



BAITEREK

Baiterek National Managing Holding Joint Stock Company

Unaudited Separate Interim Condensed Financial Statements

30 June 2016

CONTENTS

INDEPENDENT AUDITORS' REPORT ON REVIEW OF SEPARATE INTERIM CONDENSED FINANCIAL INFORMATION

SEPARATE INTERIM CONDENSED FINANCIAL STATEMENTS

Separate Interim Condensed Statement of Financial Position.....	1
Separate Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	2
Separate Interim Condensed Statement of Changes in Equity.....	3
Separate Interim Condensed Statement of Cash Flows	4

Notes to the Unaudited Separate Interim Condensed Financial Statements

1	Introduction.....	5
2	Operating environment of the Holding Company.....	6
3	Basis of preparation.....	6
4	Significant accounting policies.....	6
5	Cash and cash equivalents.....	7
6	Deposits.....	7
7	Loans to subsidiaries.....	7
8	Debt securities issued	8
9	Loans from the Government of the Republic of Kazakhstan.....	9
10	Interest income	10
11	Dividend income	10
12	Other operating income	10
13	Administrative and other operating expenses.....	11
14	Income tax expense	11
15	Financial risk management.....	11
16	Contingencies and commitments.....	14
17	Related party transactions	15
18	Fair value.....	16



«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

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

To the Shareholder and Board of Directors of Baiterek National Managing Holding Joint Stock Company

Introduction

We have reviewed the accompanying separate interim condensed statement of financial position of Baiterek National Managing Holding Joint Stock Company as at 30 June 2016, and the related separate interim 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 separate interim condensed financial information (the "separate interim condensed financial information"). Management is responsible for the preparation and presentation of this separate 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 separate interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of separate 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.



Baiterek National Managing Holding Joint Stock Company

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

Page 2

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the separate interim condensed financial information as at 30 June 2016 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC

KPMG Audit LLC

1 September 2016

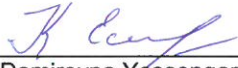
Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Financial Position

<i>(In thousands of Kazakhstani Tenge)</i>	Note	30 June 2016, unaudited	31 December 2015
ASSETS			
Cash and cash equivalents	5	1,202,606	116,783
Deposits	6	10,661,662	11,586,577
Loans to subsidiaries	7	271,765,252	196,721,919
Investment in subsidiaries		773,782,161	773,782,161
Dividends receivable	11	7,396,959	-
Property, plant and equipment		123,184	139,268
Intangible assets		190,715	215,382
Current income tax prepayment		407,503	250,751
Other assets		761,413	686,690
TOTAL ASSETS		1,066,291,455	983,499,531
LIABILITIES			
Debt securities issued	8	263,130,217	193,751,760
Loans from the Government of the Republic of Kazakhstan	9	4,540,238	-
Deferred income tax liability		757,042	513,526
Other liabilities		294,748	609,673
TOTAL LIABILITIES		268,722,245	194,874,959
EQUITY			
Share capital		758,318,712	758,318,712
Retained earnings		39,250,498	30,305,860
TOTAL EQUITY		797,569,210	788,624,572
TOTAL LIABILITIES AND EQUITY		1,066,291,455	983,499,531

Approved by Management Board on 1 September 2016 and were signed on its behalf by:


 Lyazzat Yerkenovna Ibragimova
 Deputy Chairman of Management Board




 Kuralay Damirovna Yessengarayeva
 Chief Accountant

Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

<i>(In thousands of Kazakhstani Tenge)</i>	Note	Six months ended 30 June 2016, unaudited	Six months ended 30 June 2015, unaudited
Interest income	10	8,234,063	4,693,577
Interest expense	8, 9	(7,386,566)	(4,556,365)
Net interest income		847,497	137,212
Dividend income	11	8,523,885	8,966,795
Other operating income	12	1,206,725	1,380,157
Administrative and other operating expenses	13	(1,389,953)	(1,393,609)
Profit before income tax		9,188,154	9,090,555
Income tax expense	14	(243,516)	(226,568)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,944,638	8,863,987

Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Changes in Equity

<i>(In thousands of Kazakhstani Tenge)</i>	Share capital	Retained earnings	Total
Balance at 1 January 2015	718,318,712	6,883,558	725,202,270
Profit for the period, unaudited	-	8,863,987	8,863,987
Total comprehensive income for the period, unaudited	-	8,863,987	8,863,987
Balance as at 30 June 2015, unaudited	718,318,712	15,747,545	734,066,257
Balance as at 1 January 2016	758,318,712	30,305,860	788,624,572
Profit for the period, unaudited	-	8,944,638	8,944,638
Total comprehensive income for the period, unaudited	-	8,944,638	8,944,638
Balance as at 30 June 2016, unaudited	758,318,712	39,250,498	797,569,210

The notes set out on pages 5 to 17 form an integral part of these separate interim condensed financial statements.

