ATFBank JSC

Consolidated Interim Condensed
Financial Statements

for the six-month period
ended 30 June 2015

Contents

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

To the Management Board of ATFBank JSC

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of ATFBank JSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2015, and the related consolidated condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condenced financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2015 and for the six-month period than ended is not prepared, in all material respects, in accordance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC

KPMG Audit LLC

4 August 2015

	Note	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Interest income	4	36,789,119	30,375,895
Interest expense	4	(23,028,071)	(20,217,429)
Net interest income		**13,761,048**	**10,158,466**
Fee and commission income	5	5,432,610	5,928,177
Fee and commission expense	6	(2,217,313)	(3,219,720)
Net fee and commission income		**3,215,297**	**2,708,457**
Net loss on financial instruments at fair value through profit or loss		(1,511)	(2,533)
Net income/(loss) on derivative financial instruments	7	1,001,698	(2,374,337)
Net foreign exchange gain		1,477,149	2,106,228
Net loss on available-for-sale financial assets		(65,027)	-
Other income on sale of foreclosed assets		14,940	1,088,224
Loss on repurchased own debt instruments		-	(50,631)
Other operating income		333,527	220,203
Operating income		**19,737,121**	**13,854,077**
Impairment losses	8	(7,422,021)	(2,014,842)
General and administrative expenses	9	(8,919,349)	(9,379,436)
Taxes other than income tax		(386,284)	(601,630)
Profit before income tax		**3,009,467**	**1,858,169**
Income tax expense	10	(446,071)	(169,626)
Net profit for the period		**2,563,396**	**1,688,543**
Attributable to:			
Equity holders of the Bank		2,531,410	1,647,277
Non-controlling interests		31,986	41,266
		2,563,396	**1,688,543**

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

	Note	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Other comprehensive income for the period, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets			
- Net change in fair value		84,284	(5,729)
- Net change in fair value transferred to profit or loss		65,027	-
Foreign currency translation differences for foreign operations			
- Net change in foreign currency translation differences		(357,586)	1,150,282
- Net change in foreign currency translation differences transferred to profit or loss		(144,644)	-
Other comprehensive (loss)/ income for the period, net of income tax		**(352,919)**	**1,144,553**
Total comprehensive income for the period		**2,210,477**	**2,833,096**
Attributable to:			
Equity holders of the Bank		2,188,716	2,764,013
Non-controlling interests		21,761	69,083
Total comprehensive income for the period		**2,210,477**	**2,833,096**
Earnings per share			
Basic earnings per share, in KZT	21	56	36
Diluted earnings per share, in KZT	21	56	36

The consolidated interim condensed financial information as set out on pages 4 to 58, were approved by management on 4 August 2015 and were signed on its behalf by:

Mr. Anthony Espina
Chairman of the Board

Mr. Nurlan Maketayev
Acting Chief Accountant

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial information.

	Note	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
ASSETS			
Cash and cash equivalents	11	151,903,176	149,707,679
Financial instruments at fair value through profit or loss			
-Held by the Group		791,895	451,143
Available-for-sale financial assets			
- Held by the Group	12	17,636,081	27,019,938
Loans and deposits to banks	13	12,236,587	8,062,254
Loans to customers	14	667,105,926	649,756,690
Assets classified as held for sale	14	28,944,357	-
Current tax asset		1,139,748	1,138,255
Property, equipment and intangible assets		18,091,594	18,366,634
Deferred tax asset	10	4,910,453	5,103,025
Receivable from UniCredit Bank Austria AG under guarantee agreement	15	117,424,947	115,753,133
Other assets	16	9,792,218	8,867,282
Total assets		**1,029,976,982**	**984,226,033**
LIABILITIES			
Financial instruments at fair value through profit or loss		155,259	272,156
Deposits and balances from banks and other financial institutions	17	124,506,265	120,705,578
Current accounts and deposits from customers	18	679,369,728	705,026,331
Other borrowed funds	19	104,482,061	59,827,535
Subordinated borrowings	19	38,871,569	18,431,310
Deferred tax liability	10	24,796	34,808
Other liabilities		2,938,397	2,472,414
Total liabilities		**950,348,075**	**906,770,132**
EQUITY			
Share capital	20	167,878,470	167,878,470
Share premium		1,461,271	1,461,271
General reserve		15,181,181	15,181,181
Revaluation reserve for available-for-sale financial assets		185,340	36,033
Cumulative translation reserve		(814,176)	(322,175)
Accumulated losses		(104,505,088)	(107,036,498)
Total equity attributable to equity holders of the Bank		**79,386,998**	**77,198,282**
Non-controlling interests		241,909	257,619
Total equity		**79,628,907**	**77,455,901**
Total liabilities and equity		**1,029,976,982**	**984,226,033**

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

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	30,457,004	20,600,086
Interest expense	(21,498,425)	(20,104,782)
Fee and commission income	5,376,644	5,728,295
Fee and commission expense	(422,991)	(2,308,317)
Net receipts/(payments) from financial instruments at fair value through profit or loss	369,022	(2,376,870)
Net receipts from foreign exchange	1,992,825	3,692,873
Other income receipts	139,773	1,308,427
Personnel expenses payments	(4,256,865)	(4,611,720)
Other general and administrative expenses payments	(4,081,984)	(2,251,998)
(Decrease)/ increase of operating assets		
Financial instruments at fair value through profit or loss	-	11,412
Loans and deposits to banks	(4,126,431)	(4,791,636)
Loans to customers	(43,841,516)	(8,291,796)
Other assets	(154,064)	15,522,083
Increase/(decrease) of operating liabilities		
Financial instruments at fair value through profit or loss	-	150,888
Deposits and balances from banks and other financial institutions	148,748	3,474,045
Current accounts and deposits from customers	(28,597,843)	24,697,610
Other liabilities	110,302	(800,146)
Net cash (used in)/provided from operating activities before income tax paid	**(68,385,801)**	**29,648,454**
Income tax paid	(295,000)	(194,856)
Net cash flows (used in)/provided from operating activities	**(68,680,801)**	**29,453,598**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(28,398,186)	(13,794,380)
Sale/repayment of available-for-sale financial assets	38,038,645	13,972,932
Purchase of property and equipment and intangible assets	(953,813)	(928,716)
Sales of property and equipment and intangible assets	195,489	91,931
Cash flows provided from/(used in) investing activities	**8,882,135**	**(658,233)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of loans	9,133,000	7,000,000
Repayment of loans	(2,595,944)	(2,581,997)
Proceeds from subordinated bonds	19,233,736	-
Repayment of subordinated bonds	-	(10,819,280)
Proceeds from debt securities issued	35,874,043	28,866
Repayment of debt securities	-	(54,813,381)
Dividends paid	(16,996)	(823)
Cash flows provided from/(used in) financing activities	**61,627,839**	**(61,186,615)**
Net increase/(decrease) in cash and cash equivalents	**1,829,173**	**(32,391,250)**
Effect of movements in exchange rates on cash and cash equivalents	366,324	26,030,243
Cash and cash equivalents at the beginning of the period	149,707,679	199,981,647
Cash and cash equivalents at end of the period (Note 11)	**151,903,176**	**193,620,640**

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

KZT'000	**Attributable to equity holders of the Bank**								
	Share capital	**Share premium**	**General reserve**	**Revaluation reserve for available-for-sale financial assets**	**Cumulative translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2015	167,878,470	1,461,271	15,181,181	36,033	(322,175)	(107,036,498)	77,198,282	257,619	77,455,901
Total comprehensive income									
Net profit for the period, unaudited	-	-	-	-	-	2,531,410	2,531,410	31,986	2,563,396
Other comprehensive income									
Items that are or may be reclassified subsequently to profit or loss:									
Net change in revaluation reserve of available-for-sale financial assets, unaudited	-	-	-	149,307	-	-	149,307	4	149,311
Net change in cumulative translation reserve, unaudited	-	-	-	-	(492,001)	-	(492,001)	(10,229)	(502,230)
Total other comprehensive income/ (loss), unaudited	**-**	**-**	**-**	**149,307**	**(492,001)**	**-**	**(342,694)**	**(10,225)**	**(352,919)**
Total comprehensive income for the period, unaudited	**-**	**-**	**-**	**149,307**	**(492,001)**	**2,531,410**	**2,188,716**	**21,761**	**2,210,477**
Transactions with owners recorded directly in equity									
Dividends of subsidiaries to minority shareholder, unaudited	-	-	-	-	-	-	-	(37,471)	(37,471)
Total transactions with owners, unaudited	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(37,471)**	**(37,471)**
Balance as at 30 June 2015, unaudited	**167,878,470**	**1,461,271**	**15,181,181**	**185,340**	**(814,176)**	**(104,505,088)**	**79,386,998**	**241,909**	**79,628,907**

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

KZT'000	**Attributable to equity holders of the Bank**								
	Share capital	**Share premium**	**General reserve**	**Revaluation reserve for available-for-sale financial assets**	**Cumulative translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2014	167,878,470	1,461,271	15,181,181	(64,465)	(66,397)	(110,417,735)	73,972,325	213,442	74,185,767
Total comprehensive income									
Net profit for the period, unaudited	-	-	-	-	-	1,647,277	1,647,277	41,266	1,688,543
Other comprehensive income									
Items that are or may be reclassified subsequently to profit or loss:									
Net change in revaluation reserve of available-for-sale financial assets, unaudited	-	-	-	(5,570)	-	-	(5,570)	(159)	(5,729)
Net change in cumulative translation reserve, unaudited	-	-	-	-	1,122,306	-	1,122,306	27,976	1,150,282
Total other comprehensive income, unaudited	**-**	**-**	**-**	**(5,570)**	**1,122,306**	**-**	**1,116,736**	**27,817**	**1,144,553**
Total comprehensive income for the period, unaudited	**-**	**-**	**-**	**(5,570)**	**1,122,306**	**1,647,277**	**2,764,013**	**69,083**	**2,833,096**
Transactions with owners recorded directly in equity									
Dividends of subsidiaries to minority shareholder, unaudited	-	-	-	-	-	-	-	(36,339)	(36,339)
Total transactions with owners, unaudited	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36,339)**	**(36,339)**
Balance as at 30 June 2014, unaudited	**167,878,470**	**1,461,271**	**15,181,181**	**(70,035)**	**1,055,909**	**(108,770,458)**	**76,736,338**	**246,186**	**76,982,524**

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

1 Background

(a) Organisation and operations

This consolidated interim condensed financial information includes the financial information of ATFBank JSC (the "Bank") and its subsidiaries (together referred to as the Group).

