



**House Construction Savings Bank of Kazakhstan Joint Stock  
Company**

**Condensed Interim Financial Information  
(unaudited)**

**30 June 2019**

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## Report on Review of Condensed Interim Financial Information

To the Shareholder, the Board of Directors and the Management Board of House Construction Saving Bank of Kazakhstan JSC

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of House Construction Saving Bank of Kazakhstan JSC (the "Bank") as at 30 June 2019 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

*Price water house Coopers LLP.*

31 July 2019

Almaty, Kazakhstan

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**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Condensed Interim Statement of Financial Position**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	30 June 2019 (unaudited)	31 December 2018
<b>ASSETS</b>			
Cash and cash equivalents	6	74,145,064	173,374,282
Loans and advances to customers	7	812,474,522	662,310,101
Investments in debt securities	8	249,153,432	153,202,035
Investments in equity securities	8	18,909	19,034
Premises and equipment and right of use assets		4,043,674	3,625,112
Intangible assets		3,170,745	2,375,748
Current income tax prepayment		84,520	408,467
Other financial assets	9	4,315,098	1,771,342
Other assets	9	642,985	217,860
Non-current assets held for sale		945,626	1,036,265
<b>TOTAL ASSETS</b>		<b>1,148,994,575</b>	<b>998,340,246</b>
<b>LIABILITIES</b>			
Customer accounts	10	775,087,808	665,497,961
Borrowed funds	11	64,749,023	59,570,463
Debt securities in issue	12	57,730,697	57,730,697
Deferred income tax liabilities		14,286,135	10,515,406
Other financial liabilities	13	11,779,497	3,468,744
Other liabilities	13	2,098,204	1,895,177
<b>TOTAL LIABILITIES</b>		<b>925,731,364</b>	<b>798,678,448</b>
<b>EQUITY</b>			
Share capital	14	78,300,000	78,300,000
Additional paid-in-capital		72,266,857	54,568,526
Revaluation reserve for investment securities measured at fair value through other comprehensive income		(2,243,374)	(1,999,265)
Other reserves		2,283,335	2,283,335
Retained earnings		72,656,393	66,509,202
<b>TOTAL EQUITY</b>		<b>223,263,211</b>	<b>199,661,798</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,148,994,575</b>	<b>998,340,246</b>

\* Hereinafter in the *condensed interim financial information* of House Construction Savings Bank of Kazakhstan JSC and notes thereto, 30 June of any year shall be understood as 12:00 am of Almaty time of 30 June of such year.

31 July, 2019

Lyazzat Ye. Ibragimova  
Chairperson of the Management Board



Zhanerke A. Kiltbayeva  
Chief Accountant

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Condensed Interim Statement of Profit or Loss and Other Comprehensive Income**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	For six months ended	
		30 June 2019 (unaudited)	30 June 2018 (unaudited)
Interest income calculated using effective interest rate method	15	39,732,964	30,570,465
Interest and other similar expense	15	(12,531,826)	(6,398,872)
<b>Net margin on interest and similar income</b>		<b>27,201,138</b>	<b>24,171,593</b>
Credit loss allowance	7	(23,582)	(388,839)
<b>Net margin on interest and similar income after credit loss allowance</b>		<b>27,177,556</b>	<b>23,782,754</b>
Fee and commission income		647,520	442,552
Fee and commission expense		(1,984,974)	(765,918)
Losses on initial recognition of assets at rates below market		(2,343,111)	(1,757,065)
Losses less gains from trading in foreign currencies		(423)	3,778
Gains less losses from trading securities measured at fair value through other comprehensive income		2,436	53,707
General and administrative expenses		(8,246,129)	(6,073,318)
Other net operating expenses		(475,021)	(386,991)
<b>Profit before tax</b>		<b>14,777,854</b>	<b>15,299,499</b>
Income tax expense	16	(694,112)	(533,974)
<b>Profit for the period</b>		<b>14,083,742</b>	<b>14,765,525</b>
<b>Other comprehensive income /(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Gains less losses on investments in debt securities at fair value through other comprehensive income		(248,757)	2,307,311
Gains less losses on investments in debt securities at fair value through other comprehensive income carried into profit and loss statement		4,772	(35,583)
<i>Items that will not be reclassified to profit or loss:</i>			
Gains less losses on investments in equity securities at fair value through other comprehensive income		(124)	(17)
<b>Other comprehensive (loss)/ income</b>		<b>(244,109)</b>	<b>2,271,711</b>
<b>Total comprehensive income for the period</b>		<b>13,839,633</b>	<b>17,037,236</b>
<b>Earnings per share for profit attributable to the Bank shareholder, basic and diluted</b>			
(in Kazakhstani Tenge per share)	22	1,799	1,886

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Condensed Interim Statement of Changes in Equity**

<i>(in thousands of Kazakhstani Tenge)</i>	Share capital	Additional paid-in-capital	Revaluation reserve for investment securities available for sale	Revaluation reserve for investment securities measured at fair value through other comprehensive income	Other reserves	Retained earnings	Total capital
<b>Balance at 1 January 2018</b>	<b>78,300,000</b>	<b>29,294,057</b>	-	<b>(4,625,587)</b>	<b>3,389,604</b>	<b>46,623,735</b>	<b>152,981,809</b>
Profit for the six months	-	-	-	-	-	14,765,525	14,765,525
Other comprehensive loss	-	-	-	1,354,724	916,987	-	2,271,711
<b>Total comprehensive income for the period</b>	-	-	-	<b>1,354,724</b>	<b>916,987</b>	<b>14,765,525</b>	<b>17,037,236</b>
Fair value adjustment for borrowed funds, net of deferred tax	-	15,473,120	-	-	-	-	15,473,120
Dividends declared	-	-	-	-	-	(7,675,971)	(7,675,971)
Dissolution of the dynamic reserve	-	-	-	-	(1,106,269)	1,106,269	-
<b>Balance at 30 June 2018 (unaudited)</b>	<b>78,300,000</b>	<b>44,767,177</b>	-	<b>(3,270,863)</b>	<b>3,200,322</b>	<b>54,819,558</b>	<b>177,816,194</b>
<b>Balance at 1 January 2019</b>	<b>78,300,000</b>	<b>54,568,526</b>	-	<b>(1,999,265)</b>	<b>2,283,335</b>	<b>66,509,202</b>	<b>199,661,798</b>
Changes in the initial adoption of IFRS 16	-	-	-	-	-	-	-
<b>Restated balance at 1 January 2019</b>	<b>78,300,000</b>	<b>54,568,526</b>	-	<b>(1,999,265)</b>	<b>2,283,335</b>	<b>66,509,202</b>	<b>199,661,798</b>
Profit for the six months	-	-	-	-	-	14,083,742	14,083,742
Other comprehensive income	-	-	-	(244,109)	-	-	(244,109)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(244,109)</b>	-	<b>14,083,742</b>	<b>13,839,633</b>
Fair value adjustment for borrowed funds, net of deferred tax	-	17,698,331	-	-	-	-	17,698,331
Dividends declared	-	-	-	-	-	(7,936,551)	(7,936,551)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>78,300,000</b>	<b>72,266,857</b>	-	<b>(2,243,374)</b>	<b>2,283,335</b>	<b>72,656,393</b>	<b>223,263,211</b>

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Condensed Interim Statement of Cash Flows**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	For six months ended	
		30 June 2019 (unaudited)	30 June 2018 (unaudited)
<b>Cash flows from operating activities</b>			
Interest income calculated using effective interest rate method		38,808,407	30,392,972
Interest paid		(5,364,870)	(918,961)
Fees and commissions received		647,520	442,552
Fees and commissions paid		(1,984,974)	(765,918)
Payroll costs paid		(4,435,337)	(3,620,977)
General and administrative expenses paid		(3,422,770)	(2,343,778)
Income tax paid		(1,028,836)	(568,241)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>23,219,140</b>	<b>22,617,649</b>
<i>Net (increase)/ decrease in:</i>			
- due from other banks		-	10,208,000
- loans and advances to customers		(151,742,279)	(63,333,396)
- other financial assets		(2,542,301)	720,917
- other assets		(425,052)	(207,887)
<i>Net (decrease)/ increase in:</i>			
- customer accounts		103,791,504	36,576,290
- other financial liabilities		5,646,545	(232,728)
- other liabilities		15,078	39,787
<b>Net cash (used in)/from operating activities</b>		<b>(22,037,365)</b>	<b>6,388,632</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(617,264)	(557,943)
Acquisition of intangible assets		(1,032,909)	(305,773)
Proceeds from disposal of premises and equipment		72,763	7,155
Acquisition of debt securities at fair value through other comprehensive income		(23,976,573)	(9,255,130)
Acquisition of investments in debt securities carried at amortised cost		(116,256,698)	(88,734,225)
Proceeds from disposal of debt securities at fair value through other comprehensive income		39,257,041	18,218,194
Proceeds from redemption of debt securities carried at amortised cost		5,000,000	54,000,000
<b>Net cash used in investing activities</b>		<b>(97,553,640)</b>	<b>(26,627,722)</b>
<b>Cash flows from financing activities</b>			
Loans received from the Ministry of Finance of the Republic of Kazakhstan		28,000,000	24,000,000
Loan received from local executive bodies of the Republic of Kazakhstan		1,500,000	-
Repayment of loan received from SWF Samruk-Kazyna JSC		(9,138,500)	-
<b>Net cash from financing activities</b>		<b>20,361,500</b>	<b>24,000,000</b>
Effect of exchange rate changes on cash and cash equivalents		287	4,292
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(99,229,218)</b>	<b>3,765,202</b>
Cash and cash equivalents at the beginning of the period	6	173,374,282	62,700,038
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>74,145,064</b>	<b>66,465,240</b>

**Notes to the Condensed Interim Financial Information of House Construction Savings Bank of Kazakhstan Joint Stock Company for 6 months ended on 30 June, 2019:**

**1 Introduction**

House Construction Savings Bank of Kazakhstan JSC (hereinafter – the “Bank”) was established in accordance with Resolution of Government of the Republic of Kazakhstan No.364 dated 16 April 2003 with a 100% state participation in the charter capital for the purpose of development of housing construction savings system in the Republic of Kazakhstan.

In accordance with Decree of the President of the Republic of Kazakhstan No. 571 dated 22 May, 2013 and Resolution of Government of the Republic of Kazakhstan No.516 dated 25 May, 2013, shares of the Bank held by the Government were transferred for payment of outstanding shares of “National managing holding “Baiterek” JSC.

National Managing Holding “Baiterek” JSC is a sole shareholder (the “Parent” or the “Shareholder”) of the Bank.

The Bank is ultimately controlled by the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 21.

***Principal activity.***

In accordance with License No.1.2.60/44 dated 04 September 2018 issued by the National Bank of the Republic of Kazakhstan, the Bank performs activities on acceptance of deposits for housing construction savings, opening and management of depositor accounts, provision of housing, interim and preliminary housing loans to depositors to improve housing conditions across the Republic of Kazakhstan, cash operations (acceptance and provision of cash including cash change, exchange, recounts, sorting, packing and storage), transfer operations (implementation of payment and transfer orders received from individuals and legal entities), opening and management of bank accounts for legal entities, issue of own securities (except for shares) and dealer activity in securities market without the right to manage customer accounts. In addition, the Bank is able to perform activities on trust operations for the management of the rights of claim on mortgage loans on behalf and by order of a principal and arrangement of foreign exchange operations. In accordance with Resolution of the Government of the Republic of Kazakhstan No.922 dated 31 December 2016 “On the approval of the Nurly Zher Housing Construction Program”, the Bank participates in the implementation of this Program related to the development of housing construction ensuring affordable housing for wider population through the system of housing construction savings.

The Bank’s audited financial statements for the year ended 31 December 2018 is published on the official website of the Bank, in section “About the Bank – Reporting”.

The Banks’s expansion on the financial services market and improved competitive ability on the market are evidenced by the growth of its key performance indicators, including for the first half of 2019, such as number of signed house construction savings contracts and volumes of loans issued. Since the beginning of the year 177,339 agreements on housing savings have been signed with contracted amount of Tenge 456.9 billion, and 22,501 loans for a total of Tenge 241.6 billion had been granted.