Baiterek National Managing Holding Joint Stock Company
Separate Interim Condensed Statement of Cash Flows

<i>(In thousands of Kazakhstani Tenge)</i>	Note	Six months ended 30 June 2016, unaudited	Six months ended 30 June 2015, unaudited
Cash flows from operating activities			
Interest received		1,045,015	331,873
Interest paid		(301,845)	(125,000)
Dividends received	11	1,126,926	3,855,331
Administrative and other operating expenses paid		(1,710,248)	(1,608,826)
Income tax paid		(156,752)	-
Net cash flows from operating activities		3,096	2,453,378
Cash flows from investing activities			
Deposits placement		(2,300,000)	(5,400,000)
Deposits withdrawal		3,409,999	-
Loans to subsidiaries	7	(273,592,292)	(300,595,125)
Acquisition of property, plant and equipment		(23,984)	(29,007)
Acquisition of intangible assets		(3,288)	(14,879)
Net cash flows used in investing activities		(272,509,565)	(306,039,011)
Cash flows from financing activities			
Proceeds from debt securities issued	8	254,500,000	300,595,125
Receipt of loans from the Government of the Republic of Kazakhstan	9	19,092,292	-
Net cash flows from financing activities		273,592,292	300,595,125
Net increase/(decrease) in cash and cash equivalents		1,085,823	(2,990,508)
Cash and cash equivalents at the beginning of the year		116,783	3,235,141
Cash and cash equivalents at the end of the year	5	1,202,606	244,633

The notes set out on pages 5 to 17 form an integral part of these separate interim condensed financial statements.

1 Introduction

“Baiterek” National Managing Holding Joint Stock Company (the “Holding Company”) was incorporated in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571 “On some measures for optimisation of the management system of development institutes and financial organisations, and development of the national economy” and the Decree of the Government of the Republic of Kazakhstan dated 25 May 2013 No 516 “About measures for implementation of the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No 571”. As at 30 June 2016 and 31 December 2015, the ultimate controlling party of the Holding Company is the Government of the Republic of Kazakhstan.

The Holding Company is a direct shareholder of eleven subsidiaries (31 December 2015: eleven).

Principal activity

The Holding Company’s mission is provision of financial and investment support to non-energy sector, securing sustainable development and diversification of national economy, attraction of investments, clusters development and improvement of corporate governance system of its subsidiaries.

The Holding Company is actively involved in completing national strategic and social tasks through development institutions through the implementation of Nurly-Zhol State Program for Infrastructure Development in 2015-2019, State Program of the Industrial and Innovative Development of the Republic of Kazakhstan in 2015-2019, Unified Program for Business Support and Development “Business Road Map – 2020”, State Program “Performance - 2020”, State Program for Development of Regions until 2020, State Program for Support of Domestic Producers, State Program for Financing of Small and Medium Businesses in Manufacturing Industry, State Program “Leaders of Competitiveness - National Champions”, and National Plan “100 Specific Steps”.

The Holding Company follows the key Government policies in the area of industrial and innovation development, promotion of national products export, development of small and medium sized entrepreneurship, implementation of tasks in developing housing sector and enhancing the people’s welfare, as well as other goals set by the President and Government of the Republic of Kazakhstan.

Below are the direct subsidiaries of the Holding Company:

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, %	
			30 June 2016, unaudited	31 December 2015
Development Bank of Kazakhstan JSC	DBK JSC	Republic of Kazakhstan	100.00	100.00
Investment Fund of Kazakhstan JSC	IFK JSC	Republic of Kazakhstan	100.00	100.00
KazExportGarant Export Insurance Corporation JSC	KEG JSC	Republic of Kazakhstan	100.00	100.00
Damu Entrepreneurship Development Fund JSC	Damu EDF JSC	Republic of Kazakhstan	100.00	100.00
National Agency for Technological Development JSC	NATD JSC	Republic of Kazakhstan	100.00	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Savings Bank of Kazakhstan JSC	ZHSSBK JSC	Republic of Kazakhstan	100.00	100.00
Kazakhstan Mortgage Company				
Mortgage Organisation JSC	KMC JSC	Republic of Kazakhstan	100.00	100.00
Mortgage Guarantee Fund of Kazakhstan JSC	KFMGL JSC	Republic of Kazakhstan	100.00	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00	100.00
Centre of the Government-Private Partnership Projects Support LLP	CGPPPS LLP	Republic of Kazakhstan	75.00	75.00

Registered address and place of business. The Holding Company’s registered address and place of business is: 8 Kunayev St., Block B, Astana, Republic of Kazakhstan.

2 Operating environment of the Holding Company

The Holding Company's operations are primarily located in the Republic of Kazakhstan. Consequently, the Holding Company is exposed to the economic and financial markets of the Republic of Kazakhstan, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue its 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 the Republic of Kazakhstan. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment.

The separate interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Holding Company. Actual business environment may differ from the management's assessment.

3 Basis of preparation

Statement of compliance. These separate interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the separate financial statements of the Holding Company for the year ended 31 December 2015, as these separate interim condensed financial statements provide an update of previously reported financial information.