The Bank was established on 3 November 1995 as a closed joint stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint stock company in October 2003. The Bank operates under a general banking license issued on 28 December 2007 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Institutions. The license supersedes all previously issued general banking and other licenses.

ATFBank JSC and its subsidiaries provide retail and corporate banking services in Kazakhstan and Kyrgyzstan, as well as cash collection services. The Bank accepts deposits from the public, extends loans, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its corporate and retail customers.

The registered legal address of the Bank is: 100 Furmanov Street, Almaty, Republic of Kazakhstan, 050000.

The Bank is a member of the obligatory deposit insurance system, which operates under the Law of the Republic of Kazakhstan "On Obligatory Insurance of Second Tier Banks Deposits" dated 7 July 2006.

The Bank has a primary listing on the Kazakhstan Stock Exchange (the "KASE") and certain of its debt securities are listed on the Luxembourg and London Stock Exchanges. As at 30 June 2015 the Bank had 17 branches located throughout Kazakhstan (31 December 2014: 17 branches).

The principal subsidiaries of the Bank are as follows:

			Ownership, %	
Name	**Country of incorporation**	**Principal activity**	**30 June 2015 Unaudited**	**31 December 2014**
ATF Finance JSC	Kazakhstan	Investments	100.0	100.0
ATF Inkassatsiya LLP	Kazakhstan	Cash collection	100.0	100.0
Optima Bank OJSC (formerly "UniCreditBank" OJSC)	Kyrgyzstan	Banking	97.1	97.1
ATF Capital B.V.	The Netherlands	Special purpose vehicle	-	100.0

In December 2014, the Board of Directors of the Group made decision to liquidate ATF Capital B.V. due to the lack of volume in the primary activity of the company. On 26 June 2015, ATF Capital B.V. was liquidated.

In November 2013, the Board of Directors of the Group made decision to liquidate ATF Finance JSC due to the lack of volume in the primary activity of the company. The impact of subsidiary liquidation on the Group's assets and liabilities and the profit for the year is insignificant, accordingly the Group did not present this subsidiary as discontinued operation in the consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2015 and the consolidated interim statement of financial position as at 30 June 2015.

(b) Shareholders

As at 30 June 2015, the following shareholders owned the outstanding ordinary shares:

Shareholders	**30 June 2015 % Unaudited**	**31 December 2014 %**
KNG Finance LLC	99.78	99.78
Other shareholders, each holding less than 5%	0.22	0.22
	100.00	**100.00**

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 characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. The consolidated interim condensed financial information 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

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (the "IAS 34"). It does 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 2014, as this consolidated interim condensed financial information provides an update of previously reported financial statements.

(b) Basis of measurement

The consolidated interim condensed financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets.

(c) Functional and presentation currency

The functional currency of the Bank and the majority of 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.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated interim condensed financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- deferred taxes - Note 10;
- loan impairment estimates and sale of mortgage portfolio – Note 14;
- offset of receivables from UniCredit Bank Austria AG under guarantee agreement and cash deposit on this receivables – Note 15;
- estimates of fair values of financial instruments - Note 29.

3 Significant accounting policies

Except for the new standards, amendments to standards and interpretations effective from 1 January 2015, the accounting policies applied by the Group in these consolidated interim condensed financial information are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

A number of new standards, amendments to standards and interpretations are not yet effective as at 1 January 2015, and are not applied in preparing these consolidated interim condensed financial statements. The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments*: *Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Interest income		
Loans to customers	36,174,051	30,169,233
Available-for-sale financial assets	536,197	95,551
Loans and deposits to banks	75,947	108,620
Financial instruments at fair value through profit or loss	2,924	2,491
	36,789,119	**30,375,895**
Interest expense		
Current accounts and deposits from customers	(17,855,827)	(14,583,247)
Other borrowed funds	(2,487,144)	(2,766,168)
Deposits and balances from banks and other financial institutions	(1,705,819)	(1,650,911)
Subordinated borrowings	(979,281)	(1,217,103)
	(23,028,071)	**(20,217,429)**

In accordance with requirements of IAS 39, interest should continue to be accrued on impaired financial assets. Included within various line items under interest income for the period ended 30 June 2015 is a total of KZT 5,628,411 thousand (30 June 2014: KZT 5,879,591 thousand) accrued mainly on impaired corporate and SME loans.

5 Fee and commission income

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Bank transfers	1,665,463	1,962,337
Plastic cards	1,204,965	1,167,444
Cash operations	919,320	1,069,330
Guarantees and letters of credit	635,805	906,863
Foreign currency trading	451,351	515,553
Agency services	238,194	-
Custodian services	38,851	38,353
Customer service	34,951	31,601
Other	243,710	236,696
	5,432,610	**5,928,177**

6 Fee and commission expense

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Expenses on insurance of customer deposits	943,348	1,548,546
Guarantees (Note 15)	784,092	1,124,007
Plastic cards	283,819	323,546
Bank transfers	146,944	139,834
Foreign currency trading	17,652	5,133
Securities operations	16,727	19,752
Custodian services	6,957	8,218
Other	17,774	50,684
	2,217,313	**3,219,720**

7 Net income/(loss) on derivative financial instruments

Net income/(loss) from derivative financial instruments for the six-month periods ended 30 June 2015 and 30 June 2014 comprises mostly the results from currency swaps.

8 Impairment losses

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Loans to customers	(7,920,142)	(2,556,665)
Other assets	395,027	540,073
Credit related commitments	103,094	1,750
	(7,422,021)	**(2,014,842)**

9 General and administrative expenses

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For the six-month period ended 30 June 2014 Unaudited KZT'000
Personnel expenses		
Employee benefit	4,378,340	4,306,776
Payroll related taxes	457,267	434,952
Other general and administrative expenses		
Depreciation and amortisation	1,019,258	995,789
Rent	699,377	881,194
Repairs and maintenance	635,130	686,499
Professional services	336,611	244,038
Security	330,644	380,812
Communication and information services	233,170	283,462
Collection services	121,742	460,954
Lease of vehicles	116,235	60,875
Advertising and marketing	112,257	150,344
Stationery, publications	105,086	223,675
Insurance	91,817	21,705
Business trips	66,123	67,061
Fines and penalties	63,380	3,162
Transportation and logistics	28,746	67,909
Representation	5,504	2,850
Other	118,662	107,379
	8,919,349	**9,379,436**

10 Income tax expense

	For the six-month period ended 30 June 2015 Unaudited KZT'000	For six-month period ended 30 June 2014 Unaudited KZT'000
Current income tax expense		
Current period	262,660	169,626
	262,660	**169,626**
Deferred tax		
Origination and reversal of temporary differences	183,411	-
Total income tax expense	**446,071**	**169,626**

The Bank and its subsidiaries, other than ATF Capital B.V. and Optima Bank OJSC, are subject to taxation in the Republic of Kazakhstan. ATF Capital B.V. was subject to income tax in the Netherlands. Optima Bank OJSC is subject to income tax in Kyrgyzstan.

The Group's applicable tax rate for the period ended 30 June 2015 is the income tax rate of 20% for Kazakhstan companies (30 June 2014: 20%).

Reconciliation of effective tax rate:

	For the six-month period ended 30 June 2015 Unaudited KZT'000	%	For the six-month period ended 30 June 2014 Unaudited KZT'000	%
Profit before income tax	**3,009,467**	**100**	**1,858,169**	**100**
Income tax expense at applicable tax rate	601,893	20	371,634	20
Income of subsidiaries taxed at different rates	(123,787)	(4)	(169,626)	(9)
Non-taxable reverse of impairment	(78,751)	(3)	(69,599)	(4)
Withholding tax on dividends	143,168	5	-	-
Overprovided in prior period	(145,315)	(5)	(219,279)	(12)
Other non-deductible expenses	48,863	2	256,496	14
	446,071	**15**	**169,626**	**9**

Deferred tax assets and liabilities

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 recorded in this consolidated interim financial information. Future tax benefits will only be realised if profits will be available against which unused tax losses can be utilised and there are no changes to the Kazakh law and regulations that adversely affect the Group's ability to claim deductions in future periods.

10 Income tax expense, continued

2015 KZT'000	Balance 1 January 2015	Recognised in profit or loss Unaudited	Effect of foreign exchange difference	Balance 30 June 2015 Unaudited
Loans to customers	(3,148,857)	8,839	-	(3,140,018)
Property, equipment and intangible assets	(973,416)	(96,900)	851	(1,069,465)
Other assets	186,101	94,087	-	280,188
Tax loss carried forward	9,004,389	(189,437)	-	8,814,952
	5,068,217	**(183,411)**	**851**	**4,885,657**

2014 KZT'000	Balance 1 January 2014	Recognised in profit or loss Unaudited	Balance 30 June 2014 Unaudited
Loans to customers	943,732	(3,744,737)	(2,801,005)
Property, equipment and intangible assets	(1,010,722)	14,263	(996,459)
Other assets	331,926	76,804	408,730
Tax loss carried forward	4,899,800	3,653,670	8,553,470
	5,164,736	**-**	**5,164,736**

As at 30 June 2015 the deferred liabilities on property, plant and equipment and intangible assets include the liabilities of foreign subsidiaries in the amount of KZT 24,796 thousand (31 December 2014: KZT 34,808 thousand).

The tax loss carry-forwards expire in 2020-2022.

11 Cash and cash equivalents

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Cash on hand	23,695,711	39,835,965
Nostro accounts with the NBRK	69,529,471	55,749,253
Nostro accounts with the National Bank of the Kyrgyz Republic	4,131,155	3,886,380
Nostro accounts in other banks		
- rated AA- to AA+	13,931,809	11,497,979
- rated A- to A+	9,575,720	22,751,034
- rated BBB- to BBB+	11,334,129	4,401,223
- rated BB- to BB+	1,084,528	151,017
- rated below B+	117,147	96,035
- not rated	10,839,000	10,253,793
Term deposits with other banks with maturity of less than 3 months		
- rated A- to A+	3,724,578	-
- rated BB- to BB+	939,928	-
- rated below B+	3,000,000	-
- not rated	-	1,085,000
Total cash and cash equivalents	**151,903,176**	**149,707,679**

11 Cash and cash equivalents, continued

None of the cash equivalents are impaired or past due.

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

As at 30 June 2015, the Group has two banks (31 December 2014: three banks), whose balances exceeded 10% of statutory equity. The gross value of these balances as at 30 June 2015 is KZT 83,077,833 thousand (31 December 2014: KZT 76,359,001 thousand).

