



# REPORT

ON MAIN INDICATORS OF  
JSC «HOUSE CONSTRUCTION  
SAVINGS BANK OF  
KAZAKHSTAN» ACTIVITY

for 2012



Almaty, 2013



Message from Chairman of the Board of Directors of JSC «House construction savings Bank of Kazakhstan».....	4
Message from Chairman of the Executive Board of JSC «House construction savings Bank of Kazakhstan».....	5
Board of Directors of JSC «House construction savings Bank of Kazakhstan».....	6
Executive Board of JSC «House construction savings Bank of Kazakhstan».....	7
House construction savings system.....	8
HISTORY OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN».....	9
CORPORATE EVENTS CALENDAR OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» IN 2012.....	12
KEY OPERATING INDICATORS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN».....	13
MAIN BUSINESS DIRECTIONS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN».....	23
1. Conclusion of contractual savings for housing.....	23
2. Issue of loans for improvement of housing conditions.....	26
3. Investment activity on temporarily free funds management.....	30
RISK MANAGEMENT POLICY AND INTERNAL CONTROL SYSTEM OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN».....	32
CORPORATE GOVERNANCE OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN».....	34
PARTICIPATION IN STATE PROGRAMS REALIZATION IN THE REPUBLIC OF KAZAKHSTAN.....	37
GOALS AND TASKS FOR 2013.....	38
JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» DEVELOPMENT PROSPECT TO 2020.....	39
FINANCIAL ACTIVITY AND REPORTING.....	40
1. Independent Auditor's Report.....	40
2. Financial statements of JSC «House construction savings Bank of Kazakhstan» for 2012.....	41



## MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

Dear Ladies and Gentlemen!

We are offering for your attention the results of JSC «House construction savings Bank of Kazakhstan» activity in 2012.

On the threshold of the tenth anniversary of JSC «House construction savings Bank of Kazakhstan» we can note that in the past years the Bank has implemented a significant and successful work on introduction of house construction savings system (HCSS) in Kazakhstan. JSC «House construction savings Bank of Kazakhstan» was able to find its decent position in the banking sector and prove to be one of stable and reliable financial institutions in Kazakhstan. Stable growth of population participation in house construction savings by concluding contracts on house construction savings and obtaining housing loans to improve housing conditions underline the importance and competitiveness of services offered by JSC «House construction savings Bank of Kazakhstan» in the financial market.

Throughout its activity JSC «House construction savings Bank of Kazakhstan» was acting as key operator in realization of State programs on house construction in the Republic. During the reporting year, the Bank continued to implement assigned strategic and social significant tasks, including active participation in the long-term Program «Affordable Housing - 2020».

Under conditions of increasing competition among second-tier banks in terms of maintaining the leading positions on the financial market of Kazakhstan, JSC «House construction savings Bank of Kazakhstan» seeks to improve its activity, develop competitive banking products and improve the quality of customer service.

These activities correspond to the primary strategic goal of JSC «House construction savings Bank of Kazakhstan» which is to improve its financial stability and competitiveness by increasing the share of HCSS participants in relation to economically active population, increasing and maintaining high level of return on equity. JSC «House construction savings Bank of Kazakhstan» strives to offer high demand, competitive and cost-effective product to meet the needs of people of Kazakhstan.

Strong financial position and creditworthiness of JSC «House construction savings Bank of Kazakhstan» is annually confirmed by the ratings assigned by Moody's Investors Service. According to results of 2012 the Bank has the highest rating among second-tier banks except banks with foreign capital.

JSC «House construction savings Bank of Kazakhstan» focuses on operational development, optimization of business procedures, corporate governance, improvement of internal control system the high quality of which is marked by external organizations.

In the framework of its development strategy JSC «House construction savings Bank of Kazakhstan» will continue development of house construction savings system in Kazakhstan, thus, solving important economic and social task on improvement of housing conditions of population of the Republic of Kazakhstan.

Sincerely,  
**Zhanat KURMANOV**

Chairman of Board of Directors – Independent Director  
JSC «House construction savings Bank of Kazakhstan»



## MESSAGE FROM CHAIRMAN OF EXECUTIVE BOARD OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

Dear shareholders, customers and partners!

In 2012, despite the instability in the world economy, JSC «House construction savings Bank of Kazakhstan» successfully continued implementation of its strategy. This clearly demonstrates to shareholders, partners, employees and customers of JSC «House construction savings Bank of Kazakhstan» the coherent work of the team of the Bank directed on realization of its mission and vision.

In the past year we gave special attention to improve quality of customer service, development of branch network and product line.

We are grateful for your support and trust, which allowed us to achieve a high standard of development of the house construction savings system and JSC «House construction savings Bank of Kazakhstan».

During years of activity, JSC «House construction savings Bank of Kazakhstan» broke the existing prejudice for long-term deposit savings and was able to form a steady growth of the population's interest to the house construction savings system which is noted by a great surge of interest and trust to the system over the past few years.

Starting from its introduction the house construction savings system continues to be accessible for citizens allowing them to solve their housing problems which causes increase of number of the system participants.

Participation of JSC «House construction savings Bank of Kazakhstan» in realization of State and industry programs of housing construction has also stimulated increased population's interest. In 2012 JSC «House construction savings Bank of Kazakhstan» was one of the main operators in realization of Program «Affordable Housing - 2020» in areas of «Housing for all categories of population» and «Housing for young families.»

JSC «House construction savings Bank of Kazakhstan» achieved worthy position in the banking sector due to the mentioned above factors, as well as activities directed on population involvement in the development of house construction savings and crediting:

- according to the assets size JSC «House construction savings Bank of Kazakhstan» among all second-tier banks took 13th place;
- according to the equity capital size JSC «House construction savings Bank of Kazakhstan» took 4th place;
- according to the population deposits – 9th place, and long-term deposits in tenge – 3th place;
- market share of JSC «House construction savings Bank of Kazakhstan» in loans market for the housing construction and purchase reached 12.0%.

In 2013 JSC «House construction savings Bank of Kazakhstan» sums up its activities in the banking sector by marking the ten-year milestone, and is entering into a new phase of development to continue implementation of its assigned strategic objectives contributing to the further dynamic development of house construction savings system in the Republic of Kazakhstan.



Best wishes,  
**Nurbubi NAURYZBAYEVA**  
Chairman of the Executive Board  
JSC «House construction savings Bank of Kazakhstan»





## BOARD OF DIRECTORS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»



### **Zhanat B. KURMANOV**

Chairman of Board of Directors of JSC «House construction savings Bank of Kazakhstan», Independent Director

Principal place of work and position:

Chairman of Board of Directors, Independent member of Board of Directors of JSC “National Bank Kyrgyzstan”, Independent Director of “Deposit Guarantee Fund Kazakhstan” JSC.



### **Ravil I. ARYSTANBEKOV**

Member of Board of Directors of JSC «House construction savings Bank of Kazakhstan» (Representative of Sole Shareholder).

Principal place of work and position:

Deputy Director of the Department of Architecture, Urban Planning and Construction of Ministry of Regional Development.



### **Kalymzhan U. IBRAIMOV**

Member of Board of Directors of JSC «House construction savings Bank of Kazakhstan».

Principal place of work and position:

Deputy Chairman of State Property and Privatization Committee at the Ministry of Finance of the RK.



### **Alimzhan A. ESETOV**

Member of Board of Directors of JSC «House construction savings Bank of Kazakhstan», Independent Director.

Principal place of work and position:

General Director of LLP «Aktobe industrial complex of non-metallic materials», director of LLP «KDSM Kyran».



### **Nurbubi S. NAURYZBAYEVA**

Member of Board of Directors of JSC «House construction savings Bank of Kazakhstan».

Principal place of work and position:

Chairman of Executive Board of JSC «House construction savings Bank of Kazakhstan».



## EXECUTIVE BOARD OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»



**Nurbubi NAURYZBAYEVA** since 2003 heads JSC «House construction savings Bank of Kazakhstan», the first Kazakhstani bank implementing house construction savings system.

She is the Chairman of the Executive Board and is a member of the Board of Directors, has extensive experience in the banking sector. Prior to 2003, she worked at senior positions in the National Bank of the Republic of Kazakhstan, second-tier banks, and commercial organizations.

Awards:

- Appreciation letter of the President of the Republic of Kazakhstan;
- Order «**Honor**»;
- jubilee medal «**20 years of Independence of the Republic of Kazakhstan**» for significant contribution to the economic development of the Republic of Kazakhstan;
- jubilee medal «**10 years of Independence of the Republic of Kazakhstan**»;
- jubilee Medal «**10 Years of the Constitution of the Republic of Kazakhstan**»;
- medal «**10 years of Astana capital**»;
- departmental award of the Ministry of Finance of the Republic of Kazakhstan «**Excellent financial work**» for significant contribution to development of the financial system of the Republic of Kazakhstan and to commemorate the 20th anniversary of Independence of the Republic of Kazakhstan;
- winner in the category «**Credit and Leasing**» of National competition «**Entrepreneur of the Year**» in 2007;
- winner in the category «**Finance**» of **National Award of public recognition for women achievements in Kazakhstan «Azhar**» in 2012.



**Maulen UTEGULOV**, Deputy Chairman of the Executive Board of JSC «House construction savings Bank of Kazakhstan» since 2007.

Prior to 2007 worked over 10 years in the Ministry of Finance of the Republic of Kazakhstan, Ministry of Economy and Budget Planning, the last position: Deputy Chairman of the Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan.

Awards:

- jubilee medal «**10 years of independence of the Republic of Kazakhstan**» , «**10 Years of the Constitution of the Republic of Kazakhstan**» and «**20 years of independence of the Republic of Kazakhstan**»;
- Certificates of Honor from Minister of Economy and Budget Planning of the Republic of Kazakhstan.



**Saule EGEUBAEVA**, a member of the Executive Board since 2007, Deputy Chairman of the Executive Board of JSC «House construction savings Bank of Kazakhstan», works in the Bank since 2003.

Prior to 2003, she worked at the National Bank of the Republic of Kazakhstan.

She is an honored employee of JSC «House construction savings Bank of Kazakhstan» and was recorded in the Book of Honor of the Bank.



**Nurzhami ALTYNSAKA** holds the position of Deputy Chairman of the Executive Board of JSC «House construction savings Bank of Kazakhstan» since March 2007

Until 2007, she held executive positions in second tier banks, in the National Bank of the Republic of Kazakhstan. For significant contributions to the development of the National Bank of the Republic of Kazakhstan she was awarded the title «**Honored Worker of the National Bank of the Republic of Kazakhstan**».

Awards:

- medal «10 years of the Constitution of the Republic of Kazakhstan»;
- Certificate of Merit of the Ministry of Finance of the Republic of Kazakhstan for significant contribution to development of the financial system of the Republic of Kazakhstan and to commemorate the 20th anniversary of Independence of the Republic of Kazakhstan



**Talgat BAILOV**, holds position of Deputy Chairman of the Executive Board of JSC «House construction savings Bank of Kazakhstan» since 2011, has joined the Bank in 2005.

Prior to 2005, he held executive positions in second tier banks and the National Bank of the Republic of Kazakhstan.

He is an honored employee of JSC «House construction savings Bank of Kazakhstan».



## SYSTEM OF HOUSE CONSTRUCTION SAVINGS

Investing into housing construction and house purchasing in countries with developed market economies is implemented either by mortgage or by house construction savings systems. The task of the state in this case is a creation of infrastructure and providing conditions for the systems that are capable to solve the housing problems of population.

### **Essence of house construction savings system.**

The most famous model of house construction savings system - building-and-loan association. Building-and-loan association (BLA) (or building society) - is a specialized bank. The source of resources for targeted housing loans in BLA is deposits of citizens, fees for use of housing loans by borrowers, as well as the state premium paid in accordance with the contract for construction savings provided that depositor invested a certain amount of money during the year at his own expense. Housing loans can be obtained only by depositor of BLA after a certain time (usually several years) during which he/she made monthly contributions of established contract amount. Interest rates (both deposit and loan) are fixed for the duration of the contract.

Functioning of construction savings may be characterized by two phases. The first - accumulation of personal assets of the participant. After reaching a pre-specified amount of money the participant is entitled to obtain a loan. The second phase - issuing a loan, during which the participant repays the loan.

**A brief history of house construction savings system development.** History of savings banks began in China. The system of savings funds for housing construction began in 200 year BC. Further the historical experience of China was used by Great Britain. In 1775, the Birmingham construction savings society was founded. However England did not have a particular interest in the system. But the Germans were quick to pick up an innovation and their construction savings society received the great development. The first German CSS - «Construction savings society for each» (Bausparkasse für Jedermann) - was founded by Pastor Friedrich von Bodelschwingh in 1885. However, the CSS system was developed well in Germany after the First World War in the 1920s. At the end of 1930s the traditional system, where the order for depositors to receive a

credit to purchase real estate was decided by drawing lots, was abolished. It was replaced by an assessment system, when the term of the loan was determined by how the depositor accumulates funds in construction savings society.

The real rise of savings societies started after the Second World War, when Germany was destroyed and housing was in high demand. In 1973, the Law on construction savings societies was adopted. In 1991, after amending the Law, German construction saving societies obtained access to foreign markets.

As it is known, savings system is a closed system, i.e. payment of housing loans is made from savings of participants of house construction savings system, without borrowing any external financing. However, along with the closed system of house construction savings there is an open one, conditions and principles of which is currently being successfully developed by France.

An open system of housing construction savings was first introduced in France (Epargne Logement System). Originally founded as a closed system, in 60s the system was transformed into the open. The system Epargne Logement is represented in two models: «Compte Epargne Logement» (CEL), introduced in 1965, and «Plan Epargne Logement» (PEL), introduced in 1969. Both models are beneficial for those who wish to purchase or renovate their homes at below market rates.

An open system is aimed at creating a group of investors who would like to deposit their savings in the house construction savings system without exercising the right to obtain loan but being interested in the income from housing deposits. The collected «free fund» can be used by financial institutions for resource provision of mortgages. Main objective of the French system of house construction savings is to stimulate long-term savings by strong saving motivation of citizens.

An open system of house construction savings Epargne Logement experienced a great success in France for 40 years, therefore the proportion of homeowners in France has increased significantly.

Successful development of savings system in Eastern Europe (Germany, Czech Republic, Slovakia, Hungary, France, Luxembourg) became the basis for

implementation of savings system in Kazakhstan in 2003. The Bank uses the model of the German savings system with a closed system of financing, which proved its worthiness and found its niche in the market for banking services through the 10 years.

Now, with the development of the system of house construction savings in Kazakhstan every citizen has the opportunity to improve living conditions by obtaining a housing loan in JSC «House construction savings Bank of Kazakhstan».