The Holding Company also prepares in accordance with IAS 34 the consolidated interim condensed financial statements for the six-month period ended 30 June 2016, which may be obtained in the head office of the Holding Company at the following address: 8 Kunayev st., Block B, Astana, 010000, Republic of Kazakhstan.

Basis of measurement. These separate interim condensed financial statements are prepared on the historical cost basis.

Functional and presentation currency. The functional currency of the Holding Company is the Kazakhstani tenge ("Tenge") 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 the Holding Company.

Tenge is also the presentation currency for the purposes of these separate interim condensed financial statements.

Financial information presented in Tenge is rounded to the nearest thousand, unless otherwise stated.

Use of estimates and judgments. The preparation of separate interim condensed financial statements in conformity with International Financial Reporting Standards ('IFRS') 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 could differ from those estimates.

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

In preparing these separate interim condensed financial statements the significant judgments made by management in applying the Holding Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Holding Company's separate financial statements for the year ended 31 December 2015, except for those disclosed in Note 7 "Loans to subsidiaries", Note 8 "Debt securities issued" and Note 9 "Loans from the Government of the Republic of Kazakhstan".

4 Significant accounting policies

In preparing these separate interim condensed financial statements the Holding Company applied the same accounting policies as those applied in the separate financial statements of the Holding Company for the year ended 31 December 2015.

5 Cash and cash equivalents

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2016, unaudited	31 December 2015
Current accounts	1,202,606	116,783
Total cash and cash equivalents	1,202,606	116,783

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 30 June 2016 and 31 December 2015:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2016, unaudited	31 December 2015
<i>Neither past due nor impaired</i>		
- National Bank of the Republic of Kazakhstan ("NBRK")	-	20,625
- BB- to BB+ rated	1,202,606	96,158
Total cash and cash equivalents	1,202,606	116,783

6 Deposits

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2016, unaudited	31 December 2015
Deposits with banks with original maturities of more than three months	10,661,662	11,586,577
Total deposits	10,661,662	11,586,577

Deposits are not collateralised. Analysis by credit quality of deposits at 30 June 2016 and 31 December 2015 is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2016, unaudited	31 December 2015
<i>Neither past due nor impaired</i>		
- BB- to BB+ rated	3,171,986	4,462,573
- B- to B+ rated	7,489,676	7,124,004
Total deposits	10,661,662	11,586,577

7 Loans to subsidiaries

<i>(In thousands of Kazakhstani Tenge)</i>	Nominal value		Carrying amount	
	30 June 2016, unaudited	31 December 2015	30 June 2016, unaudited	31 December 2015
- BD JSC	256,095,125	61,095,125	98,090,394	45,298,688
- DBK JSC	250,000,000	235,000,000	79,388,663	72,877,160
- Damu EDF JSC	200,000,000	200,000,000	65,776,697	63,859,047
- KMC JSC	134,092,292	92,500,000	23,332,232	14,687,024
- ZHSSBK JSC	22,000,000	-	5,177,266	-
Total loans to subsidiaries	862,187,417	588,595,125	271,765,252	196,721,919

During six-month period ended 30 June 2016, the Holding Company provided loans to subsidiaries in the total amount of Tenge 273,592,292 thousand (unaudited) (six month-period ended 30 June 2015: Tenge 300,595,125 thousand (unaudited)). The loans bear an interest rate of 0.15% p.a. and mature in 2036 and 2046 (six month-period ended 30 June 2015: interest rate of 0.15% p.a. and mature in 2035 and 2045).

7 Loans to subsidiaries, continued

In accordance with approved government programs, during six-month period ended 30 June 2016 the loans were provided on the following terms and conditions:

- Tenge 67,000,000 thousand (unaudited) loan to BD JSC to purchase debt securities issued by the local executive authorities of the regions (cities of Astana and Almaty) every 2 years during 20-year period for construction of the housing real estate for its further mortgage;
- Tenge 60,000,000 thousand (unaudited) loan to BD JSC to finance construction of housing real estate for its further mortgage;
- Tenge 53,000,000 thousand (unaudited) loan to BD JSC to finance construction of housing real estate for its further rent;
- Tenge 22,500,000 thousand (unaudited) loan to KMC JSC to finance construction and purchase of housing real estate for its further rent;
- Tenge 22,000,000 thousand (unaudited) loan to ZHSSBK JSC to provide loans to the bank depositors for repurchase of housing real estate;
- Tenge 19,092,292 thousand (unaudited) loan to KMC JSC to finance construction of the housing real estate for its further rent in accordance with the terms of the Program for Development of the Regions till 2020 approved by the Decree of the Government of the Republic of Kazakhstan dated 28 June 2014, No.728;
- Tenge 15,000,000 thousand (unaudited) loan to BD JSC to finance construction of real estate facilities and a shopping and leisure center on the territory of the International Specialised Exhibition EXPO-2017 in Astana;
- Tenge 15,000,000 thousand (unaudited) loan to DBK JSC to finance export and pre-export lending in accordance with the terms of the Decree of the Government of the Republic of Kazakhstan dated 23 April 2015, No.271.