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account and deposits with the NBRK for the two-week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Bank liabilities. As at 31 December 2014, the minimum reserve is KZT 15,491,101 thousand.

In May 2015, in accordance with the Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 38 dated 20 March 2015 minimum reserve requirements were amended. As at 30 June 2015, to meet minimum reserve requirements, minimum reserve were calculated by the Bank as cash on hand denominated in national currency in the amount not exceeding 70% of average minimum reserve requirements for 28 calendar days and balances on correspondent accounts with the NBRK denominated in national currency. As at 30 June 2015, the Bank complies with minimum reserve requirements, and minimum reserve amounts to KZT 16,278,788 thousand.

12 Available-for-sale financial assets

Held by the Group	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Debt and other fixed-income instruments		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	16,568,865	16,362,475
Notes of the National Bank of the Kyrgyz Republic	750,000	773,492
Bonds of Almaty Akimat	219,581	220,833
Notes of the National Bank of the Republic of Kazakhstan	-	9,569,077
Total debt and other fixed-income instruments	**17,538,446**	**26,925,877**
Equity investments stated at cost	97,635	94,061
Total available-for-sale financial assets	**17,636,081**	**27,019,938**

Investments without a determinable fair value

Available-for-sale investments stated at cost comprise unquoted equity securities in the finance industry. There is no market for these investments and there have not been any recent transactions that provide reliable evidence of their current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

13 Loans and deposits to banks

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
National Bank of the Republic of Kazakhstan	9,949,521	4,394,176
OECD banks	2,200,232	3,376,030
10 largest Kazakh banks	450	300
Other banks	86,384	291,748
Loans and deposits to banks	**12,236,587**	**8,062,254**

13 Loans and deposits to banks, continued

None of the loans and deposits to banks are impaired or overdue.

Money on the current account with the National Bank of the Republic of Kazakhstan comprises funds provided by Damu Entrepreneurship Development Fund JSC ("Damu") and Development Bank of Kazakhstan JSC ("DBK") deposited on the special account with the NBRK in accordance with the loan agreement concluded with Damu and DBK. Funds in the current account are to be distributed to small and medium businesses on preferential terms. In accordance with the agreements with Damu and DBK funds may be withdrawn from the current account only after approval of Damu and DBK. Therefore, balances in the account are restricted funds.

14 Loans to customers

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Loans to corporate customers		
Loans to large corporates	477,247,985	527,649,764
Loans to small and medium size companies	128,811,238	168,160,405
Total loans to corporate customers	**606,059,223**	**695,810,169**
Loans to retail customers		
Mortgage loans	53,542,937	59,818,944
Consumer loans	103,914,932	84,331,924
Auto loans	1,476,384	1,529,974
Total loans to retail customers	**158,934,253**	**145,680,842**
Gross loans to customers	**764,993,476**	**841,491,011**
Impairment allowance	(97,887,550)	(191,734,321)
Net loans to customers	**667,105,926**	**649,756,690**

Movements in the loan impairment allowance by classes of loans to customers for the six-month periods ended 30 June 2015 and 30 June 2014 are as follows:

	Loans to corporate customers Unaudited KZT'000	Loans to retail customers Unaudited KZT'000	Total Unaudited KZT'000
Balance at 1 January 2015	187,859,497	3,874,824	191,734,321
Net charge	6,131,868	1,788,274	7,920,142
Write-offs	(105,308,934)	(586,748)	(105,895,682)
Reversals	789,053	266,372	1,055,425
Effect of foreign currency translation	3,028,935	44,409	3,073,344
Balance at 30 June 2015, unaudited	**92,500,419**	**5,387,131**	**97,887,550**

	Loans to corporate customers Unaudited KZT'000	Loans to retail customers Unaudited KZT'000	Total Unaudited KZT'000
Balance at 1 January 2014	265,479,073	18,970,347	284,449,420
Net charge	1,703,998	852,667	2,556,665
Write-offs	(11,638,770)	(3,801,618)	(15,440,388)
Reversals	27,022	24,963	51,985
Effect of foreign currency translation	37,027,020	2,609,025	39,636,045
Balance at 30 June 2014, unaudited	**292,598,343**	**18,655,384**	**311,253,727**

14 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 30 June 2015 and 31 December 2014:

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Loans to corporate customers		
Loans to large corporates		
Loans without individual signs of impairment	315,604,933	262,910,167
Loans with individual signs of impairment		
- not past due	66,004,999	78,821,339
- overdue less than 90 days	4,688,300	3,954,898
- overdue more than 90 days and less than 1 year	3,862,639	16,062,064
- overdue more than 1 year	87,087,114	165,901,296
Total loans to large corporate customers	**477,247,985**	**527,649,764**
Impairment allowance on loans to large corporates	(87,022,659)	(180,330,980)
Net loans to large corporates	**390,225,326**	**347,318,784**
Loans to small and medium size companies		
Loans without individual signs of impairment	80,314,468	102,369,562
Loans with individual signs of impairment		
- not past due	3,931,817	4,571,095
- overdue less than 90 days	1,717,809	1,546,082
- overdue more than 90 days and less than 1 year	4,751,466	5,210,567
- overdue more than 1 year	38,095,678	54,463,099
Total loans to small and medium size companies	**128,811,238**	**168,160,405**
Impairment allowance on loans to small- and medium-sized companies	(5,477,760)	(7,528,517)
Net loans to small and medium-sized companies	**123,333,478**	**160,631,888**
Total loans to corporate customers	**606,059,223**	**695,810,169**
Impairment allowance on loans to corporate customers	(92,500,419)	(187,859,497)
Net loans to corporate customers	**513,558,804**	**507,950,672**

14 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Loans to retail customers		
Mortgage loans		
- not past due	36,141,075	41,334,377
- overdue less than 30 days	1,139,594	1,160,057
- overdue 30-89 days	731,345	726,828
- overdue 90-179 days	834,634	919,615
- overdue 180-360 days	1,456,909	1,687,867
- overdue more than 360 days	13,239,380	13,990,200
Total mortgage loans	**53,542,937**	**59,818,944**
Impairment allowance on mortgage loans	(1,651,774)	(1,331,566)
Net mortgage loans	**51,891,163**	**58,487,378**
Consumer loans		
- not past due	83,006,638	65,014,082
- overdue less than 30 days	4,081,219	3,409,650
- overdue 30-89 days	1,636,286	1,030,133
- overdue 90-179 days	1,605,243	1,350,183
- overdue 180-360 days	1,913,577	1,365,658
- overdue more than 360 days	11,671,969	12,162,218
Total consumer loans	**103,914,932**	**84,331,924**
Impairment allowance on consumer loans	(3,663,157)	(2,514,912)
Net consumer loans	**100,251,775**	**81,817,012**
Auto loans		
- not past due	1,085,654	1,209,371
- overdue less than 30 days	16,836	35,674
- overdue 30-89 days	20,813	14,524
- overdue 90-179 days	75,216	11,892
- overdue 180-360 days	24,631	32,675
- overdue more than 360 days	253,234	225,838
Total auto loans	**1,476,384**	**1,529,974**
Impairment allowance on auto loans	(72,200)	(28,346)
Net auto loans	**1,404,184**	**1,501,628**
Total loans to retail customers	**158,934,253**	**145,680,842**
Impairment allowance on loans to retail customers	(5,387,131)	(3,874,824)
Net loans to retail customers	**153,547,122**	**141,806,018**
Total loans to customers	**764,993,476**	**841,491,011**
Impairment allowance	(97,887,550)	(191,734,321)
Net loans	**667,105,926**	**649,756,690**

14 Loans to customers, continued

(a) Credit quality of loans to customers, continued

As at 30 June 2015 included in the loan portfolio are renegotiated loans to corporate and retail customers that would otherwise be past due or impaired for KZT 17,454,229 thousand and KZT 69,784 thousand, respectively (31 December 2013: KZT 4,489,974 thousand and KZT 1,606,042 thousand, respectively). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

For all loans that are considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that the loan is impaired. Objective indicators of loan impairment for loans to corporate customers include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial condition of the borrower;
- deterioration in business environment, negative changes in the borrower’s markets where the borrower conducts its operations;
- negative force-majeure events;
- bankruptcy.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following aspects:

- the aggregate exposure to the customer;
- the amount and timing of expected loan receipts and recoveries;
- the realisable value of collateral and likelihood of successful foreclosure.

14 Loans to customers, continued

(b) Key assumptions and judgments for estimating the loan impairment, continued

(i) Loans to corporate customers, continued

For individually insignificant loans, the collective assessment is based on appropriate historical trends of default. For collective assessment purposes, exposures are divided into homogeneous groups with similar risks and characteristics. The impairment provision for collectively assessed loans is determined taking into account the following aspects:

- probability of default for loans of certain homogeneous groups and certain delinquency buckets;
- cash recoveries after default, other than resulting from collateral foreclosure;
- estimated cash receipts from collateral foreclosure.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- historic annual loss rate of 0.73%;
- migration rates are constant and can be estimated based on historic loss migration pattern for the past 12 months;
- a discount of between 50% and 70% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 24 months in obtaining proceeds from the sale of foreclosed collateral.

Change in the above estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment allowance for loans to corporate customers as at 30 June 2015 would be KZT 5,135,588 thousand lower/higher (31 December 2014: KZT 5,079,507 thousand).

(ii) Loans to retail customers

The Group estimates loan impairment for loans to retail customers based on its past historical loss experience on each types of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- migration rates are constant and can be estimated based on historic loss migration pattern for the past 12 months;
- in respect of mortgage loans, a delay of 24 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount to the originally appraised value if the property pledged is sold through court procedures

Change in estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the impairment allowance for loans to retail customers as at 30 June 2015 would be KZT 4,606,414 thousand lower/higher (31 December 2014: KZT 4,254,181 thousand).

