624,818
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)	(17,792,010)	45,192,133

1 Background

(a) Principal activities

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

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

The activities of the Company are regulated by the 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 reorganised 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 will be merged with its parent company United Payment Systems JSC, which later will be merged with its parent company, Mortgage organisation Kazakhstan Mortgage Company JSC.

At the date of issue of these unconsolidated interim condensed financial statements, United Payment Systems JSC was being reorganised by merging with Kazakhstan Housing-Construction Company JSC.

(b) Shareholders

As at 30 June 2015 and 31 December 2014 the Company is wholly-owned by National Management Holding Baiterek JSC (“Baiterek”). The ultimate controlling party is the Government of the Republic of Kazakhstan.

(c) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan, which display 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. The unconsolidated interim condensed financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These unconsolidated interim condensed financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the unconsolidated financial statements of the Company as at and for the year ended 31 December 2014, as these unconsolidated interim condensed financial statements provide an update of previously reported financial information.

The Company also prepares consolidated interim condensed financial statements for the six-month period ended 30 June 2015 in accordance with IAS 34 that can be obtained from the Company’s head office at 98, Karasay Batyr st., Almaty, Kazakhstan.

(b) Basis of measurement

The unconsolidated interim condensed financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

In preparing these unconsolidated interim condensed financial statements the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Company’s unconsolidated financial statements for the year ended 31 December 2014.

3 Significant accounting policies

The accounting policies applied by the Company in these unconsolidated interim condensed financial statements are consistent with those applied by the Company in the unconsolidated financial statements for the year ended 31 December 2014.

4 Net interest income

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Interest income		
Loans to customers	4,394,475	4,914,288
Cash and cash equivalents	2,044,160	338,117
Placements with banks and other financial institutions	1,121,491	1,314,713
Available-for-sale financial assets	529,824	410,620
Finance lease receivables	335,579	-
Held-to-maturity investments	163,647	305,723
Reverse repurchase agreements	51,751	207,915
Other assets	59,655	62,350
	8,700,582	7,553,726
Interest expense		
Debt securities issued	(3,876,206)	(4,000,104)
Other borrowed funds	(1,507,499)	(1,210,191)
Subordinated debt securities issued	(493,386)	(468,747)
Other assets (recognition of discount)	-	(79,732)
	(5,877,091)	(5,758,774)
	2,823,491	1,794,952

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

5 Impairment (losses)/recoveries

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Loans to customers (Note 10)	(130,541)	(100,000)
Held-to-maturity investments	(24,966)	699
Available-for-sale financial assets (Note 9)	(15,551)	111,591
Other assets	(6,878)	(61)
	(177,936)	12,229

6 Income tax expense

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Deferred tax movement due to origination and reversal of temporary differences and movement in valuation allowance	(718,785)	(81,283)
Total income tax expense	(718,785)	(81,283)

In 2015, the applicable tax rate for current and deferred tax is 20% (2014: 20%).

Reconciliation of effective tax rate:

	Unaudited Six-month period ended 30 June 2015 KZT'000	%	Unaudited Six-month period ended 30 June 2014 KZT'000	%
Profit before income tax	1,715,467	100	1,079,342	100
Income tax at the applicable tax rate	(343,093)	(20)	(215,868)	(20)
Change in unrecognised deferred tax assets	(370,994)	(22)	-	-
Tax exempt interest on securities	128,809	8	127,339	12
Other (non-deductible expenses)/non-taxable income	(133,507)	(8)	7,246	1
Total income tax expense	(718,785)	(42)	(81,283)	(7)

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 2015 and 31 December 2014. These deferred tax assets are partially recognised in these unconsolidated interim condensed financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Company's ability to claim the deductions in future periods.

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

As at 30 June 2015, the Company has recognised net deferred tax asset of KZT 2,067,017 thousand, unaudited, arising from tax losses carried forward (31 December 2014: KZT 2,421,781 thousand). Management believes that the Company will be able to earn sufficient future taxable profit based on the realisation of the government programme "Regions Development till 2020" under the President's "Nurly Zhol" Statement (further together referred to as "Nurly Zhol"). The significant assumptions used by management in estimating the amount of deferred tax asset to be recognised remain unchanged since 31 December 2014.