In the first half of 2019, net interest margin decreased due to debt securities issued at Astana International Financial Centre at 9.58% per annum for issue to Bank depositors of loans within the “Military” product.

For the purpose of development and sustainable growth of the Bank, continuous measures are undertaken to improve affordability of its products, quality of customer service, to enhance alternative channels of payment acceptance and to develop IT infrastructure.

In the first half of 2019, the Bank implemented the following projects to improve servicing quality and ensure own housing for wider population:

1. *Corporate* Program provides company employees with opportunity to improve housing conditions within the social support. For this, companies finance citizens included in the waiting list/employees through the Bank by making cash placements on the Bank accounts in the amounts determined by the terms of the program. Terms of the program enable companies to select most favourable terms (amount to be placed, final interest rate for employee).



## **1 Introduction (Continued)**

2. Gift Certificates are available at the Bank since January 2019. Housing savings agreement gift certificate is a document with maturity of not more than three months and minimum amount of Tenge 5,000 that enable to transfer housing savings agreement to a third party as a gift. Housing savings agreement gift certificate is issued at initial deposit placement.

3. “Lending for purchase of primary market housing within the “Bakytty Otbası” program of Almaty city” program was approved on 1 March 2019 to fulfil the commission of the head of state, N.Nazarbayev, announced at XVIII session of Nur Otan party to increase affordability of low income multi-child and single-parent families, families raising children with restricted abilities for housing.

4. State program for low income families “Lending for purchase of housing for low income families “Bakytty Otbası” line within “Nurly Zher” Housing construction program was approved in May 2019 after appropriate additions and changes made in the Resolution of the Government of the Republic of Kazakhstan No.372 dated 22 June 2018 “On the approval of the Nurly Zher State Housing Construction Program”.

To carry out its activities, the Bank has a license of the National Bank of Kazakhstan (the “NB RK”) to conduct banking and other operations and activities in the securities market No.1.2.44/42 dated 18 August 2016.

**Registered address and place of business.** The Bank’s registered address is: 91 Abylaikhan Avenue, Almaty city, A05A2X0, Republic of Kazakhstan.

At 30 June, 2019 the Bank has 17 regional branches, 18 service centres throughout Kazakhstan and 5 service points throughout Kazakhstan (2018:17 regional branches,15 service centres, and 7 service points).

The Bank is a member of the obligatory retail deposit insurance system in accordance with Certificate No.25 issued by “Kazakhstan Deposit Insurance Fund” JSC. Insurance covers the Bank’s liabilities to individual depositors for the amount of up to Tenge 10,000 thousand for each individual in case of business failure and revocation of the banking license.

In accordance with Regulation of the Management Board of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations No.162 dated 25 June 2007, the Bank was registered in the capacity of a financial agency.

In accordance with Government decision of the Republic of Kazakhstan dated November 16, 2009 No. 1844 ‘On identifying the list of financial agencies’, publicly funded loans from the Central Government Budget are allocated without ensuring fulfilment of obligations.

At 30 June 2019 and 31 December 2018 Moody’s rating agency assigned the following ratings to the Bank:

- Long-term rating on deposits in national currency: Baa3 (Stable);
- Short-term rating on deposits in national currency: Prime-3 (Stable);
- Baseline Credit Assessment (BCA): ba2 (Stable);

Fitch Ratings assigned the following ratings to the Bank:

- Long-term issuer default rating (IDR) in national currency: BBB- (Stable);
- Short-term IDR in national currency: F3 (Stable);

**Presentation currency.** This condensed interim financial information is presented in Kazakhstani Tenge.

## **2 Operating Environment of the Bank**

**The Republic of Kazakhstan.** In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to oil and gas, and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

In March 2019 Standard & Poor's, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan - "BBB-" and short-term foreign and local currency sovereign credit ratings - "A-3", and the Kazakhstan national scale - "kzAAA". The outlook is stable. The stable outlook is supported by the government's strong balance sheet and external economic indicators over the next two years.

Increase in oil production and firm oil process, low unemployment and rising wages supported a modest growth of the economy last year. Standard & Poor's expects the country's economic growth to be at 2.9% in 2019, lower than forecasted before (3.5%), following decreased oil production in accordance with the decision of the Organization of the Petroleum Exporting Countries and maintenance works on Kashagan field. Within the agency's forecast horizon the growth in subsequent years will be supported by an increase in oil production and export.

This operating environment has a significant impact on the Bank's operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank's operations.

Additionally, the financial sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Bank's control.

Management is unable to predict the extent and duration of changes in the Kazakhstani economy, nor quantify their impact, if any, on the Bank's financial position in future. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank's business in the current circumstances.

## **3 Summary of Significant Accounting Policies**

**Basis of preparation.** This condensed interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" and it should be read in conjunction with the annual financial information for the year ended 31 December 2018, which had been prepared in accordance with International Financial Reporting Standards (IFRS).

Except for adoption of a new standard IFRS 16, Leases, effective from 1 January 2019, the same accounting policies and accounting methods of computation were followed in the preparation of these condensed interim financial information as compared with the annual financial information for the year ended 31 December 2018 (Note 4).

The Bank's operations are not characterised by seasonality or periodicity.

**Interim period tax measurement.** Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected income for the whole financial year, that is, the weighted average annual effective income tax rate is applied to the pre-tax income of the interim period.

**Functional currency.** Functional currency and presentation currency of the Bank is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge.

#### **4 New Accounting Pronouncements**

**Adoption of new standards – IFRS 16, Leases.** The Bank has adopted IFRS 16, issued by the IASB in January 2016, retrospectively from 1 January 2019 with certain simplifications, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. On the basis of analysis performed by the Bank, the effect from adoption of a new standard is insignificant as all lease agreements were executed for the period of not more than 12 months. According to Paragraph 6, IFRS 16, the Bank decided not to apply the requirements of

Paragraphs 22-49, IFRS 16 for the short-term lease. Lease agreements did not provide for prolongations and acquisition options.

**New accounting policy for leases by the Bank as a lessee.** From 1 January 2019, the date of initial application of the standard, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs (asset or plot where it is located).

As an exception to the above, the Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight line basis.

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

As of 30 June 2019 the Bank recognised right of use assets in the amount of Tenge 280,001 thousands and a corresponding lease liability in the amount of Tenge 246,174 thousand within Other financial liabilities and other liabilities line of the Statement of financial position.

#### **4 New Accounting Pronouncements (Continued)**

**Other new accounting standards and interpretations.** The following amended standards and interpretations became effective for the Bank from 1 January 2019, but did not have any material impact on the Bank:

- Amendment to IAS 12, Income Taxes, included in the Annual Improvements to IFRSs 2015-2017 cycle.
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

There were no new standards or interpretations issued and not yet effective, information about which is not included in the last annual financial statements of the Bank for the year ended 31 December 2018. The Bank continues assessing the effects of new standards and interpretations that are not yet effective and will disclose their known or reasonably estimable effects as soon as they become available.

#### **5 Critical Accounting Estimates, and Judgments in Applying Accounting Policies**

Estimates and judgements were consistent with those made in the annual financial statements for the year ended 31 December 2018.

**ECL measurement.** Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs consistent with those at 31 December 2018. There were no changes to ECL measurement methodology during the past period. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Bank used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The Bank validates macro-economic functions on an annual basis, as macro-economic dependence may vary in due course.

In 2019, the Bank performed the analysis of macro-economic variables as at 1 April 2019. The analysis of macro-economic impact on default probability did not confirm the availability of interconnection between the level of default and macro-economic factors, therefore macro-economic factors were approved at the level of 100% (that confirms the lack of impact).

**Significant increase in credit risk ("SICR").** In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

Should ECL on all loans and advances to customers (except for loans provided as of the initial recognition date for June 2019) be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by Tenge 2,281,563 thousand as of 30 June 2019.

Should Loss Given Default on impaired loans is 100%, the expected credit loss would be higher by Tenge 1,254,175 thousand.

## **5 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)**

**Fair value of financial instruments at below-market rates.** According to tariff programmes of the Bank, housing loans are advanced to the population with an interest rate of 2% to 5%. These loans are granted when 50% of savings of the contractual amount are available at the savings account of the potential borrower subject to reaching the estimated index and meeting the minimum period of savings which is not less than three years. The savings interest rate is 2%. The Bank concluded that both loans and savings transactions are sufficiently unique and there are no similar transactions in the market. Following from this, the Bank also concluded that these transactions in themselves constitute a principal or most advantageous market and, hence, transaction price is fair value and no adjustments are required for the loans and savings at their initial recognition.

In March 2016, the Bank received a loan from the Parent of Tenge 22 billion at the below-market rate, 0.15 % per annum for a period of 20 years. At initial recognition, the Bank recorded this loan at the market rate at the loan origination date. Management applied its judgment in determining the effective interest rate, using yield to maturity of government bonds further extrapolated for twenty years using linear regression. The resulted effective interest rate of 7.97 % per annum was used to calculate amortised cost of the loan obtained at the reporting date. As a result, in 2016 the Bank recognized the additional paid-in capital of Tenge 13,541,732 thousand less deferred tax liability.

In November 2017, the Bank received a loan from the Ministry of Finance of the Republic of Kazakhstan of Tenge 8,000,000 thousand at below-market rate - 0.15% per annum and for a period of 20 years, to issue preliminary and interim housing loans to the Bank's depositors under Nurly Zher Housing Construction Programme. At initial recognition, the Bank has specified the above loan at the market rate at the date of receipt of the loan. To determine the effective interest rate, the management of the Bank uses the yield curve for government bonds and extrapolates it for 20 years by linear regression. The received effective interest rate - 9.48% per annum, was used to calculate the fair value of the loan received as of the reporting date. As a result, the Bank recognized the additional paid-in capital of Tenge 5,266,234 thousand less deferred tax liability.

In March 2018, the Bank received a loan from the Ministry of Finance of the Republic of Kazakhstan of Tenge 24, 000,000 thousand at below-market rate, which was 0.15% per annum and for a period of 20 years with the condition of partial early repayment of the principal debt, in the amount of Tenge 1,000 thousand upon the lapse of 80 months. The loan was granted to issue preliminary and interim housing loans to participants of Nurly Zher Housing Programme. At initial recognition, the Bank has reflected the above loan at the market rate, as of the date of receipt of the loan. To determine the effective interest rate, the Bank uses the yield curve for government bonds and extrapolates it by linear regression for 20 years. The received market interest rate - 8.96% per annum was used to calculate the fair value of the loan received as of the reporting date. As a result, the Bank recognized the additional paid-in capital of Tenge 15,473,119 thousand less deferred tax liability.

In December 2018, the Bank received additional loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of Tenge 15,000,000 thousand at below market rate, which was 0.15% for the period of 20 years with the condition of partial early repayment of the principal debt, in the amount of Tenge 1,000 thousand upon the lapse of 80 months. The loan was granted to issue preliminary and interim housing loans to participants of Nurly Zher Housing Programme. At initial recognition, the Bank has reflected the above loan at the market rate, as of the date of receipt of the loan. To determine the effective interest rate, the Bank uses the yield curve for government bonds and extrapolates it by linear regression for 20 years. The received market interest rate - 8.18% per annum was used to calculate the fair value of the loan received as of the reporting date. As a result, the Bank recognized the additional paid-in capital of Tenge 9,333,966 thousand less deferred tax liability.

In March 2019, the Bank received additional loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of Tenge 28,000,000 thousand at below market rate, which was 0.15% for the period of 20 years with the condition of partial early repayment of the principal debt, in the amount of Tenge 1,000 thousand upon the lapse of 80 months. The loan was granted to issue preliminary and interim housing loans to participants of Nurly Zher Housing Programme. At initial recognition, the Bank has reflected the above loan at the market rate, as of the date of receipt of the loan. To determine the effective interest rate, the Bank uses the yield curve for government bonds and extrapolates it by linear regression for 20 years. The received market interest rate - 8.52% per annum was used to calculate the fair value of the loan received as of the reporting date. As a result, the Bank recognized the additional paid-in capital of Tenge 17,698,330 thousand less deferred tax liability.