# I. HISTORY OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

Year	LEGISLATIVE EVENTS
2000	Start of introduction of house construction savings system in the Republic of Kazakhstan: adoption of the Law of the Republic of Kazakhstan «On housing construction savings in the Republic of Kazakhstan» № 110-II dated 7.12.2000.
2003	Foundation of JSC «House construction savings Bank of Kazakhstan» on the basis of the order of the Government of the Republic of Kazakhstan # 364 dated 16.04.2003 with 100% of state participation in the authorized capital.
2004	Entering amendments to the Tax Code of the Republic of Kazakhstan (Law of the Republic of Kazakhstan № 11-III dated 13.12.2004), according to which the sums directed on the repayment of the interests on housing loans granted to resident of the RK are carried to the deductions from taxable income in the House Construction Savings Banks for repair, construction or purchase of houses in the Republic of Kazakhstan.
2005	Entering amendments to the Law of the Republic of Kazakhstan «On housing construction savings in the Republic of Kazakhstan» in terms of increasing the amount of State award of the sum of house construction savings from 60 to 200 MCI.
2007	Entering amendments to the Law of the Republic of Kazakhstan «On housing construction savings in the Republic of Kazakhstan», where: <ul style="list-style-type: none"> <li>• accumulation scheme «25/75» was abolished;</li> <li>• savings system participants got an opportunity to receive a preliminary loan</li> </ul>
2012	Entering amendments to the Law of the Republic of Kazakhstan «On housing construction savings in the Republic of Kazakhstan» effective from 22.07.2012.

**Alia KAMENOVA**

*Planning and Control Department*

*To be thrifty, to my mind, means to organize daily routine so that one activity does not fill the entire leisure time. After all, it often happens that people pay too much attention to watching TV, internet surfing, computer games and similar momentary entertainment. Do they really think that watching TV for 5-6 hours a day, reading «empty» glossy magazines will allow them to learn things that will help them to succeed or be happy? Endless watching of «soap operas,» various talk show, hanging in social networks is generally one of the most wasteful activities. Thrifty people would prefer to that the «box» and other fun robbed a reasonable portion of its budget time but did not absorb all of it. By reducing time devoted to entertainment one can save time for more useful things that are necessary and in the future will bear fruit. In general, work takes most and leisure just a part of time.*





Year	FOUNDERS AND SHAREHOLDERS of JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»
2003	Founder: The Government of the Republic of Kazakhstan represented by the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan, which has the right to dispose state-owned shareholding.
2009	The Sole shareholder is JSC «National Welfare Fund Samruk-Kazyna» (since 20.08.2009).
2011	The Sole shareholder: State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan (since 13.04.2011). Since 23.11.11 rights of ownership and disposal of state-owned shares of JSC «House construction savings Bank of Kazakhstan» transferred to the Agency of the Republic of Kazakhstan for Construction and Housing – Utility Services.
2013	Since 28.03.13 rights of ownership and disposal of state-owned shares of JSC «House construction savings Bank of Kazakhstan» transferred to the Ministry of Regional Development of the Republic of Kazakhstan.
Year	CERTIFICATION, LICENSING, RATINGS AND DEVELOPMENT of MANAGEMENT of JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»
2003	Obtaining of license from the National Bank of the Republic of Kazakhstan to conduct operations specified by the banking law in tenge (№ 254 dated 15.09.2003)
2005	Obtaining a license to conduct dealing activities on the stock market without the right to manage clients' accounts (№ 0402100283 dated 26.11.2005) JSC «House construction savings Bank of Kazakhstan» became a member of «Kazakhstan Stock Exchange» on categories «B», «K» and «P».
2006	Obtaining a license to carry out banking and other operations performed by banks in national and foreign currency № 254 dated 03.04.2006.
2007	JSC «House construction savings Bank of Kazakhstan» is the first Kazakhstani banks that obtained certificate for correspondence with quality management system (QMS) ISO 9001:2000. JSC «House construction savings Bank of Kazakhstan» was rated by the international rating agency Moody's.
2008	Confirmation of rating of JSC «House construction savings Bank of Kazakhstan» by international rating agency Moody's.
2009	Certification of Association «Russian Register» confirmed maintenance of QMS in JSC «House construction savings Bank of Kazakhstan» in action and development in accordance with the international standard ISO 9001:2008. Confirmation of rating of JSC «House construction savings Bank of Kazakhstan» by international rating agency Moody's. Introduction of balanced scorecard system in JSC «House construction savings Bank of Kazakhstan».
2010	Confirmation of Certificate of JSC «House construction savings Bank of Kazakhstan» for correspondence with ISO 9001:2008. Revision and assignment of ratings of JSC «House construction savings Bank of Kazakhstan» by international rating agency Moody's. LLP «KPMG Tax and Advisory» diagnostics of corporate governance in JSC «House construction savings Bank of Kazakhstan». Reorganization of compliance – control system of JSC «House construction savings Bank of Kazakhstan». Development and introduction of key performance indicators (KPI) in JSC «House construction savings Bank of Kazakhstan».
2011	Confirmation of rating JSC «House construction savings Bank of Kazakhstan» by international rating agency Moody's. Confirmation of the certificate of quality management system for correspondence with ISO 9001:2008
2012	Confirmation of ratings of JSC «House construction savings Bank of Kazakhstan» by international rating agency Moody's. Confirmation of the certificate of quality management system for correspondence with ISO 9001:2008.



Year	<b>PARTICIPATION OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» IN REALIZATION OF STATE PROGRAMS IN THE REPUBLIC OF KAZAKHSTAN</b>
2005	First intermediate loan was issued under the State program of housing construction development in the Republic of Kazakhstan for 2005-2007.
2007	First basic housing loan was issued under the State program of housing construction development in the Republic of Kazakhstan for 2005-2007. JSC «House construction savings Bank of Kazakhstan» was determined as main operator of the State program of housing construction in the Republic of Kazakhstan for 2008-2010.
2008	First intermediate loan was issued under the State program of housing construction in the Republic of Kazakhstan for 2008-2010.
2009	Program «Nurly Kosh» was launched.
2010-2011	Participation in realization of the State program of housing construction in the Republic of Kazakhstan for 2008-2010. Participation in realization of the Program «Nurly-Kosh». Participation in realization of the Program for development of construction industry and construction materials production in the RK for 2010 - 2014. Participation in realization of the Program of JSC «Real Estate Fund Samruk-Kazyna» on rental housing. Signing of agreements on cooperation with the local authorities and the Agency Of the Republic of Kazakhstan for Construction and Housing- Utility Services under the Program for development of construction industry and construction materials production in the Republic of Kazakhstan for 2010 - 2014. Participation in realization of the Program of Housing Construction of Kazakhstan for 2011-2014.
2012	Participation in realization of the State program of housing construction in the Republic of Kazakhstan for 2008-2010. Participation in realization of the Program «Affordable Housing – 2020».
Year	<b>KEY PARTNERS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»</b>
2003	JSC «KazPost» (cooperation agreement)
2005	JSC «Halyk Bank of Kazakhstan» (cooperation agreement)
2006	JSC «KazPost» (additional agency agreement)
2012	JSC «Kazkommertsbank», JSC «BTA Bank», JSC «Eurasian Bank» (cooperation agreement)
Year	<b>REWARDS AND ACHIEVEMENTS JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»</b>
2005	JSC «House construction savings Bank of Kazakhstan» awarded in nomination «For promotion of innovative ideas in the real estate market» within the framework of exhibition Expo Real Estate
2010	Reaching 54.9% correspondence of corporate governance to best practice requirements as a results of diagnostic of corporate governance systems conducted in 2010 by Standard & Poor's
2011	Awarding by «Best Quality Management System» established by the Association of certification «Russian Register» in cooperation with IQNet (The International Certification Network)
2012	«Ernst & Young» conducted diagnostics of key performance indicators of JSC «House construction savings Bank of Kazakhstan» and found it as a high-level system development implemented by the staff of the bank, which is a rare example of a successful independent and operational implementation of the indicators system in the banking sector of the Republic of Kazakhstan. The Bank was awarded with Diploma of nominee in the category «Best Annual Report in the financial sector» as part of Expert RA contest «Best Annual Report 2011»



## II. CORPORATE EVENTS CALENDAR OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» IN 2012

### **Aleksandr SIZOV**

*Operations Support and Sales Department*

*We all dream to live in a prosperous and rich country often forgetting that the state is first and foremost is its citizens. Great start small and if each of us will treat the things with frugality not only at home but also at work, on the street, it will be the first step towards the general welfare. After all, thrift - the soul of the economy. Synonym of thrift is prosperity. Prosperity means economic success and happiness.*

### **WITHIN THE YEAR**

Participation in realization of Program «Affordable housing – 2020» and State house construction program of the RK for 2008-2010

Attraction of over 89 thousand new participants.

### **MARCH**

Approval of annual financial statements for 2011

### **MAY**

Confirmation of Certificate of quality management system for correspondence with standard ISO 9001:2008

### **JULY**

Getting a loan from the state budget in the amount of \$ 12.2 billion tenge for issuing of preliminary and intermediate housing loans under the Program «Affordable Housing – 2020».

<sup>1</sup>Amendments to the Law of the Republic of Kazakhstan «On housing construction savings in the Republic of Kazakhstan» The Law came into force on 22.07.2012.

Confirmation of Moody's long-term and short-term Bank ratings .

Presentation of 5 customer service centers in cities of Aktobe, Ust-Kamenogorsk, Astana, Karaganda, Ekibastuz.

### **JULY - SEPTEMBER**

Bank amended internal documents concerning lending, state premium payments and approval of new version of the Rules of forming pools and distribution of real estate in connection with amendment of legislation of the Republic of Kazakhstan.

### **AUGUST**

Long-Term Strategy for 2012-2020 was approved by the Bank's Board of Directors

### **OCTOBER**

Rules of calculation and payment of state premiums for deposits of housing construction savings (registered by government and effective since 02.01.2013) were developed by the Bank and approved by the Order of the Minister of Finance № 464 dated 18.10.2012.

### **NOVEMBER**

Introduction of the new loan product «Zhenil 2», providing deferral of repayment of 50% of principal debt.

### **DECEMBER**

Bank was awarded with Diploma of nominee in the category «Best Annual Report in the financial sector» within the framework of Expert RA contest «Best Annual Report 2011»

Commissioning of the first 35 payment terminals in premises of Bank territorial units.

Reduction of fees and interest rates on preliminary and intermediate housing loans, including loans issued under terms of Program «Affordable Housing – 2020» at the expense of the State budget, that is effective since 01/01/13.

1 Approved by the Government of the Republic of Kazakhstan dated 21.06.2012, №821



### III. KEY OPERATING RESULTS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

On the threshold of decade of JSC «House construction savings Bank of Kazakhstan» (hereinafter - the Bank) the year 2012 was the year of debriefing of results and evaluation of its development strategy. The past decade has been a time of formation and development as for savings system in general so for the Bank itself.

The housing construction savings system is a totally new system of lending activities for improving the living conditions of the population in Kazakhstan.

Kazakhstan - the first country in the CIS that started implementation of principles and terms of the system designed primarily for people of middle and lower-middle-income.

The system of housing construction savings represents an affordable mechanism of house financing based on accumulation of individual savings in order to obtain a loan to improve living conditions, including acquisition and exchange of property and construction, repair and modernization of house.

A distinctive feature of the system of house construction savings is a closed system of house construction savings in Kazakhstan, which provides a relative degree of independence of the system of house construction savings from market fluctuations when setting interest rates on housing loans and payment of housing loans.

The current system of housing construction savings, operating in Kazakhstan for 10 years, demonstrates its relevance, urgency and attractiveness.

Along with the Bank development, based on development of the principles of the house construction savings system, the financial market of Kazakhstan also observed:

- ☀ change of conditions of accumulation and loan granting (increased supply of banking products, interest rates on loans tend to decrease, saving conditions become more diverse and affordable);
- ☀ activity and awareness of potential consumers of financial services increased and a real possibility to choose become available;
- ☀ the number of banks offering mortgage loans increased;
- ☀ recovery of the mortgage market in general.

Brief review of the markets (loan market, deposit market, real estate market) shows the data for the 10

years of operation of the Bank and for the reporting year 2012.

В кратком обзоре рынков (кредитный рынок, депозитный рынок, рынок недвижимости) представлены данные за 10 лет функционирования Банка и за отчетный 2012 год.

#### LOAN MARKET

During the period from 2005 to 2012<sup>2</sup> the loan market of the Republic of Kazakhstan had a sharp rise in lending until 2007 with a subsequent drop in 2008 associated with start of the global financial crisis. The global financial crisis has led to shortage of liquidity especially for Kazakhstani banks that previously attracted considerable funds from the international capital markets. Thus, lending volumes of banks (STB) for construction and purchase of housing reduced in 2008 to 784.9 billion tenge in comparison with 2007 of 830.5 billion tenge. To stabilize the credit growth 4 years were needed that were the time of difficult trials for both STB and population of Kazakhstan as a whole. Beginning in 2011, the rate of lending for construction and purchase of housing has stabilized and gradually rose in 2011 to 855.4 billion tenge by 9% compared to 2008. Thus, in 2012 the volume of lending increased by 17% compared to 2008 and amounted to 919.9 billion tenge.

In a comparative analysis of the Bank's loan portfolio for a given period (2005 - 2012) there was also a sharp increase in the volume of lending up to 2008, inclusive, and consecutive increase in the loan portfolio of the Bank was kept on the background of observed activation of the market in the past few years. Given the closed type of the system of house construction savings and absence of external funding of the Bank it could be concluded that the crisis did not affect either the rate of growth in lending or the rise itself which is a positive indicator for the Bank.

In general, the above described external factors had a positive effect on the Bank's activity through increased number of participants of savings system, increase in the deposit base and volume of lending to the population.

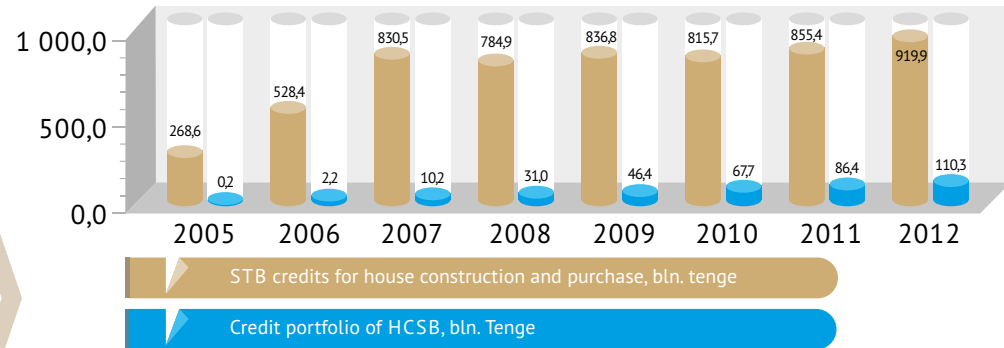
<sup>2</sup> According to data of the Statistics bulletin of the National Bank of the RK



*Increase in the market share of the Bank and development of the system of house construction savings was positively influenced by a moderate increase in activity of STB banks in the market of lending for construction and purchase of housing, stabilization of prices in real estate market, introduction of new government programs for construction and provision of affordable housing for Kazakhstani citizens as well as improvements in social and economic development of the country, actual cash income and purchasing power of population.*

Diagram № 1

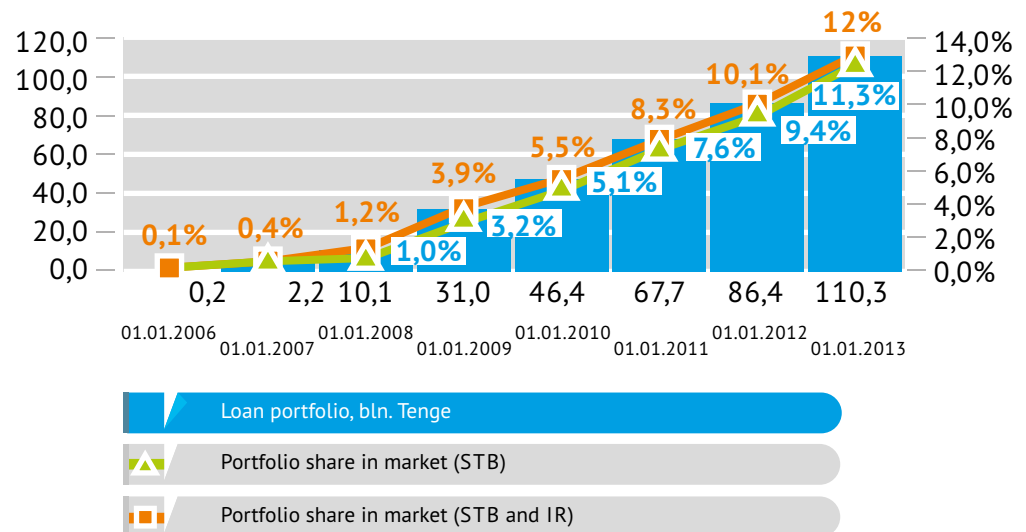
Dynamics of volume of crediting for house construction and purchase, bln. tenge



During the reporting 2012 year, the loan portfolio of the Bank increased from 86.4 billion to 110.3 billion tenge by 23.9 billion tenge or 28%. At the same time, the market share of lending for construction and purchase of housing STB and MC (mortgage company) as of 01.01.2013 rose to 11.3%.