At initial recognition the loans were recognised at fair value measured by applying relevant market interest rates varying from 6.89% to 8.29% p.a. (six-month period ended 30 June 2015: from 5.71% to 7.12% p.a.) to discount their future cash flows. The Holding Company recognised a difference of Tenge 205,552,898 thousand (unaudited) (six-month period ended 30 June 2015: Tenge 211,433,116 thousand (unaudited)) between a fair value and a nominal value as a loss, at initial recognition of loans provided to subsidiaries at a below-market interest rates and reported the difference in profit or loss. These loans were financed through bonds issued and a loan from the Government of the Republic of Kazakhstan denominated in Tenge at an interest rate of 0.10% p.a. (six-month period ended 30 June 2015: 0.10% p.a.) maturing in 2034 and 2046 (Note 8 and Note 9). All of the issues of bonds were acquired by the National bank of the Republic of Kazakhstan on behalf of the National Fund of the Republic of Kazakhstan. The difference of Tenge 206,758,295 thousand (unaudited) (six-month period ended 30 June 2015: Tenge 212,813,992 thousand (unaudited)) between a fair value of bonds and loan from the Government of the Republic of Kazakhstan at initial recognition and nominal value was recognised in profit or loss as a government grant to correspond with the Holding Company's loss at initial recognition of loans to subsidiaries (Note 12).

8 Debt securities issued

(In thousands of Kazakhstani Tenge)

	Placement date	Maturity date	Nominal value		Carrying amount	
			30 June 2016, unaudited	31 December 2015	30 June 2016, unaudited	31 December 2015
KZ2COY20F251	25.03.2016 13.03.2015,	25.03.2036	202,000,000	-	52,285,755	-
KZP01Y20E920	31.03.2015	13.03.2035	170,000,000	170,000,000	52,774,067	51,189,243
KZ2C0Y20E676	14.04.2014	14.04.2034	100,000,000	100,000,000	33,232,820	32,242,695
KZ2C0Y20E775	10.12.2014 21.01.2015,	10.12.2034	100,000,000	100,000,000	31,993,905	31,043,928
KZP01Y30E879	16.02.2015	21.01.2045	92,500,000	92,500,000	15,044,693	14,600,543
KZ2C0Y20E742	30.10.2014	30.10.2034	50,000,000	50,000,000	15,740,344	15,263,674
KZP02Y20E738	26.03.2015	26.03.2035	38,095,125	38,095,125	27,163,179	26,432,207
KZP01Y20E730	15.07.2014	15.07.2034	23,000,000	23,000,000	19,178,350	18,681,421
KZP02Y20E928	29.09.2015	29.09.2035	15,000,000	15,000,000	4,432,604	4,298,049
KZ2C0Y20F236	03.02.2016	03.02.2036	15,000,000	-	4,231,382	-
KZP02Y30E877	29.01.2016	29.01.2046	22,500,000	-	3,782,245	-
KZP03Y20E736	09.03.2016	09.03.2036	15,000,000	-	3,270,873	-
			843,095,125	588,595,125	263,130,217	193,751,760

As at 30 June 2016 and 31 December 2015, the Holding Company's debt securities issued are not listed.

8 Debt securities issued, continued

During six-month period ended 30 June 2016, the Holding Company issued the following bonds:

- unsecured coupon bonds with nominal value of Tenge 22,500,000 thousand (unaudited), issued on 29 January 2016, at a coupon rate of 0.10% p. a. which mature in January 2046. The funds have been raised to finance construction and purchase of housing real estate for further rent.

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand (unaudited), issued on 3 February 2016 at a coupon rate of 0.10% p. a. which mature in February 2036. The issue proceeds will be used to finance export and pre-export lending.

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand (unaudited), issued on 9 March 2016 at a coupon rate of 0.10% p. a. which mature on March 2036. Raised funds will be used to finance construction of housing real estate and a shopping and leisure center on the territory of the International Specialised Exhibition EXPO-2017 in Astana.

- unsecured coupon bonds with a nominal value of Tenge 202,000,000 thousand (unaudited), issued on 25 March 2015 at a coupon rate of 0.10% p.a. which mature in March 2036. Out of the total issue proceeds, Tenge 60,000,000 thousand will be used to finance construction of the rental housing real estate, Tenge 53,000,000 thousand will be used to finance construction of rental housing real estate for its further rent, Tenge 22,000,000 thousand will be used to finance loans for depositors of ZHSSBK JSC to buy out the housing real estate, Tenge 67,000,000 thousand will be used to finance purchase of debt securities issued by the local executive authorities of the regions (cities of Astana and Almaty) issued for the construction of housing real estate for further mortgage.

All of the bond issues the during six-month period ended 30 June 2016 and 2015 were acquired in full by the National bank of the Republic of Kazakhstan on behalf of the National Fund of the Republic of Kazakhstan.