For loans received from the Ministry of Finance of the Republic of Kazakhstan interest is to be paid once per six months.

## **5 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)**

The management of the Bank considers this financing from the Ministry of Finance of the Republic of Kazakhstan as part of Nurly Zher Housing Construction Programme as a share in the capital of the Bank. Within the program the Bank is the sole financial operator and the subject of the quasi-public sector. In accordance with the Group Accounting Policy of the Baiterek Holding and the Bank's accounting policy, fair value adjustments for initial recognition of borrowed funds received from shareholders should be accounted for by equity. Borrowings from the Ministry of Finance were provided to the Bank in order to support its main operating activities. The Bank provides loans under Nurly Zher housing construction programme, using its own funds and using borrowed funds provided from other sources.

Should loans received had been treated as the government grant, the gain would be recognised as deferred income liability and subsequently amortised within profit or loss over the term of the borrowing.

Accordingly, upon initial recognition of the loans received and loans advanced under the government programmes, adjustments were required to arrive to their fair values. Management of the Bank utilized its judgement in calculating their fair values.

Funds received under the government programmes were further used to issue loans to customers and placed, as part of the implementation of government programmes in past years, on targeted deposits of commercial banks at below-market rates. The granted loans and placed deposits are initially recognised at the fair value.

Also, the Bank attracts loans from local budgets to finance regional programs. In November 2017, the Bank received loan from the Administration of Almaty in the amount of Tenge 1,000,000 thousand at below market rate, which was 0.01% for the period to 2025 for issue of preliminary loans within the “Almaty zhastary” program realized under the Almaty youth support Roadmap – 2020. At initial recognition, the Bank has reflected the above loan at the market rate, as of the date of receipt of the loan. To determine the effective interest rate, the Bank uses the yield curve for government bonds and extrapolates it by linear regression for 8 years. The received market interest rate – 9.02% per annum was used to calculate the fair value of the loan received as of the reporting date. As a result, the Bank recognized the additional paid-in capital of Tenge 398,409 thousand less deferred tax liability.

In July 2018, the Bank received loan from the Administration of Almaty in the amount of Tenge 2,000,000 thousand at below market rate, which was 0.01% for the period to 2026 for issue of preliminary loans within the “Almaty zhastary” program realized under the Almaty youth support Roadmap – 2020. The loan was repaid by tranches of 20% of the total amount. In addition, in November 2018 loan amount was changed for Tenge 1,200,000 thousand based on Administration’s letter. At initial recognition the Bank recognized abovementioned loan at the market rate on the date of loan received. To determine the effective interest rate, management of the Bank had used the yield curve on government bonds and extrapolated it for 8 years by using linear regression. The resulting effective interest rate on the 1st tranche of 8.43%, the 2nd tranche of 9.21%, the 3d tranche of 9.04% per annum, was used to calculate the fair value of the loan at the reporting date. As a result, in 2018, in relation to two abovementioned loans the Bank has recognized additional paid-in capital in the amount of Tenge 467,383 thousand less deferred tax liability.

During first half of 2019 the Bank received loan from the Administration of Almaty in the amount of Tenge 1,500,000 thousand at below market rate, which was 0.01% for the period to 2044 for issue of preliminary and interim loans within the regional “Bakytty Otbasyy” program realized in Almaty city. The loan was repaid by tranches of 20% and 25% of the total amount.

In line with the aims of “Bakytty Otbasyy” program loans received were used to issue preliminary, interim and housing loans to multi-child customers of the Bank for the period up to 20 years, at 2% interest rate and down payment not lower than 10%. The Bank considers loans issued to customers under this program to comprise a separate base market (in accordance with IFRS 13, *Fair Value*), hence, no adjustment of fair value at initial recognition is required.

Management of the Bank utilizes its judgement in defining a separate base market based on the following main factors:

- The Bank is the only bank in Kazakhstan that issues such type of loans;
- Long-term special financing received from the Administrations at low interest rate of 0.01%;
- The program targets multi-child families only (4 and more children);
- There are limits for maximum income for families (income per a family cannot exceed 1 minimum salary per each family member);

## 5 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

- Low interest rate of 2%, whereas interest rate for other programs of the Bank changes when a loan becomes housing;
- There is a list of strict criteria for program participants (absence of housing, listing in queue in for housing in multi-child family group).

As noted above the Program presumes long-term financing to be received from the government bodies at low interest rates. The Bank applied professional judgement in estimating fair values of those loans received and no adjustments are required to arrive to fair values estimated based on commercial interest rates based on the following:

- Issue of loans to customers under the Program is an inherent term of the loans received;
- The Program is unprofitable for the Bank, compared to the other Bank programs with similar financing, therefore, loans received cannot be treated as “contribution to the capital” if it requires operating the unprofitable Program;
- The asset side of the Bank balance, “loans and advances to customers”, is not adjusted to arrive to fair values;
- Adjustments to arrive to fair value through equity (contract interest rate of 0.01%, whereas commercial interest rates are within 8-10% range) and, as a result, significant decrease in liability balance lead to unfaithful representation of economic event.

For 6 months 2019 the Bank recorded a loss in the amount of Tenge 2,343,111 thousand (6 months 2018: Tenge 1,734,449 thousand) at the initial recognition of loans advanced under the government program at below market rates.

## 6 Cash and Cash Equivalents

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Notes of NBRK with the maturity less than three months	49,731,444	65,919,025
Cash balances with the NBRK (other than mandatory reserve deposits)	15,259,724	99,079,178
Cash on hand	2,455,056	2,381,897
Mandatory cash balances with the NBRK	6,293,000	4,785,990
Correspondent accounts with other banks	407,539	210,734
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	-	1,000,452
Less credit loss allowance	(1,699)	(2,994)
<b>Total cash and cash equivalents</b>	<b>74,145,064</b>	<b>173,374,282</b>

During 6 months 2019, the Bank decreased the amount of investment in the notes of the National Bank of Republic of Kazakhstan (hereinafter – “NB RK” with a maturity of less than three months due to cancellation by the NB RK.

During 2018, the Bank increased the amount of investment in reverse repo agreements, in the notes of the National Bank of Republic of Kazakhstan (hereinafter - “NB RK”) with a maturity of less than three months, as well as deposits with the NB RK.

## 6 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances may be summarized as follows at 30 June 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	Cash balances with the NBRK, including mandatory reserves	NBRK notes with a maturity of less than three months	Reverse sale and repurchase agreements with original maturities of less than three months	Correspon- dent accounts in other banks	Total
<i>Neither past due, nor impaired</i>					
- National Bank of Republic of Kazakhstan	21,552,347	49,730,129	-	-	71,282,476
- BBB- to BBB+ rated	-	-	-	-	-
- BB- to BB+ rated	-	-	-	407,532	407,532
- B- to B+ rated	-	-	-	-	-
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>21,552,347</b>	<b>49,730,129</b>	<b>-</b>	<b>407,532</b>	<b>71,690,008</b>

Credit ratings are based on Standard & Poor's, where available, or Moody's and Fitch, which are converted to the nearest equivalent on the Standard & Poor's rating scale.

The credit quality of cash and cash equivalents balances may be summarized as follows at 31 December 2018:

<i>(in thousands of Kazakhstani Tenge)</i>	Cash balances with the NBRK, including mandatory reserves	NBRK notes with a maturity of less than three months	Reverse sale and repurchase agreements with original maturities of less than three months	Correspon- dent accounts in other banks	Total
<i>Neither past due, nor impaired</i>					
- National Bank of Republic of Kazakhstan	103,863,351	65,917,870	-	-	169,781,221
- BBB- to BBB+ rated	-	-	1,000,434	-	1,000,434
- BB- to BB+ rated	-	-	-	210,617	210,617
- B- to B+ rated	-	-	-	113	113
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>103,863,351</b>	<b>65,917,870</b>	<b>1,000,434</b>	<b>210,730</b>	<b>170,992,385</b>

Credit ratings are based on Standard & Poor's, where available, or Moody's and Fitch, which are then converted to the nearest equivalent on the Standard & Poor's rating scale.

As at 30 June 2019 the Bank had notes of the NB RK with a maturity of less than three months in the total amount of Tenge 49,730,129 thousand (31 December 2018: Tenge 65,917,870 thousand), and also balances with the NB RK, including mandatory reserves in the amount of Tenge 21,552,347 thousand (31 December 2018: Tenge 103,863,351 thousand).

As at 30 June 2019 the Bank had 2 counterparty banks, except for NB RK (31 December 2018: 3 bank counterparties). The total aggregate amount of these balances amounted to Tenge 407,532 thousand (31 December 2018: 210,730 thousand), or 99.9% of the amount of cash and cash equivalents on correspondent accounts in other banks (31 December 2018: 99.9%).



## 6 Cash and Cash Equivalents (Continued)

As at 30 June 2019 and 31 December 2018, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1.

Information on the estimated fair value is presented in Note 19.

Information on transactions with related parties is presented in Note 21.

## 7 Loans and Advances to Customers

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2019	31 December 2018
Interim housing loans	298,806,914	279,900,389
Preliminary housing loans	268,511,960	166,609,249
Housing loans	246,960,115	217,478,264
Less credit loss allowance	(1,804,467)	(1,677,801)
<b>Total loans and advances to customers</b>	<b>812,474,522</b>	<b>662,310,101</b>

Loans are divided into categories depending on the maturity and the amount of house savings.

As at 30 June 2019 the Bank had 10 major borrowers (2018: 10 borrowers) with the total loans advanced to each of borrowers exceeding Tenge 79,535 thousand (2018: Tenge 79,810 thousand). The aggregated amount of these loans was Tenge 864,926 thousand (2018: Tenge 896,806 thousand), or 0.11 % of the loan portfolio before allowance for loan impairment (2018: 0.13 %).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 30 June 2019 and 31 December 2018 are disclosed in the table below:

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2019			31 December 2018		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Interim housing loans	298,806,914	(733,333)	298,073,581	279,900,389	(737,245)	279,163,144
Preliminary housing loans	268,511,960	(591,335)	267,920,625	166,609,249	(470,253)	166,138,996
Housing loans	246,960,115	(479,799)	246,480,316	217,478,264	(470,303)	217,007,961
<b>Total loans and advances to customers at AC</b>	<b>814,278,989</b>	<b>(1,804,467)</b>	<b>812,474,522</b>	<b>663,987,902</b>	<b>(1,677,801)</b>	<b>662,310,101</b>

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Notes to Condensed Interim Financial Statements – 30 June 2019**

**7 Loans and Advances to Customers (Continued)**

The following table discloses the changes in the credit loss allowance and gross carrying amount for interim housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Interim housing loans</b>								
<b>As at 1 January 2019</b>	<b>(222,702)</b>	<b>(79,022)</b>	<b>(435,521)</b>	<b>(737,245)</b>	<b>268,693,856</b>	<b>10,362,090</b>	<b>844,443</b>	<b>279,900,389</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	3,810	(20,600)	-	(16,790)	(4,479,940)	4,479,940	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(736)	24,410	23,674	-	63,647	(63,647)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	133	15,465	(139,150)	(123,552)	(149,011)	(275,596)	424,607	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(2,308)	16,240	-	13,932	3,811,102	(3,811,102)	-	-
New originated or purchased	(45,056)	(6,738)	-	(51,794)	94,320,069	1,276,771	-	95,596,840
Repayment in full or in part during the period	5,251	2,456	23,117	30,824	(44,743,008)	(1,716,276)	(147,340)	(46,606,624)
Changes to ECL measurement model assumptions	58,316	18,855	20,157	97,328	-	-	-	-
Unwinding of discount	-	-	-	-	501,864	15,163	487	517,514
Changes in accrued interest	-	-	-	-	(153,120)	3,409	7,586	(142,125)
Transfer from preliminary and interim loans	14,327	4,490	11,473	30,290	(29,348,163)	(1,079,909)	(31,008)	(30,459,080)
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>34,473</b>	<b>29,432</b>	<b>(59,993)</b>	<b>3,912</b>	<b>19,759,793</b>	<b>(1,043,953)</b>	<b>190,685</b>	<b>18,906,525</b>
<b>At 30 June 2019</b>	<b>(188,229)</b>	<b>(49,590)</b>	<b>(495,514)</b>	<b>(733,333)</b>	<b>288,453,649</b>	<b>9,318,137</b>	<b>1,035,128</b>	<b>298,806,914</b>