6 Income tax expense, continued

Movement in temporary differences during the six-month periods ended 30 June 2015 and 2014 are presented as follows:

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

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

Unrecognised deferred tax asset

As at 30 June 2015 a deferred tax asset of KZT 370,994 thousand, unaudited (31 December 2014: nil) is not recognised due to uncertainties concerning its realisation.

7 Cash and cash equivalents

	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
Nostro accounts with banks		
- rated BBB-	-	103,012
- rated BB+	851,486	1,506,403
- rated BB	22,333,803	-
- rated BB-	89,282	16,579
- rated B+	12,336,868	46,410
- rated B	20,542,757	13,762
- rated B-	17,438,601	5,345,685
- not rated	-	89,097
Total nostro accounts with banks	73,592,797	7,120,948
Term deposits with banks		
- rated B-	-	6,732,153
Total term deposits with banks	-	6,732,153
Total cash and cash equivalents	73,592,797	13,853,101

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 2015 the Company has ten banks (31 December 2014: one bank) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2015 is KZT 72,549,728 thousand, unaudited (31 December 2014: KZT 7,268,667 thousand).

8 Placements with banks and other financial institutions

	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
- rated BB+	-	1,714,800
- rated BB	1,714,800	-
- rated B+	5,789,121	4,299,200
- rated B	6,603,660	5,199,555
- rated B-	12,407,732	13,148,204
Total placements with banks and other financial institutions	26,515,313	24,361,759

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 2015 the Company placed term deposits with interest rates ranging from 6% to 11.5% per annum, unaudited (31 December 2014: from 6% to 10.5%) and which have maturities from August 2015 to June 2016, unaudited (31 December 2014: from February 2015 to November 2015).

As at 30 June 2015 the Company has two banks (31 December 2014: one bank) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2015 is KZT 11,387,445 thousand, unaudited (31 December 2014: KZT 5,138,888 thousand).

9 Available-for-sale financial assets

	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,359,436	1,403,163
Corporate bonds rated from BBB-	1,220,467	1,217,405
Corporate bonds rated from BB+ to BB-	2,342,150	-
Corporate bonds rated from B+ to B	3,894,271	2,772,987
Corporate bonds not rated	6,278,752	4,676,364
	17,095,076	10,069,919
Impairment allowance	(1,200,347)	(437,743)
	15,894,729	9,632,176

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 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Balance at the beginning of the period	437,743	747,554
Net charge/(recovery), unaudited	15,551	(111,591)
Transfer from held-to-maturity investments, unaudited	1,212,139	-
Write-offs, unaudited	(465,086)	(198,220)
Balance at the end of the period, unaudited	1,200,347	437,743

During the six month period ended 30 June 2015, the Company reclassified debt financial instruments from held-to-maturity investments to available-for-sale financial assets in the amount of KZT 6,703,614 thousand, unaudited, due to the sale of debt financial instruments from the held-to-maturity investments portfolio prior to maturity. The Company is not allowed to classify any debt financial instruments as held-to-maturity during the two subsequent financial years.

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 2015 KZT'000	31 December 2014 KZT'000
Mortgage loans with recourse	18,619,805	25,742,040
Mortgage loans without recourse	64,322,032	63,873,798
Accrued interest	1,070,352	1,061,391
Gross loans to customers	84,012,189	90,677,229
Impairment allowance	(3,614,658)	(3,484,117)
Net loans to customers	80,397,531	87,193,112

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 2015:

	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	18,042,812	-	18,042,812	-
- overdue less than 30 days	531,560	-	531,560	-
- overdue 30-89 days	251,940	-	251,940	-
- overdue 90-179 days	75,827	-	75,827	-
- overdue 180-360 days	52,035	-	52,035	-
- overdue more than 360 days	11,338	-	11,338	-
Total mortgage loans with recourse to the seller	18,965,512	-	18,965,512	-
Mortgage loans without recourse to the seller				
- not overdue	56,283,711	(167,302)	56,116,409	0.30
- overdue less than 30 days	1,938,069	(12,591)	1,925,478	0.65
- overdue 30-89 days	1,191,230	(49,472)	1,141,758	4.15
- overdue 90-179 days	932,875	(169,521)	763,354	18.17
- overdue 180-360 days	654,821	(186,418)	468,403	28.47
- overdue more than 360 days	4,045,971	(3,029,354)	1,016,617	74.87
Total mortgage loans without recourse to the seller	65,046,677	(3,614,658)	61,432,019	5.56
Total loans to customers	84,012,189	(3,614,658)	80,397,531	4.30