Diagram № 2

Loan portfolio and its share in market of crediting for construction and purchase of housing





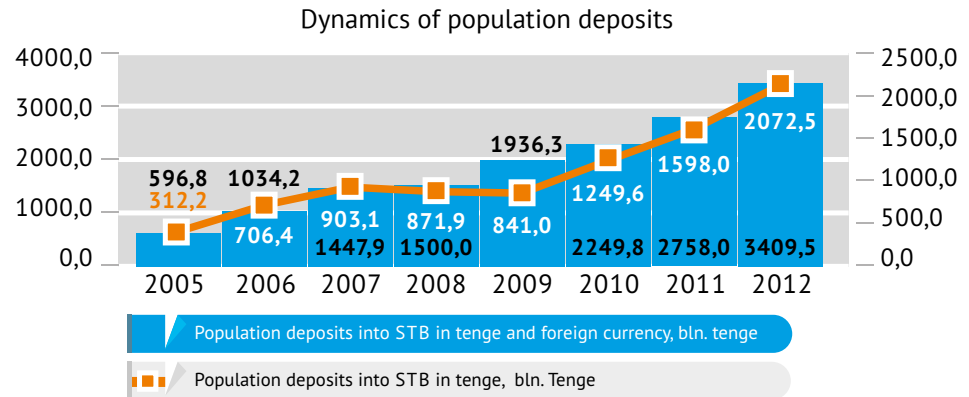
## DEPOSIT MARKET

From 2005 to 2012 deposit market of the Republic of Kazakhstan has also undergone some changes, as well as the credit market, it was under influence of the global financial crisis. The changes were noticeable mainly in growth slowdown of deposit amounts in STB banks in 2008. Analysis of the Bank's deposit base shows a slowdown in attracting new participants of system of house construction savings during the period. There is a slowdown of conclusion of HCS contracts due to lower activity of population during the crisis that caused decline in employment and income.

At the same time, it should be noted that regardless of variation in growth, the growth of household deposits in STB banks and the Bank's deposit base is preserved.

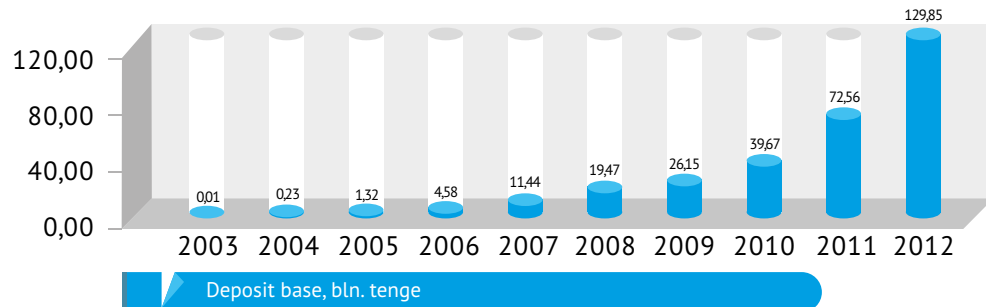
During the reporting 2012 year the population's deposits in STB<sup>3</sup> rose to 3 409.5 billion tenge by 24% compared to the last year.

Diagram № 3



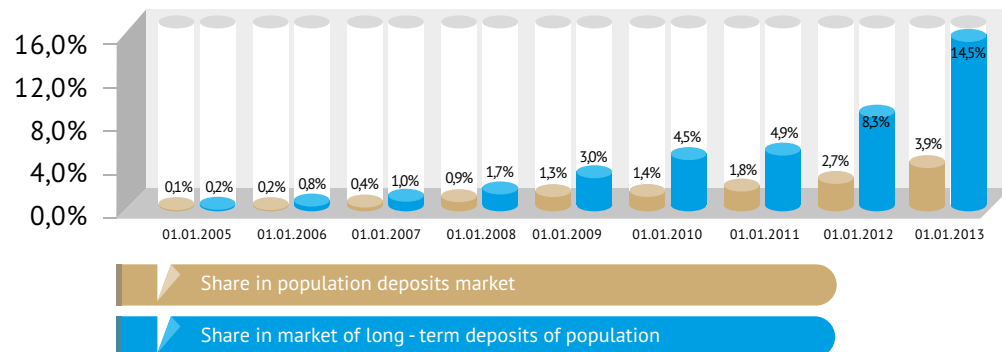
The deposit base of the Bank that reflects the amount of deposits in housing construction savings in 2012 has increased by 79% in relation to the amount at the beginning of 2012 and amounted to 129.85 billion. This increase is due to interest of population in implementation of the Bank's program «Affordable Housing 2020».

Diagram № 4



In the period from 2005 to 2012, the Bank's share index in the market of deposits in tenge and foreign currency<sup>4</sup> increased from 0.05% to 3.9% and the market share of long-term deposits in tenge increased from 0.2% to 14.5%.

Diagram № 5



<sup>3</sup> According to data of Statistics Bulletin of the National Bank of the RK

<sup>4</sup> According to the statistical bulletin of the National Bank of Kazakhstan



## REAL ESTATE MARKET

The situation on the real estate market has an impact on the Bank's performance. Analysis of the real estate market indicators shows that dynamics of the key indicators of the real estate market has a moderate growth on the background of economic recovery after the crisis that indicates insufficient market activation.

Diagrams № № 6-8 shows the growth dynamics of the key indicators of the real estate market where fluctuations in growth are clearly visible.

Thus, according to available data for 2006 - 2012 there has been a sharp decrease of residential investment to 311 billion tenge in 2009, which led to decline in construction work up to 1 574 billion tenge, and also decline in volume of commissioned housing up to 6 398 thousand sq m.

In 2012, residential investment declined by 2.4% in comparison with 2011 to 407 billion tenge. The volume of construction work in 2012 increased from 1 818 billion tenge by 8.1% to 1 966 billion tenge. At the same time, volume of commissioned residential buildings for 2012 compared to 2011 increased by 3.2% and comprised 6 742 thousand square meters.

Diagram № 6

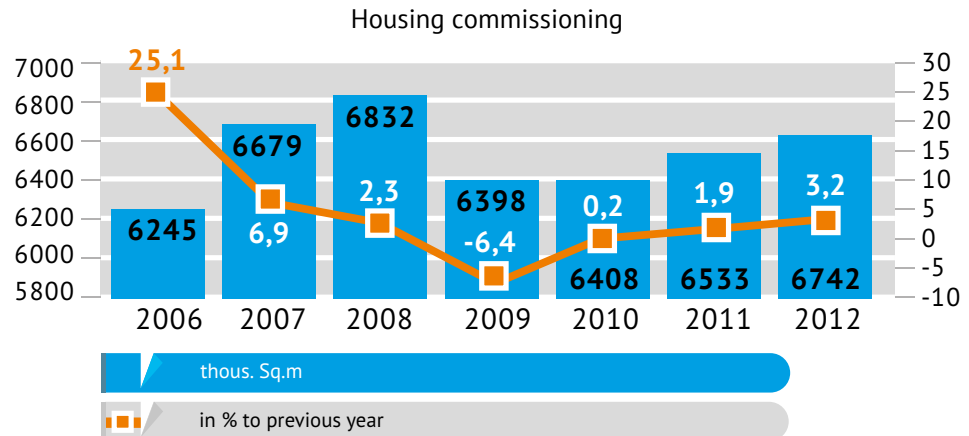
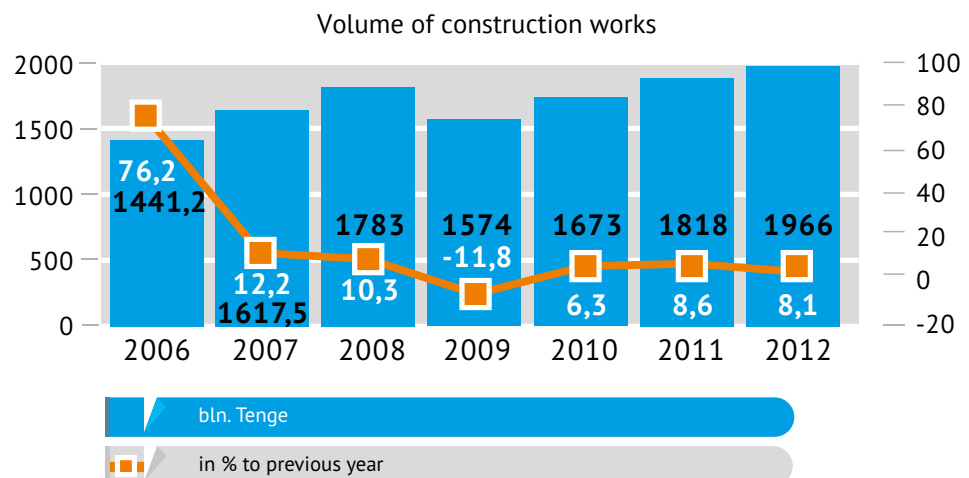
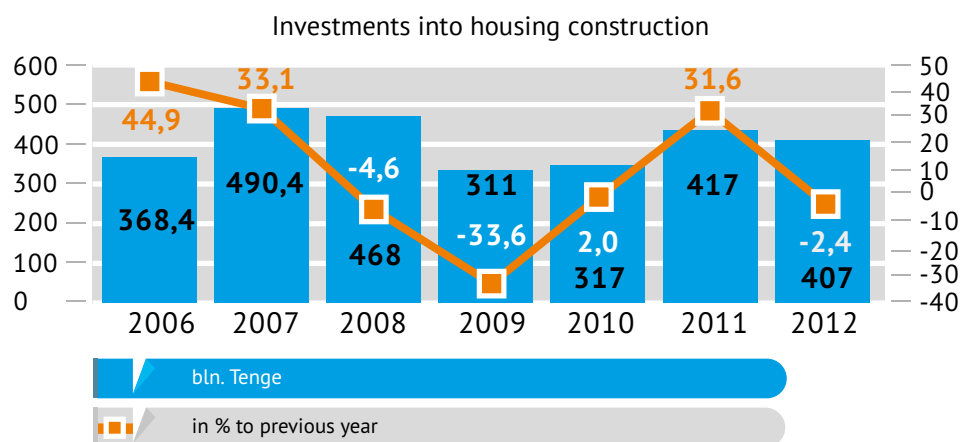


Diagram № 7



\*январь-ноябрь

Diagram №8





**Olga KHLYSTOVA**

Department of Development  
and Deployment of Banking  
Products

*Each of us should realize that frugality is not just money. Perhaps most importantly we have to do is take care of each other.*

*You may agree that if you are not rudely treated in the morning on the way to work, you would keep a good mood and you'll be able to do so much more. If your questions are patiently and politely answered in the store, then perhaps you are sure to make a purchase. If all occupants of your house will keep it clean and tidy you will be glad. If in the snow showers each of us parks own cars in appropriate manner and additionally cleans the snow around it, then, of course, there will be less of those who are outraged by poor snow removal. And so in everything.*

**REAL ESTATE PRICES <sup>5</sup>**

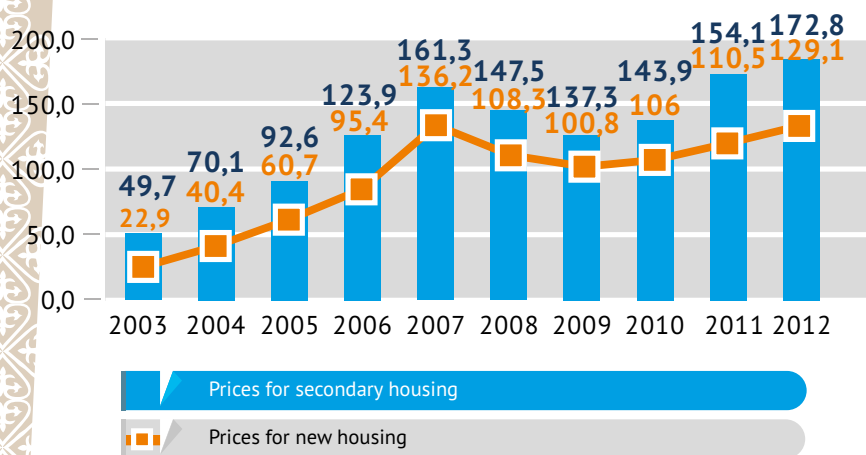
On 01.01.2013 the average price of 1 square meter of new housing was 172,8 thousand tenge and starting from 2003 has increased by 248% (as of 01.01.2012. price of 1 square. meter - 154,1 thous. tenge), the resale price of housing - 129,1 thous. tenge increased by 464% (as of 01.01.2012 price of 1 square. meter - 110,5 thous. tenge).

As can be seen in the following Diagram since 2007 the housing market declined in the price of new and resale properties. Thus, in 2007 an increase in prices for primary and secondary market at 30% and 43%, respectively, was recorded compared with the previous period. The turning point came in December 2009 due to stabilization of the macroeconomic situation in the country. Overall, considering fluctuations in these periods and moderate growth in 2010 - 2012 the market price as of 01.01.2013 exceeded the level of the end of 2008.

It is evident that situation in the real estate market is affected by the current and potential demand and supply. Economic growth, increase of incomes, positive situation on the energy market, increase in construction prices have contributed to some increase in property prices.