The following table discloses the changes in the credit loss allowance and gross carrying amount for preliminary housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Preliminary housing loans</b>								
<b>As at 1 January 2019</b>	<b>(84,013)</b>	<b>(71,233)</b>	<b>(315,007)</b>	<b>(470,253)</b>	<b>154,661,451</b>	<b>11,288,049</b>	<b>659,749</b>	<b>166,609,249</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	20,273	(115,625)	-	(95,352)	(39,846,803)	39,846,803	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(1,562)	49,867	48,305	-	133,367	(133,367)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	19	6,402	(94,144)	(87,723)	(51,014)	(199,928)	250,942	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,686)	12,287	5,614	16,215	2,335,515	(2,320,343)	(15,172)	-
New originated or purchased	(39,174)	(19,224)	-	(58,398)	110,650,304	5,252,632	-	115,902,936
Repayment in full or in part during the period	1,545	2,993	30,247	34,785	(3,115,809)	(6,045,438)	(96,407)	(9,257,654)
Changes to ECL measurement model assumptions	(16,953)	15,598	13,133	11,778	-	-	-	-
Unwinding of discount	-	-	-	-	435,636	347,525	781	783,942
Changes in accrued interest	-	-	-	-	(3,162)	(16,020)	2,332	(16,850)
Transfer from preliminary and interim loans	101	8,285	922	9,308	(831,605)	(4,677,136)	(922)	(5,509,663)
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(35,875)</b>	<b>(90,846)</b>	<b>5,639</b>	<b>(121,082)</b>	<b>69,573,062</b>	<b>32,321,462</b>	<b>8,187</b>	<b>101,902,711</b>
<b>At 30 June 2019</b>	<b>(119,888)</b>	<b>(162,079)</b>	<b>(309,368)</b>	<b>(591,335)</b>	<b>224,234,513</b>	<b>43,609,511</b>	<b>667,936</b>	<b>268,511,960</b>

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**7 Loans and Advances to Customers (Continued)**

The following table discloses the changes in the credit loss allowance and gross carrying amount for housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Housing loans</b>								
<b>As at 1 January 2019</b>	<b>(153,915)</b>	<b>(158,906)</b>	<b>(157,482)</b>	<b>(470,303)</b>	<b>158,661,059</b>	<b>58,404,136</b>	<b>413,069</b>	<b>217,478,264</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	2,595	(11,238)	-	(8,643)	(3,340,871)	3,340,871	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(669)	40,892	40,223	-	110,519	(110,519)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	107	6,165	(115,716)	(109,444)	(105,831)	(219,681)	325,512	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(12,445)	57,480	5,831	50,866	23,526,369	(23,510,609)	(15,760)	-
New originated or purchased	(12,616)	(3,114)	-	(15,730)	24,520,464	420,305	-	24,940,769
Repayment in full or in part during the period	5,735	8,846	12,852	27,433	(24,109,772)	(7,235,072)	(75,502)	(31,420,346)
Changes to ECL measurement model assumptions	17,641	19,408	8,348	45,397	-	-	-	-
Unwinding of discount	-	-	-	-	23,949	1,016	51	25,016
Changes in accrued interest	-	-	-	-	(35,035)	(2,177)	4,882	(32,330)
Transfer from preliminary and interim loans	(14,429)	(12,774)	(12,395)	(39,598)	30,179,768	5,757,044	31,930	35,968,742
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(13,412)</b>	<b>64,104</b>	<b>(60,188)</b>	<b>(9,496)</b>	<b>50,659,041</b>	<b>(21,337,784)</b>	<b>160,594</b>	<b>29,481,851</b>
<b>At 30 June 2019</b>	<b>(167,327)</b>	<b>(94,802)</b>	<b>(217,670)</b>	<b>(479,799)</b>	<b>209,320,100</b>	<b>37,066,352</b>	<b>573,663</b>	<b>246,960,115</b>

The following table discloses the changes in the credit loss allowance and gross carrying amount for interim housing loans and advances to customers carried at amortised cost between the beginning and the end of the prior reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Interim housing loans</b>								
<b>As at 1 January 2018</b>	<b>(138,324)</b>	<b>(19,663)</b>	<b>(456,472)</b>	<b>(614,459)</b>	<b>211,317,195</b>	<b>1,738,796</b>	<b>888,425</b>	<b>213,944,416</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- to lifetime (from Stage 1 to Stage 2)	5,047	(46,654)	-	(41,607)	(7,393,258)	7,393,258	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(2,467)	25,964	23,497	-	70,174	(70,174)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	33	1,102	(38,579)	(37,444)	(42,549)	(70,272)	112,821	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(613)	2,047	-	1,434	504,342	(504,342)	-	-
New originated or purchased	(103,582)	(7,112)	-	(110,694)	86,766,315	672,568	-	87,438,883
Repayment in full or in part during the period	3,111	1,474	13,351	17,936	(35,260,144)	(1,887,694)	(77,855)	(37,225,693)
Changes to ECL measurement model assumptions	(128,683)	6,916	14,545	(107,222)	-	-	-	-
Unwinding of discount	-	-	-	-	466,101	17,155	409	483,665
Changes in accrued interest	-	-	-	-	(126,108)	(7,232)	661	(132,679)
Transfer from preliminary and interim loans	12,940	4,322	8,185	25,447	(22,996,986)	(1,357,885)	(22,122)	(24,376,993)
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(211,747)</b>	<b>(40,372)</b>	<b>23,466</b>	<b>(228,653)</b>	<b>21,917,713</b>	<b>4,325,730</b>	<b>(56,260)</b>	<b>26,187,183</b>
<b>At 30 June 2018</b>	<b>(350,071)</b>	<b>(60,035)</b>	<b>(433,006)</b>	<b>(843,112)</b>	<b>233,234,908</b>	<b>6,064,526</b>	<b>832,165</b>	<b>240,131,599</b>

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
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**7 Loans and Advances to Customers (Continued)**

The following table discloses the changes in the credit loss allowance and gross carrying amount for preliminary housing loans and advances to customers carried at amortised cost between the beginning and the end of the prior reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Preliminary housing loans</b>								
<b>As at 1 January 2018</b>	(9,244)	(6,834)	(325,720)	(341,798)	92,725,035	4,309,129	688,579	97,722,743
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	608	(20,723)	-	(20,115)	(7,009,736)	7,009,736	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(679)	39,897	39,218	-	105,400	(105,400)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	17	1,153	(86,752)	(85,582)	(83,548)	(143,766)	227,314	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(649)	506	-	(143)	805,412	(805,412)	-	-
New originated or purchased	(8,874)	(663)	-	(9,537)	24,833,449	120,953	-	24,954,402
Repayment in full or in part during the period	216	204	10,167	10,587	(11,213,251)	(3,992,627)	(69,554)	(15,275,432)
Changes to ECL measurement model assumptions	(52,330)	(7,299)	10,950	(48,679)	-	-	-	-
Unwinding of discount	-	-	-	-	352,052	39,411	1,155	392,618
Changes in accrued interest	-	-	-	-	(27,618)	(6,421)	5,324	(28,715)
Transfer from preliminary and interim loans	8,053	960	7,113	16,126	(8,448,948)	(330,649)	(12,031)	(8,791,628)
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(52,959)</b>	<b>(26,541)</b>	<b>(18,625)</b>	<b>(98,125)</b>	<b>(792,188)</b>	<b>1,996,625</b>	<b>46,808</b>	<b>1,251,245</b>
<b>At 30 June 2018</b>	<b>(62,203)</b>	<b>(33,375)</b>	<b>(344,345)</b>	<b>(439,923)</b>	<b>91,932,847</b>	<b>6,305,754</b>	<b>735,387</b>	<b>98,973,988</b>

The following table discloses the changes in the credit loss allowance and gross carrying amount for housing loans and advances to customers carried at amortised cost between the beginning and the end of the prior reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<b>Housing loans</b>								
<b>As at 1 January 2018</b>	(140,613)	(15,884)	(94,891)	(251,388)	147,223,538	2,417,167	246,926	149,887,631
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	6,838	(29,423)	-	(22,585)	(9,067,709)	9,067,709	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(250)	17,774	17,524	-	48,038	(48,038)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	92	1,951	(52,547)	(50,504)	(87,779)	(59,589)	147,368	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(581)	1,778	3,047	4,244	604,538	(596,302)	(8,236)	-
New originated or purchased	(12,819)	(973)	(1,132)	(14,924)	22,360,742	91,874	3,059	22,455,675
Repayment in full or in part during the period	4,638	496	14,840	19,974	(20,985,327)	178,551	(57,555)	(20,864,331)
Changes to ECL measurement model assumptions	17,444	(1,961)	4,377	19,860	-	-	-	-
Unwinding of discount	-	-	-	-	17,859	682	42	18,583
Changes in accrued interest	-	-	-	-	(27,625)	(1,322)	3,269	(25,678)
Transfer from preliminary and interim loans	(20,992)	(5,281)	(15,298)	(41,571)	31,445,934	1,688,533	34,153	33,168,620
<b>Total movements with impact on credit loss allowance charge for the period</b>	<b>(5,380)</b>	<b>(33,663)</b>	<b>(28,939)</b>	<b>(67,982)</b>	<b>24,260,633</b>	<b>10,418,174</b>	<b>74,062</b>	<b>34,752,869</b>
<b>At 30 June 2018</b>	<b>(145,993)</b>	<b>(49,547)</b>	<b>(123,830)</b>	<b>(319,370)</b>	<b>171,484,171</b>	<b>12,835,341</b>	<b>320,988</b>	<b>184,640,500</b>

All loans were issued to individuals.

## 7 Loans and Advances to Customers (Continued)

Information about collateral is as follows at 30 June 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Housing loans</b>	<b>Preliminary housing loans</b>	<b>Interim housing loans</b>	<b>Total</b>
Unsecured loans	-	-	-	-
<i>Loans guaranteed by other individuals</i>	2,062,303	54,737	12,049	<b>2,129,089</b>
<i>Loans collateralised by:</i>				
- residential real estate	242,503,173	251,413,317	291,393,425	<b>785,309,915</b>
- land	914,601	32,684	904,551	<b>1,851,836</b>
- other real estate	27,128	7,378	176,414	<b>210,920</b>
- cash deposits	26,739	16,147,284	5,427,444	<b>21,601,467</b>
- residential real estate, deposits and guarantees (multi-collateral)	-	265,225	159,698	<b>424,923</b>
<i>Loans secured by other assets:</i>	946,372	-	-	<b>946,372</b>
<b>Total loans and advances to customers</b>	<b>246,480,316</b>	<b>267,920,625</b>	<b>298,073,581</b>	<b>812,474,522</b>

The value of real estate collateral is included only in the provision assessment of the loans with overdue 90 days and more.

Loans collateralized by commercial real estate are categorized within other real estate. Loans collateralized by property right are categorized within other. Loans and advances to customers are divided into categories based on the maximum value of the type of the collateral. That is the loan falls into certain category if it is pledged by the collateral, except for loans collateralized by property right and cash deposit. These loans are categorized within cash deposits. The amount of deposits held as collateral on loans granted as at 30 June 2019 was Tenge 232,822,518 thousand (31 December 2018: Tenge 199,313,288 thousand).