The following table provides information on credit quality of mortgage loans as at 31 December 2014:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Mortgage loans with recourse to the seller				
- not overdue	23,787,951	-	23,787,951	-
- overdue less than 30 days	1,616,641	-	1,616,641	-
- overdue 30-89 days	455,270	-	455,270	-
- overdue 90-179 days	158,799	-	158,799	-
- overdue 180-360 days	71,221	-	71,221	-
- overdue more than 360 days	1,554	-	1,554	-
Total mortgage loans with recourse to the seller	26,091,436	-	26,091,436	-
Mortgage loans without recourse to the seller				
- not overdue	58,447,913	(18,596)	58,429,317	0.03
- overdue less than 30 days	825,853	(4,393)	821,460	0.53
- overdue 30-89 days	418,567	(41,003)	377,564	9.80
- overdue 90-179 days	449,120	(169,074)	280,046	37.65
- overdue 180-360 days	764,983	(134,389)	630,594	17.57
- overdue more than 360 days	3,679,357	(3,116,662)	562,695	84.71
Total mortgage loans without recourse to the seller	64,585,793	(3,484,117)	61,101,676	5.39
Total loans to customers	90,677,229	(3,484,117)	87,193,112	3.84

10 Loans to customers, continued

(b) Key assumptions and judgements for estimating loan impairment

As at 30 June 2015, the significant assumptions used in determining impairment losses for mortgage loans are the same as those that applied to the Company's unconsolidated financial statements for the year ended 31 December 2014.

Movements in the loan impairment allowance are as follows:

	Unaudited Six-month period ended 30 June 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Balance at the beginning of the period	3,484,117	3,333,347
Net charge, unaudited	130,541	100,000
Write-offs, unaudited	-	(136,223)
Balance at the end of the period, unaudited	3,614,658	3,297,124

11 Finance lease receivables

The components of net investments in finance lease as at 30 June 2015 and 31 December 2014 are as follows:

	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
Within one year	1,132,989	339,040
More than one year, but less than five years	4,466,295	1,337,354
More than five years	14,820,324	3,730,309
Minimum lease payments	20,419,608	5,406,703
Less unearned finance income:		
Less than one year	(603,085)	(268,686)
From one to five years	(2,593,059)	(1,051,298)
More than five years	(4,534,400)	(1,760,828)
Less unearned finance income, total	(7,730,544)	(3,080,812)
Net investment in finance lease	12,689,064	2,325,891

The Company 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.

As at 30 June 2015 finance lease receivables of KZT 115,527 thousand, unaudited, are overdue for less than 30 days. The Company does not recognise impairment on these assets since they are sufficiently covered by lease objects value. As at 31 December 2014 none of the finance lease receivables are impaired or past due.

12 Advances paid under finance lease agreements

Advances paid under finance lease agreements comprise advances made by the Company for housing real estate to be acquired from third parties. The Company plans to lease it out under finance lease, once the legal title on the property passes to the Company. As at 30 June 2015 the largest advance payment was made to Baiterek Development JSC in the amount of KZT 12,000,000 thousand for construction and property acquisition in Kyzylorda, Pavlodar and Aktobe cities under Nurly Zhol programme.

13 Assets to be transferred under finance lease agreements

Assets to be transferred under finance lease agreements include housing real estate, which the Company intends to transfer to lessees in 2015.

14 Construction in progress

Construction in progress represents capitalised costs incurred by the Company during construction of residential real estate in different regions of Kazakhstan as part of Nurly Zhol programme. The Company will lease out the constructed real estate under finance lease terms approved in this programme.