As a part of implementation of the above-mentioned programs of state support and development, the Management Council of the National Fund of the Republic of Kazakhstan sets conditions of financing in the form of interest rates, financing schedule and related requirements for both the Holding Company, its subsidiaries, commercial banks as the agents of the programs as well as for the ultimate recipients of the funds. In addition, the Government has approved special conditions, under which the Holding Company's subsidiaries may provide further financing to commercial banks and companies. For this reason, the differences that had arisen upon valuation of bonds repurchased by the NBRK on behalf of the National Fund of the Republic of Kazakhstan during six-month periods ended 30 June 2016 and 30 June 2015 at fair value at the issue date, were recognised as a government subsidy, also taking into account that the NBRK acted as the state agent and not in the interests of the Holding Company's ultimate shareholder, since all terms of the loans had been agreed on at the Government level in the decree concerning the financing of the above-mentioned programs, and the Government does not expect that direct economic benefits will be available to it in a form of shareholder's distributions, as the ultimate beneficiaries of the benefits are the recipient entities under the programs. Thus, during six-month period ended 30 June 2016 the Holding Company accounted for income of Tenge 192,191,909 thousand (unaudited) (six-month period ended 30 June 2015: Tenge 212,813,992 thousand (unaudited), as government subsidies, which were recognised in other operating income in the separate statement of profit or loss and other comprehensive income (Note 12). The Holding Company applied an estimated market interest rates from 6.51% to 8.29% p.a. (six-month period ended 30 June 2015: from 5.72% to 7.01% p.a.) to determine the fair value of issued bonds upon initial recognition by discounting the contractual future cash flows.

Interest expense of Tenge 7,372,234 thousand (unaudited) incurred during six-month period ended 30 June 2016 (six-month period ended 30 June 2015: Tenge 4,556,365 thousand (unaudited)) relates to debt securities issued.

9 Loans from the Government of the Republic of Kazakhstan

	Nominal value		Carrying amount	
	30 June 2016, unaudited	31 December 2015	30 June 2016, unaudited	31 December 2015
<i>(In thousands of Kazakhstani Tenge)</i>				
Ministry for the Investments and Development of the Republic of Kazakhstan	19,092,292	-	4,540,238	-
Total loans from Government of the Republic of Kazakhstan	19,092,292	-	4,540,238	-

On 15 June 2016, the Holding Company received a loan of Tenge 19,092,292 thousand from the Ministry for the Investments and Development of the Republic of Kazakhstan. The loan bears an interest rate of 0.10% p.a. and has maturity of 30 years. All cash proceeds will be used to finance construction of housing real estate for its further rent.

During the six-month period ended 30 June 2016 the Holding Company accounted for income of Tenge 14,566,386 thousand (unaudited) (six-month period ended 30 June 2015: none), as government subsidies, which were recognised in other operating income in the separate statement of profit or loss and other comprehensive income (Note 12). The Holding Company applied an estimated market interest rate of 8.00% p.a. to determine the fair value of issued bonds upon initial recognition by discounting their future contractual cash flows.

Interest expense of Tenge 14,332 thousand (unaudited) incurred during the six-month period ended 30 June 2016 relates to the loan from the Government of the Republic of Kazakhstan.

Baiterek National Managing Holding Joint Stock Company
Notes to the Separate Interim Condensed Financial Statements – 30 June 2016

10 Interest income

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2016, unaudited	Six-month period ended 30 June 2015, unaudited
Loans to subsidiaries	7,453,836	4,470,851
Deposits	780,227	222,726
Total interest income	8,234,063	4,693,577

Interest income for the six-month period ended 30 June 2016 includes Tenge 6,903,228 thousand (six-month period ended 30 June 2015: Tenge 4,137,467 thousand), resulting from the unwinding of discount which has arisen upon initial recognition of loans to subsidiaries (Note 7).

11 Dividend income

<i>(In thousands of Kazakhstani Tenge)</i>	Balance as at 1 January 2016	Declared, unaudited	Paid, unaudited	Balance as at 30 June 2016, unaudited
BD JSC	-	2,185,953	-	2,185,953
DAMU EDF JSC	-	2,000,075	-	2,000,075
DBK JSC	-	1,710,931	-	1,710,931
KCM JSC	-	1,500,000	-	1,500,000
KEG JSC	-	784,222	(784,222)	-
NATD JSC	-	342,704	(342,704)	-
	-	8,523,885	(1,126,926)	7,396,959

<i>(In thousands of Kazakhstani Tenge)</i>	Balance as at 1 January 2015	Declared, unaudited	Paid, unaudited	Balance as at 30 June 2015, unaudited
DBK JSC	-	3,378,450	-	3,378,450
ZHSSBK JSC	-	3,466,028	(1,733,014)	1,733,014
DAMU EDF JSC	-	1,242,667	(1,242,667)	-
KMC JSC	-	355,205	(355,205)	-
BD JSC	-	277,359	(277,359)	-
KEG JSC	-	189,171	(189,171)	-
NATD JSC	-	57,915	(57,915)	-
	-	8,966,795	(3,855,331)	5,111,464