14 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral:

30 June 2015 Unaudited KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Loans without individual signs of impairment				
Cash and deposits	14,673,177	14,673,177	-	-
Real estate	181,717,021	106,302,901	75,414,120	-
Motor vehicles	30,045,629	29,602,978	442,651	-
Equipment	6,616,149	5,381,304	1,234,845	-
Other collateral	79,447,225	39,177,113	40,270,112	-
Corporate guarantees (State owned companies)	22,821,469	-	-	22,821,469
Corporate guarantees (Unrated)	31,461,109	-	-	31,461,109
No collateral or other credit enhancement	24,471,836	-	-	24,471,836
Total loans without individual signs of impairment	**391,253,615**	**195,137,473**	**117,361,728**	**78,754,414**
Overdue or impaired loans				
Cash and deposits	98,796	98,796	-	-
Real estate	117,238,714	113,590,999	3,647,715	-
Motor vehicles	708,187	701,934	6,253	-
Equipment	1,291,050	1,291,050	-	-
Other collateral	1,584,270	1,583,408	862	-
Corporate guarantees (Unrated)	630,087	-	-	630,087
No collateral or other credit enhancement	754,085	-	-	754,085
Total overdue or impaired loans	**122,305,189**	**117,266,187**	**3,654,830**	**1,384,172**
Total loans to corporate customers	**513,558,804**	**312,403,660**	**121,016,558**	**80,138,586**

14 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(i) Loans to corporate customers, continued

31 December 2014 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Loans without individual signs of impairment				
Cash and deposits	8,047,794	8,047,794	-	-
Real estate	190,490,541	118,199439	72,291,102	-
Motor vehicles	43,292,912	37,813,655	5,479,257	-
Equipment	7,818,296	3,312,891	4,505,405	-
Other collateral	44,693,033	22,939,547	21,753,486	-
Corporate guarantees (State owned companies)	8,354,492	-	-	8,354,492
Corporate guarantees (Unrated)	22,030,467	-	-	22,030,467
No collateral or other credit enhancement (at carrying amount)	36,135,694	-	-	36,135,694
Total loans without individual signs of impairment	**360,863,229**	**190,313,326**	**104,029,250**	**66,520,653**
Overdue or impaired loans				
Cash and deposits	111,165	111,165	-	-
Real estate	140,826,316	138,308,618	2,517,698	-
Motor vehicles	893,348	888,685	4,663	-
Equipment	2,010,449	1,993,938	16,511	-
Other collateral	2,924,130	2,874,606	49,524	-
Corporate guarantees (Unrated)	147,187	-	-	147,187
No collateral or other credit enhancement (at carrying amount)	174,848	-	-	174,848
Total overdue or impaired loans	**147,087,443**	**144,177,012**	**2,588,396**	**322,035**
Total loans to corporate customers	**507,950,672**	**334,490,338**	**106,617,646**	**66,842,688**

14 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(i) Loans to corporate customers, continued

The tables above are presented excluding overcollateralisation.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

The Group has loans, for which fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Certain guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80%.

The following table provides information on fair value of real estate collateral securing mortgage loans, net of impairment:

30 June 2015 Unaudited KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Not overdue loans	35,858,587	14,653,086	13,275,570	7,929,931
Overdue loans	16,032,576	15,018,281	790,974	223,321
Total mortgage loans	**51,891,163**	**29,671,367**	**14,066,544**	**8,153,252**

14 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(ii) Loans to retail customers, continued

31 December 2014 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Not overdue loans	41,151,380	22,593,256	13,684,631	4,873,493
Overdue loans	17,335,998	16,401,247	762,782	171,969
Total mortgage loans	**58,487,378**	**38,994,503**	**14,447,413**	**5,045,462**

The tables above are presented excluding overcollateralisation.

For certain mortgage loans the Group updates the appraised values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Group may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment. For the remaining mortgage loans the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

For impaired or overdue mortgage loans management believes that the fair value of collateral is at least 98.59% of the carrying amount of the loans as at 30 June 2015 (31 December 2014: 99%).

Auto loans are secured by the underlying cars. The Group's policy is to issue auto loans with a loan-to-value ratio of a maximum of 80%.

For impaired or overdue auto loans management believes that the fair value of collateral is at least 98.36% of the carrying amount of the loans as at 30 June 2015 (31 December 2014: 98%).

The following table provides information on collateral securing consumer loans, net of impairment, by types of collateral:

30 June 2015 Unaudited KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Not overdue loans				
Real estate	20,509,962	15,006,453	5,503,509	-
Other collateral (equipment, motor vehicles, movables)	14,372,112	2,931,456	11,440,656	-
No collateral or other credit enhancement (at carrying amount)	47,832,825	-	-	47,832,825
Total not overdue loans	**82,714,899**	**17,937,909**	**16,944,165**	**47,832,825**
Overdue or impaired loans				
Real estate	14,088,861	13,657,202	431,659	-
Other collateral (equipment, motor vehicles)	37,149	19,966	17,183	-
No collateral or other credit enhancement (at carrying amount)	3,410,866	-	-	3,410,866
Total overdue or impaired loans	**17,536,876**	**13,677,168**	**448,842**	**3,410,866**
Total consumer loans	**100,251,775**	**31,615,077**	**17,393,007**	**51,243,691**

14 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(ii) Loans to retail customers, continued

31 December 2014 KZT'000	**Carrying amount of loans to customers**	**Fair value of collateral: for collateral assessed as of reporting date**	**Fair value of collateral: for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Not overdue loans				
Real estate	21,941,061	15,855,794	6,085,267	-
Other collateral (equipment, motor vehicles, movables)	7,244,478	74,602	7,169,876	-
No collateral or other credit enhancement (at carrying amount)	35,347,058	-	-	35,347,058
Total not overdue loans	**64,532,597**	**15,930,396**	**13,255,143**	**35,347,058**
Overdue or impaired loans				
Real estate	14,514,763	13,849,726	665,037	-
Other collateral (equipment, motor vehicles)	29,752	12,774	16,978	-
No collateral or other credit enhancement (at carrying amount)	2,739,900	-	-	2,739,900
Total overdue or impaired loans	**17,284,415**	**13,862,500**	**682,015**	**2,739,900**
Total consumer loans	**81,817,012**	**29,792,896**	**13,937,158**	**38,086,958**

(iii) Repossessed collateral

During the six-month period ended 30 June 2015, the Group obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 614,517 thousand (30 June 2014: KZT 434,449 thousand).

As at 30 June 2015, the repossessed collateral comprises:

	30 June 2015 Unaudited KZT'000	**31 December 2014 KZT'000**
Real estate	6,194,098	5,785,505
Other assets	17,490	17,490
Total repossessed collateral	**6,211,588**	**5,802,995**

The Group's policy is to sell these assets as soon as it is practicable.

(d) Significant credit exposures

As at 30 June 2015 the Group has 10 borrowers or groups of related borrowers (31 December 2014: 12), whose loan balances exceed 10% of statutory equity. The gross value of these balances as at 30 June 2015 is KZT 161,600,584 thousand (31 December 2014: KZT 153,179,041 thousand).

(e) Loan maturities

The maturity of the loan portfolio is presented in Note 24, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be longer than the term based on contractual terms.

14 Loans to customers, continued

(f) Transfers of financial assets

In July 2013, the Group sold to a third party a portfolio of mortgage loans with a carrying value of KZT 35,524,925 thousand for KZT 38,781,330 thousand to Kazakhstan Mortgage Company JSC (the “KMC”), but provided a guarantee that will purchase individual loans back or exchange it for other individual loans if a loan becomes delinquent for more than two months. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of sale. The net gain recognised in other income at the date of transfer amounted to KZT 440,475 thousand.

The Group has determined that it has transferred substantially all the risks and rewards to the transferee, and accordingly the loan portfolio has been derecognised. The Group’s continuing involvement in the portfolios transferred is recognised in the statement of financial position as assets from continuing involvement within loans to customers of KZT 7,114,592 thousand with corresponding liability on continuing involvement included in deposits and balances from banks and other financial institutions of KZT 7,104,985 thousand (Note 17), while the fair value of guarantee of KZT 167,000 thousand is recognised in other liabilities.

(g) Assets classified as held for sale

As at 30 June 2015 the Group has reclassified a part of non-performing loan portfolio with the total carrying amount of KZT 28,944,357 as assets held for sale. In accordance with approved plans of the Bank, it is expected that realization of the impaired loan portfolio will be completed by the end of 2015.

Included in impairment loss on loans to customers for the six-month period ended June 30 2015 is reversal of impairment loss on loans to customers which the Group classified as held-for-sale assets as at 30 June 2015 in the amount of KZT 34,354 thousand. Included in interest income on loans to customers for the six-month period ended June 30 2015 is interest income on loans to customers which the Group classified as held-for-sale assets as at 30 June 2015 in the amount of KZT 602,510 thousand.

In accordance with the accounting policy of the Group, prior to reclassification to assets held for sale category, the Group has performed revaluation of these assets. Valuation of assets held for sale is carried out at the lower of carrying value and fair value of the assets less costs to sell.

15 Receivable from UniCredit Bank Austria AG under guarantee agreement

On 25 December 2009, the Group signed a guarantee agreement with its parent UniCredit Bank Austria AG (the UniCredit). Under this agreement repayment of loan impairment losses on certain large corporate loans were guaranteed by the UniCredit. The Group paid a commission fee of 6% per annum of carrying value of loans covered by the guarantee. This guarantee agreement had an expiration date on 17 April 2027, but it could be terminated prior to such date either by the guarantor or the Group in certain circumstances. In particular, the main reason for early termination of the guarantee was the failure by the UniCredit to retain, directly or indirectly, the legal and beneficial ownership of at least 50% of the shares plus one share of the Group.

On 29 April 2013, the UniCredit and the ATFBank signed an amendment to this guarantee agreement where a maximum liability was set at USD 630,639 thousand and to be paid until 2 November 2015 on a net basis against a cash deposit of USD 630,639 thousand from UniCredit. In case the losses on guaranteed loans are lower than the guarantee maximum amount at the end of the two-year term period, the amount of cash deposit in excess of the loan losses shall be estimated and paid back to the UniCredit in accordance with the terms specified in the amendment to the guarantee agreement.

Commission fee was reduced to 2% per annum for the period from 1 May 2013 to 30 April 2015 and in 2013 was paid in full by the Group.

16 Other assets

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Accrued commission income	527,765	470,703
Other financial assets	869,671	135,207
Total other financial assets	**1,397,436**	**605,910**
Foreclosed property	9,160,802	8,850,427
Advances paid for administrative activities	730,405	1,407,350
Advances paid for acquisition of property, equipment and intangible assets	714,291	519,401
Inventories	250,649	242,276
Taxes prepaid, other than income tax	250,610	89,981
Settlements with employees	10,849	3,933
Precious metals	4,154	4,062
Other assets	553,091	383,884
Total other non-financial assets	**11,674,851**	**11,501,314**
Impairment allowance	(3,280,069)	(3,239,942)
Total other assets	**9,792,218**	**8,867,282**

As at 30 June 2015 and 31 December 2014, the carrying value of the foreclosed properties is the lower of cost and net realisable value, where the selling price is based on the results of valuation performed by an independent appraisal.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for the six-month period ended 30 June 2015 are as follows:

	30 June 2015 Unaudited KZT'000	30 June 2014 Unaudited KZT'000
Balance at the beginning of the year	3,239,942	3,337,640
Net reversal for the period	(395,027)	(540,073)
Reversal for the period	435,365	305,186
Effect of foreign currency translation	(211)	-
Balance at the end of the period	**3,280,069**	**3,102,753**

17 Deposits and balances from banks and other financial institutions

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Deposit from UniCredit Bank Austria AG	116,593,965	112,985,643
Liability on continuing involvement in loans to customers (Note 14(f))	7,104,985	7,104,985
Vostro accounts	490,712	517,634
Term deposits	316,603	97,316
	124,506,265	**120,705,578**

As at 30 June 2015 and 31 December 2014 the Group has deposit from UniCreditBank Austria AG, whose balance exceeded 10% of statutory equity.