As at 30 June 2015 the largest construction project relates to construction of micro district “Nursat” located in Shymkent, Kazakhstan, in the amount of KZT 6,670,289 thousand, unaudited (31 December 2014: KZT 3,604,204 thousand).

15 Debt securities issued

Debt securities issued as at 30 June 2015 and 31 December 2014 comprised USD and KZT denominated bonds.

Emission	Maturity date	Coupon rate	Effective rate	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
KZ2C0Y05E529	26.07.2018	6.00%	6.00%	19,769,017	19,360,577
KZ2C0Y07E517	26.07.2020	8.50%	8.50%	10,344,738	10,342,640
KZP02Y09C495	10.06.2016	0.70%+floating inflation index (limited to 12.0%) 1.00%+NBRK refinancing rate (limited to maximum	10.12%	9,430,281	9,093,513
KZ2C0Y08D913	23.12.2018	10%, minimum 6%)	12.62%	8,300,647	8,070,855
KZ2C0Y05E503	26.07.2018	8.00%	8.00%	8,178,795	8,176,392
KZP05Y06C494	10.12.2015	3.70%+floating inflation index (limited to 11%)	15.51%	8,006,709	7,767,280
KZPC4Y10B547	15.01.2017	0.01%+floating inflation index (limited to 7.5%)	13.33%	4,759,586	4,611,946
KZPC2Y12B547	10.04.2017	0.01%+floating inflation index (limited to 7.5%)	5.14%	4,660,409	4,684,926
KZ2C0Y08E218	02.04.2020	7.00%	7.00%	7,121	7,121
KZPC1Y10B543	10.04.2015	6.90%	-	-	5,072,954
				73,457,303	77,188,204

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 32,087,668 thousand, unaudited (31 December 2014: KZT 36,268,176 thousand).

16 Other borrowed funds

	Unaudited 30 June 2015 KZT'000	31 December 2014 KZT'000
Loans from banks of the Republic of Kazakhstan	25,429,131	25,422,657
Loan from National Management Holding Baiterek JSC	14,598,598	-
Due to the Government of the Republic of Kazakhstan	3,522,828	3,385,864
	43,550,557	28,808,521

During the six-month period ended 30 June 2015, the Company received a loan in four tranches for the total amount of KZT 92,500,000 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 dated 28 June 2014 and launched under the President’s “Nurly Zhol” Statement. As set out in the programme, the purpose of the loan is to finance construction and acquisition of housing real estate to be further leased out under operating and finance leases. The loan bears a nominal interest rate of 0.15% per annum and matures in January 2045. The repayment of principal is at maturity. At initial recognition the loan was recognised at fair value measured by applying a relevant market interest rate to discount the contractual future cash flows. The discount on this loan of KZT 78,188,663 thousand, unaudited, was recognised as deferred income (Note 17).

17 Deferred income

	Unaudited Six-month period ended 30 June 2015 KZT'000
Balance at the beginning of the period	-
Deferred income from low-interest rate loans obtained during the period (Note 16), unaudited	78,188,663
Amortisation for the period, unaudited	(87,668)
Balance at the end of the period, unaudited	78,100,995

As at 30 June 2015 the Company recorded as deferred income the benefits of KZT 78,188,663 thousand, unaudited, 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 Company’s lessees by providing leases at favourable rates.

18 Equity

(a) Share capital, share premium and treasury shares

As at 30 June 2015 and 31 December 2014 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 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.

During six-month period ended 30 June 2015 dividends of KZT 355,205 thousand or KZT 63.87 per ordinary share, unaudited, relating to the previous year results of the Company were declared and paid (six-month period ended 30 June 2014: nil).