12 Other operating income

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2016, unaudited	Six-month period ended 30 June 2015, unaudited
Loss at initial recognition of loans to subsidiaries at a market-below interest rates (Note 7)	(205,552,898)	(211,433,116)
Government grants (Notes 8, 9)	206,758,295	212,813,992
Other	1,328	(719)
Total other operating income	1,206,725	1,380,157

13 Administrative and other operating expenses

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2016, unaudited	Six-month period ended 30 June 2015, unaudited
Staff costs	713,935	603,164
Administrative expense of the Board of Directors	189,332	107,099
Operating lease expense	133,788	126,067
Outsourcing costs	80,747	75,299
Other costs related to property, plant and equipment	46,919	39,064
Depreciation of property, plant and equipment	39,837	28,379
Consulting services	34,174	210,803
Depreciation of software and other intangible assets	27,955	22,500
Advertising and marketing services	27,643	55,391
Business trips	19,244	14,370
Communication services	17,301	13,853
Insurance costs	15,531	17,102
Costs for stationary printing products, branding products	13,152	17,171
Staff training, conferences	6,079	40,806
Charity and sponsorship	-	4,290
Other	24,316	18,251
Total administrative and other operating expenses	1,389,953	1,393,609

14 Income tax expense

Income tax expense recorded in profit or loss for the period comprises the following:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2016, unaudited	Six-month period ended 30 June 2015, unaudited
Current income tax expense	-	-
Change in deferred income tax liabilities due to origination and reversal of temporary differences	243,516	226,568
Total income tax expense	243,516	226,568

The income tax rate applicable to the Holding Company's income of the six-month period ended 30 June 2016 is 20% (the six-month period ended 30 June 2015: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2016, unaudited	%	Six-month period ended 30 June 2015, unaudited	%
Profit before income tax	9,188,154	100.00	9,090,555	100.00
Income tax at the applicable tax rate	1,837,631	20.00	1,818,111	20.00
Non-taxable dividend income	(1,704,777)	(18.55)	(1,793,359)	(19.73)
Unrecognised deferred tax assets	93,376	1.02	201,816	2.22
Non-deductible expenses	17,286	0.19	-	-
Income tax expense	243,516	2.66	226,568	2.49

15 Financial risk management

Risk management rules and procedures of the Holding Company. The Holding Company's risk management policies aim to identify, analyse and manage the risks faced by the Holding Company, 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.

15 Financial risk management, continued

The risk management policy has the following objectives:

- to establish the effective comprehensive system and integrated process of risk management as an element of the Holding Company's governance, and continuously improve the Holding Company's activities based on the unified standardised approach to the risk management methods and procedures;
- to ensure that the Holding Company assumes acceptable risks adequate to the scale of its activities;
- to define the retaining ability and provide for efficient management of accepted risks;
- to identify risks in a timely manner;
- to mitigate losses and reduce operating costs to cover potential losses.

Risk management structure. The risk management structure of the Holding Company comprises risk management at several levels with engagement of the following bodies and structural units of the Holding Company: Board of Directors, Management Board, Committee of Asset and Liability Management, Investment Committee, Risk Management Department, Internal Audit Function, collective bodies and other structural units.

Board of Directors. The first level of the risk management process is represented by the Board of Directors of the Holding Company. The Board of Directors takes full responsibility for proper operation of risk management control system, management of key risks and corporate risk management system. The Board of Directors defined the objectives of the Holding Company's activities and approves documents related to risk management.

Management Board. The second level of the risk management process is represented by the Management Board of the Holding Company. The Management Board is responsible for establishment of efficient risk management system and risk control structure to provide for compliance with the corporate policy requirement. The Management Board is liable for creation of "risk consciousness" culture which reflects risk management and risk management philosophy of the Holding Company. In addition, the Management Board also bears liability for implementation of the efficient risk management system where all employees have a clearly defined responsibility for risk management and are accountable for proper execution of their duties. The Management Board is authorised to execute a part of their functions in risk management area through establishment of respective committees.

Risk Management Committee. The Committee is a permanent collective consulting body of the Holding Company which coordinates the operation of risk management system. Its key objectives are as follows: establishment of a comprehensive effective system and integrated process of risk management in the Holding Company, and continuous improvement of the Holding Company's operations based on the unified standardised approach to the risk management methods and procedures.

Risk Management Department. The third level of the risk management process is represented by the Risk Management Department which objectives include overall risk management and legal compliance monitoring, as well as control over implementation of general principles and methods of identification, assessment, management of and reporting on financial and non-financial risks.

Internal Audit Function. In course of risk management, the Internal Audit Function of the Holding Company audits risk management procedures and risk assessment methods and develops proposals aimed at improvement of efficiency of risk management procedures. The Internal Audit provides reports on risk management system to the Board of Directors of the Holding Company and performs other functions in accordance with the approved regulatory documents.