18 Current accounts and deposits from customers

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Current accounts and demand deposits		
- Corporate	163,470,913	166,488,552
- Retail	28,298,331	28,641,990
Term deposits		
- Corporate	254,070,706	274,970,301
- Retail	233,529,778	234,925,488
	679,369,728	**705,026,331**

As at 30 June 2015, the Group maintained customer deposit balances of KZT 15,882,241 thousand (31 December 2014: KZT 9,536,361 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 30 June 2015, the Group has nine customers (31 December 2014: nine customers), whose balances exceed 10% of statutory equity. The total balances of the above mentioned customers as at 30 June 2015 are KZT 247,259,031 thousand (31 December 2014: KZT 275,566,464 thousand).

19 Subordinated borrowings and other borrowed funds

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Subordinated borrowings		
- Subordinated bonds in USD	18,837,032	18,431,310
- Subordinated bonds in KZT	20,034,537	-
Total subordinated borrowings	**38,871,569**	**18,431,310**
Other borrowed funds		
- Loans issued by banks and financial institutions	28,194,830	21,660,032
	28,194,830	**21,660,032**
Bonds issued		
- USD Eurobonds	37,677,853	36,857,871
- KZT bonds	38,609,378	1,309,632
	76,287,231	**38,167,503**
Total other borrowed funds	**104,482,061**	**59,827,535**

In case of bankruptcy, the repayment of the subordinated borrowings will be made after full repayment of all other liabilities of the Group.

On 5 May 2015, the Bank placed KZT bonds of nominal value of KZT 17,153,407 thousand, having maturity of 8 years and coupon rate of 9.7%.

On 25 June 2015, the Bank placed KZT bonds of nominal value of KZT 19,746,709 thousand, having maturity of 10 years and coupon rate of 9.9% and subordinated KZT bonds of nominal value of KZT 20,443,748 thousand, having maturity of 10 years and coupon rate of 10.0%.

Financial covenants

In accordance with the contractual terms of certain long-term loans, the Group is required to maintain certain financial ratios, including with regard to its capital and lending exposure. The Group complied with these ratios as at 30 June 2015 and 31 December 2014.

20 Share capital and reserves

(a) Issued capital

As at 30 June 2015, authorised share capital comprised 54,000,000 ordinary shares (31 December 2014: 54,000,000), of which 45,294,733 ordinary shares had been issued (31 December 2014: 45,294,733) and 45,265,543 ordinary shares were outstanding (31 December 2014: 45,265,543). The ordinary shares have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general shareholders meetings.

(b) Treasury shares

As at 30 June 2015, the Bank held 29,190 of its own shares (31 December 2014: 29,190).

(c) Nature and purpose of reserves

General reserve

The general reserve is created by the statutory regulations of the Republic of Kazakhstan, for general risks, including future losses and other unforeseen risks or contingencies. During the six-month period ended 30 June 2015, no transfers to general reserve were made.

Dynamic reserve

In accordance with Resolution of the National Bank of the Republic of Kazakhstan #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss (the "Resolution"), the Group has established a dynamic reserve calculated using a formula determined in the Rules. In accordance with the Rules, dynamic reserve cannot be less than zero and shall be calculated as the difference between expected losses and actual charge on deductible for tax purposes impairment losses recognised during the reporting quarter in accordance with IFRS net of income from recovery of provisions. Expected losses are estimated based on the increase of loans to customers during the reporting quarter multiplied by certain coefficients. The Resolution has been effective from 1 January 2013.

In 2014, the dynamic reserve was temporarily frozen by the NBRK at the level of 31 December 2013.

As at 30 June 2015 and 31 December 2014, the non-distributable dynamic reserve requirement of the Group is nil.

Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

Cumulative translation reserve

The cumulative translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency translation differences arising from hedges of a net investment in a foreign operation.

(d) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

At a general shareholders' meeting held in 2014 and 2015, the Bank made a decision not to pay any dividends.

21 Earnings per share

The calculation of basic and diluted earnings per share as at 30 June 2015 is based on the net profit attributable to ordinary shareholders of KZT 2,531,410 thousand (30 June 2014: profit of KZT 1,647,277 thousand) and a weighted average number of ordinary shares outstanding of 45,265,543 (30 June 2014: 45,265,543).

21 Earnings per share, continued

The following table shows the profit for the six-month period ended 30 June 2015 and 30 June 2014 and share data used in the basic and diluted earnings per share calculations:

	30 June 2015 Unaudited KZT'000	30 June 2014 Unaudited KZT'000
Profit attributable to ordinary shareholders (KZT'000)	2,531,410	1,647,277
Weighted average number of participating shares for basic earnings per share	45,265,543	45,265,543
Basic and diluted earnings per share, in KZT	**56**	**36**

There are no potentially dilutive shares for the six-month period ended 30 June 2015 (30 June 2014: nil).

22 Book value per share

Under the listing rules of the Kazakh Stock Exchange the Group should present book value per share in its consolidated statements of financial position. Book value per share as at 30 June 2015 is calculated based on outstanding ordinary shares of 45,265,543 (31 December 2014: 45,265,543) and net assets of KZT 78,314,788 thousand (31 December 2014: KZT 76,082,154 thousand) and is calculated as follows.

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Total assets	1,029,976,982	984,226,033
Intangible assets	(1,314,119)	(1,373,747)
Total liabilities	(950,348,075)	(906,770,132)
Net assets	**78,314,788**	**76,082,154**

Book value per share as at 30 June 2015 and 31 December 2014 is presented as follows.

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Net assets	78,314,788	76,082,154
Outstanding ordinary shares at the end of the period	45,265,543	45,265,543
Book value per share (in KZT)	**1,730**	**1,681**

23 Analysis by segments

The Group has four reportable segments, as described below, which are the strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the reportable segments:

- corporate banking - extension of loans, overdrafts, credit facilities and other types of financing to corporate and institutional customers, opening and maintenance of current accounts and deposit accounts, provision of customer services, custodial services, non-cash settlements, foreign exchange operations and trade finance;

23 Analysis by segments, continued

- Small and medium size business – extension of loans, overdrafts, credit facilities and other types of financing to small and medium size enterprises, private entrepreneurs and farm households, opening and maintenance of current accounts and deposit accounts, provision of customer services, trade finance and electronic service systems;;
- retail banking – services for individual customers, including extension of consumer loans and mortgage loans, maintenance of current accounts, savings and deposit accounts, safekeeping, credit and debit cards and services related to cash and foreign exchange;
- other segments include subsidiaries as well as departments responsible for asset and liability management and treasury functions.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm’s length basis. Since the majority of each segment’s revenues are from interest and the management relies primarily on net interest revenue to assess performance of the segment and makes decisions about resources to be allocated to the segments, the Group discloses its interest revenue per segment on a net basis.

Assets of the Group are concentrated mainly in the Republic of Kazakhstan, and revenues are derived mainly from operations in, and connected with, the Republic of Kazakhstan.

Segment breakdown of assets and liabilities is set out below:

	30 June 2015 Unaudited KZT’000	31 December 2014 KZT’000
ASSETS		
Corporate banking	493,968,172	446,480,637
Small and medium size business	105,642,430	138,914,642
Retail banking	156,710,308	140,644,570
Other segments	273,656,072	258,186,184
Total assets	**1,029,976,982**	**984,226,033**
LIABILITIES		
Corporate banking	319,187,809	314,001,292
Small and medium size business	100,563,214	81,043,865
Retail banking	239,788,026	235,579,872
Other segments	290,809,026	276,145,103
Total liabilities	**950,348,075**	**906,770,132**

As at 30 June 2015 included in the assets of corporate banking services are assets held for sale in the amount of KZT 26,279,572 thousand. The Group recognised KZT 594,063 thousand of interest income and KZT 43,657 thousand of impairment losses in relation to these assets during the period.

As at 30 June 2015 included in the assets of retail banking services are assets held for sale in the amount of KZT 2,664,785 thousand. The Group recognised KZT 8,447 thousand of interest income and KZT 78,011 thousand of income from reversal of impairment losses in relation to these assets during the period.

23 Analysis by segments, continued

Segment information for the reportable segments for the six-month period ended 30 June 2015 is set below:

30 June 2015 Unaudited KZT'000	**Corporate banking**	**Small and medium size business**	**Retail banking**	**Other segments**	**Total**
Net interest income	6,374,864	689,717	3,082,946	3,613,521	13,761,048
Net fee and commission income	(39,599)	1,663,184	1,675,744	(84,032)	3,215,297
Net trading income	342,264	379,282	374,639	1,331,064	2,427,249
Other operating income	-	-	7,286	326,241	333,527
Revenue	**6,677,529**	**2,732,183**	**5,140,615**	**5,186,794**	**19,737,121**
Other general and administrative expenses, including taxes other than income tax	(1,727,470)	(2,430,198)	(3,922,668)	(206,039)	(8,286,375)
Depreciation and amortisation	(2,266)	(2,842)	(127,989)	(886,161)	(1,019,258)
Operating expenses	**(1,729,736)**	**(2,433,040)**	**(4,050,657)**	**(1,092,200)**	**(9,305,633)**
Segment result before impairment losses	**4,947,793**	**299,143**	**1,089,958**	**4,094,594**	**10,431,488**
Impairment losses	(4,828,052)	(769,355)	(1,668,427)	(156,187)	(7,422,021)
Profit before income tax per segment	**119,741**	**(470,212)**	**(578,469)**	**3,938,407**	**3,009,467**
Income tax expense	-	-	-	(446,071)	(446,071)
Profit for the period	**119,741**	**(470,212)**	**(578,469)**	**3,492,336**	**2,563,396**
Capital expenditure	**-**	**-**	-	953,813	953,813
Deferred tax assets	**-**	**-**	-	4,910,453	4,910,453