18 Equity, continued

(c) Basic income per share

The calculation of basic income 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 2015	Unaudited Six-month period ended 30 June 2014
Profit for the period, in thousand of KZT	996,682	998,059
Weighted average number of ordinary shares	5,561,380	5,106,974
Basic earnings per share, in KZT	179	195

19 Risk management

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

As at 30 June 2015 there were no significant changes in relation to market and liquidity risks since 31 December 2014. 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 2015							
ASSETS							
Cash and cash equivalents	73,225,210	-	-	-	-	367,587	73,592,797
Placements with banks and other financial institutions	4,995,614	15,506,630	6,013,069	-	-	-	26,515,313
Available-for-sale financial assets	3,536,876	3,353,824	2,926,929	4,583,076	1,422,996	71,028	15,894,729
Loans to customers	1,733,049	11,907,531	2,622,700	21,164,472	42,969,779	-	80,397,531
Finance lease receivables	203,199	102,697	209,164	1,873,237	10,300,767	-	12,689,064
Other financial assets	-	-	-	-	-	2,541,430	2,541,430
Total assets	83,693,948	30,870,682	11,771,862	27,620,785	54,693,542	2,980,045	211,630,864
LIABILITIES							
Debt securities issued	5,896,284	30,398,166	-	27,184,086	9,978,767	-	73,457,303
Subordinated debt securities issued	-	197,778	-	9,705,274	-	-	9,903,052
Other borrowed funds	3,913,196	4,635	7,208,333	14,349,857	18,074,536	-	43,550,557
Other financial liabilities	-	-	-	-	-	6,317,227	6,317,227
Total liabilities	9,809,480	30,600,579	7,208,333	51,239,217	28,053,303	6,317,227	133,228,139
Net position	73,884,468	270,103	4,563,529	(23,618,432)	26,640,239	(3,337,182)	78,402,725

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 2014							
ASSETS							
Cash and cash equivalents	11,750,819	-	-	-	-	2,102,282	13,853,101
Placements with banks and other financial institutions	480,801	7,053,500	16,827,458	-	-	-	24,361,759
Available-for-sale financial assets	1,312,288	644,577	1,150,511	5,136,916	1,387,884	-	9,632,176
Loans to customers	2,540,183	1,037,801	13,751,637	21,823,770	48,039,721	-	87,193,112
Finance lease receivables	34,353	8,724	27,250	285,953	1,969,611	-	2,325,891
Held-to-maturity investments	2,606,172	2,477,301	201,466	2,431,253	2,515,803	-	10,231,995
Other financial assets	-	-	-	-	-	2,393,793	2,393,793
Total assets	18,724,616	11,221,903	31,958,322	29,677,892	53,913,019	4,496,075	149,991,827
LIABILITIES							
Debt securities issued	5,738,350	34,689,648	-	26,776,538	9,983,668	-	77,188,204
Subordinated debt securities issued	-	197,778	-	9,611,888	-	-	9,809,666
Other borrowed funds	237,607	-	3,628,475	21,556,700	3,385,739	-	28,808,521
Other financial liabilities	-	-	-	-	-	6,378,300	6,378,300
Total liabilities	5,975,957	34,887,426	3,628,475	57,945,126	13,369,407	6,378,300	122,184,691
Net position	12,748,659	(23,665,523)	28,329,847	(28,267,234)	40,543,612	(1,882,225)	27,807,136

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 2015 and 31 December 2014 is as follows:

	Unaudited		31 December 2014	
	30 June 2015		KZT'000	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	527,669	527,669	27,521	27,521
100 bp parallel fall	(527,669)	(527,669)	(27,521)	(27,521)

19 Risk management, continued

(b) Liquidity risk

The table below shows an analysis, by contractual maturities, of the amounts recognised in the unconsolidated statement of financial position as at 30 June 2015:

Unaudited	Less than 1	1 to 3	3 months	1 to 5	More than	No maturity	Total
Assets	KZT'000	months	to 1 year	years	5 years	KZT'000	KZT'000
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Cash and cash equivalents	73,592,797	-	-	-	-	-	73,592,797
Placements with banks and other financial institutions	118,814	4,876,800	21,519,699	-	-	-	26,515,313
Available-for-sale financial assets	505,139	344,360	4,207,490	6,698,968	4,138,772	-	15,894,729
Loans to customers	1,013,781	982,468	4,541,679	24,757,486	49,102,117	-	80,397,531
Finance lease receivables	135,417	67,782	311,861	1,873,237	10,300,767	-	12,689,064
Current tax asset	-	-	-	-	-	1,760,423	1,760,423
Advances paid under finance lease agreements	2,588,201	543,500	10,358,869	6,027,390	-	-	19,517,960
Assets to be transferred under finance lease agreements	-	-	-	-	-	9,057,878	9,057,878
Construction in progress	-	-	10,296,208	-	-	-	10,296,208
Property and equipment	-	-	-	-	-	1,711,156	1,711,156
Investment property	-	-	-	-	-	1,242,403	1,242,403
Investment in subsidiary	-	-	-	-	-	554,291	554,291
Deferred tax asset	-	-	-	-	-	1,036,032	1,036,032
Other assets	28,821	17,910	2,573,812	1,763	3,635	407,956	3,033,897
Total assets	77,982,970	6,832,820	53,809,618	39,358,844	63,545,291	15,770,139	257,299,682
Liabilities							
Debt securities issued	1,307,540	-	17,505,475	44,665,522	9,978,766	-	73,457,303
Subordinated debt securities issued	-	-	197,778	9,705,274	-	-	9,903,052
Other borrowed funds	276,605	3,636,591	7,212,968	14,349,857	18,074,536	-	43,550,557
Deferred income	41,618	95,797	971,725	10,567,352	66,424,503	-	78,100,995
Other liabilities	421,229	45,779	5,280,608	881,487	466,539	-	7,095,642
Total liabilities	2,046,992	3,778,167	31,168,554	80,169,492	94,944,344	-	212,107,549
Net position as at 30 June 2015	75,935,978	3,054,653	22,641,064	(40,810,648)	(31,399,053)	15,770,139	45,192,133

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

The table below shows an analysis, by contractual maturities, of the amounts recognised in the unconsolidated statement of financial position as at 31 December 2014:

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Assets							
Cash and cash equivalents	13,853,101	-	-	-	-	-	13,853,101
Placements with banks and other financial institutions	122,080	358,721	23,880,958	-	-	-	24,361,759
Available-for-sale financial assets	138,505	36,055	166,727	5,136,916	4,153,973	-	9,632,176
Loans to customers	1,042,960	1,491,356	4,096,957	25,556,508	55,005,331	-	87,193,112
Finance lease receivables	21,591	12,762	35,974	285,953	1,969,611	-	2,325,891
Held-to-maturity investments	7,250	14,685	2,678,767	4,685,565	2,845,728	-	10,231,995
Current tax asset	-	-	-	-	-	1,310,488	1,310,488
Advances paid under finance lease agreements	-	-	1,670,392	-	-	-	1,670,392
Assets to be transferred under finance lease agreements	-	-	-	-	-	2,482,252	2,482,252
Construction in progress	-	-	6,339,486	-	-	-	6,339,486
Property and equipment	-	-	-	-	-	1,713,294	1,713,294
Investment property	-	-	-	-	-	1,130,962	1,130,962
Investment in subsidiary	-	-	-	-	-	554,291	554,291
Deferred tax asset	-	-	-	-	-	1,754,817	1,754,817
Other assets	51,106	6,898	2,407,424	1,504	3,823	394,345	2,865,100
Total assets	15,236,593	1,920,477	41,276,685	35,666,446	63,978,466	9,340,449	167,419,116
Liabilities							
Debt securities issued	1,288,023	-	12,979,904	52,936,609	9,983,668	-	77,188,204
Subordinated debt securities issued	-	-	197,778	9,611,888	-	-	9,809,666
Other borrowed funds	234,350	3,257	3,628,475	21,556,700	3,385,739	-	28,808,521
Other liabilities	434,268	33,165	4,720,415	657,056	845,301	-	6,690,205
Total liabilities	1,956,641	36,422	21,526,572	84,762,253	14,214,708	-	122,496,596
Net position as at 31 December 2014	13,279,952	1,884,055	19,750,113	(49,095,807)	49,763,758	9,340,449	44,922,520

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 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Members of the Board of Directors	4,902	1,840
Members of the Management Board	37,459	29,514
	42,361	31,354

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 2015 and 31 December 2014 with the members of the Management Board are as follows:

	Unaudited 30 June 2015 KZT'000	Unaudited Average interest rate	31 December 2014 KZT'000	Average interest rate
Unconsolidated Interim Condensed Statement of Financial Position				
Loans to customers	7,911	8.50	49,801	6.79
Other liabilities	13,140		30,308	-

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 2015 KZT'000	Unaudited Six-month period ended 30 June 2014 KZT'000
Unconsolidated Interim Condensed Statement of Profit or Loss		
Interest income	342	1,774

(b) Transactions with other related parties

Other related parties include Baiterek Group, other state organisations and subsidiaries of the Company.