Structural units. One of the key elements in the risk management structure is structural units of the Holding Company which are represented by each employee. Structural units (risk owners) play the key role in the risk management process. The Holding Company's employees address and manage risks on a daily basis, and control the potential effect of risk on their business. Structural units are responsible for implementation of the risk management action plan, timely identification and communication of major risk in their business areas and development of proposals for risk management to be included into the action plan.

Credit risk. The Holding Company takes on exposure to credit risk, which is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the lending and other transactions with counterparties of the Holding Company and its subsidiaries giving rise to financial assets.

The Holding Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the separate interim condensed statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. No collateral and other credit enhancements exist as at 30 June 2016 (31 December 2015: None).

15 Financial risk management, continued

The Holding Company controls credit risk by placing limits on transactions with counterparties, including limits on the level of risk accepted in relation to one counteragent, or groups of counteragents, based on the Regulations for Management of Financial Assets and Liabilities of Baiterek National Managing Holding Joint Stock Company.

None of financials assets are impaired or past due as at 30 June 2016 (31 December 2015: None).

Credit risk concentration. The Holding Company's cash and deposit balances as at 30 June 2016 were placed with six banks. That does not expose the Holding Company to significant credit concentration risk.

Concentration of Loans to subsidiaries is disclosed in Note 7.

Currency risk. As at 30 June 2016 and 31 December 2015, the Holding Company has no significant foreign currency exposure.

Market risk is the risk of changes in the Holding Company's income or cost of its portfolios due to changes in market prices, including foreign exchange and interest rates. The Holding Company's market risk consists of currency risk, interest rate risk. Market risks arise from open positions in currency, interest rates and equity products, all of which are exposed to general and specific market movements.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

Total responsibility for the market risk management is imposed on the Management Board, headed by the Chairman of the Management Board. Management Board set limits with respect to the market risk based on recommendations received from Risk Management Department.

The Holding Company manages market risk through setting limits on open positions with respect to the value of portfolio on individual financial instruments, terms of changes in interest rates, currency position, limits for losses, and regular monitoring of their observance, the results of which are reviewed and approved by the Management Board.

Interest rate risk is the risk of changes in the Holding Company's income or cost of its portfolios of financial instruments due to changes in interest rates.

The Holding Company takes on exposure 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 reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises, when available or forecasted assets with definite maturity are higher or lower upon value compared to available or forecasted liabilities with similar maturity. Interest rate risk management is based on the principles of full coverage of costs: resulting interest income should cover costs for raising and placement of funds and provide for net profit generation and competitiveness.

The table below summarises the Holding Company's exposure to interest rate risk as at 30 June 2016. The table presents the aggregated amounts of the Holding Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

<i>(In thousands of Kazakhstani Tenge)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Interest- free	Total
30 June 2016, unaudited						
Total financial assets	1,464,267	7,763,537	10,400,001	271,398,674	-	291,026,479
Total financial liabilities	-	(236,173)	-	(267,434,282)	(125,165)	(267,795,620)
Net interest sensitivity gap at 30 June 2016, unaudited						
	1,464,267	7,527,364	10,400,001	3,964,392	(125,165)	23,230,859

The table below summarises the Holding Company's exposure to interest rate risk as at 31 December 2015. The table presents the aggregated amounts of the Holding Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

15 Financial risk management, continued

<i>(In thousands of Kazakhstani Tenge)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Interest- free	Total
31 December 2015						
Total financial assets	193,360	265,842	11,510,000	196,456,077	-	208,425,279
Total financial liabilities	-	(169,432)	-	(193,582,328)	(279,211)	(194,030,971)
Net interest sensitivity gap at 31 December 2015						
	193,360	96,410	11,510,000	2,873,749	(279,211)	14,394,308

An analysis of the sensitivity of profit or loss (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and restated positions of interest-bearing assets and liabilities existing as at 30 June 2016 and 31 December 2015 are as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2016, unaudited	31 December 2015
Parallel rise by 100 basis points	74,681	25,049
Parallel fall by 100 basis points	(74,681)	(25,049)

The Holding Company monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports.

<i>In weighted-average % p.a.</i>	30 June 2016, unaudited	31 December 2015
Assets		
Deposits	10.20%	9.17%
Loans to subsidiaries	6.66%	6.43%
Liabilities		
Debt securities issued	6.71%	6.43%

Liquidity of financial assets and liabilities is presented in the table above. Contractual payments under the financial liabilities exceed their carrying amount by the sum of non-amortised discount of future interest expenses. As at 30 June 2016 the contractual payments on the issued debt securities amount to Tenge 879,015,721 thousand, including nominal value of Tenge 862,187,417 thousand with maturity in 2034 and 2046, and total future interest of Tenge 16,828,304 thousand payable on annual basis. As at 31 December 2015 the contractual payments on the issued debt securities amount to Tenge 599,973,393 thousand, including nominal value of Tenge 588,595,125 thousand with maturity in 2034 and 2045, and total future interest of Tenge 11,378,268 thousand payable on annual basis.