Diagram №9

Dynamics of price in real estate market, thous. tenge



<sup>5</sup> According to the Agency of the Republic of Kazakhstan on Statistics





**Beibit KASYMKHAN**

Purchasing Department

*In my understanding, frugality is a kind of certain stability which is important in the current economic environment. Since the stable, progressive set of circumstances gives us the right to obtain the maximum results from our investments. After all, every one of us always want to look attractive, healthy, have favorite job, career promotion, educate children, have own house, hearth and home. And I also want to note that frugality of our values, ambitions, our senses give us the right to a happy life.*

**PRODUCT LINE**

Development of the system of house construction savings in Kazakhstan led to the development of the product line that meets the conditions and principles of the system of house construction savings as well as needs of Kazakhstani people, in terms of improvement of living conditions.

The following tariff programs were introduced since start of operation of the Bank: Accelerated tariff program, Standard tariff program, Long-term tariff program, «25/75 (state)», «25/75», «50/50 A», «50/50 B», «50/50 V», «Zhenil», «Saving Tariff», «Bastau», «Orken», «Kemel», «Bolashak» that require mandatory accumulation by depositors for housing construction savings of amounts of 25% and 50 % (depending on the tariff program) of the contracted amount necessary to obtain a housing loan to improve living conditions.

Currently, there are four tariff programs: «Bastau», «Orken», «Kemel» and «Bolashak».

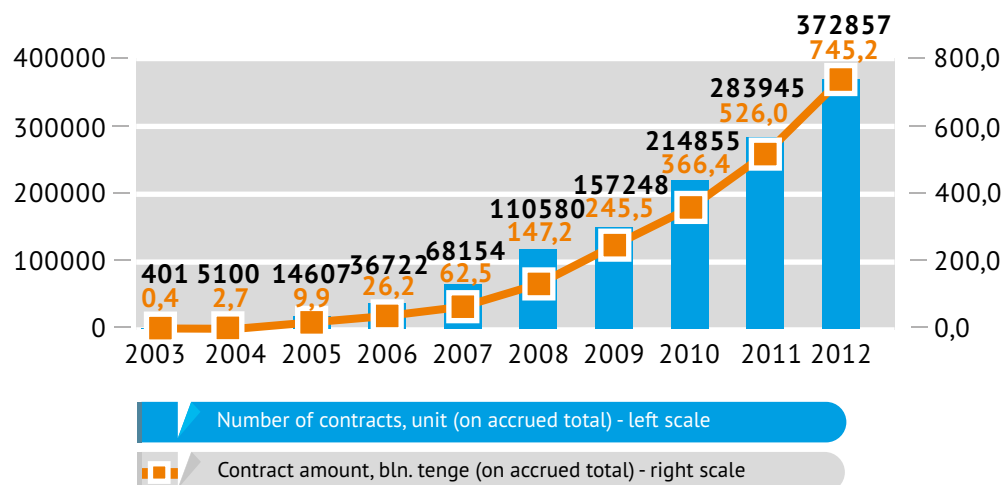
House construction savings contracts on previously effective tariff programs currently are not effective. Contracts signed before the introduction of new tariff programs continue to be serviced by the Bank on the terms specified by the contract on house construction saving still complete execution of obligations by parties.

**DYNAMICS OF HCS CONTRACTS AND ISSUED LOANS.**

Over the entire period of the Bank operation since September 2003 within the framework of the system of house construction savings there were concluded 372 857 contracts on HCS (growth in 2012 at 31%). Contractual amount is 745.2 billion tenge (growth for the year by 42%). The deposit base reached the rate of 129 848 billion tenge, an increase over 2012 by 57.3 billion tenge or 79%.

The increasing number of HCS contracts reflects the population's interest in solving housing issues through participation in the system of house construction savings. In turn, the Bank's participation in the State program of housing

Diagram № 10



Thrift is our way to welfare!



construction in the Republic of Kazakhstan for 2005 and 2007 and 2008 to 2010 and the program «Affordable Housing – 2020» also contributed to achievement of these targets.

Under the terms of HCS contract a participant of the system of house construction savings is provided with housing, preliminary and intermediate housing loans. The main attractive point of the Bank's loans - is guaranteed low interest rate for the entire period. As noted earlier, the Bank is operating in relative independence from the situation of the financial market interest rates, allowing the Bank to provide loans at low interest rates.

Over the entire crediting period (since 2005), the Bank issued 46 762 loans totaling 149.0 billion tenge. Loan portfolio amounted to 110.3 billion tenge, an increase from the beginning of the year to 24 billion or 28%.

For the entire crediting period from 2005 to 2012 there is growth in the number and volume of loans issued. At the same time, there is exception for 2009 where the indicator both in number and volume of loans issued fall due to impact of recession of the financial condition and creditworthiness of the population of Kazakhstan as well as delayed commissioning of houses by local authorities under the State program of housing construction in the Republic of Kazakhstan for 2008-2010.

In general, closed type of savings system that does not imply attraction of external sources of financing provided the Bank with relative independence from market fluctuations and successful overcoming of the global financial crisis.

Diagram № 11

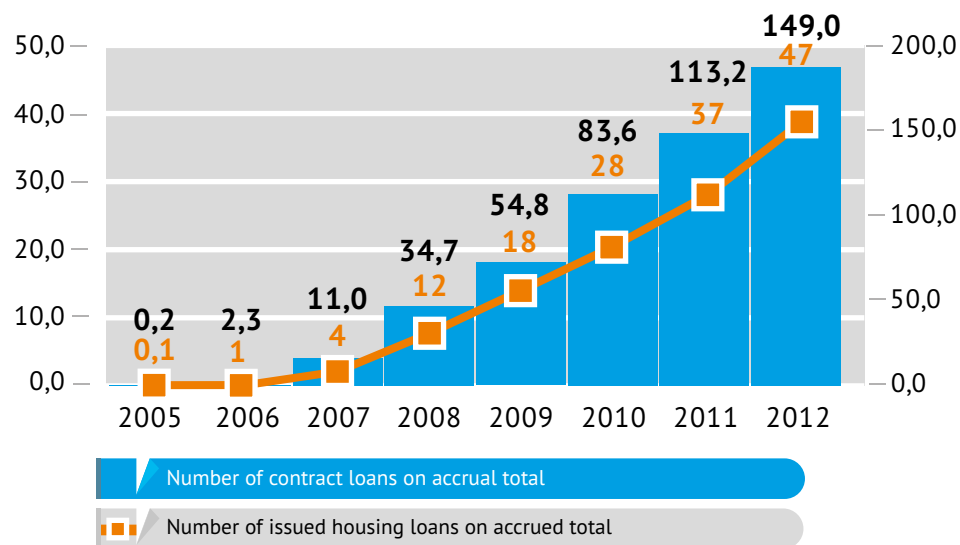
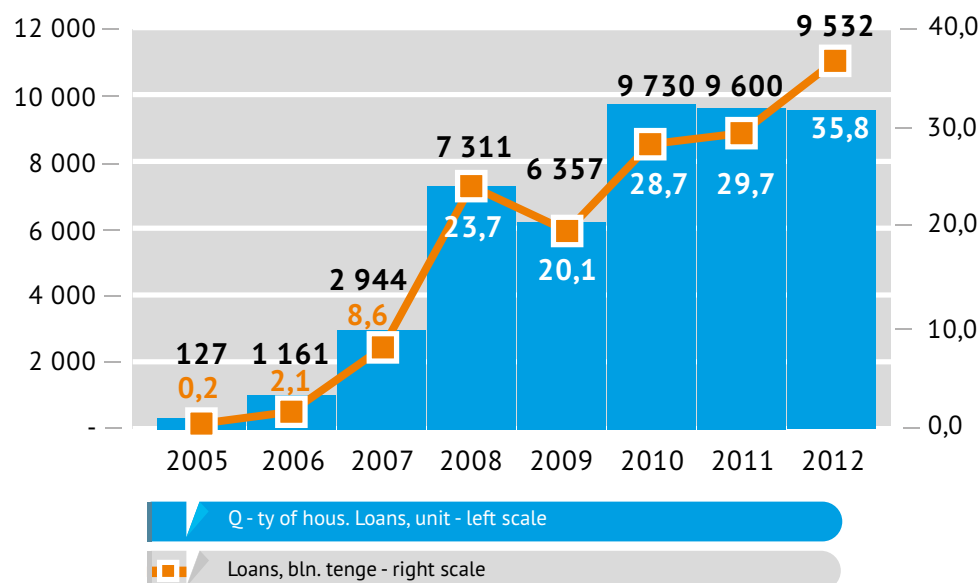


Diagram № 12

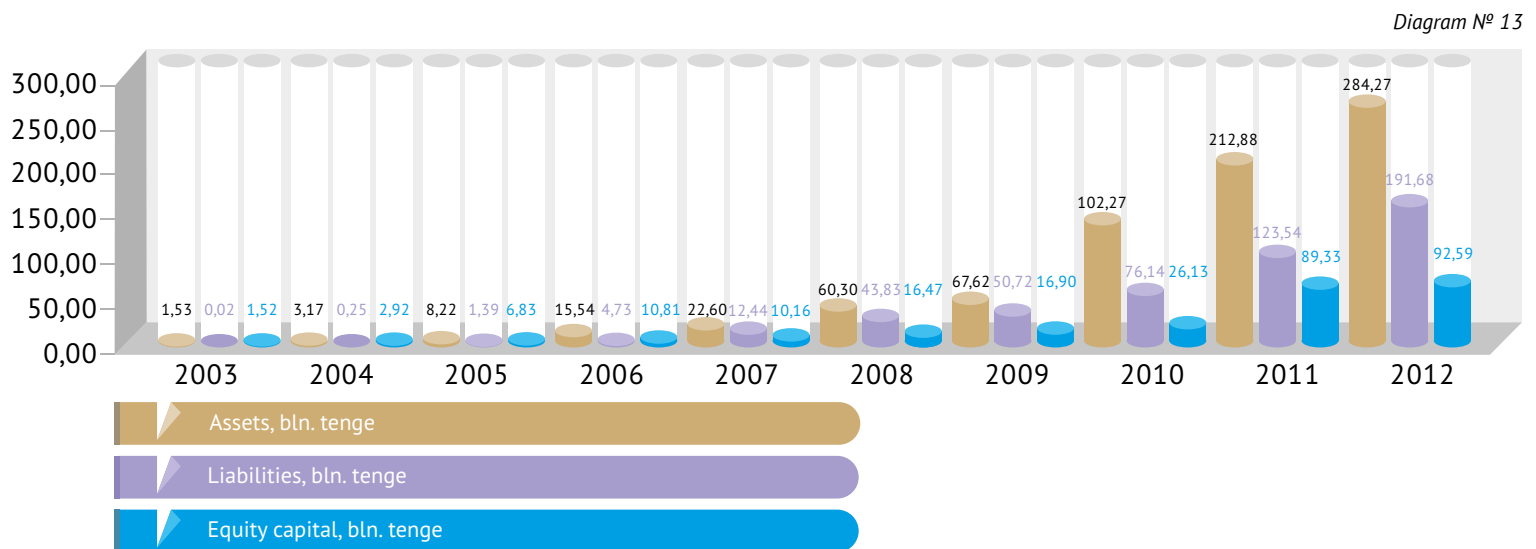




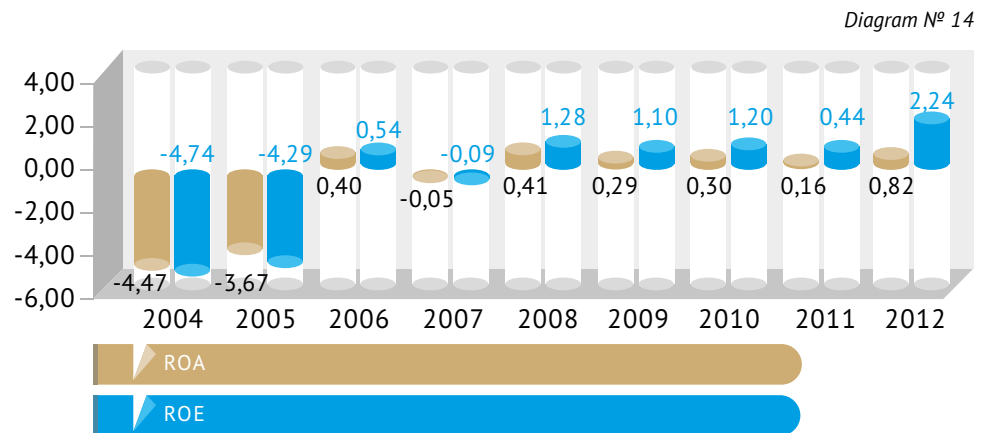
## FINANCIAL INDICATORS

Currently the Bank activity is characterized by dynamic growth of financial indicators.

As of 01.01.2013 the Bank's assets totaled 284.3 billion tenge (growth in 2012 by 34%), equity capital - 92.6 billion tenge (growth in the year to 4%).



In 2012, profitability indicators ROE and ROA increased compared with 2011, which was due to the increase in net profit up to 2 billion tenge and an increase in equity capital by 4% to 92.6 billion tenge and assets by 34% to 284, 3 bln. tenge.

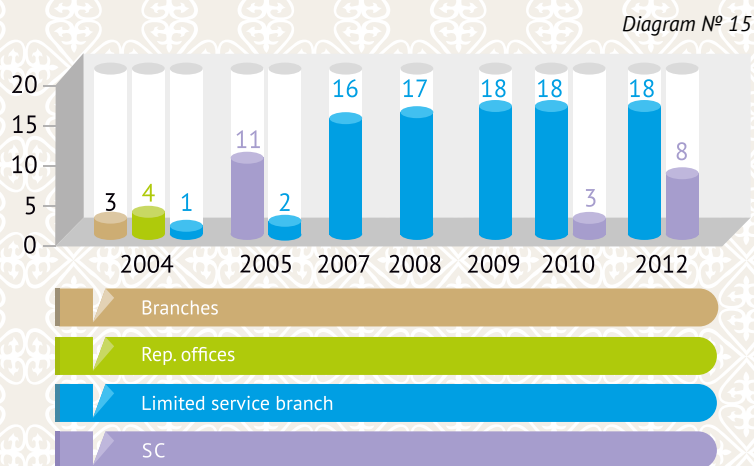




## TERRITORIAL DEVELOPMENT

Bank's branch network is developing in order to expand the customer base and sales opportunities overcoming interbank competition in the established market for banking services. The branch network allows the Bank to be as close as possible to depositors and be able to hold positions on issuing loans related to improvement of living conditions, at low, competitive interest rates and attracting deposits. Therefore, it is impossible to develop housing lending without expansion of the branch network of sales.

Over the entire period of the Bank's activity number of branches of the Bank increased from 3 to 18. Opening of 3 branches, 4 representative offices and 1 limited service branch in 2004 served as the start of development of regional network. So, in 2012, there are 18 branches and 8 service centers.



## Julia RUDIKOVA

Exchequer Department

*Frugality, in my understanding, is the correct disposal of your belongings. You do not waste your time, talents, property but use them to the maximum benefit not only for yourself but also for the loved ones. Frugality was and remains not only one of the valuable qualities of the person, but also personal economy which is reflected in caring and cost-effective relation to the material and spiritual values.*





## THE BANK'S RATINGS

To improve financial and investment image of the Bank, the work on keeping its loan / investment rating is being conducted on continuous basis.

Financial strength rating «E +» indicates the stable creditworthiness of the Bank. The financial strength rating is influenced by focus area and value of it, quality of management, main financial indicators, operating environment of the organization. The rating of the Bank indicates a positive overall assessment by the international rating agency.