The amounts below are included in the unconsolidated interim condensed statement of financial position as at 30 June 2015 and 31 December 2014 unconsolidated interim condensed statement of profit or loss and unconsolidated interim condensed statement of comprehensive income for the six-month periods ended 30 June 2015 and 2014:

20 Related party transactions, continued

(b) Transactions with other related parties, continued

	Unaudited, Six-month period ended 30 June 2015	Unaudited, Six-month period ended 30 June 2015	Unaudited, Six-month period ended 30 June 2014	Unaudited, Six-month period ended 30 June 2014	Unaudited, Six-month period ended 30 June 2014
	Baiterek Group KZT'000	Other state organisations KZT'000	Baiterek Group KZT'000	Other state organisations KZT'000	Subsidiaries of the Company KZT'000
Unconsolidated Interim Condensed Statement of Profit or Loss					
Interest income	-	170,959	-	341,551	-
Interest expense	(1,525,755)	(138,472)	(1,355,018)	(2,203,817)	-
Net foreign exchange loss	(403,579)	-	(4,153,837)	-	-
Commission expense	-	(423)	-	(3)	-
Other income	3,343	5,546	-	-	-
General administrative expenses	-	(147,316)	-	(94,926)	(48,809)
Income tax expense	-	(718,785)	-	(81,283)	-
Unconsolidated Interim Condensed Statement of Comprehensive Income					
Other Comprehensive Income					
Net change in fair value of available-for-sale financial assets	-	(22,614)	-	(37,032)	-

20 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as at 30 June 2015 include:

	Unaudited Baiterek Group		Unaudited Other state organisations		Unaudited Subsidiaries of the Company
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000
Available-for-sale financial assets	-	-	4,579,904	6.05	-
Current tax asset	-	-	1,760,429	-	-
Investments in subsidiary	-	-	-	-	554,291
Deferred tax asset	-	-	1,036,032	-	-
Advances paid under finance lease agreements	11,899,428	-	-	-	-
Other assets	-	-	9,720	-	-
Debt securities issued	29,930,093	6.51	32,456,563	7.16	-
Subordinated debt securities issued	-	-	3,065,242	9.76	-
Other borrowed funds	14,598,598	6.91	3,522,828	8.00	-
Other liabilities	-	-	17,820	-	148,016
Revaluation reserve for available-for-sale financial assets	-	-	(147,696)	-	-

The balances with related parties as of 31 December 2014 include:

	Baiterek Group		Other state organisations		Subsidiaries of the Company
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000
Available-for-sale financial assets	-	-	2,620,568	6.97	-
Held-to maturity investments	-	-	2,012,242	3.48	-
Current tax asset	-	-	1,310,488	-	-
Investment in subsidiary	-	-	-	-	554,291
Deferred tax asset	-	-	1,754,817	-	-
Other assets	153	-	12,855	-	15,150
Debt securities issued	29,311,969	9.34	36,290,307	11.00	-
Subordinated debt securities issued	-	-	3,281,578	9.96	-
Other borrowed funds	-	-	3,385,864	8.00	-
Other liabilities	-	-	33,171	-	170,370
Revaluation reserve for available-for-sale financial assets	-	-	(124,831)	-	-

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 2015:

Unaudited KZT'000	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	73,592,797	-	-	73,592,797	73,592,797
Placements with banks and other financial institutions	26,515,313	-	-	26,515,313	26,515,313
Available-for-sale financial assets	-	15,894,729	-	15,894,729	15,894,729
Loans customers	80,397,531	-	-	80,397,531	79,442,903
Finance lease receivables	12,689,064	-	-	12,689,064	12,689,064
Other financial assets	2,541,430	-	-	2,541,430	2,541,430
	195,736,135	15,894,729	-	211,630,864	210,676,236
Debt securities issued	-	-	73,457,303	73,457,303	67,676,884
Subordinated debt securities issued	-	-	9,903,052	9,903,052	9,804,630
Other borrowed funds	-	-	43,550,557	43,550,557	41,523,339
Deferred income	-	-	78,100,995	78,100,995	78,100,995
Other financial liabilities	-	-	6,317,227	6,317,227	6,317,227
	-	-	211,329,134	211,329,134	203,423,075