Information about collateral is as follows at 31 December 2018:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Housing loans</b>	<b>Preliminary housing loans</b>	<b>Interim housing loans</b>	<b>Total</b>
Unsecured loans	1,741	-	-	<b>1,741</b>
<i>Loans guaranteed by other individuals</i>	2,761,831	679,788	7,836	<b>3,449,455</b>
<i>Loans collateralised by:</i>				
- residential real estate	212,558,882	155,031,587	276,446,270	<b>644,036,739</b>
- land	858,593	35,762	885,160	<b>1,779,515</b>
- other real estate	23,430	7,372	113,792	<b>144,594</b>
- cash deposits	28,099	10,239,230	1,700,592	<b>11,967,921</b>
- residential real estate, deposits and guarantees (multi-collateral)	-	145,257	9,494	<b>154,751</b>
<i>Loans secured by other assets:</i>	775,385	-	-	<b>775,385</b>
<b>Total loans and advances to customers</b>	<b>217,007,961</b>	<b>166,138,996</b>	<b>279,163,144</b>	<b>662,310,101</b>

The amount of deposits held as collateral for loans as of 31 December 2018 was Tenge 199,313,288 thousand.

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Notes to Condensed Interim Financial Statements – 30 June 2019**

**7 Loans and Advances to Customers (Continued)**

The credit quality of loans is as follows at 30 June 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Interim loans</b>	<b>288,265,419</b>	<b>9,268,548</b>	<b>539,614</b>	<b>298,073,581</b>
Neither past due nor impaired fully collateralized:				
- LTV less 25%	1,229,103	42,307	-	1,271,410
- LTV from 25% to 50%	24,933,822	586,644	9,125	25,529,591
- LTV from 51% to 75%	245,751,040	4,903,758	140,406	250,795,204
- LTV from 76% to 100%	13,794,842	1,026,813	45,175	14,866,830
- LTV more than 100%	121,151	290,847	-	411,998
- less than 30 days overdue	2,623,690	1,455,984	30,228	4,109,902
- 31 to 60 days overdue	-	725,840	10,203	736,043
- 61 to 90 days overdue	-	285,944	-	285,944
- 91 to 180 days overdue	-	-	205,177	205,177
- 181 to 360 days overdue	-	-	28,454	28,454
- over 360 days overdue	-	-	566,360	566,360
Credit loss allowance	(188,229)	(49,589)	(495,514)	(733,332)
<b>Preliminary loans</b>	<b>224,114,627</b>	<b>43,447,431</b>	<b>358,567</b>	<b>267,920,625</b>
Neither past due nor impaired fully collateralized:				
- LTV less 25%	2,883,714	337,829	23,734	3,245,277
- LTV from 25% to 50%	11,510,271	1,361,249	24,846	12,896,366
- LTV from 51% to 75%	102,146,024	34,235,997	64,840	136,446,861
- LTV from 76% to 100%	105,413,730	3,882,887	-	109,296,617
- LTV more than 100%	1,272,610	177,041	8,129	1,457,780
- less than 30 days overdue	1,008,166	2,853,893	66,868	3,928,927
- 31 to 60 days overdue	-	608,497	29,071	637,568
- 61 to 90 days overdue	-	152,117	16,127	168,244
- 91 to 180 days overdue	-	-	83,630	83,630
- 181 to 360 days overdue	-	-	37,498	37,498
- over 360 days overdue	-	-	313,193	313,193
Credit loss allowance	(119,888)	(162,079)	(309,369)	(591,336)
<b>Housing loans</b>	<b>209,152,773</b>	<b>36,971,550</b>	<b>355,993</b>	<b>246,480,316</b>
Neither past due nor impaired fully collateralized:				
- LTV less 25%	40,361,902	16,375,547	50,025	56,787,474
- LTV from 25% to 50%	146,595,613	13,577,975	199,055	160,372,643
- LTV from 51% to 75%	18,621,908	3,102,517	35,570	21,759,995
- LTV from 76% to 100%	303,162	484,665	-	787,827
- LTV more than 100%	51,502	565,995	-	617,497
- unsecured	1,716,418	59,761	6,824	1,783,003
- less than 30 days overdue	1,669,595	2,167,124	24,905	3,861,624
- 31 to 60 days overdue	-	543,128	8,311	551,439
- 61 to 90 days overdue	-	189,640	175	189,815
- 91 to 180 days overdue	-	-	159,756	159,756
- 181 to 360 days overdue	-	-	59,865	59,865
- over 360 days overdue	-	-	29,177	29,177
Credit loss allowance	(167,327)	(94,802)	(217,670)	(479,799)
<b>Gross carrying amount</b>	<b>722,008,263</b>	<b>89,993,999</b>	<b>2,276,727</b>	<b>814,278,989</b>
Credit loss allowance	(475,444)	(306,470)	(1,022,553)	(1,804,467)
<b>Carrying amount</b>	<b>721,532,819</b>	<b>89,687,529</b>	<b>1,254,174</b>	<b>812,474,522</b>

**House Construction Savings Bank of Kazakhstan Joint Stock Company**  
**Notes to Condensed Interim Financial Statements – 30 June 2019**

**7 Loans and Advances to Customers (Continued)**

The credit quality of loans is as follows at 31 December 2018:

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
<b>Interim loans</b>	<b>268,693,856</b>	<b>10,362,090</b>	<b>844,443</b>	<b>279,900,389</b>
Neither past due nor impaired fully collateralized:	267,443,955	8,608,740	104,019	276,156,714
- LTV less 25%	1,172,369	135,687	-	1,308,056
- LTV from 25% to 50%	22,970,022	1,303,287	4,017	24,277,326
- LTV from 51% to 75%	233,238,838	6,736,618	95,785	240,071,241
- LTV from 76% to 100%	8,377,716	412,760	-	8,790,476
- LTV more than 100%	1,685,010	20,388	4,217	1,709,615
- less than 30 days overdue	1,249,901	1,104,160	-	2,354,061
- 31 to 60 days overdue	-	531,661	-	531,661
- 61 to 90 days overdue	-	117,529	-	117,529
- 91 to 180 days overdue	-	-	111,818	111,818
- 181 to 360 days overdue	-	-	28,219	28,219
Credit loss allowance	(222,702)	(79,022)	(435,521)	(737,245)
<b>Preliminary loans</b>	<b>154,661,451</b>	<b>11,288,049</b>	<b>659,749</b>	<b>166,609,249</b>
Neither past due nor impaired fully collateralized:	154,403,085	9,047,962	174,792	163,625,839
- LTV less 25%	3,124,835	327,530	-	3,452,365
- LTV from 25% to 50%	13,370,866	1,946,492	22,289	15,339,647
- LTV from 51% to 75%	95,601,370	6,004,901	140,021	101,746,292
- LTV from 76% to 100%	32,207,897	651,725	2,455	32,862,077
- LTV more than 100%	10,098,117	117,314	10,027	10,225,458
- less than 30 days overdue	258,366	1,788,568	45,442	2,092,376
- 31 to 60 days overdue	-	356,344	13,889	370,233
- 61 to 90 days overdue	-	95,173	22,145	117,318
- 91 to 180 days overdue	-	-	31,732	31,732
- 181 to 360 days overdue	-	-	38,003	38,003
- over 360 days overdue	-	-	333,747	333,747
Credit loss allowance	(84,013)	(71,233)	(315,007)	(470,253)
<b>Housing loans</b>	<b>158,661,059</b>	<b>58,404,136</b>	<b>413,069</b>	<b>217,478,264</b>
Neither past due nor impaired fully collateralized:	158,306,532	55,910,884	242,022	214,459,438
- LTV less 25%	28,921,051	24,024,695	61,607	53,007,353
- LTV from 25% to 50%	113,846,214	30,698,087	148,910	144,693,211
- LTV from 51% to 75%	13,356,977	993,055	24,484	14,374,516
- LTV from 76% to 100%	14,849	14,781	-	29,630
- LTV more than 100%	7,980	5,551	-	13,531
- unsecured	2,159,461	174,715	7,021	2,341,197
- less than 30 days overdue	354,527	1,988,386	22,736	2,365,649
- 31 to 60 days overdue	-	374,616	4,491	379,107
- 61 to 90 days overdue	-	130,250	1,723	131,973
- 91 to 180 days overdue	-	-	102,216	102,216
- 181 to 360 days overdue	-	-	14,337	14,337
- over 360 days overdue	-	-	25,544	25,544
Credit loss allowance	(153,915)	(158,906)	(157,482)	(470,303)
<b>Gross carrying amount</b>	<b>582,016,366</b>	<b>80,054,275</b>	<b>1,917,261</b>	<b>663,987,902</b>
Credit loss allowance	(460,630)	(309,161)	(908,010)	(1,677,801)
<b>Carrying amount</b>	<b>581,555,736</b>	<b>79,745,114</b>	<b>1,009,251</b>	<b>662,310,101</b>

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if there is any. Based on this, the ageing analysis of loans that are individually determined as impaired is presented above.

LTV (Loan-to-value) is the ratio of the total balance amount of loans on the date of the report to the value of collateral, which consists of real estate and cash collateral in the form of deposits.

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**8 Investments in Debt Securities**

<i>(in thousands of Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Debt securities at FVOCI	128,859,759	144,356,806
Debt securities at AC	120,293,673	8,845,229
<b>Total investments in debt securities</b>	<b>249,153,432</b>	<b>153,202,035</b>

The table below discloses investments in debt securities at 30 June 2019 by measurement categories and classes:

<i>(in thousands of Tenge)</i>	<b>Debt securities at FVOCI</b>	<b>Debt securities at AC</b>	<b>Total</b>
Government securities of the Ministry of Finance of RK	100,227,296	4,059,845	104,287,141
Notes of the National Bank of RK	-	100,161,999	100,161,999
Corporate bonds	7,472,522	16,085,067	23,557,589
Bonds issued by international financial organizations	16,569,331	-	16,569,331
Bonds of Kazakhstani non-bank financial institutions	5,062,725	-	5,062,725
Bonds issued by local executive bodies of RK	-	-	-
<b>Total investments in debt securities at 30 June 2019 (fair value or gross carrying value)</b>	<b>129,331,874</b>	<b>120,306,911</b>	<b>249,638,785</b>
Credit loss allowance	(472,115)	(13,238)	(485,353)
<b>Total investments in debt securities at 30 June 2019 (carrying value)</b>	<b>128,859,759</b>	<b>120,293,673</b>	<b>249,153,432</b>

The table below discloses investments in debt securities at 31 December 2018 by measurement categories and classes:

<i>(in thousands of Tenge)</i>	<b>Debt securities at FVOCI</b>	<b>Debt securities at AC</b>	<b>Total</b>
Government securities of the Ministry of Finance of RK	110,800,071	3,873,986	114,674,057
Notes of the National Bank of RK	5,044,967	4,972,101	10,017,068
Bonds issued by local executive bodies of RK	13,025,152	-	13,025,152
Corporate bonds	3,427,817	-	3,427,817
Bonds issued by international financial organizations	7,822,512	-	7,822,512
Bonds of Kazakhstani non-bank financial institutions	4,822,441	-	4,822,441
<b>Total investments in debt securities at 31 December 2018 (fair value or gross carrying value)</b>	<b>144,942,960</b>	<b>8,846,087</b>	<b>153,789,047</b>
Credit loss allowance	(586,154)	(858)	(587,012)
<b>Total investments in debt securities at 31 December 2018 (carrying value)</b>	<b>144,356,806</b>	<b>8,845,229</b>	<b>153,202,035</b>



## 8 Investments in Debt Securities (Continued)

### (a) Investments in debt securities at FVOCI

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 30 June 2019, for which an ECL allowance is recognised, based on credit risk grades.

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Total
<i>Government securities of the Ministry of Finance of RK</i>		
BBB- rated	100,227,296	100,227,296
<b>Gross carrying amount</b>	<b>100,227,296</b>	<b>100,227,296</b>
Less credit loss allowance	(18,727)	(18,727)
<b>Carrying value (fair value)</b>	<b>100,208,569</b>	<b>100,208,569</b>
<i>Corporate bonds</i>		
- BB+ to BB- rated	7,118,271	7,118,271
- unrated	354,251	354,251
<b>Gross carrying amount</b>	<b>7,472,522</b>	<b>7,472,522</b>
Less credit loss allowance	(394,278)	(394,278)
<b>Carrying value (fair value)</b>	<b>7,078,244</b>	<b>7,078,244</b>
<i>Bonds issued by international financial organizations</i>		
- AAA rated	2,069,421	2,069,421
- BBB- rated	14,499,910	14,499,910
<b>Gross carrying amount</b>	<b>16,569,331</b>	<b>16,569,331</b>
Less credit loss allowance	(33,663)	(33,663)
<b>Carrying value (fair value)</b>	<b>16,535,668</b>	<b>16,535,668</b>
<i>Bonds of Kazakhstani credit institutions other than banks</i>		
- BBB+ to BBB- rated	3,036,027	3,036,027
- BB+ to BB- rated	2,026,698	2,026,698
<b>Gross carrying amount</b>	<b>5,062,725</b>	<b>5,062,725</b>
Less credit loss allowance	(25,447)	(25,447)
<b>Carrying value (fair value)</b>	<b>5,037,278</b>	<b>5,037,278</b>

Gross carrying amount of investments at FVOCI as at 30 June 2019 was Tenge 129,331,874 thousand, and credit loss allowance was Tenge 472,115 thousand. During the period ended 30 June 2019, there were no transfers between credit quality stages.