23 Analysis by segments, continued

Segment information for the reportable segments for the six-month period ended 30 June 2014 is set below:

30 June 2014 Unaudited KZT'000	Corporate banking	Small and medium size business	Retail banking	Other segments	Total
Net interest income	2,359,272	(12,894)	848,575	6,963,513	10,158,466
Net fee and commission income	173,051	1,867,973	1,139,056	(471,623)	2,708,457
Net trading income	(35,827)	289,466	370,561	142,751	766,951
Other operating income	-	-	6,750	213,453	220,203
Revenue	**2,496,496**	**2,144,545**	**2,364,942**	**6,848,094**	**13,854,077**
Other general and administrative expenses, including taxes other than income tax	(1,858,458)	(2,247,036)	(4,445,859)	(433,924)	(8,985,277)
Depreciation and amortisation	-	-	(94,042)	(901,747)	(995,789)
Operating expenses	**(1,858,458)**	**(2,247,036)**	**(4,539,901)**	**(1,335,671)**	**(9,981,066)**
Segment result before impairment losses	**638,038**	**(102,491)**	**(2,174,959)**	**5,512,423**	**3,873,011**
Impairment losses	(2,153,327)	(145,672)	(54,012)	338,169	(2,014,842)
Profit/(loss) before income tax per segment	**(1,515,289)**	**(248,163)**	**(2,228,971)**	**5,850,592**	**1,858,169**
Income tax expense	-	-	-	(169,626)	(169,626)
Net profit/(loss) for the period	**(1,515,289)**	**(248,163)**	**(2,228,971)**	**5,680,966**	**1,688,543**
Capital expenditure	**-**	**-**		937,511	937,511
Deferred tax assets	**-**	**-**	-	5,103,025	5,103,025

24 Risk management

Management of risk is fundamental to the business of banking 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.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Managing Director, Management Board member is responsible for the overall risk management and reports directly to the CEO and indirectly to the Board of Directors. Head of Compliance Control is responsible for the compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. They report directly to the CEO and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Group monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the CEO. Market risk limits are considered by ALCO for further approval of the Board of Directors.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions. The Group also utilises Value-at-Risk (VAR) methodology to monitor market risk of its trading positions.

24 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

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

30 June 2015 Unaudited KZT'000	**Less than 3 months**	**From 3 to 12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Carrying amount**
ASSETS						
Financial instruments at fair value through profit or loss	-	-	-	99,409	-	99,409
Available-for-sale financial assets	969,581	-	12,281,481	4,287,384	97,635	17,636,081
Loans and deposits to banks	893,301	11,279,407	-	63,879	-	12,236,587
Loans to customers	148,603,297	181,226,392	191,370,272	145,905,965	-	667,105,926
Assets classified as held for sale	-	28,944,357	-	-	-	28,944,357
	150,466,179	**221,450,156**	**203,651,753**	**150,356,637**	**97,635**	**726,022,360**
LIABILITIES						
Deposits and balances from banks and other financial institutions	290,345	116,614,970	7,108,320	1,918	490,712	124,506,265
Current accounts and deposits from customers	131,126,094	200,606,637	119,413,213	109,229,240	118,994,544	679,369,728
Other borrowed funds	2,836,405	40,939,988	1,588,020	59,117,648	-	104,482,061
Subordinated borrowings	800,322	263,783	18,573,249	19,234,215	-	38,871,569
	135,053,166	**358,425,378**	**146,682,802**	**187,583,021**	**119,485,256**	**947,229,623**
	15,413,013	**(136,975,222)**	**56,968,951**	**(37,226,384)**	**(119,387,621)**	**(221,207,263)**

24 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

31 December 2014 KZT'000	Less than 3 months	From 3 to 12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
ASSETS						
Financial instruments at fair value through profit or loss	-	-	-	97,996	-	97,996
Available-for-sale financial assets	10,342,569	220,833	12,223,299	4,139,176	94,061	27,019,938
Loans and deposits to banks	2,009,337	5,937,122	53,181	62,614	-	8,062,254
Loans to customers	81,875,213	219,611,093	186,057,210	162,213,174	-	649,756,690
	94,227,119	**225,769,048**	**198,333,690**	**166,512,960**	**94,061**	**684,936,878**
LIABILITIES						
Deposits and balances from banks and other financial institutions	93,903	112,987,560	7,106,481	-	517,634	120,705,578
Current accounts and deposits from customers	127,557,718	160,052,229	130,079,972	155,990,803	131,345,609	705,026,331
Other borrowed funds	24,027	3,685,793	40,873,007	15,244,708	-	59,827,535
Subordinated borrowings	-	258,667	18,172,643	-	-	18,431,310
	127,675,648	**276,984,249**	**196,232,103**	**171,235,511**	**131,863,243**	**903,990,754**
	(33,448,529)	**(51,215,201)**	**2,101,587**	**(4,722,551)**	**(131,769,182)**	**(219,053,876)**

24 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 30 June 2015 and 30 June 2014 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	30 June 2015 Unaudited KZT'000		30 June 2014 Unaudited KZT'000	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel rise	(6,998)	(484,127)	(7,463)	(1,241)
100 bp parallel fall	7,718	504,902	8,294	1,241

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 30 June 2014 is as follows:

	30 June 2015 Unaudited KZT'000		30 June 2014 Unaudited KZT'000	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel rise	(698,547)	(698,547)	516,338	516,338
100 bp parallel fall	698,547	698,547	(516,338)	(516,338)

24 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 30 June 2015:

Unaudited KZT'000	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	KGS KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS							
Cash and cash equivalents	67,633,165	64,945,711	11,413,029	1,971,338	5,534,152	405,781	151,903,176
Financial instruments at fair value through profit or loss	787,799	-	4,096	-	-	-	791,895
Available-for-sale financial assets	16,886,081	-	-	-	750,000	-	17,636,081
Loans and deposits to banks	9,954,971	1,935,103	274,911	71,602	-	-	12,236,587
Loans to customers	358,215,496	294,111,201	2,670,929	2,831	12,105,469	-	667,105,926
Assets classified as held for sale	15,900,979	12,977,531	65,847	-	-	-	28,944,357
Receivable from UniCredit Bank Austria AG under guarantee agreement	-	117,424,947	-	-	-	-	117,424,947
Other financial assets	522,535	227,233	534,077	39,127	74,464	-	1,397,436
Total assets	**469,901,026**	**491,621,726**	**14,962,889**	**2,084,898**	**18,464,085**	**405,781**	**997,440,405**
LIABILITIES							
Deposits and balances from banks and other financial institutions	7,481,809	116,894,427	1,093	20,172	108,764	-	124,506,265
Current accounts and deposits from customers	316,514,244	332,109,756	16,448,120	2,172,692	11,721,856	403,060	679,369,728
Other borrowed funds	66,636,275	37,845,466	-	-	320	-	104,482,061
Subordinated borrowings	20,034,537	18,837,032	-	-	-	-	38,871,569
Other financial liabilities	210,754	3,844	4,353	4	31,018	305	250,278
Total liabilities	**410,877,619**	**505,690,525**	**16,453,566**	**2,192,868**	**11,861,958**	**403,365**	**947,479,901**
The effect of derivatives held for risk management	(18,001,000)	15,501,703	1,307,124	-	1,660,011	-	467,838
Net position	**41,022,407**	**1,432,904**	**(183,553)**	**(107,970)**	**8,262,138**	**2,416**	**50,428,342**

24 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2014:

KZT'000	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	KGS KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS							
Cash and cash equivalents	27,963,829	95,637,115	17,114,022	1,854,621	6,822,453	315,639	149,707,679
Financial instruments at fair value through profit or loss	451,143	-	-	-	-	-	451,143
Available-for-sale financial assets	26,246,446	-	-	-	773,492	-	27,019,938
Loans and deposits to banks	4,544,356	2,702,896	686,274	128,728	-	-	8,062,254
Loans to customers	382,727,290	250,724,145	3,730,510	2,653	12,546,468	25,624	649,756,690
Receivable from UniCredit Bank Austria AG under guarantee agreement	-	115,753,133	-	-	-	-	115,753,133
Other financial assets	441,159	122,171	32,058	1,059	9,426	37	605,910
Total assets	**442,374,223**	**464,939,460**	**21,562,864**	**1,987,061**	**20,151,839**	**341,300**	**951,356,747**
LIABILITIES							
Deposits and balances from banks and other financial institutions	7,299,445	113,198,055	1,179	81	206,818	-	120,705,578
Current accounts and deposits from customers	329,357,944	337,193,513	22,300,539	2,187,409	13,685,636	301,290	705,026,331
Other borrowed funds	22,664,820	37,022,164	140,200	-	351	-	59,827,535
Subordinated borrowings	-	18,431,310	-	-	-	-	18,431,310
Other financial liabilities	81,195	3,457	2,410	3	34,786	308	122,159
Total liabilities	**359,403,404**	**505,848,499**	**22,444,328**	**2,187,493**	**13,927,591**	**301,598**	**904,112,913**
The effect of derivatives held for risk management	(27,312,000)	24,702,436	221,590	-	2,468,965	-	80,991
Net position	**55,658,819**	**(16,206,603)**	**(659,874)**	**(200,432)**	**8,693,213**	**39,702**	**47,324,825**

24 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 30 June 2015 and 30 June 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	30 June 2015 Unaudited KZT'000	**30 June 2014 Unaudited KZT'000**
25% appreciation of USD against KZT	286,581	1,690,194
25% appreciation of EUR against KZT	(36,711)	(573,712)
25% appreciation of RUB against KZT	(21,594)	(60,012)
25% appreciation of other foreign currencies against KZT	483	28,861

A strengthening of the KZT against the above currencies at 30 June 2015 and 30 June 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Value at Risk estimates

The Group utilises VaR methodology to monitor market risk of its currency positions.

VAR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VAR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period depending on the type of positions. The VAR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential movements in market prices are determined with reference to market data from at least the last 12 months.

Although VAR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature
- a 10-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VAR estimate.
- VAR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day.

The VAR measure is dependent upon the position and the volatility of market prices. The VAR of an unchanged position reduces if market volatility declines and vice versa.

The Group does not solely rely on its VAR calculations in its market risk measurement due to inherent risk of usage of VAR as described above. The limitations of the VAR methodology are recognised by supplementing VAR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

24 Risk management, continued

(b) Market risk, continued

(iii) Value at Risk estimates, continued

A summary of the VAR estimates of losses that could occur in respect of the portfolio of financial instruments at fair value as at 30 June 2015 is as follows:

	30 June 2015 Unaudited KZT'000	30 June 2014 Unaudited KZT'000
Currency risk	(50,118)	(152,238)
	(50,118)	**(152,238)**

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

As at 30 June 2015 and 30 June 2014, the Group is not exposed to other price risk.