Capital management. The Holding Company treats capital as net assets attributable to the Holding Company's owners. The Holding Company is not subject to the regulatory capital requirements.

Legal risks. The Holding Company is exposed to legal risk, when there is the probability of occurrence of an adverse legislation change, incorrect legislation application, non-observance of internal documents, when decisions are made, untimely notification of state authorised bodies (in different situations: when documents are prepared, when legally significant actions are committed, etc.).

The Holding Company manages legal risk through monitoring of legislation changes, monitoring of orders implementation, professional development of legal department employees, engagement of consultants.

16 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Holding Company and its subsidiaries may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these separate interim condensed financial statements.

Tax contingencies. Kazakhstan tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Holding Company may be challenged by the relevant authorities. The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

16 Contingencies and commitments, continued

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in Kazakhstan and the changes in the approach of the Kazakhstan tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Kazakhstan transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Holding Company.

Kazakhstan tax legislation does not provide definitive guidance in certain areas. From time to time, the Holding Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Holding Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Holding Company.

Operating lease commitments. The Holding Company has a number of buildings and vehicles under operating lease. Lease is mainly executed for the initial period of one year with the option to renew upon expiry of the said period. Lease payments are usually increased annually to reflect market terms of lease. Lease does not include contingent lease.

17 Related party transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Government of the Republic of Kazakhstan has significant influence over the Holding Company since it is the ultimate controlling party. The Holding Company has decided to apply an exemption from disclosure of individually insignificant transactions and outstanding balances with state owned entities.

The balances as at 30 June 2016 for transactions with related parties are as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries	Transactions with state owned entities
Investments in subsidiaries	773,782,161	-
Loans to subsidiaries (Note 7)	271,765,252	-
Dividends receivable (Note 11)	7,396,959	-
Current income tax prepayment	-	407,503
Other assets	-	262
Debt securities issued (Note 8)	-	(263,130,217)
Loans from the Government of the Republic of Kazakhstan (Note 9)	-	(4,540,238)
Deferred income tax liability	-	(757,042)
Other liabilities	-	(56,723)

The income and expense items on the related party transactions for the six-month period ended 30 June 2016 were as follows (unaudited):

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries	Transactions with state owned entities
Interest income (Note 10)	7,453,836	-
Interest expense (Notes 8,9)	-	(7,386,566)
Dividend income (Note 11)	8,523,885	-
Other operating (expense)/income (Note 12)	(205,552,898)	206,758,295
Administrative and other operating expenses	-	(296,750)
Income tax expense (Note 14)	-	(243,516)

17 Related party transactions, continued

The balances as at 31 December 2015 for transactions with related parties are as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries	Transactions with state owned entities
Cash and cash equivalents (Note 5)	-	20,625
Investments in subsidiaries	773,782,161	-
Loans to subsidiaries (Note 7)	196,721,919	-
Current income tax prepayment	-	250,751
Debt securities issued (Note 8)	-	(193,751,760)
Deferred income tax liability	-	(513,526)
Other liabilities	-	(87,114)

The income and expense items on the related party transactions for the six-month period ended 30 June 2015 were as follows (unaudited):

<i>(In thousands of Kazakhstani Tenge)</i>	Subsidiaries, unaudited	Transactions with state owned entities, unaudited
Interest income (Note 10)	4,470,851	-
Interest expense	-	(4,556,365)
Dividend income (Note 11)	8,966,795	-
Other operating (expense)/income (Note 12)	(211,433,116)	212,813,992
Administrative and other operating expenses	-	(186,676)
Income tax expense (Note 14)	-	(226,568)

Total remuneration to the members of the Management Board and Board of Directors is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2016, unaudited	Six-month period ended 30 June 2015, unaudited
Members of the Board of Directors	170,474	93,325
Members of the Management Board	64,431	52,860
	234,905	146,185

18 Fair value

Determination of fair values. A number of the Holding Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Holding Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Holding Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

18 Fair value, continued

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

<i>(In thousands of Kazakhstani Tenge)</i>	Level 2, unaudited	Total fair values, unaudited	Total carrying amount, unaudited
Assets			
Cash and cash equivalents	1,202,606	1,202,606	1,202,606
Deposits	10,661,662	10,661,662	10,661,662
Loans to subsidiaries	223,678,050	223,678,050	271,765,252
Dividends receivable	7,396,959	7,396,959	7,396,959
Liabilities			
Debt securities issued	221,978,321	221,978,321	263,130,217
Loans from the Government of the Republic of Kazakhstan	4,252,488	4,252,488	4,540,238

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

<i>(In thousands of Kazakhstani Tenge)</i>	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	116,783	116,783	116,783
Deposits	11,586,577	11,586,577	11,586,577
Loans to subsidiaries	196,721,919	196,721,919	196,721,919
Liabilities			
Debt securities issued	193,751,760	193,751,760	193,751,760