The debt securities at FVOCI are not collateralised.

## 8 Investments in Debt Securities (Continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2018.

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>Government securities of the Ministry of Finance of RK</i>				
BBB- rated	110,800,071	-	-	110,800,071
<b>Gross carrying amount</b>	<b>110,800,071</b>	-	-	<b>110,800,071</b>
Less credit loss allowance	(21,287)	-	-	(21,287)
<b>Carrying value (fair value)</b>	<b>110,778,784</b>	-	-	<b>110,778,784</b>
<i>Notes of the National Bank of RK</i>				
BBB- rated	5,044,967	-	-	5,044,967
<b>Gross carrying amount</b>	<b>5,044,967</b>	-	-	<b>5,044,967</b>
Less credit loss allowance	(123)	-	-	(123)
<b>Carrying value (fair value)</b>	<b>5,044,844</b>	-	-	<b>5,044,844</b>
<i>Bonds issued by local executive bodies of RK</i>				
BBB- rated	13,025,152	-	-	13,025,152
<b>Gross carrying amount</b>	<b>13,025,152</b>	-	-	<b>13,025,152</b>
Less credit loss allowance	(1,366)	-	-	(1,366)
<b>Carrying value (fair value)</b>	<b>13,023,786</b>	-	-	<b>13,023,786</b>
<i>Corporate bonds</i>				
BB+ to BB- rated	3,073,566	-	-	3,073,566
unrated	-	-	354,251	354,251
<b>Gross carrying amount</b>	<b>3,073,566</b>	-	<b>354,251</b>	<b>3,427,817</b>
Less credit loss allowance	(68,032)	-	(354,251)	(422,283)
<b>Carrying value (fair value)</b>	<b>3,005,534</b>	-	-	<b>3,005,534</b>

**8 Investments in Debt Securities (Continued)**

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12- months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>Bonds issued by international financial organizations</i>				
- BBB- rated	7,822,512	-	-	7,822,512
<b>Gross carrying amount</b>	<b>7,822,512</b>	-	-	<b>7,822,512</b>
Less credit loss allowance	(18,522)	-	-	(18,522)
<b>Carrying value (fair value)</b>	<b>7,803,990</b>	-	-	<b>7,803,990</b>
<i>Bonds of Kazakhstani credit institutions other than banks</i>				
- BBB+ to BBB- rated	2,801,528	-	-	2,801,528
- BB+ to BB- rated	2,020,913	-	-	2,020,913
<b>Gross carrying amount</b>	<b>4,822,441</b>	-	-	<b>4,822,441</b>
Less credit loss allowance	(122,573)	-	-	(122,573)
<b>Carrying value (fair value)</b>	<b>4,699,868</b>	-	-	<b>4,699,868</b>

During the year ended 31 December 2018, there were no transfers between credit quality stages.

The debt securities at FVOCI are not collateralised.

As at 30 June 2019 debt securities at FVOCI with carrying amount of Tenge 5,502,472 thousand were pledged as collateral to third parties for other financial liabilities. Refer to Note 13. The counterparty has no right to sell or repledge these investment securities.

The credit ratings are based on Standard & Poor's (if available) or Moody's and Fitch, which are converted to the nearest equivalent on the Standard & Poor's rating scale.

## 8 Investments in Debt Securities (Continued)

### (b) Investments in debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality at 30 June 2019 based on credit risk grades and discloses the balances by three stages for the purpose of ECL measurement.

The carrying amount of debt securities at AC at 30 June 2019 below also represents the Bank's maximum exposure to credit risk on these assets.

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Total
<i>Notes of the National Bank of RK</i> BBB- rated	100,161,999	100,161,999
<b>Gross carrying amount</b>	<b>100,161,999</b>	<b>100,161,999</b>
Less credit loss allowance	(9,318)	(9,318)
<b>Carrying value (fair value)</b>	<b>100,152,681</b>	<b>100,152,681</b>
<i>Government securities of the Ministry of Finance of RK</i> BBB- rated	4,059,845	4,059,845
<b>Gross carrying amount</b>	<b>4,059,845</b>	<b>4,059,845</b>
Less credit loss allowance	(560)	(560)
<b>Carrying value (fair value)</b>	<b>4,059,285</b>	<b>4,059,285</b>
<i>Corporate bonds</i> BBB rated	16,085,067	16,085,067
<b>Gross carrying amount</b>	<b>16,085,067</b>	<b>16,085,067</b>
Less credit loss allowance	(3,360)	(3,360)
<b>Carrying value (fair value)</b>	<b>16,081,707</b>	<b>16,081,707</b>

Gross carrying amount of investments at AC as at 30 June 2019 was Tenge 120,306,911 thousand, and credit loss allowance was Tenge 13,238 thousand. During the period ended 30 June 2019, there were no transfers between credit quality stages.

## 8 Investments in Debt Securities (Continued)

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2018.

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Total
<i>Notes of the National Bank of RK</i> BBB- rated	4,972,101	4,972,101
<b>Gross carrying amount</b>	<b>4,972,101</b>	<b>4,972,101</b>
Less credit loss allowance	(88)	(88)
<b>Carrying value (fair value)</b>	<b>4,972,013</b>	<b>4,972,013</b>
<i>Government securities of the Ministry of Finance of RK</i> BBB- rated	3,873,986	3,873,986
<b>Gross carrying amount</b>	<b>3,873,986</b>	<b>3,873,986</b>
Less credit loss allowance	(770)	(770)
<b>Carrying value (fair value)</b>	<b>3,873,216</b>	<b>3,873,216</b>

During the year ended 31 December 2018, there were no transfers between credit quality stages.

## 9 Other Financial Assets and Other Assets

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2019	31 December 2018
Accounts receivable from banking activities	4,315,098	1,771,342
<b>Total other financial assets</b>	<b>4,315,098</b>	<b>1,771,342</b>

Accounts receivable for banking activities are mainly represent the requirements to the Government of the Republic of Kazakhstan for state premiums and requirements to second-tier banks on accepted payments from the Bank's clients through ATMs, Internet banking and terminals for transfer to current and savings accounts of customers opened with the Bank, which are closed on the next business day after the transfer of actual amounts and receipt of the register of payments from second-tier banks.

Other financial assets are neither impaired nor past due. For the purposes of ECL measurement, other financial assets are included in Stage 1. Due to the short-term nature of other financial assets, the Bank does not create credit loss allowance for them. The credit quality of receivables on banking activity as at 30 June 2019 and 31 December 2018 is as follows:

## 9 Other Financial Assets and Other Assets (Conitnued)

Analysis of the bank's receivables by quality as of 30 June, 2019 and 31 December, 2018 is as follows.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
<i>Neither past due nor impaired</i>		
- BBB-to BBB+ rated	3,053,816	307
- BB- to BB+ rated	1,251,987	1,758,966
- B- to B+ rated	9,245	11,890
- unrated	50	179
<b>Total receivables on banking activity, neither past due nor impaired</b>	<b>4,315,098</b>	<b>1,771,342</b>

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Prepayments for services	228,464	104,195
Inventory and other materials	206,504	87,996
Prepayments for taxes excluding profit tax	88,307	1,629
Other	121,549	26,170
Less: provision for impairment	(1,839)	(2,130)
<b>Total other assets</b>	<b>642,985</b>	<b>217,860</b>

## 10 Customer Accounts

Customer accounts include balances on current accounts and term deposits of individuals and are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 018</b>
<b>Individuals</b>		
Long-term deposits	464,549,424	426,289,096
Current accounts	<b>15,416,628</b>	<b>13,405,236</b>
<b>Legal entities</b>		
Current accounts	60,197,372	26,490,341
<b>Customer accounts</b>	<b>540,163,424</b>	<b>466,184,673</b>
Held as security under loans issued	234,924,384	199,313,288
<b>Total customer accounts</b>	<b>775,087,808</b>	<b>665,497,961</b>

Customer accounts are classified as long-term based on contractual maturities. However, individuals have a right to withdraw their deposits prior to maturity.

At 30 June 2019 customer accounts in the amount of Tenge 60,409,715 thousand (8% of the total balance) represented accounts of the largest ten customers of the Bank, including Tenge 60,192,383 thousand on funds of legal entities and Tenge 217,332 thousand on funds of individuals. At 31 December 2018, customer accounts in the amount of Tenge 26,765,136 thousand (4% of the total balance) represented accounts of the largest ten customers, including Tenge 26,481,863 thousand on funds of legal entities and Tenge 283,273 thousand on funds of individuals.

## **10 Customer Accounts (Continued)**

Under the terms of Agreement on housing construction savings, Bank's depositors have the right to receive a housing loan equal to difference between agreement amount and their accumulated savings, accrued interest and state premium within the framework of the Law on Housing Construction Savings providing that the depositor fully complies with the contractual provisions of Agreement on housing construction savings. Thus, the Bank has contingent liabilities to depositors for the issuance of housing loans (Note 20).

The Government allocates annual premiums to depositors' housing construction saving deposits from the state budget including accrued interest in the amount not exceeding 20% of 200 monthly calculation indexes per customer to encourage housing construction in Kazakhstan.

Amounts of state premiums are calculated and placed to depositor's accounts only after they are actually received from the Committee for Construction of housing and Communal Services and land resources management of the Ministry of national economy of the Republic of Kazakhstan.

The Bank does not have any responsibility to the depositors in the event that the Committee for Construction of housing and Communal Services and land resources management of the Ministry of national economy of the Republic of Kazakhstan fails to provide state premium on customer accounts to the Bank.

Current accounts of legal entities represent current accounts of Parent Company subsidiaries. The Bank accrues for interest on the current account balances of legal entities (Parent Company subsidiaries) at the rate of up to 7.5%.

## **11 Borrowed Funds**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Ministry of Finance of the Republic of Kazakhstan	26,895,044	20,313,615
Samruk-Kazyna National Wealth Fund JSC	23,216,287	31,895,684
Parent Company	6,404,899	6,182,144
Almaty Mayor's Office	2,730,321	1,179,020
<b>Total borrowed funds</b>	<b>59,246,551</b>	<b>59,570,463</b>

Upon initial recognition the Bank recorded the above mentioned borrowings at fair value (Note 4).

On 1 February 2019 the Bank repaid 50% of the principal loan #7- ЖССБ dated 4 February 2010 received from Samruk-Kazyna National Wealth Fund JSC in the amount of Tenge 9,138,500 thousand and interest of Tenge 12,730 thousand.

## **11 Borrowed Funds (Continued)**

The table below provides movements in the Bank's borrowed funds arising as a result of financing activities for each period presented. Indebtedness items were recorded in the statement of cash flows within financing activities.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Borrowed funds</b>
<b>Balance at 1 January 2018</b>	<b>72,102,439</b>
Cash flow	16,635,624
Other changes not associated with cash flow	(29,167,600)
<b>Balance at 31 December 2018</b>	<b>59,570,463</b>
<b>Balance at 1 January 2019</b>	<b>59,570,463</b>
Cash flow	20,361,500
Other changes not associated with cash flow	(20,685,412)
<b>Balance at 30 June 2019</b>	<b>59,246,551</b>

## **12 Debt Securities in Issue**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Bonds issued on domestic market	57,730,697	57,730,697
<b>Total debt securities in issue</b>	<b>57,730,697</b>	<b>57,730,697</b>

On 28 June 2019 the Bank paid a half-year coupon in the amount of Tenge 460,638 thousand on issued debt securities. The carrying value of debt securities in issue as at 30 June 2019 was Tenge 57,730,697 thousand.