(c) Credit risk

Credit risk the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Lending Department, which is responsible for the corporate loan portfolio. Credit applications prepared by the Relationship Manager and a Credit Analyst are the basis for the Risk Underwriter's due diligence and recommendation. After the Risk Underwriter has concluded his analysis, the application is presented to the respective Credit Committee for its decision. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the requirements of the respective application.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. Retail loan credit applications are reviewed by the Underwriting Department's Retail Underwriting Unit through the use of scoring models and application data verification procedures.

24 Risk management, continued

(c) Credit risk, continued

Apart from individual customer analysis, the credit portfolio is assessed by the Group with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
ASSETS		
Cash equivalents	128,207,465	109,871,714
Financial instruments at fair value through profit or loss	791,895	451,143
Available-for-sale financial assets	17,538,446	26,925,877
Loans and deposits to banks	12,236,587	8,062,254
Loans to customers	667,105,926	649,756,690
Assets classified as held for sale	28,944,357	-
Receivable from UniCredit Bank Austria AG under guarantee agreement	117,424,947	115,753,133
Other financial assets	1,397,436	605,910
Total maximum exposure	**973,647,059**	**911,426,721**

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 14.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 26.

As at 30 June 2015, the Group has one debtor with carrying amount of KZT 117,424,947 thousand, credit risk exposure to whom exceeds 10% of maximum credit risk exposure (31 December 2014: one debtor, KZT 115,753,133 thousand).

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

24 Risk management, continued

(d) Liquidity risk, continued

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Bank. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial assets and liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

24 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 30 June 2015 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial assets						
Cash and cash equivalents	151,903,176	-	-	-	151,903,176	151,903,176
Financial instruments at fair value through profit or loss	3,376	-	-	159,747	163,123	99,409
Available-for-sale financial assets	847,635	222,469	-	19,687,446	20,757,550	17,636,081
Loans and deposits to banks	888,622	84,054	11,209,111	384,035	12,565,822	12,236,587
Loans to customers	27,344,530	82,873,001	206,665,058	503,632,038	820,514,627	667,105,926
Assets classified as held for sale	-	-	28,944,357	-	28,944,357	28,944,357
Receivable from UniCredit Bank Austria AG under guarantee agreement	-	-	117,424,947	-	117,424,947	117,424,947
Other financial assets	1,286,781	9,289	67,632	33,734	1,397,436	1,397,436
Derivative assets						
Net settled derivatives	1,018	-	-	610,583	611,601	692,486
Gross settled derivatives						
- Inflow	10,618,124	-	-	28,741,583	39,359,707	39,440,592
- Outflow	(10,617,106)	-	-	(28,131,000)	(38,748,106)	(38,748,106)
Total assets	**182,275,138**	**83,188,813**	**364,311,105**	**524,507,583**	**1,154,282,639**	**997,440,405**
Non-derivative fiancial liabilities						
Deposits and balances from banks and other financial institutions	(781,541)	(1,183)	(117,433,409)	(7,129,028)	(125,345,161)	(124,506,265)
Current accounts and deposits from customers	(223,924,054)	(26,548,317)	(206,753,586)	(322,346,593)	(779,572,550)	(679,369,728)
Other borrowed funds	(1,252,668)	(2,028,913)	(47,912,536)	(100,918,715)	(152,112,832)	(104,482,061)
Subordinated borrowings	-	(1,021,687)	(2,883,687)	(57,178,562)	(61,083,936)	(38,871,569)
Other financial liabilities	(250,278)	-	-	-	(250,278)	(250,278)
Derivative liabilities						
Net settled derivatives	(151,181)	-	-	-	(151,181)	(155,259)
Gross settled derivatives						
- Inflow	(1,811,192)	-	-	-	(1,811,192)	(1,815,270)
- Outflow	1,660,011	-	-	-	1,660,011	1,660,011
Total liabilities	**(226,359,722)**	**(29,600,100)**	**(374,983,218)**	**(487,572,898)**	**(1,118,515,938)**	**(947,635,160)**
Net liquidity gap on recognised financial assets and liabilities	**(44,084,584)**	**53,588,713**	**(10,672,113)**	**36,934,685**	**35,766,701**	**49,805,245**
Credit related commitments	**190,038,350**	**-**	**-**	**-**	**190,038,350**	**190,038,350**

24 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative financial assets						
Cash and cash equivalents	149,707,679	-	-	-	149,707,679	149,707,679
Financial instruments at fair value through profit or loss	-	-	-	162,674	162,674	97,996
Available-for-sale financial assets	10,446,599	-	230,335	20,024,469	30,701,403	27,019,938
Loans and deposits to banks	335,351	1,673,986	5,937,122	115,795	8,062,254	8,062,254
Loans to customers	18,357,050	70,695,961	171,827,418	526,133,763	787,014,192	649,756,690
Receivable from UniCredit Bank Austria AG under guarantee agreement	-	-	114,996,988	-	114,996,988	115,753,133
Other financial assets	373,252	30,994	170,754	30,910	605,910	605,910
Derivative assets						
Net settled derivatives			(132,360)	-	(132,360)	353,147
Gross settled derivatives	-	-				
- Inflow	-	-	27,998,640	-	27,998,640	28,484,147
- Outflow	-	-	(28,131,000)	-	(28,131,000)	(28,131,000)
Total assets	**179,219,931**	**72,400,941**	**293,030,257**	**546,467,611**	**1,091,118,740**	**951,356,747**
Non-derivative fiancial liabilities						
Deposits and balances from banks and other financial institutions	(610,553)	(984)	(117,016,866)	(7,106,481)	(124,734,884)	(120,705,578)
Current accounts and deposits from customers	(225,927,632)	(33,419,030)	(165,059,299)	(426,737,991)	(851,143,952)	(705,026,331)
Other borrowed funds	(737)	(23,995)	(3,789,599)	(72,952,945)	(76,767,276)	(59,827,535)
Subordinated borrowings	-	-	(258,667)	(21,569,849)	(21,828,516)	(18,431,310)
Other financial liabilities	(122,159)	-	-	-	(122,159)	(122,159)
Derivative liabilities						
Net settled derivatives	(272,156)	-	-	-	(272,156)	(272,156)
Gross settled derivatives						
- Inflow	2,690,555	-	-	-	2,690,555	2,690,555
- Outflow	(2,962,711)	-	-	-	(2,962,711)	(2,962,711)
Total liabilities	**(226,933,237)**	**(33,444,009)**	**(286,124,431)**	**(528,367,266)**	**(1,074,868,943)**	**(904,385,069)**
Net liquidity gap on recognised financial assets and liabilities	**(47,713,306)**	**38,956,932**	**6,905,826**	**18,100,345**	**16,249,797**	**46,971,678**
Credit related commitments	**224,039,530**	**-**	**-**	**-**	**224,039,530**	**224,039,530**

24 Risk management, continued

(d) Liquidity risk, continued

The gross nominal inflow/(outflow) disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g., forward exchange contracts and currency swaps).

In accordance with Kazakhstan legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The amount of such deposits, by each time band, is given below:

- less than 1 month: KZT 32,108,409 thousand (31 December 2014: KZT 30,628,366 thousand);
- from 1 to 3 months: KZT 26,242,985 thousand (31 December 2014: KZT 33,144,419 thousand);
- from 3 to 12 months: KZT 200,606,637 thousand (31 December 2014: KZT 160,052,229 thousand);
- from 1 to 5 years: KZT 119,413,213 thousand (31 December 2014: KZT 130,079,972 thousand).
- more than 5 years: KZT 109,229,240 thousand (31 December 2014: KZT 155,990,803 thousand).

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

25 Capital management

The NBRK sets and monitors capital requirements for the Group as a whole.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Committee, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. Amendments to "Instruction on standard values and methods of calculation of prudential standards" approved by the Committee for Regulation and Supervision of Financial Market and Financial Institutions came into effect on 1 January 2015, according to which the level of capital adequacy was set at 7.5%. In addition to capital adequacy ratios, the capital conservation buffer for 2015 was set at 1%. As at 30 June 2015 and 31 December 2014, this minimum level was 8.5% and 10%, accordingly. As at 30 June 2015 the Bank’s statutory capital ratio was 13.7% (31 December 2014: 11.9%). The Group was in compliance with the statutory capital ratio as at 30 June 2015 and 31 December 2014.

25 Capital management, continued

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

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 30 June 2015 and 31 December 2014:

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Tier 1 capital		
Share capital	167,878,470	167,878,470
Additional paid-in capital	1,461,271	1,461,271
Disclosed reserves	(90,138,083)	(92,177,492)
Non-controlling interests	241,909	257,619
Total tier 1 capital	**79,443,567**	**77,419,868**
Tier 2 capital		
Hybrid capital instruments	18,620,000	18,235,000
Asset revaluation reserve	185,340	36,033
Subordinated debt (unamortised portion)	19,187,464	-
Equity investments stated at cost	(97,635)	(94,061)
Total tier 2 capital	**37,895,169**	**18,176,972**
Итого капитала	**117,338,736**	**95,596,840**
Risk-weighted assets		
Banking book	765,355,195	703,852,435
Trading book	21,535,879	47,250,833
Total risk-weighted assets	**786,891,074**	**751,103,268**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**14.91**	**12.73**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**10.10**	**10.31**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. The Group complied with all externally imposed capital requirements as at 30 June 2015 and 31 December 2014.

26 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments as at 30 June 2015 are set out in the following table by category. It is assumed that the amounts reflected in the table for commitments will be fully fulfilled by the Bank. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	30 June 2015 Unaudited KZT'000	31 December 2014 KZT'000
Contracted amount		
Loan and credit line commitments	141,633,033	150,447,024
Guarantees	46,194,779	69,963,466
Letters of credit	2,210,538	3,629,040
	190,038,350	**224,039,530**
Less provisions	(492,153)	(596,508)
Less cash collateral	(1,840,409)	(1,843,836)
	187,705,788	**221,599,186**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The majority of loan and credit line commitments do not represent an unconditional commitment by the Group.

Of these commitments, KZT 88,382,169 thousand are to six customers at 30 June 2015 (31 December 2014: KZT 123,760,133 thousand are to seven customers).