The Bank's ratings on deposits in national currency are the highest rating indicator among STB of Kazakhstan except banks with foreign participation.

### *Bank ratings for 2012*

*Moody's:  
Long-term rating on deposits in  
national currency: **Ba1***

*Short-term rating on deposits  
in national currency: **N / P***

*Financial strength rating: **E +***

*Forecast «Stable» .*

## **Rustem KYDYKOV**

*Planning and Controlling Department*

*Frugality - is care about beloved ones and about a stranger. It starts with small things from the childhood but is expressed in a national scale. Frugality is like a strong bank guarding the affluent life of our country, and wastefulness is as a mouse grinds, bores these banks and the river becomes shallower. Look around your apartment : water is dripping from casually closed kitchen tap. In our country, a person is charge with a penny for the use of fresh water but in Europe, where fresh water is scarce, they already buy it. Somebody forgot to turn off the lights in the apartment - loss of electricity! And across the country for a day - devastating loss. In Vietnam there is a saying, «The rich, but not frugal will face poorness, the poor but not frugal will face poverty.»*





IV.

## MAIN BUSINESS DIRECTIONS OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

### MISSION OF BANK

Ensuring equal access of the general public to the system of house construction savings (HCS) in all regions of the Republic of Kazakhstan and provision of high quality banking services to improve housing conditions.

Product of system of house construction savings  
– Contract on house construction savings

### VISION OF BANK

Aspiration to ensure a broad coverage of the economically active population of the country in order to attract them to participate in the system of house construction savings while maintaining the principles of reliability, trust and quality of relationships with customers and partners, business transparency and corporate governance».

### Main business directions of Bank

- 1) concluding contracts for house construction savings;
- 2) issuing of loans for improvement of housing conditions;
- 3) investment activity on managing temporarily free funds of Bank.

### 1. CONCLUSION OF CONTRACTUAL SAVINGS FOR HOUSING

Currently the Bank offers its customers 4 types of tariff programs. These tariff programs allow to obtain a housing loan after accumulating 50% of the contract amount:

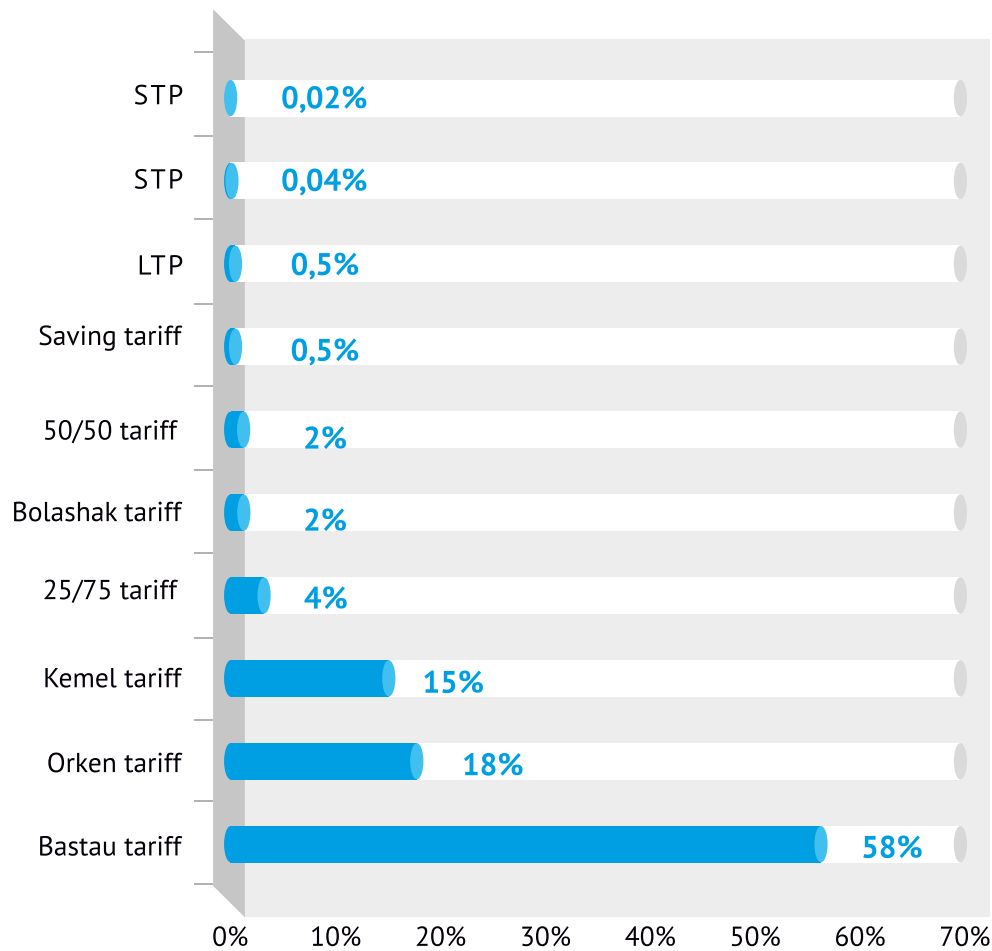
Table №1

Name	Bastau	Orken	Kemel	Bolashak
Term of accumulation of HCS	3-3,5 years	5,5 years	8,5 years	15 years
Interest rate on deposits in HCS	2% per annum			
Interest rate on housing loan	5% per annum	4,5% per annum	4% per annum	3,5% per annum
term of the housing loan	Up to 6 years	Up to 10 years	Up to 15 years	Up to 25 years



The structure of the product line of the Bank is represented as of 01.01.2013 <sup>6</sup> in the following diagram:

Diagram №16

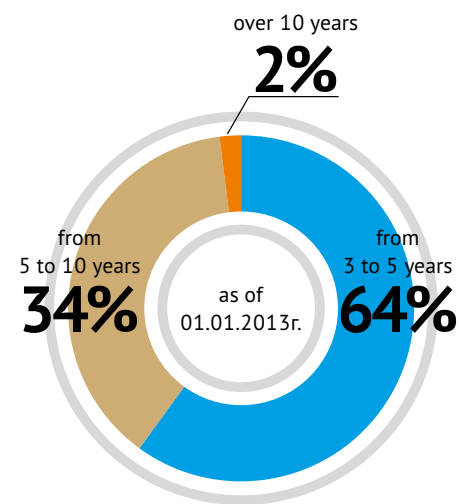
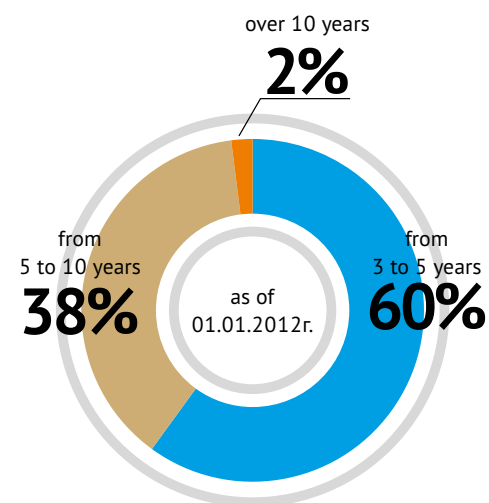


<sup>6</sup> LTP – long-term tariff program, STP – standard tariff program, ATP – accelerated tariff program

As of 01.01.2013 the number of concluded contracts on HCS comprised 372 857 contracts. At which, number of active contracts on HCS comprised 281 984 contracts which is 30% higher of indicators at the end of 2011 (216 804 contracts).

Customers prefer most of all the saving terms from 3 to 5 years (64%).

Diagram №17





The average age of the depositor of HCS is 31 years, 59% of contracts signed by women, 41% – by men.

Analysis of contracts in terms of age groups showed that the largest amounts of contracts signed by age groups from 25 to 35 years and 35 to 45 years (32%, 20%, respectively).

The age structure of the existing customers of the Bank is presented in the Diagram №18.

According to the Law of the Republic of Kazakhstan «On house construction savings in the Republic of Kazakhstan» State premium is the funds annually allocated from the national budget and accrued for the accumulated amount of deposit at the result of the year and the remuneration of the Bank. The State premiums paid to savings accounts of depositors of the Bank for the entire period of the Bank operation are presented in the Diagram №19.

Diagram №18

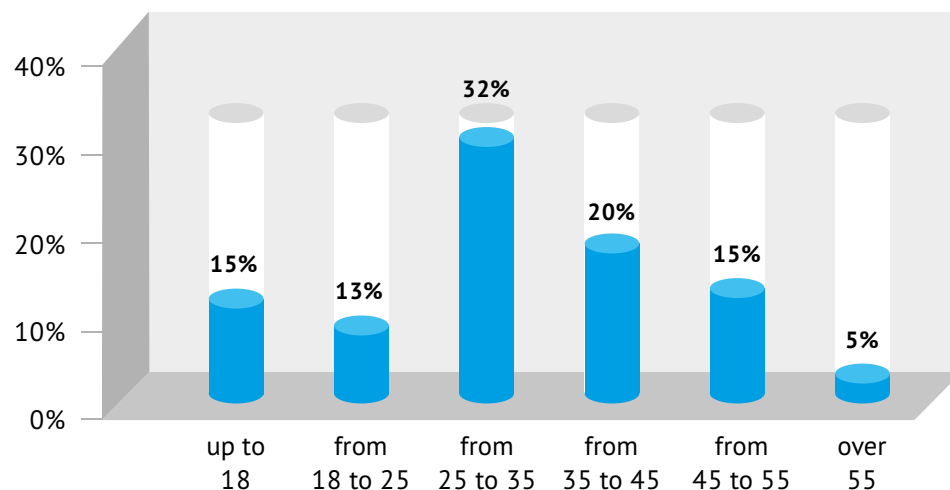
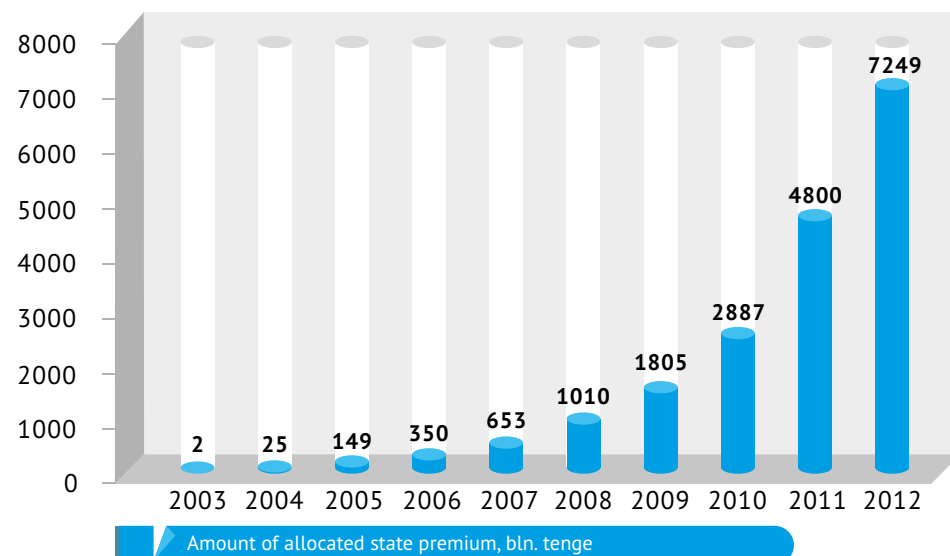


Diagram №19





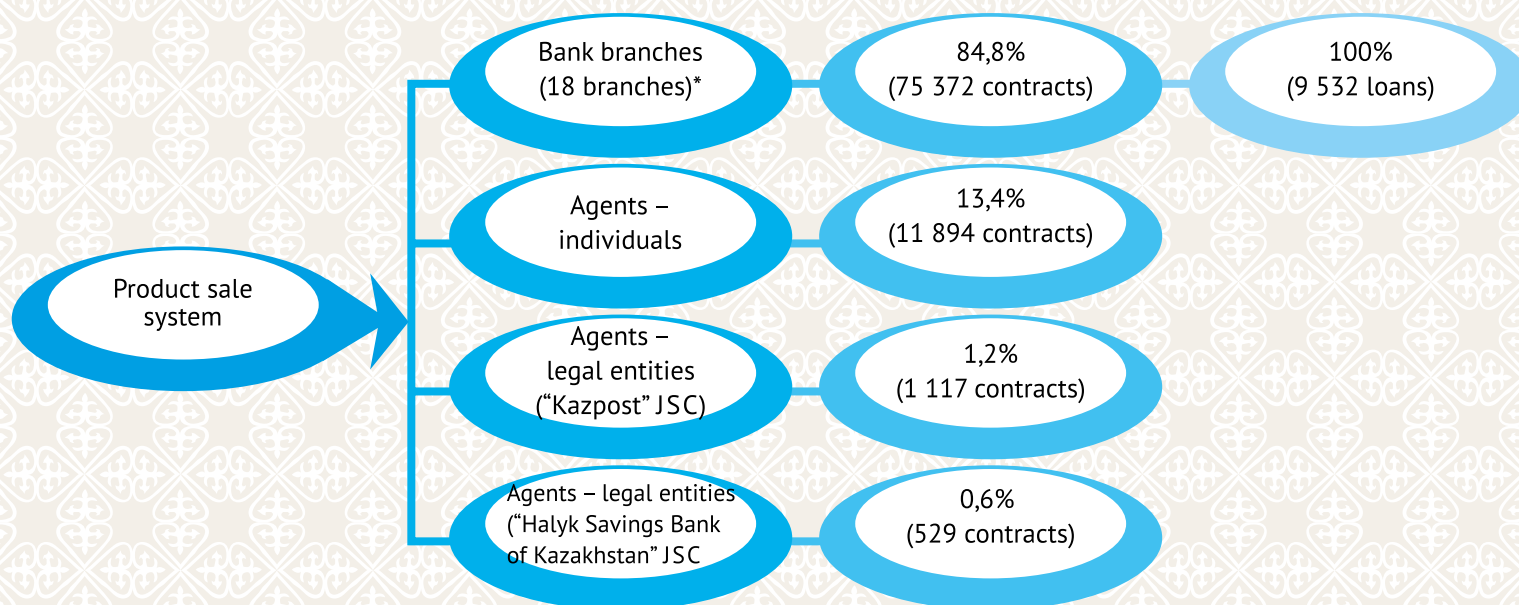




## Product Sale System

Main participants of product sale system, number of contracts concluded by them on house construction savings and amount of loans issued (taking into account loans issued under the state programs) for 2012 are presented in the following diagram:

Diagram №21



\* С 01.01.2013 года Центральный филиал в г. Астана и филиал в г. Астана объединены.

In order to improve the efficiency of agency network in 2013 it is planned to introduce the «agent network» software designed to provide freelance agents with web - interface to undertake operations on filling out the online application for conclusion of a house construction savings contract, execution of an additional contract to increase the contract amount and application for obtaining preliminary / intermediate loans.

### Opening of service center (SC)

At the beginning of 2012, the number of SC was equal to 3. In 2012 there were opened 5 SCs that concluded 5 987 contracts on house construction savings, which is 7% of the total number of new contracts for house construction savings in 2012.