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 2014:

KZT'000	Held-to-maturity	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	13,853,101	-	-	13,853,101	13,853,101
Placements with banks and other financial institutions	-	24,361,759	-	-	24,361,759	24,361,759
Available-for-sale financial assets	-	-	9,632,176	-	9,632,176	9,632,176
Loans customers	-	87,193,112	-	-	87,193,112	85,892,121
Finance lease receivables	-	2,325,891	-	-	2,325,891	2,325,891
Held-to-maturity investments:						
Government bonds	2,012,242	-	-	-	2,012,242	1,938,230
Corporate bonds	8,219,753	-	-	-	8,219,753	7,919,972
Other financial assets	-	2,393,793	-	-	2,393,793	2,393,793
	10,231,995	130,127,656	9,632,176	-	149,991,827	148,317,043
Debt securities issued	-	-	-	77,188,204	77,188,204	71,798,714
Subordinated debt securities issued	-	-	-	9,809,666	9,809,666	9,942,134
Other borrowed funds	-	-	-	28,808,521	28,808,521	27,758,068
Other financial liabilities	-	-	-	6,378,300	6,378,300	6,378,300
	-	-	-	122,184,691	122,184,691	115,877,216

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 Company 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 Company 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 Company 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 Company 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 at 30 June 2015 and 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the unconsolidated statement of financial position:

	Unaudited 30 June 2015 Level 2 KZT'000	31 December 2014 Level 2 KZT'000
Financial assets		
Available-for-sale financial assets	15,894,729	9,632,176
	15,894,729	9,632,176

As at 30 June 2015 and 31 December 2014 the Company does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable 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 2015:

Unaudited KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	73,592,797	73,592,797	73,592,797
Placements with banks and other financial institutions	26,515,313	26,515,313	26,515,313
Loans to customers	79,442,903	79,442,903	80,397,531
Finance lease receivables	12,689,064	12,689,064	12,689,064
Liabilities			
Debt securities issued	67,676,884	67,676,884	73,457,303
Subordinated debt securities issued	9,804,630	9,804,630	9,903,052
Other borrowed funds	41,523,339	41,523,339	43,550,557
Deferred income	78,100,995	78,100,995	78,100,995

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

(b) Fair value hierarchy, continued

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 2014:

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	13,853,101	-	13,853,101	13,853,101
Placements with banks and other financial institutions	24,361,759	-	24,361,759	24,361,759
Loans to customers	85,892,121	-	85,892,121	87,193,112
Finance lease receivables	2,325,891	-	2,325,891	2,325,891
Held-to-maturity investments	9,505,122	353,080	9,858,202	10,231,995
Liabilities				
Debt securities issued	71,798,714	-	71,798,714	77,188,204
Subordinated debt securities issued	9,942,134	-	9,942,134	9,809,666
Other borrowed funds	27,758,068	-	27,758,068	28,808,521

22 Capital management

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

	Unaudited 30 June 2015 KZT'000	31 December 2014 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	(18,788,690)	(19,610,929)
Total tier 1 capital	45,297,552	44,475,313
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	(1,102,099)	(730,235)
Subordinated debt securities issued	3,882,109	5,767,133
Net profit for the current year in accordance with NBRK requirements	996,682	1,177,442
Total tier 2 capital	3,776,692	6,214,340
Investments in subsidiaries	554,291	554,291
Total capital	49,628,535	51,243,944
Total statutory assets	257,299,682	167,419,116
Credit risk weighted assets and contingent liabilities	237,608,586	145,279,951
Operational risk	1,683,582	-
k1 ratio	18%	27%
k1-2 ratio	19%	31%
k1-3 ratio	21%	35%

22 Capital management, continued

As at 30 June 2015 and 31 December 2014 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 Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.