Movements in provision for losses on credit related commitments for the six-month periods ended 30 June 2015 and 30 June 2014 are as follows:

	Six-month period ended 30 June 2015 Unaudited KZT'000	Six-month period ended 30 June 2014 Unaudited KZT'000
Balance at the beginning of the period	596,508	441,362
Net reversal for the period	(103,094)	(1,750)
Effect of foreign currency translation	(1,261)	40
Balance at the end of the period	**492,153**	**439,652**

27 Contingencies

(a) Insurance

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

27 Contingencies, continued

(b) Litigation

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

(c) Taxation contingencies

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

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

(d) Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

28 Related party transactions

(a) Control relationships

As at 30 June 2015 the Bank's parent company is KNG Finance LLP.

The ultimate controlling owner of the Group is Mr. Galimzhan Yessenov.

No publicly available financial statements are produced by the Group's ultimate controlling owner. The Group's parent KNG Finance LLP produces publicly available financial statements.

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

Total remuneration included in personnel expenses for the six-month period ended 30 June 2015 is as follows:

	Six-month period ended 30 June 2015 Unaudited KZT'000	Six-month period ended 30 June 2014 Unaudited KZT'000
Short term employee benefits	134,389	67,926

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

28 Related party transactions, continued

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

The outstanding balances and average interest rates as at 30 June 2015 and 31 December 2014 for transactions with the members of the Board of Directors and the Management Board, key management personnel of the Parent company and their close family members are as follows:

	30 June 2015 Unaudited KZT'000	Average interest rate	31 December 2014 KZT'000	Average interest rate
Consolidated statement of financial position				
ASSETS				
Loans to customers	41,837	11.43	43,630	11.46
LIABILITIES				
Current accounts and deposits from customers	340,505	3.60	537,775	4.34

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board, key management personnel of the Parent company and their close family members for the six-month periods ended 30 June 2015 and 30 June 2014 are as follows:

	Six-month period ended 30 June 2015 Unaudited KZT'000	Six-month period ended 30 June 2014 Unaudited KZT'000
Profit or loss		
Interest income	2,385	3,136
Interest expense	(6,988)	(12,344)

(c) Transactions with the Parent company and other related parties

Other related parties include entities under control or significant influence of the Parent company and the ultimate controlling owner.

28 Related party transactions, continued

(c) Transactions with the Parent company and other related parties, continued

The outstanding balances and the related average interest rates as at 30 June 2015 and 31 December 2014 and related profit or loss amounts of transactions for the six-month periods ended 30 June 2015 and 30 June 2014 with other related parties are as follows:

	30 June 2015 (unaudited)					31 December 2014				
	Parent company		Other related parties			Parent company		Other related parties		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position										
ASSETS										
Loans to customers										
- in USD	-	-	2,062,475	5.0	2,062,475	-	-	2,204,303	5.0	2,204,303
Other assets										
- in KZT	-	-	117,811	-	117,811	-	-	909	-	909
LIABILITIES										
Current accounts and deposits from customers										
- in KZT	97,478	-	102,797	-	200,275	94,872	6.92	117,584	-	212,456
- in USD	3,623,549	1.86	12,616	-	3,636,165	5,404,915	1.62	524,419	-	5,929,334
- in other currency	118	-	11,334	-	11,452	1,546	-	55,328	-	56,874

	Six-month period ended 30 June 2015 (unaudited)			Six-month period ended 30 June 2014 (unaudited)		
	Parent Company KZT'000	Other related parties KZT'000	Total KZT'000	Parent Company KZT'000	Other related parties KZT'000	Total KZT'000
Profit/(loss)						
Interest income	-	53,721	53,721	-	40,514	40,514
Interest expense	(38,359)	-	(38,359)	(51,503)	-	(51,503)
Fee and commission income	562	242,809	243,371	713	34,977	35,690
Other general and administrative expenses	-	(7,839)	(7,839)	-	(2,667)	(2,667)

29 Financial assets and liabilities: fair values and accounting classifications

(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	**Classified as assets held for sale**	**Measured at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Other at amortised cost**	**Total carrying amount**	**Fair value**
Cash equivalents	-	-	128,207,465	-	-	128,207,465	128,207,465
Financial instruments at fair value through profit or loss	-	791,895	-	-	-	791,895	791,895
Available-for-sale financial assets	-	-	-	17,636,081	-	17,636,081	17,636,081
Loans and deposits to banks	-	-	12,236,587	-	-	12,236,587	12,236,587
Loans to customers:		-		-	-		
Loans to corporate customers	-	-	513,558,804	-	-	513,558,804	510,052,187
Loans to retail customers	-	-	153,547,122	-	-	153,547,122	153,418,401
Assets classified as held for sale	28,944,357	-	-	-	-	28,944,357	28,944,357
Receivable from UniCredit Bank Austria AG under guarantee agreement	-	-	117,424,947	-	-	117,424,947	117,424,947
Other financial assets	-	-	1,397,436	-	-	1,397,436	1,397,436
	28,944,357	**791,895**	**926,372,361**	**17,636,081**	**-**	**973,744,694**	**970,109,356**
Financial instruments at fair value through profit or loss	-	155,259	-	-	-	155,259	155,259
Deposits and balances from banks and other financial institutions	-	-	-	-	124,506,265	124,506,265	124,506,265
Current accounts and deposits from customers	-	-	-	-	679,369,728	679,369,728	681,639,881
Other borrowed funds	-	-	-	-	104,482,061	104,482,061	104,712,507
Subordinated borrowings	-	-	-	-	38,871,569	38,871,569	33,627,137
Other financial liabilities	-	-	-	-	250,278	250,278	250,278
	-	**155,259**	**-**	**-**	**947,479,901**	**947,635,160**	**944,891,327**

29 Financial assets and liabilities: fair values and accounting classifications, 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	**Measured at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Other at amortised cost**	**Total carrying amount**	**Fair value**
Cash equivalents	-	109,871,714	-	-	109,871,714	109,871,714
Financial instruments at fair value through profit or loss	451,143	-	-	-	451,143	451,143
Available-for-sale financial assets	-	-	27,019,938	-	27,019,938	27,019,938
Loans and deposits to banks	-	8,062,254	-	-	8,062,254	8,062,254
Loans to customers						
Loans to corporate customers	-	507,950,672	-	-	507,950,672	501,004,073
Loans to retail customers	-	141,806,018	-	-	141,806,018	137,239,994
Receivable from UniCredit Bank Austria AG under guarantee agreement		115,753,133			115,753,133	115,753,133
Other financial assets	-	605,910	-	-	605,910	605,910
	451,143	**884,049,701**	**27,019,938**	**-**	**911,520,782**	**900,008,159**
Financial instruments at fair value through profit or loss	272,156	-	-	-	272,156	272,156
Deposits and balances from banks and other financial institutions	-	-	-	120,705,578	120,705,578	120,705,578
Current accounts and deposits from customers	-	-	-	705,026,331	705,026,331	712,547,329
Other borrowed funds	-	-	-	59,827,535	59,827,535	58,680,077
Subordinated borrowings	-	-	-	18,431,310	18,431,310	12,606,585
Other financial liabilities	-	-	-	122,159	122,159	122,159
	272,156	**-**	**-**	**904,112,913**	**904,385,069**	**904,933,884**

29 Financial assets and liabilities: fair values and accounting classifications, 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 and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. 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 simpler financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

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 fair value of unquoted equity securities available-for-sale with a carrying value of KZT 97,635 thousand (31 December 2014: KZT 94,061 thousand) cannot be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 8.2%-15.6% and 10.0% – 19.2% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively;
- discount rate of 8.1% is used for discounting future cash flows from deposits of customers in Tenge and 3.7% is used for discounting future cash flows from deposits of customers in foreign currency;
- quoted market prices are used for determination of fair value of debt securities issued.

29 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy

The Company measures fair values for financial instruments recorded on the statement of financial position 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: Valuation techniques based on observable inputs, 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: Valuation techniques using significant unobservable inputs. 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 valuations. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 30 June 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	99,409	-	99,409
- Derivative assets	5,096	687,390	692,486
- Derivative liabilities	(155,259)	-	(155,259)
Available-for-sale financial assets			
- Debt and other fixed income instruments	17,538,446	-	17,538,446
	17,487,692	**687,390**	**18,175,082**

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

'000 KZT	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	97,996	-	97,996
- Derivative assets	-	353,147	353,147
- Derivative liabilities	(272,156)	-	(272,156)
Available-for-sale financial assets			
- Debt and other fixed income instruments	26,925,877	-	26,925,877
	26,751,717	**353,147**	**27,104,864**

At 30 June 2015, the derivative financial instruments included a currency swap agreement signed in August 2014 with the National Bank of the Republic of Kazakhstan, under which the Group should deliver KZT 27,312,000 thousand in August 2016 in exchange for USD 150,000,000. Under said agreement the Group paid KZT 819,360 thousand, which is 3% per annum in Tenge as at the agreement signed date. This agreement has an early withdrawal option. As at 30 June 2015 the fair value of this swap was KZT 687,390 thousand (31 December 2014: KZT 353,147 thousand).

29 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

Upon initial recognition the Group measures fair value of swap contracts concluded with the NBRK using valuation techniques.

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the wholesale dealer market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Group uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlyings, expectations of the transaction closing date. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred.

The table below sets out a reconciliation of the fair values for the six-month period ended 30 June 2015, categorised into Level 3 of the fair value hierarchy:

	Level 3		
	Financial instruments at fair value through profit or loss		**Total**
KZT'000	**Derivative assets**	**Derivative liabilities**	
Balance at the beginning of the year	353,147	-	353,147
Net loss on financial instruments at fair value through profit or loss	334,243	-	334,243
Balance at the end of the year	**687,390**	**-**	**687,390**

To determine fair value of swap, management with the NBRK applied a rate of 4.01% for cash flow (leg) in KZT and 0.51% for cash flow (leg) in USD. Management believes that early repayment right will not be used before the contract expires.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changes in risk-free rate used for KZT leg by a 100 basis point (bp) and for USD leg by a 50 basis point (bp) would have the following effects as at 30 June 2015:

	Effect on profit or loss	
KZT'000	**Favourable**	**Unfavourable**
Financial instruments at fair value through profit or loss		
- Derivative assets	85,841	(86,948)
Total	**85,841**	**(86,948)**

30 Subsequent events

On 23 July 2015, the Bank placed on KASE bonds of nominal value of KZT 19,746,077 thousand with coupon rate of 9.7% per annum and maturity date on 10 February 2023.

On 30 July 2015, the Bank placed on KASE subordinated bonds of nominal value of KZT 20,222,136 thousand with coupon rate of 10.0% per annum and maturity date on 10 February 2025.