In 2013 it is planned to open 8 SCs including, in Astana (2 SCs), in Ust-Kamenogorsk, Aksai in the West Kazakhstan Oblast, Ayaguz in the East Kazakhstan Oblast, Zhanaozen in Mangistau Oblast, Temirtau in the Karaganda Oblast and Shymkent in South Kazakhstan Oblast. Long-term strategy for the period from 2012 to 2016 envisages opening of 29 SC.

### Call-center

In order to improve the quality of customer service of the Bank, as well as reducing the burden on employees of branche front offices the decision to open of own Call-Center is taken.

### Alternative methods of payment

In order to improve the quality of customer service and unload cash desk units of the branches, the Bank undertakes work to attract STB and other financial institutions for cooperation. Thus, in 2012 cooperation agreements were concluded with a number of STBs: JSC «Kazkommertsbank», JSC «BTA Bank», JSC «Eurasian Bank» for provision of services to receive payments through ATMs, online banking and payment terminals in order to repay the Bank loans and replenish the savings accounts of depositors. The main criteria for selection of potential partners were a wide network of alternative sources of payment and establishment of acceptable commissions for services rendered to the Bank's clients by partners.

Own Call center  
of the Bank  
operates since  
01.04.2013



Following the results of 2012 there were received about 13 billion tenge through alternative methods of payment which is 15.7% of the total amount of all cash receipts. Compared with the previous year (2.4 billion tenge) payments via ATM increased by 5.4 times

### Payment terminals

Due to the growth of customer base and increasing workload on the cash desks in December 2012 the work on installation of own payment terminals with appropriate software and services on integration with the Bank AIS (35 units) was carried out.

### Public relations

Banking advertising should be an effective tool to attract customers, and current competitive environment and qualitative changes that have taken place in the advertising market, require a more professional approach to planning of campaigns. First of all when choosing a bank, pays attention to recommendations, correspondenc of banking services to its specialization, its reputation and the history of relations with business partners, customer.

In order to increase the degree of Bank awareness among population, as well as promotion of the product in the banking market, the advertising activities play an important role in the performance of the Bank. Development of advertising activity of the Bank is the key indicator of development, both of the Bank and the house construction savings system. Thus it helps to increase the number of new participants of the system of house construction savings.

As of 01.01.2013  
the Bank  
recognizability  
by population  
comprised 71%

In 2012, advertising and PR-activities included the following:

- ☀ video commercials posted on television - 57 741 broadcasts;
- ☀ audio clips placed on the national radio - 1 938 broadcasts;
- ☀ 543 explanatory publications placed in periodical press in the cities of Almaty and Astana, Kazakhstan regions;
- ☀ 59 information materials placed in 59 billboards;
- ☀ 1 724 790 units of promotional printed materials, such as brochures, leaflets, flyers, posters, etc, were developed, manufactured and sent to boucles;
- ☀ 12 819 cm<sup>2</sup> information modules placed in the press;
- ☀ 2 advertising campaigns were conducted: «The second contract - half the price of the contract» and «Growing together».

Bank participated in implementation of social projects in cooperation with local authorities and children's homes.

During the reporting year, the Bank provided 296 858 consultations to new clients and 173 030 consultations to existing customers.

In order to improve the image and awareness-raising activities of customers the Bank conducts road shows in organizations and enterprises of Kazakhstan. In 2012, 4 079 presentations were performed.

Under the terms of the program «Affordable Housing 2020» the Bank conducted the following activities:

- ☀ press conference to explain the main trends and conditions of the Program are conducted at the head office, in all regional centers and Astana, Almaty branch offices of the Bank;
- ☀ 429 audio clips and 2 343 video commercials produced;
- ☀ 187 explanatory articles placed in national and regional media;
- ☀ 10 million rotations of animated banners on the Internet held;
- ☀ Program banners were placed on over 100 websites of state institutions;
- ☀ 490 thousand units of printing products distributed;
- ☀ visual advertising on outdoor advertising (billboards) posted;
- ☀ Bank staff conducted 1 600 roadshows in companies, which were attended by more than 47 thousand public, helpline is operating;
- ☀ in the reporting period, in the national and regional media, 215 free articles in the Kazakh and Russian languages were published in the press, on TV - 190 plots (including news, analytical programs, summary information and financial programs, etc.), on the radio - 104 plots (including news reports, informational programs). 179 recorded messages and thematic discussions of «Affordable Housing - 2020» program were registered on Kazakhstani popular Internet portals.

### System of quality management

In order to ensure continuous growth of customer satisfaction with service quality since 2007 the Bank introduced and currently operates the quality management system (hereinafter - QMS) according to QM ISO 9001-2008. The main priorities of the Bank, such as quality of service, professional staff, gaining the trust of the population and to achieve recognition of the public, are defined in the Guidelines of quality policy.

QMS of Bank extends to the central office and branch network. In order to confirm correspondenc with the requirements of the certificate ISO 9001 each year the Bank is exposed to external review by an independent international certification bodies. Thus, in 2012. the Bank has received such recognition from the Certification Association «Russian Register» (Russia).

The Bank has established a system of feedback from consumers and customer claims management services. According to statistics, the number of complaints for 2012 decreased compared to the year 2011, so in relative terms, the figure was in 2012, 0.04% of the total number of clients served (for reference: in 2011 - 0.05%).

According to the results of Bank research in 2012 «customer satisfaction with the quality of service» was 96%, «increasing the degree of recognition of HCS and the Bank» 71% «increase the degree of confidence to the Bank» - 79%.

In 2012, Bank carried out the following activities to improve the QMS processes, development and optimization of business processes:

- 1) development of infrastructure of customer service;
- 2) optimization of structure of certain units of the Bank's Central Office;



- 3) improvement of the working environment, which includes works on expansion of branch premises in cities Astana, Kokshetau, Kostanay, Aktau, Kyzylorda, and repair as well as purchase and installation of new equipment;
- 4) improving conditions of existing products, procedures, customer service;
- 5) modernization of AIS and others.

### Informational development

In its development the Bank pays special attention to informational and technical support of subdivisions activities.

The work on the development of an automated information system to improve its functional and technical, as well as its analytical possibilities is conducted on an ongoing basis.

In order to increase the level of automation and technical infrastructure of the Bank, the following measures to improve the quality of customer service were undertaken in 2012:

- ✦ finalizing and implementation of upgraded modules «Deposits» and «Loans» AIS HCSBK (1st stage) which allowed improving the performance of the database, optimizing the AIS modules, increasing the customer service speed by 27% and reducing the time of interest accrual calculation time;
- ✦ hardware-software complex «Information and payment terminal» is installed to unload cash desk of the Bank that allowed the Bank's customers to deposit and / or to repay the loans through the terminals of the Bank;
- ✦ «Transition to IIN» project is completed and successfully implemented that enabled the Bank to safely move to IIN / BIN since the beginning of 2013;
- ✦ new servers were purchased and installed in the server room of the Bank, which increased the productivity and resilience of information systems operated by the Bank;
- ✦ server room of the new office of the Central branch in Astana was prepared for the backup data center placement.

### Balnur DZHAUROVA

HR Department

*Frugality - the quality of person's character which helps to achieve more by maintaining small. From an early age children should be educated to work hard. Parents should explain to children that appeals for the economy is not a rant. Helping people in distress - isn't it an example of careful, caring relation of people to each other? To be thrifty - its not just saving what was accumulated prior to us but also multiplying and developing of what is dear for us. Every thing in the house - is the work of many people, so treatment of things shows an attitude to work, people, the whole society. By word and deed parents can to prove teenagers that nothing is given to a person without work. Children must be members of the family income distribution. They need to participate in search for economy reserves: how to save energy, water, bread, etc. A disciplined person is always thrifty, protects own and other people's time and is accurate in everything. Of course, it is impossible to be thrifty without work. Beware of small and unnecessary expenses since a small leak can sink a great ship.*





### 3. INVESTMENT ACTIVITY ON MANAGEMENT OF TEMPORARILY SURPLUS FUNDS

Currently for the Bank in order to keep its position on the banking market, it is necessary to be fully developed. As any other financial institution, the Bank pays special attention to the development of its investment activities to ensure efficient investment of available free cash flow in order to obtain a guaranteed level of income and growth of the Bank's assets.

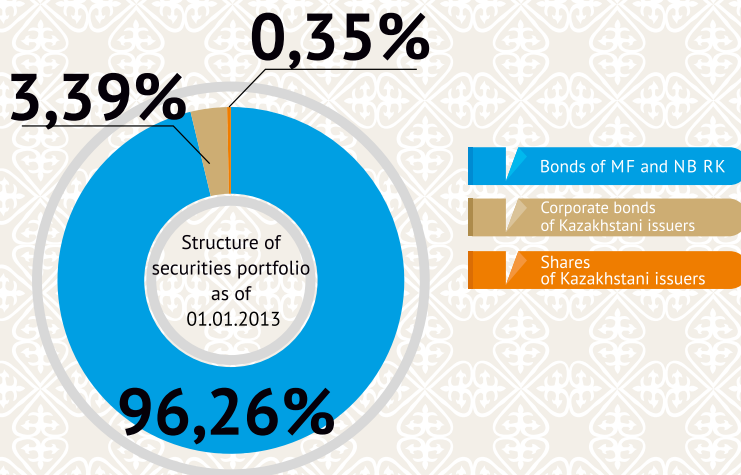
The main part of the Bank's financial instruments comprises securities.

The share of securities as of 01.01.2013 amounted to 81.16% of the total volume of financial assets, share of inter-bank deposits, including deposits with the National Bank of the Republic of Kazakhstan (hereinafter - NRK) comprises 9.66% of the total volume of financial assets, and share of funds placed in the REPO comprises 7.5% of total volume of financial assets, share of other funds amounted to 1.69% of total volume of financial assets.

Share of state securities in securities portfolio of the Bank comprises 96.26%, share of corporate bonds is 3.39%, and share of Kazakhstani issuers – 0.35%.

Diagram №22

Structure of securities portfolio as of 01.01.2013



Interbank deposits in total volume are represented by deposits in the NRK due to minimal risk of the counterparty.

Meanwhile, in the framework of the «Affordable Housing – 2020» program the Bank places target fixed deposits in second tier banks. The volume of target fixed-term deposits as of 01.01.2013 amounted to 2 376 million tenge.

Table №2  
thous. tenge

Indicators	2011	2012	Change, %
Income related to interest from securities	2 177 305	4 096 242	88,13
Income associated with obtaining remuneration under Repo transactions	42 773	116 747	172,94
Income related to obtaining interest income from deposits placed with NB RK and STBs	398 686	395 110	(0,90)
Income from sales of securities	42 140	39 444	(6,4)
Income from revaluation of securities	182 002	228 887	25,76
<b>Investment income</b>	<b>2 842 906</b>	<b>4 876 431</b>	<b>71,53</b>

Investment income of the Bank in 2012 amounted to 4 876 431 thous. tenge, which is higher than in 2011 by 71.53%. Increase of investment income is connected with the increase in the securities portfolio as well as «Reverse Repo» transactions at the expense of temporarily free funds of the Bank.



## Highly liquid assets

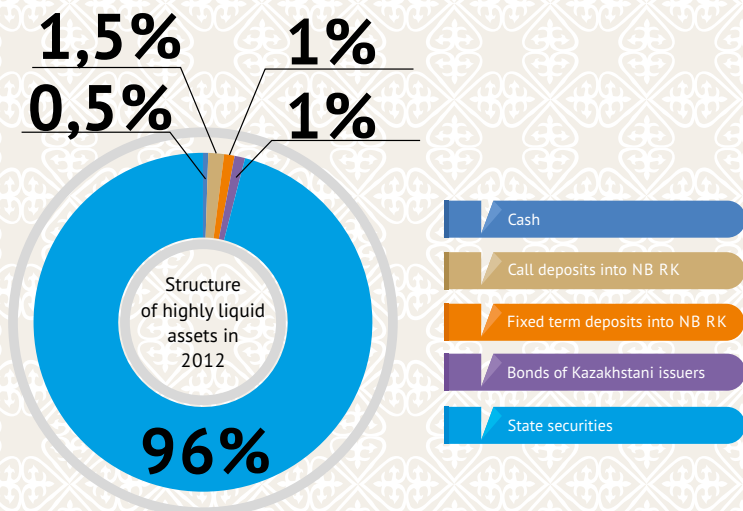
Table №3  
thous. tenge

Indicators	2011	2012	Change, %
Cash	451 061	788 729	74,9
Call deposits in the NB of the RK	7 915 058	2 176 302	(72,5)
Fix-term deposits in the NB of the RK	-	1 200 050	
Bonds of Kazakhstani issuers	2 065 041	2 038 897	(1,3)
Government security	89 960 433	137 391 969	52,7

In 2012, the major share of liquid assets comprised GS - 96%, call deposits in the NB RK amounted to 1.5%, the share of other highly liquid assets amounted to 2,5 %.

Diagram №23

Structure of highly liquid assets in 2012



## Implementation of the budget and investment plan

Based on the results of financial - economic activity of the Bank for 2012, the following actual values in comparison with 2011 were obtained (in thous. tenge):

Table №4  
mln.tenge

Name	Actual as of 01.01.2012.	Actual as of 01.01.2013	Change, %
Income	13 994,20	12 607,55	(9,9)
Income related to interest	6 896,10	10 039,55	45,6
Income not related to interest income	7 083,98	2 543,23	(64,1)
Income from non-financial activities	14,13	24,78	75,4
<b>Expenses income</b>	<b>13 737,83</b>	<b>10 565,66</b>	<b>(23,1)</b>
Costs associated with remuneration payment	1 744,89	2 915,87	67,1
Non-remuneration income, of which:	11 857,21	7 858,83	(33,7)
allocation to ensure	5 452,15	676,11	(87,6)
<b>Financial result</b>	<b>256,37</b>	<b>2 041,90</b>	<b>696,5</b>
<b>Investment plan</b>	<b>784,06</b>	<b>1 621,02</b>	<b>106,3</b>



## V. RISK MANAGEMENT POLICY AND INTERNAL CONTROL SYSTEM of JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

In order to effectively manage risks, the Bank adopted a system to limit the risks of borrowed funds and equity capital of the Bank to implement the development strategy of the Bank, receive the planned profit and ensure its sustainable current work.

In 2012, the Bank has conducted extensive methodological work on risk management of the Bank under which the internal documents were developed and actualized, including policies on risk management, internal credit policy, collateral policy, instructions for managing financial risks, credit risk, price risk, on organization of work of risk managers of branches, on asset classification and provisioning for them, map of the Bank's stakeholders was designed and other documents on risk management.

The Bank complied with all the requirements and restrictions imposed by the authorized body relating to prudential norms, minimum reserve requirements, measures of early response to a possible deterioration of financial condition and others.

In the process of risk management attention was paid to the management of credit and market risk, liquidity risk and non-financial risks.

In order to assess the credit risk, the Bank monthly conducts calculation of VAR (value at risk), stress testing of credit risks, monitoring of correspondence with the established credit limits.