In December 2018, the Bank issued and placed coupon bonds at the "Astana" International Financial Centre. The number of issued bonds was 57,700,000 bonds with a par value of Tenge 1,000.

These bonds mature on 28 December 2033, have a coupon rate of 9.58% per annum to be paid twice a year. Basis for coupon interest calculation was 30 days per month and 360 days per year.



### 13 Other Financial Liabilities and Other Liabilities

Other liabilities include the following items:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Dividends payable	7,936,551	-
REPO Transactions	5,502,472	-
Deferred commission income	2,745,016	2,929,792
Other liabilities accrued	851,756	538,952
Financial lease received	246,174	-
<b>Total other financial liabilities</b>	<b>17,281,969</b>	<b>3,468,744</b>
Accrued employee benefits costs	1,401,857	918,163
Accrued expenses for administrative activities	322,761	810,041
Taxes payable other than income tax	242,223	40,740
Others	131,363	126,233
<b>Total other liabilities</b>	<b>2,098,204</b>	<b>1,895,177</b>

Deferred commission income is a part of the commission fee of 50% received for conclusion of a contract for housing construction savings and the change in the terms of the contract for housing construction savings, which at the time of receiving the loan is transferred to the loan's discount account and is amortized taking into account loan provision fees for the entire period of the loan at the effective interest rate.

### 14 Share Capital

<i>In thousands of Kazakhstani Tenge except for number of shares</i>	<b>Shares (thousands of units)</b>	<b>Ordinary shares</b>	<b>Total</b>
<b>At 1 January 2018</b>	7,830	78,300,000	78,300,000
New shares issued	-	-	-
<b>At 30 June 2018</b>	<b>7,830</b>	<b>78,300,000</b>	<b>78,300,000</b>
<b>At 1 January 2019</b>	7,830	78,300,000	78,300,000
New shares issued	-	-	-
<b>At 30 June 2019</b>	<b>7,830</b>	<b>78,300,000</b>	<b>78,300,000</b>

At the shareholders meeting on April 30, 2019, the Bank declared dividends for 2018 ended on December 31, 2018, for a total of Tenge 7,936,551 thousand. The dividend per one common share was equal to Tenge 1,013.

## 15 Interest Income and Expense

<i>(in thousands of Kazakhstani Tenge)</i>	<b>For six months ended 30 June 2019</b>	<b>For six months ended 30 June 2018</b>
<b>Interest income calculated using the effective interest method</b>		
Loans and advances to customers at AC	25,857,184	18,156,364
Debt securities at AC	6,488,788	5,275,924
Debt securities at FVOCI	5,416,466	6,380,679
Due from the National Bank of the Republic of Kazakhstan	1,858,998	515,890
Due from other banks at AC	111,528	241,608
<b>Total interest income calculated using the effective interest method</b>	<b>39,732,964</b>	<b>30,570,465</b>
<b>Interest and other similar expense</b>		
Customer accounts	(8,069,509)	(4,851,458)
Bonds in issue	(2,763,830)	-
Borrowed funds	(1,684,927)	(1,547,414)
Lease liabilities	(11,089)	-
REPO transactions	(2,471)	-
<b>Total interest and other similar expense</b>	<b>(12,531,826)</b>	<b>(6,398,872)</b>
<b>Net interest income</b>	<b>27,201,138</b>	<b>24,171,593</b>

Interest income includes interest income of Tenge 13,588 thousand (2018: Tenge 8,220 thousand) recognised for impaired non-performing customer loans.

## 16 Income Tax

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

<i>(in thousands of Kazakhstani Tenge)</i>	<b>For six months ended 30 June 2019</b>	<b>For six months ended 30 June 2018</b>
Current income tax expense	1,347,964	1,162,410
Deferred tax benefit	(653,852)	(628,436)
<b>Income tax expense for the period</b>	<b>694,112</b>	<b>533,974</b>

The income tax rate applicable to the majority of the Bank's income is 20 % (2018: 20 %).

## 17 Financial Risk Management

The Bank's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and other price risks), loan risk and liquidity risk.

The risk management function within the Bank is carried out in respect of financial risks and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational risks.

## 17 Financial Risk Management (Continued)

The objectives, policies and processes for managing the financial risks and the methods used to measure the risks applied by the Bank during the six months ended 30 June 2019 are consistent with those applied during the year 2018.

**Interest rate risk.** The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate and monitors compliance with the limits set on regular basis.

As of 30 June 2019 and 31 December 2018 assets with floating exchange rate are absent. The Bank monitors interest rates for its financial instruments. All financial instruments are denominated in Kazakhstani Tenge, except for correspondent accounts in other banks denominated in foreign currency.

The table below summarises interest rates at 30 June 2019 and 31 December 2018:

<i>(in % p.a.)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Assets</b>		
Cash and cash equivalents	5.89%	7.43%
Debt securities at FVOCI	8.00%	8.08%
Debt securities at AC	8.82%	7.08%
Loans and advances to customers	7.29%	6.77%
<b>Liabilities</b>		
Customer accounts	2.00%	2.00%
Borrowings from the Government of RK	7.05%	6.61%
Borrowings from Samruk-Kazyna	4.94%	5.17%
Borrowings from NMH Bayterek	7.97%	7.97%
Borrowings from Administration of Almaty	4.04%	8.95%
Bonds in issue	9.58%	9.58%
REPO transaction	8.20%	-

**Other price risk.** In the first half of 2019 the Bank did not conduct operations with equity shares. There were no active operations and transactions that would indicate potential decrease in value.

The Bank is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Bank's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortized cost and the prepayment right is at, or close to, the amortized cost of the loans and advances to customers (2018: no material impact).

**Other risk concentrations.** Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets (Note 7). The Bank did not have any such significant risk concentrations at 31 December 2018 and 30 June 2019.

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of funds received from the Government and deposits (housing construction savings of individuals). The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

## **17 Financial Risk Management (Continued)**

The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirement of the National Bank of the Republic of Kazakhstan. These ratios include:

- Current liquidity coefficient (k4), which is calculated as the average monthly value of highly liquid assets of the Bank to the average monthly value of demand liabilities considering accrued interest. At 30 June 2019 this coefficient was 3.55 (2018: 5.03);
- Acid-test coefficient (k4-1), which is calculated as the average monthly value of highly liquid assets to the average monthly value of term liabilities with remaining maturity of up to seven days inclusive. At 30 June 2019 this coefficient was 182.62 (2018: 3.06);
- Acid-test coefficient (k4-2), which is calculated as the average monthly value of liquid assets with remaining maturity of up to one month (inclusive), including highly liquid assets, to the average monthly value of term liabilities with the remaining maturity of up to one month inclusive. At 30 June 2019 this coefficient was 56.21 (2018: 3.15);
- Acid-test coefficient (k4-3), which is calculated as the average monthly value of liquid assets with remaining maturity of up to three months (inclusive), including highly liquid assets, to the average monthly value of term liabilities with remaining maturity of up to three months inclusive. At 30 June 2019 this coefficient was 16.15 (2018: 2.67).

The Treasury Department provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank monitors the daily liquidity position and regularly conducts liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions.

The table below shows liabilities at 30 June 2019 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows on financial liabilities and financial assets differ from the amounts included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

## 17 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 30 June 2019 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	49,342,504	24,802,560	-	-	-	74,145,064
Loans and advances to customers	51,680	743,735	3,515,899	343,724,899	787,691,028	1,135,727,241
Investment securities at FVOCI	1,054,773	10,449,965	21,765,859	102,870,244	20,471,268	156,612,109
Investment securities at AC	-	91,833	78,496,587	29,689,948	-	108,278,368
Other financial assets	4,315,098	-	-	-	-	4,315,098
<b>Total assets</b>	<b>54,764,055</b>	<b>36,088,093</b>	<b>103,778,345</b>	<b>476,285,091</b>	<b>808,162,296</b>	<b>1,479,077,880</b>
<b>Liabilities</b>						
Borrowed funds	-	9,199,823	-	28,167,548	88,838,519	126,205,890
Bonds in issue	-	2,763,830	2,763,830	19,346,810	112,976,600	137,851,070
Customer accounts	80,308,274	22,732,112	139,168,832	317,406,812	274,251,853	833,867,883
Other financial liabilities	11,779,497	-	-	-	-	11,779,497
REPO transaction	5,502,472	-	-	-	-	5,502,472
<b>Total potential future payments for financial obligations</b>	<b>97,590,243</b>	<b>34,695,765</b>	<b>141,932,662</b>	<b>364,921,170</b>	<b>476,066,972</b>	<b>1,115,206,813</b>
<b>Contingent liabilities</b>						
Irrevocable loan commitments	2,435,368	12,176,830	9,741,460	-	-	24,353,658

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

*House Construction Savings Bank of Kazakhstan Joint Stock Company*  
*Notes to Condensed Interim Financial Statements – 30 June 2019*

**17 Financial Risk Management (Continued)**

The maturity analysis of financial instruments at 31 December 2018 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	173,513,761	-	-	-	-	173,513,761
Loans and advances to customers	159,872	2,046,237	2,261,444	328,840,981	577,758,968	911,067,502
Investment securities at FVOCI	5,160,388	27,382,306	9,078,400	98,021,862	32,695,042	172,337,998
Investment securities at AC	5,000,069	-	2,074,064	2,087,064	-	9,161,197
Other financial assets	1,771,342	-	-	-	-	1,771,342
<b>Total assets</b>	<b>185,605,432</b>	<b>29,428,543</b>	<b>13,413,908</b>	<b>428,949,907</b>	<b>610,454,010</b>	<b>1,267,851,800</b>
<b>Liabilities</b>						
Borrowed funds	-	9,192,270	9,191,829	28,301,740	73,133,748	119,819,587
Bonds in issue	-	2,763,830	2,763,830	19,346,810	115,740,430	140,614,900
Customer accounts	143,914,169	20,173,817	28,555,026	313,393,557	206,209,499	712,246,068
Other financial liabilities	3,257,742	-	-	-	-	3,257,742
<b>Total potential future payments for financial obligations</b>	<b>147,171,911</b>	<b>32,129,917</b>	<b>40,510,685</b>	<b>361,042,107</b>	<b>395,083,677</b>	<b>975,938,297</b>
<b>Contingent liabilities</b>						
Irrevocable loan commitments	2,046,723	10,233,614	8,186,891	-	-	20,467,228

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 30 June 2019</b>						
Financial assets	258,324,916	25,914,866	6,735,053	313,398,966	535,686,544	1,140,060,345
Financial liabilities	97,586,680	31,783,264	136,685,912	326,859,728	316,675,862	909,591,445
<b>Net liquidity gap based on expected maturities</b>	<b>160,738,236</b>	<b>(5,868,398)</b>	<b>(129,950,859)</b>	<b>(13,460,762)</b>	<b>219,010,682</b>	<b>230,468,900</b>
<b>Accumulated liquidity gap based on expected maturities</b>	<b>160,738,236</b>	<b>154,869,839</b>	<b>24,918,980</b>	<b>11,458,218</b>	<b>230,468,900</b>	<b>-</b>
<b>At 31 December 2018</b>						
Financial assets	313,192,942	2,103,844	2,167,261	275,876,243	397,336,505	990,676,795
Financial liabilities	147,001,254	29,203,202	37,077,676	321,149,573	251,625,158	786,056,863
<b>Net liquidity gap based on expected maturities</b>	<b>166,191,688</b>	<b>(27,099,358)</b>	<b>(34,910,415)</b>	<b>(45,273,330)</b>	<b>145,711,347</b>	<b>204,619,932</b>
<b>Accumulated liquidity gap based on expected maturities</b>	<b>166,191,688</b>	<b>139,092,330</b>	<b>104,181,915</b>	<b>58,908,585</b>	<b>204,619,932</b>	<b>-</b>

## 17 Financial Risk Management (Continued)

The entire portfolio of trading securities are classified as "On demand and less than one month" in accordance with the assessment of the liquidity management of the portfolio

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

## 18 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The Bank's CODM is the Management Board. For the purpose of operating decisions and distribution of resources, the Management Board uses IFRS financial information.