The Bank maintains a conservative credit policy. Thus, each loan application is considered individually by the Bank's divisions and branches and credit committees of the Central Office. By the end of 2012, share of provisions established in accordance with IFRS comprised 1% of loan portfolio, share of 10 major loans of the Bank amounted to 0.27% of the loan portfolio of the Bank which indicates absence of risk of portfolio concentration. In the structure of collateral share the real estate amounted to 94.8% of the total collateral volume. Overall weighted average R / G was equal to 42.5% which confirms the conservative collateral policy.

The Bank assesses the value of financial instruments on the basis of risk assessment models and bringing the current price to market ones, including monthly implementation of stress tests.

According to the results of conducted stress tests for assessment of liquidity risks, market and credit risks as of 01.01.2013, implementation of various scenarios has no significant adverse effect on the liquidity ratios, capital adequacy and their correspondence with the requirements of the regulator as well as the Bank's ability to timely fulfill obligations owed to customers.

At the end of 2012, 94% of temporarily surplus funds of the Bank were placed into financial instruments with minimal risk (cash and correspondent account in the National Bank of the RK, deposits in the National Bank of Kazakhstan and government securities).

In managing non-financial risks the focus is given to consistent development and improvement of internal control system in the Bank. The Bank monitors financial performance indicators and taken risks on a consolidated basis, the Bank's governing bodies carry out continuous assessment of risks affecting achievement of set objectives and changing circumstances and conditions through analysis of management reports provided by the structural units of the Bank and audits.

Compliance service is functioning in the Bank to manage compliance-risk, consisting of compliance supervisor and compliance participants that have exclusive power to conduct internal control over compliance with legal requirements of the Bank of the Republic of Kazakhstan, including regulations of FSC, National Bank of the RK, Authorized agency for financial monitoring of international standards of financial supervision recognized by the Republic of Kazakhstan and internal documents and procedures of the Bank. The Compliance Service participants are members of the Executive Board, managing directors, heads of departments of compliance control, risk management, security, legal, quality department that have exclusive power to exercise the functions of compliance-risk management.

In order to ensure compliance with legislation of the Republic of Kazakhstan, standards of professional activity on the financial market as well as internal documents, the Bank continuously monitors amendments / additions to the RK legislation regulating the Bank activities by amending internal documents of the Bank. The Bank conducts work to examine customer requests, verifying validity of incoming claims on discrepancies



of the Bank actions or actions of its employees with legal requirements, internal documents and execution of identified discrepancies.

Particular attention is paid to ensure compliance with the legislation of the RK, including activity concerning the counteraction of the legitimization {laundering} of proceeds of crime and the financing of terrorism (hereinafter - the CLP / FT), compliance of the Bank's activity with traditions and principles of professional ethics as well as provision of financial situation stability.

In accordance with the legislation, transactions with persons that have special relations with the Bank shall be conducted by approval of the Board of Directors.

The Bank's Executive Board in conjunction with the Compliance Service in 2012 conducted work on identification and assessment of problems of compliance - risk occurrence and its elimination / reduction measures Plan was approved.

Compliance service conducted inspection of the Bank activity, its departments and employees for compliance with the requirements of the legislation of the RK, regulations of the competent authorities and internal documents of the Bank.

In order to prevent reputational risk, the Bank developed a mechanism that provides a set of effective action to identify, assess, monitor, analyze, control and minimize reputational risk, every effort is made to reduce potential losses, preserve and maintain the Bank's reputation among customers and counterparties, shareholders, financial market participants, state authorities and municipal authorities, banking unions (associations) where the Bank participates.

#### **Zhazira SARSENBEKOVA**

*Accounting and Reporting Department*

*People who know how to save money were previously valued more than those who had them. Today people think that greed and frugality - the same thing. But this is not the case.*

*Save money means buying something that is really needed without spending. Kazakh proverb says: «The old dress cares for the new one.» My parents who grew up in the «dashing» 90's when it was difficult to get good high quality things, always taught me cares for clothing, books and things. Indeed, if a new item does not fit into your budget and the old can be repaired then why to go into debt? Today the times have changed but the quality that was grafted from childhood has survived, and now I teach my children to treat frugally things, money because they are not readily available to their parents and it is necessary to respect other people's work.*





# VI. SYSTEM OF CORPORATE GOVERNANCE JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»

## CORPORATE GOVERNANCE

Corporate Governance (hereinafter - CG) in the Bank is directed at interaction between the shareholder and the management of the Bank (BD and the Management Board) as well as other interested parties which helps to exercise rights and interests of the Shareholder, and the Bank's customers.

Relationship between participants of CG in the Bank are formalized by adopting the regulating documents whose procedures, designs and implementation are based on international practice in corporate governance. The Bank has adopted its own Code of Corporate Governance:

- regulated accountability of management to BD and Sole shareholder;
- avoidance of interests conflict and affiliation relationships;
- avoidance of dependence and subordination of independent directors to management of the Bank;
- A clear delineation of powers between the Bank bodies;
- publication of the maximum amount of information about activities and financial performance of the Bank;
- ensuring transparency of activity of management and the Shareholder.

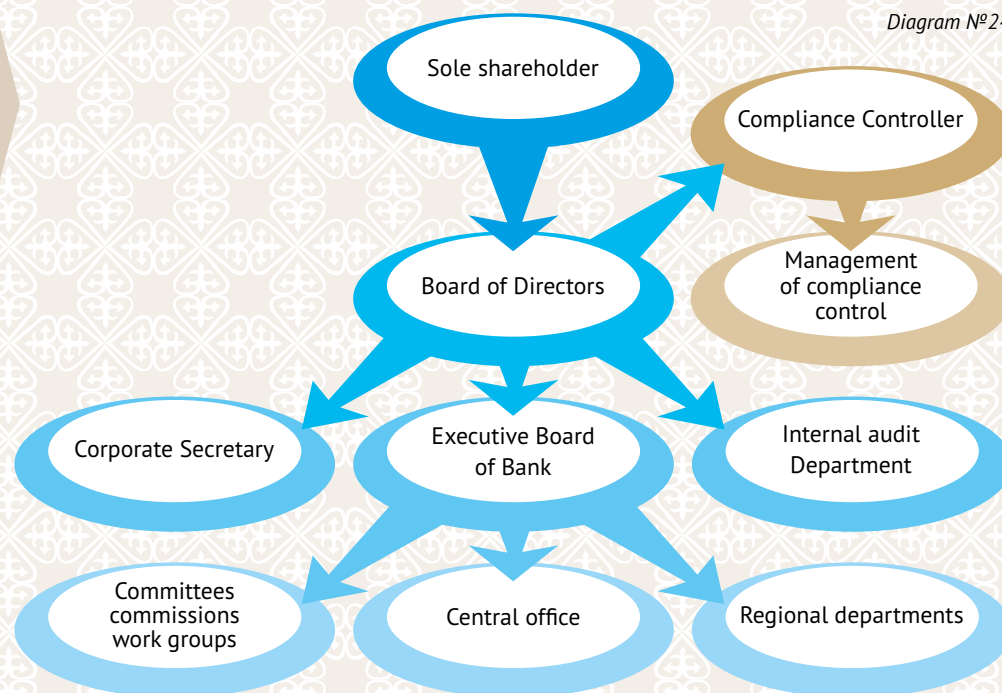
These mechanisms allow for an efficient and fair operation of all participants in corporate governance (CG). CG mechanisms designed to ensure accountability:

- BD before the Shareholder
- management before BD;
- Bank before employees and customers, the community in general.

CG is focused on ensuring that these institutions perform their functions well while maintaining a balance of interests between them.

### Organizational structure

Diagram №24



### Main principles of CG of Bank

- 1) principle of protection of rights and interests of shareholders;
- 2) principle of Bank effective management of BD;
- 3) principle of transparency and fairness of information disclosure on the activities of the Bank and the Shareholder;
- 4) principle of legality and ethics;
- 5) principle of effective dividend policy;
- 6) principle of effective personnel policies;
- 7) principle of regulating the corporate conflicts and conflicts of interest;
- 8) principle of responsibility.



## Board of Directors and Committees reporting to Board of Directors

Members of the BD of the Bank are elected to the position by the sole shareholder and re-elected by the sole shareholder in case of early termination of the previously elected members of Board of Directors of the Bank, with subsequent approval of their nominations with the competent authority for regulation and supervision of financial markets and financial institutions in the manner prescribed by the legislation of the RK and the Charter.

As of 01.01.2013 the BD included five members, including 2 Independent Directors.

In 2012 there were organized and held 23 meetings BD of Bank.

Committees reporting to the Board of Directors include Audit Committee and Committee on Strategic Planning, Committee for Personnel and Remuneration, Committee on Social Affairs created in 2012 and regulated by the Regulations approved by Decision of the Board of Directors # 141 of 22.11.2012.

## Executive Board and Committees reporting to Executive Board

Executive Board operates on the basis of the Regulations on Executive Board, approved by the BD of the Bank and provides guidance to the current activities of the Bank. Formation of Executive Board, its powers as well as early termination of powers shall be carried out in accordance with decision of BD of the Bank in accordance with applicable law of the RK and the Charter of the Bank.

As of 01.01.2013 the Board of the Bank consists of five members.

Executive Board held in the reporting period 336 meetings where on 437 issues decisions were taken.

As a result of the Bank activities in 2012 there were adopted 299 resolutions of Executive Board that approved 122 internal document and 263 internal documents were amended.

Committees (commissions) of the Bank are standing collegial bodies of the Bank engaged in providing a coherent guide to the development and implementation of strategies for the Bank's long-term and short-term, production plans, as well as determining the investment and other policies.

Key Committees / Commission of the Bank:

- ✦ Strategic Development Committee (since 2005);
- ✦ Committee on Asset and Liability Management (since 2004);
- ✦ Tariff Committee (since 2003);
- ✦ Credit Committee (since 2005);
- ✦ The Commission on personnel Affairs (since 2009);
- ✦ Budget Commission (since 2005);
- ✦ Committee on valuation and write-off of fixed assets and intangible assets, unsold inventory (since 2009);
- ✦ Disciplinary Commission (since 2009).

**Asel  
ZHAMUHANOVA**  
Risk Management  
Department

*As you know, frugality is the basis of wealth and financial solvency as well as humanist attitude to the world around us. In the current environment of limited resources to be thrifty is a vital necessity! Let us be consistent in our pursuit of frugality. For example, the use of energy-saving light bulbs helps save energy and related costs, and then what? What percentage of used light bulbs in Kazakhstan enters into a proper disposal system? I urge you to come up with specific proposals and actions to implement them!*





The committees (commissions) reporting to the Executive Board of Bank includes members of Executive Board, as well as heads of independent departments of the Bank. At the same time, qualification requirements for members participating in committees (commissions) shall be defined in the relevant internal standard documents.

### **Basic principles of remuneration of members of Executive Board and Board of Directors**

Order of remuneration of Chairman and members of Executive Board is approved by BD and designed to help to stimulate their conscientious, creative and proactive work, to provide equitable compensation depending on complexity of job, occupied position and personal contribution to achieving the objectives of the Bank.

Remuneration of members of Executive Board is comprised of the following elements:

- 1) salary (fixed fee) - salary set for an executive in view of his/her functional duties and level of responsibility;
- 2) remuneration as per results of work for the year - non-fixed remuneration paid once a year, depending on the work results for material incentives of achieved success and encourage efficient work;
- 3) payments provided for by the legislation of the Republic of Kazakhstan - payment of vacation days, days of sick and others.

ORemuneration of the members of Executive Board of the Bank shall be within the means provided for this purpose in the budget of the Bank. Compensation is paid according to results of achievement of key performance indicators (KPIs) for the period.

In accordance with current principles of remuneration of members of Board of Directors, there are provided:

- ✦ remuneration of BD members - representatives of the Sole Shareholder in the form of payroll and in the volume provided in the place of employment;
- ✦ remuneration of BD members - independent directors in the form of a monthly fixed fee including amount of income tax to be withheld at payment of remuneration.

### **Personnel**

Internal organizational structure of the Bank consists of 16 separate units of the Central office, 15 regional offices and three urban and 8 service centers. The actual number of the Bank employees as of 31.12.2012 totaled 828 employees of which 199 employees of Central office and 629 employees of regional subdivisions.

The organization of external and internal training for employees of the Bank is implemented since 2004 in accordance with training and qualification improvement plan for employees and management of the Bank.

The share of the Bank's employees trained with the assistance of Training Companies in 2011 comprised 43% (324 employees), in 2012 - 42% (350 employees) of total number of employees.

Important direction of human resource management - which is a periodical inspection of professional fitness and correspondence with the post of Bank employee - is personnel appraisal. Personnel appraisal procedure is regulated since 2008 and actually is being applied at the Bank since 2009 in accordance with the Rules of personnel appraisal approved by decision of the Executive Board of the Bank in order to determine if the level of training and competence of the Bank employees meets their positions.

In 2011, 87 employees were appraised (100% of employees subject to appraisal), and in 2012 - 120 employees. All employees of the Bank subject to appraisal in 2012 successfully passed appraisal.

To improve the efficiency of customer service of the Bank and improve service quality the front-office employees are provided with education seminars, training to provide high quality service and effective customer service, to train their skills to handle stress and conflicts, solve case studies of employee behavior with client in the theoretical and game format.

The Bank has also developed and introduced the system of motivation and stimulation through moral and material incentives to employees of the Bank in order to achieve key performance indicators (KPI). The Bank operates a system of social support: at childbirth workers get material assistance (as well as other family reasons), medical insurance for employees in case of sickness and professional medical examination.



## VII. PARTICIPATION OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» IN REALIZATION OF STATE PROGRAMS IN THE REPUBLIC OF KAZAKHSTAN

### REALIZATION OF SP FOR 2008-2010.

In accordance with the SP for 2008-2010 the Bank is designated as its operator to implement it. Over the entire period of State program including the SP for 2005-2007 from budget loans as of 01.01.2013 there were granted 18 779 loans totaling about 64,6 billion tenge, of which in 2012 – 3 281 loans totaling 10,9 billion tenge.

In addition, the Bank at its own expense provided participants of the State program with 1522 loans totaling 4,3 bln. tenge, of which in 2012 – 72 loans totaling 0,1 bln. tenge.

In 2012 the Bank completed application of budget credit in the amount of 57 billion tenge which was previously issued from the state budget for crediting to members of the State Program 2008-2010.

16 522 preliminary and intermediate housing loans were issued by the Bank to participants of the state program from this budgetary loan.

Considering the volume of unrealised by local authorities housing, within the framework of the State program by Resolution of the Government of the Republic of Kazakhstan dated 24.05.2012 # 672 there were additionally allocated 26 billion tenge. By 1.01.2013, at the expense of the share capital of the Bank there were issued 2 257 loans amounting to 7.7 billion tenge and in 2012 - 2247 loans for 7.6 billion tenge.

In general, for the duration of the state program as of 1.01.2013, the Bank examined applications and issued notices of proof of funds to over 50 thousand depositors for issuance of housing loans under the state program, for a total of 171 billion tenge.

### AFFORDABLE HOUSING -2020

The Bank is one of the operators for implementation of program «Affordable Housing – 2020» in directions «Housing for all categories of population» and «Housing for young families».

As 01.01.2013 Bank concluded with local authorities of region and cities of Astana and Almaty (hereinafter – LAR) contracts separate for each unit on construction and sale of housing. According to these signed agreements there will be constructed and sold to population 9 446 apartments in 121 residential buildings with total area of 604.1 thousand m<sup>2</sup>.

As of 01.01.2013, 2814 apartments in 38 apartment buildings with a total area of 179.4 thousand square meters were commissioned.

As 01.01.2013, under this program there were issued loans and transferred to the LAR 4.9 billion tenge considering own means of participants for purchase 849 apartments.

### Formation of pools of residence buyers through the system of house construction savings.

For 7457 of apartments 12 268 applications were received from depositors of the Bank (2011 - 5 656 applications, 2012. - 6 612 applications) for which 258 pools opened of housing buyers were opened.

### STB funding to finance construction of housing by private developers.

Upon applications, approved by the State Commission for Economic Modernization of the Republic of Kazakhstan, there were 3 contracts of target deposits signed on 7 object: «Zhagalau-3» residential complex - JSC «Bank Center Credit», «Kausar» RC - JSC «Tsesnabank» and «Arialy Aktobe» RC - JSC «Tsesnabank». As of 01.01.2013, the target deposits were actually placed totaling \$ 2.4 billion tenge.

### BANK'S PARTICIPATION IN REALIZATION OF SOCIAL PROJECTS

Along with participation of the Bank in implementation of the State Program of Housing Construction in the Republic of Kazakhstan for 2008-2010, the program «Affordable Housing – 2020», its participation in the implementation of social projects in cooperation with local authorities and children's homes should be also noted.

Thus, the Bank, in order to support vulnerable layer of population, does not charge the fee for conclusion of agreements on house construction savings for children in boarding institutions of the Republic of Kazakhstan at the age up to 21 inclusive who are orphans or deprived of parental care.

Besides, Bank applies favorable crediting conditions (granting intermediate loans under 7% per annum) for fosters of boarding schools of the Republic of Kazakhstan at the age from 21 to 25 inclusive. As of 01.01.2013, 12 fosters of boarding institutions solved their housing issues at the mentioned conditions. At the same time, over 9 thous. contracts on HCS were concluded by children of boarding institutions.

Also, at the expense of the Bank there are organized ongoing charity events held for children in orphanages who are depositors of the Bank by presentation of valuable gifts.

In order to provide material support to veterans - participants of and handicapped of the Great Patriotic War, the Bank branches since 2007, at the expense of employees, the targeted help is rendered with presenting food and personal care products.



## VIII. GOALS AND OBJECTIVES FOR 2013

Development of financial institutions and holding positions in the financial market of Kazakhstan requires setting of strategic goals and objectives to help achieving positive financial results, development of structure and achievement of key performance indicators of their activity.

The Bank has achieved all key performance targets in 2012. And for year 2013 the Bank has more ambitious plans.

Thus, according to the Bank's Long-term strategy for 2012 - 2020, the following development indicators for 2013 are planned to be achieved:

- 1) increase of share of participants in the system of house construction savings up to 4.3% of the economically active population;
- 2) conclusion of 96 thousand new contracts for CSH;
- 3) issuance of loans in the amount of 50.4 billion tenge
- 4) ensuring that the market share of the Bank's loans will reach 12.1%;
- 5) maintaining the level of service quality not lower than 95%;
- 6) maintain the degree of recognition of the Bank not less than 72%.

Also, the Bank will continue working on improving the product line and increase the level of automation of business processes. In 2013, it is planned to continue works on introduction of payment terminals.

In addition, in order to increase the Bank's presence in regions and increase availability of HCS system it is planned to open additional 6 new service centers.

**Vitaly IZMAILOV**  
Legal Department

*By frugality we generally understand the careful attitude to use of material values, but I think that feelings and emotions may also be the subject of thrift.*

*Today, a huge flow of information and events requires us to display feelings and emotions in a "NON-STOP" mode and only the skill of their careful treatment will allow not to fritter away one's energy, preserve the value and depth of true feelings accompanying them with vibrant informal displays of emotion.*

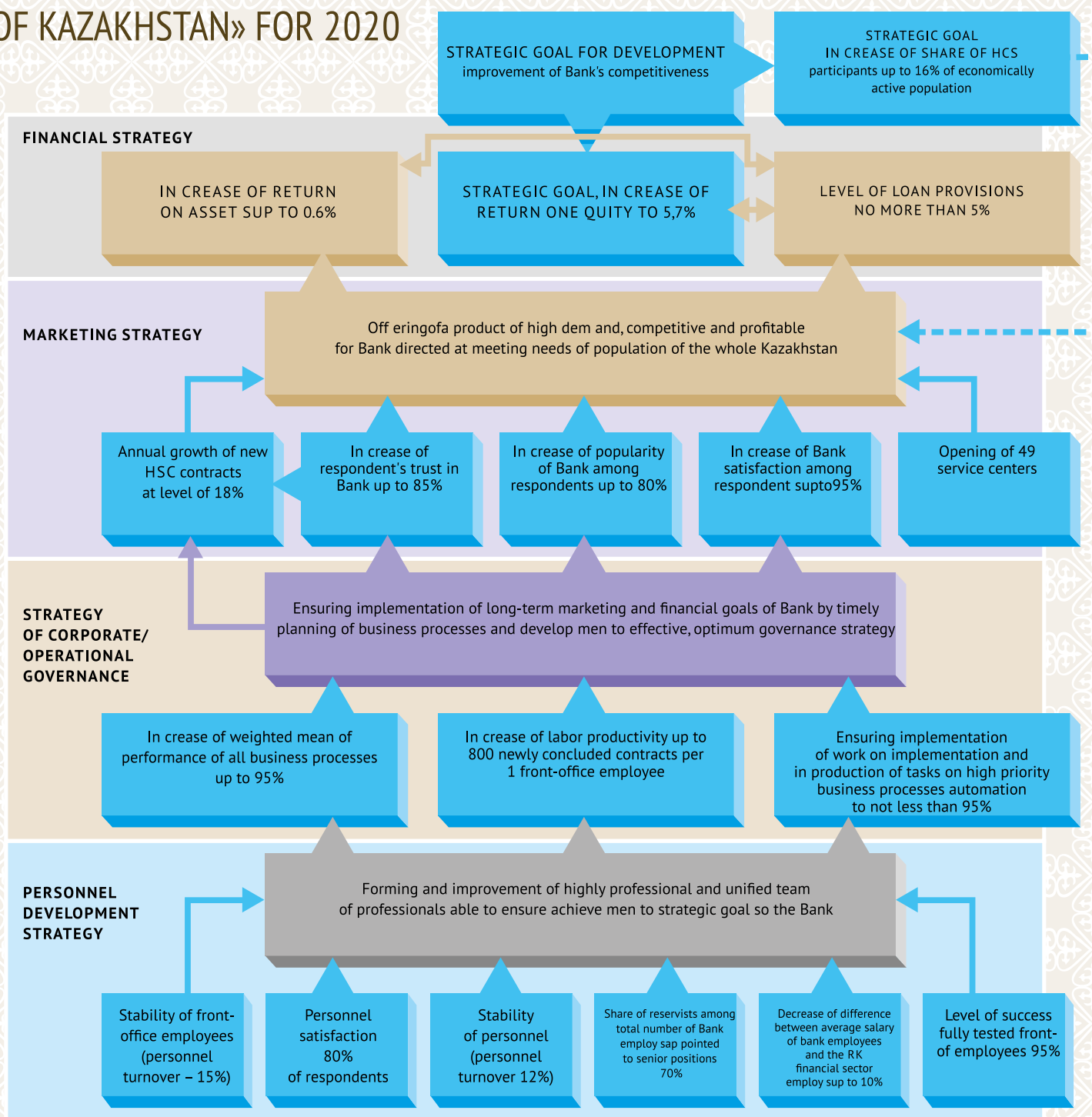
*Passion, love, affection, friendship should not become patterns imposed from the outside, because each of us is powerful to find ways to express feelings that are not a tribute to fashion but coming from a loving heart and is unique to us. Know how to take care of the feelings and appreciate them!*





# IV. PERSPECTIVE OF DEVELOPMENT OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» FOR 2020

## MAP OF STRATEGIC AND BALANCED INDICATORS JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» FOR 2020





# X. FINANCIAL ACTIVITY AND REPORTING

## 1. AUDITOR'S CONCLUSION



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Тел: +7 (727) 258 5960  
Факс: +7 (727) 258 5961

### INDEPENDENT AUDITORS' REPORT

#### To Shareholders and Board of Directors of JSC «Housing Construction Savings Bank of Kazakhstan»

We have audited the attached financial statements of «House Construction Savings Bank of Kazakhstan» (hereinafter - «the Bank») which includes a statement of financial position as of 1 December 2012 the profit and loss statement, consolidated income statement, statement of changes in equity and statement of cash flows for the year ended on that date as well as information on significant accounting policies and other explanatory information.

#### Management's Responsibility for Financial Reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as well as the internal control procedures required, by the opinion of management, to ensure the preparation of financial statements that are free of material misstatement due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance about the absence of material misstatement of the financial statements.

Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements due to fraud or error. In assessing this risk, the auditor considers internal control relevant to the preparation and fair presentation of financial statements in order to prepare audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of internal control systems of the organization. Audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management and evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate for our opinion.

#### Conclusion

In our opinion, the financial statements, in all material respects, fairly represents the financial position of JSC «Housing Construction Savings Bank of Kazakhstan» as of 1 December 2012 as well as its financial performance and cash flows for the year ended on that date in accordance with international Financial Reporting Standards.

*Ernst & Young LLP*

Yevgeniy Zhemaletdinov  
Auditor/General Director  
Ernst & Young LLP

State license for undertaking audit activity  
within the territory of the Republic of Kazakhstan:  
series MFU-2, #0000003, issued by the Ministry of Finance  
of the Republic of Kazakhstan dated 15 July 2005

18 March 2013

Auditor's Qualification Certificate #000553 dated 24 December 2003





## 2. FINANCIAL ACTIVITY OF JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» FOR 2012

### 2.1. Report on financial condition

As of 31 December 2012  
thous. tenge

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	27.366.687	29.678.342
Cash in credit institutions	5.737.023	3.363.371
Loans to customers	105.819.632	82.686.784
Investment Securities:		
- Held for trading	135.937.524	95.277.993
- held to maturity	6.049.356	-
Fixed assets	2.657.271	1.552.146
Deferred assets on income tax	413.454	-
Other assets	339.472	318.028
<b>Total: assets</b>	<b>284.320.419</b>	<b>212.876.664</b>
<b>LIABILITIES</b>		
Debt to Government of the RK	57.641.749	48.086.645
Customer deposits	131.972.537	73.736.409
Deferred Liabilities on Corporate Tax	-	13.605
other liabilities	2.119.494	1.707.141
<b>Total Liabilities</b>	<b>191.733.780</b>	<b>123.543.800</b>
<b>CAPITAL</b>		
Authorized capital	78.300.000	78.300.000
Additional paid-in capital	12.704.693	9.702.711
Unrealized gain / (losses) on investment securities held for trading	(1.691.199)	784.240
General reserve	1.671.355	729.586
Retained earnings /( Accumulated deficit)	1.601.790	(183.673)
<b>Total capital</b>	<b>92.586.639</b>	<b>89.332.864</b>
<b>Total liabilities and capital</b>	<b>284.320.419</b>	<b>212.876.664</b>

### 2.2. Income statement

For the year ended 31 december 2012

thous. tenge

	2012	2011
<b>INTEREST INCOME</b>		
Loans to customers	6.464.048	4.876.540
Investment securities	3.866.150	1.993.882
Funds in National Bank of the RK	193.411	269.127
Funds in credit organizations	398.338	184.259
	<b>10.921.947</b>	<b>7.323.808</b>
<b>INTEREST EXPENSES</b>		
Funds f Government of the RK	(1.663.334)	(1.017.149)
Customer deposits	(1.411.653)	(708.737)
Funds of other credit organizations	(3.828)	(2.016)
	<b>(3.078.815)</b>	<b>(1.727.902)</b>
<b>Net interest income</b>	<b>7.843.132</b>	<b>5.595.906</b>
(Reserve) / Reversing of reserves for possible losses on loans	(241.143)	195.923
<b>Net interest income after reversing of reserves for possible losses</b>	<b>7.601.989</b>	<b>5.791.829</b>
Net fee and commission income	(11.382)	20.075
Net loss on trading security translations	-	(8.097)
Net income on investment securities translations held for trading	177.229	292.372
Other income	75.747	83.414
<b>Non-interest income</b>	<b>241.594</b>	<b>387.764</b>
Personnel expenses	(3.141.327)	(2.372.734)
Depreciation and amortisation	(241.181)	(229.258)
Other operational expenses	(1.126.345)	(1.002.426)
Loss on initial recognition of financial instruments at below market rates	(1.129.354)	(1.931.563)
Other expenses	(372.582)	(251.504)
<b>Non-interest expenses</b>	<b>(6.010.789)</b>	<b>(5.787.485)</b>
<b>Earnings before income tax</b>	<b>1.832.794</b>	<b>392.108</b>
Preferences/ (expense) income tax	209.042	(135.735)
<b>Profit for year</b>	<b>2.041.836</b>	<b>256.373</b>



### 2.3. Statement of comprehensive income

For the year ended 31 december 2012

thous. tenge

	2012	2011
<b>Profit for year</b>	<b>2.041.836</b>	<b>256.373</b>
<b>Other comprehensive income</b>		
Unrealized gain on investment securities transaction, held for trading, less tax	(2.286.197)	1.058.980
Realized expenses on investment securities transaction, held for trading, carried to income statement, less tax	(189.242)	(157.660)
<b>Other comprehensive loss / profit for year, after tax</b>	<b>(2.475.439)</b>	<b>901.320</b>
<b>Total: comprehensive loss / profit for year</b>	<b>(433.603)</b>	<b>1.157.693</b>

### 2.4. Statement of changes in equity

For the year ended 31 december 2012

thous. tenge

	Authorized capital	Additional paid-in capital	Unrealized gain / (loss) on investment securities, held for trade	General reserve	(Accumulated deficit) / undistributed profits	Total capital
<b>31 December 2010</b>	<b>21.300.000</b>	<b>4.653.983</b>	<b>(117.080)</b>	<b>471.121</b>	<b>(181.581)</b>	<b>26.126.443</b>
Total comprehensive profit for year	-	-	901.320	-	256.373	1.157.693
Remittance	-	-	-	258.465	(258.465)	-
Increase in authorized capital by means of cash input	57.000.000	-	-	-	-	57.000.000
Difference in the amount received from Government of the RK and their fair value at initial recognition	-	5.048.728	-	-	-	5.048.728
<b>31 December 2011</b>	<b>78.300.000</b>	<b>9.702.711</b>	<b>784.240</b>	<b>729.586</b>	<b>(183.673)</b>	<b>89.332.864</b>
Total comprehensive loss for year	-	-	(2.475.439)	-	2.041.836	(433.603)
Remittance	-	(685.396)	-	941.769	(256.373)	-
Difference in the amount received from Government of the RK and their fair value at initial recognition	-	3.687.378	-	-	-	3.687.378
<b>31 December 2012</b>	<b>78.300.000</b>	<b>12.704.693</b>	<b>(1.691.199)</b>	<b>1.671.355</b>	<b>1.601.790</b>	<b>92.586.639</b>