### *(a) Description of products and services from which each reportable segment derives its revenue*

The Bank's operations are divided into two main operating segments: mortgage/retail banking, which includes housing loans, deposits and individual customer accounts; and investment banking operations represented by cash and cash equivalents, securities and due from other banks.

### *(b) Measurement of operating segment profit or loss, assets and liabilities*

Segment information for the reportable segments for six months ended 30 June 2019 is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/ retail banking	Investment banking operations	Total
Cash and cash equivalents	6	-	74,145,064	74,145,064
Loans and advances to customers	7	812,474,522	-	812,474,522
Investments in debt securities	8	-	249,153,432	249,153,432
Investments in equity securities		-	18,909	18,909
<b>Total assets of operating segments</b>		<b>812,474,522</b>	<b>323,317,405</b>	<b>1,135,791,927</b>
Customer accounts	10	775,087,808	-	775,087,808
Borrowed funds	11	59,246,551	-	59,246,551
Debt securities in issue	12	57,730,697	-	57,730,697
Other financial liabilities	13	9,345,418	-	9,345,418
<b>Total liabilities of operating segments</b>		<b>901,410,474</b>	<b>-</b>	<b>901,410,474</b>
<b>Capital expenditures</b>		<b>-</b>	<b>(617,264)</b>	<b>(617,264)</b>

Capital expenditures represent acquisition of property and equipment.

*House Construction Savings Bank of Kazakhstan Joint Stock Company*  
*Notes to Condensed Interim Financial Statements – 30 June 2019*

**18 Segment Information (Continued)**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Mortgage/ retail banking</b>	<b>Investment banking operations</b>	<b>Total</b>
<b>Six months ended 30 June 2019 (unaudited)</b>			
<b>Segment revenues</b>			
Interest income on loans to customer	25,857,184	-	25,857,184
Interest income on securities and due from the National Bank of the Republic of Kazakhstan	-	13,875,780	13,875,780
Interest expense on customer accounts	(8,069,509)	-	(8,069,509)
Interest expense on borrowed funds	(1,684,927)	-	(1,684,927)
Interest expense on bonds in issue	(2,763,830)	-	(2,763,830)
Interest expense on other financial liabilities	(13,560)	-	(13,560)
<b>Net interest income</b>	<b>13,325,358</b>	<b>13,875,780</b>	<b>27,201,138</b>
Credit loss allowance	(126,537)	102,955	(23,582)
<b>Net interest income after credit loss allowance</b>	<b>13,198,821</b>	<b>13,978,735</b>	<b>27,177,556</b>
Fee and commission income	647,520	-	647,520
Fee and commission expense	(1,940,317)	(44,657)	(1,984,974)
Net loss on initial recognition of financial instruments at below-market rates	(2,343,111)	-	(2,343,111)
Gains less losses from trading securities	-	2,436	2,436
Provision for impairment of investment securities	-	(423)	(423)
Other (expenses) / income	(612,771)	-	(612,771)
Administrative and other operating expenses	-	(8,246,129)	(8,246,129)
<b>Segment results</b>	<b>8,950,142</b>	<b>5,689,962</b>	<b>14,640,104</b>

Segment information for the reportable segments for the year ended 31 December 2018:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Note</b>	<b>Mortgage/ retail banking</b>	<b>Investment banking operations</b>	<b>Total</b>
Cash and cash equivalents	6	-	173,374,282	173,374,282
Loans and advances to customers	7	662,310,101	-	662,310,101
Investments in debt securities	8	-	153,202,035	153,202,035
Investments in equity securities		-	19,034	19,034
<b>Total assets of operating segments</b>		<b>662,310,101</b>	<b>326,595,351</b>	<b>988,905,452</b>
Customer accounts	10	665,497,961	-	665,497,961
Borrowed funds	11	59,570,463	-	59,570,463
Debt securities in issue	12	57,730,697	-	57,730,697
Other liabilities	13	3,468,744	-	3,468,744
<b>Total liabilities of operating segments</b>		<b>786,267,865</b>	<b>-</b>	<b>786,267,865</b>
<b>Capital expenditures</b>		<b>-</b>	<b>(1,169,958)</b>	<b>(1,169,958)</b>



## 18 Segment Information (Continued)

Segment information for the reportable segments for six months ended 30 June 2018 is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Mortgage/ retail banking</b>	<b>Investment banking operations</b>	<b>Total</b>
<b>Six months ended 30 June 2018</b>			
<b>Segment revenues</b>			
Interest income on loans to customer	18,156,364	-	18,156,364
Interest income on securities and due from the National Bank of the Republic of Kazakhstan	-	12,414,101	12,414,101
Interest expense on customer accounts	(4,851,458)	-	(4,851,458)
Interest expense on borrowed funds	(1,547,414)	-	(1,547,414)
<b>Net interest income</b>	<b>11,757,492</b>	<b>12,414,101</b>	<b>24,171,593</b>
Credit loss allowance	(393,198)	-	(393,198)
<b>Net interest income after credit loss allowance</b>	<b>11,364,294</b>	<b>12,414,101</b>	<b>23,778,395</b>
Fee and commission income	442,552	-	442,552
Fee and commission expense	(723,019)	(42,899)	(765,918)
Net loss on initial recognition of financial assets at below-market rates	(1,734,449)	(22,616)	(1,757,065)
Provision for impairment of investment securities	-	(6,283)	(6,283)
Other (expenses)/ income	(498,178)	64,349	(433,829)
Administrative and other operating expenses	(4,085,307)	(1,988,011)	(6,073,318)
<b>Segment results</b>	<b>4,765,893</b>	<b>10,418,641</b>	<b>15,184,534</b>

### *(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities*

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Total assets of operating segments</b>	<b>1,135,791,927</b>	<b>988,905,452</b>
Property and equipment	4,043,674	3,625,112
Intangible assets	3,170,745	2,375,748
Other assets	5,042,603	2,397,669
Long-term assets available for sale	945,626	1,036,265
<b>Total assets</b>	<b>1,148,994,575</b>	<b>998,340,246</b>
<b>Total liabilities of operating segments</b>	<b>901,410,474</b>	<b>786,267,865</b>
Deferred tax liability	14,286,135	10,515,406
Other liabilities	10,034,755	1,895,177
<b>Total liabilities</b>	<b>925,731,364</b>	<b>798,678,448</b>

## 18 Segment Information (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	Six months ended 30 June 2019	Six months ended 30 June 2018
<b>Segment results</b>	<b>14,640,104</b>	<b>15,184,534</b>
Other income	137,750	114,965
<b>Profit before tax</b>	<b>14,777,854</b>	<b>15,299,499</b>
Income tax expense	(694,112)	(533,974)
<b>Profit for the period</b>	<b>14,083,742</b>	<b>14,765,525</b>

The Bank generates its revenues in Kazakhstan. The Bank does not have major external customers abroad. The Bank does not have significant income or expense between operating segments. The Bank does not have clients which would represent at least ten percent of total revenues for 2019 (2018: nil).

## 19 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

### a) Recurring fair value measurements

Recurring fair value measurements are those that IFRS require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy, into which the recurring fair value measurements are categorized, are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2019			31 December 2018		
	Level 1	Level 2	Итого	Level 1	Level 2	Итого
<b>Assets measured at fair value</b>						
<b>Financial assets</b>						
<b>Investments in debt securities</b>						
- Treasury bonds of Ministry Finance of the Republic of Kazakhstan	-	100,208,569	100,208,569	-	110,778,784	110,778,784
- National Bank of the Republic of Kazakhstan	-	-	-	-	5,044,844	5,044,844
- Bonds of local executive bodies of RK	-	-	-	-	13,023,786	13,023,786
- Corporate Bonds	-	7,078,244	7,078,244	-	3,005,534	3,005,534
- International financial organizations bonds	-	16,535,668	16,535,668	-	7,803,990	7,803,990
- Bonds of Kazakhstani non-banking financial institutions	-	5,037,278	5,037,278	-	4,699,868	4,699,868
<b>Investments in equity securities</b>						
- Ordinary and preferred shares of the second tier banks of the Republic of Kazakhstan	-	18,909	18,909	-	19,034	19,034
<b>Total assets recurring fair value measurements</b>	<b>-</b>	<b>128,878,668</b>	<b>128,878,668</b>	<b>-</b>	<b>144,375,840</b>	<b>144,375,840</b>

## 19 Fair Value Disclosures (Continued)

Fair value of investment securities was measured using the rates of Kazakhstan Stock Exchange JSC. Due to low volumes of trading in similar instruments, the mentioned investment securities were classified as Level 2 instruments.

### *(b) Assets and liabilities not measured at fair value but for which fair value is disclosed*

Fair values analysed by level in the fair value hierarchy and the carrying value of assets not measured at fair value are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2019				31 December 2018			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value
<b>Financial assets</b>								
Cash and cash equivalents	-	52,185,185	-	52,185,185	-	69,300,201	-	69,300,201
Loans and advances to customers	-	714,106,796	98,367,726	812,474,522	-	582,986,473	79,323,628	662,310,101
Investment securities at AC	120,293,673	-	-	120,293,673	8,845,229	-	-	8,845,229
Other financial assets	-	-	4,315,098	4,315,098	-	-	1,771,342	1,771,342
<b>Total</b>	<b>120,293,673</b>	<b>766,291,981</b>	<b>102,682,824</b>	<b>989,268,478</b>	<b>8,845,229</b>	<b>652,286,674</b>	<b>81,094,970</b>	<b>742,226,873</b>

Fair values analysed by level in the fair value hierarchy and the carrying value of liabilities not measured at fair value are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2019				31 December 2018			
	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 2 Fair value	Level 3 Fair value	Carrying value	
<b>Financial liabilities</b>								
Customer accounts	-	775,087,808	-	775,087,808	665,497,961	-	665,497,961	
Borrowed funds	-	54,120,744	-	59,246,551	58,434,733	-	59,570,462	
Debt securities in issue	-	63,201,700	-	57,730,697	57,730,697	-	57,730,697	
Other financial liabilities	5,500,001	-	3,842,946	9,345,418	-	3,468,744	3,468,744	
<b>Total</b>	<b>5,500,001</b>	<b>892,410,252</b>	<b>3,842,946</b>	<b>901,410,474</b>	<b>781,663,391</b>	<b>3,468,744</b>	<b>786,267,864</b>	

**Cash and cash equivalents.** Total cash balance is carried at amortised cost and is classified at Level 1. The fair value of these funds is equal to their carrying amount.

**Loans and advances to customers and customer accounts.** Estimated fair value of all loans and advances to customers/customer accounts (other than issued/received within state programmes) approximates their carrying amount since interest rates under the programmes have not changed since origination. These loans are classified by the Bank's management as Level 2 in the fair value hierarchy.

The estimated fair value of loans and advances to customers issued under government programs is based on the expected future cash flows calculated at the current interest rates for new loans issued not under government programs. Consequently, the management of the Bank applied the judgments in calculating the fair value of these instruments and referred them to Level 3 of the fair value hierarchy. (see Note 5)

**Investment securities carried at amortised cost.** Due to active market, investment securities carried at amortised cost are classified at Level 1.

**Due from other banks and borrowed funds.** Estimated fair value of due from other banks is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar loan risk and remaining maturities. The estimated fair value of borrowed funds is based on the expected future cash flows calculated using the yield curve for government bonds.

## **20 Contingencies and Commitments**

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

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial information only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made as at 30 June 2019 and 31 December 2018 for any of the contingent liabilities mentioned above, since it was not necessary.

**Credit related commitments.** The undrawn loan commitment represents the contingent liability of the Bank to provide loans to depositors since all conditions of the housing agreements were reached.

Financial and contingent liabilities of the Bank comprise:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Obligations to provide loans	24,353,658	20,467,228
<b>Financial and contingent liabilities</b>	<b>24,353,658</b>	<b>20,467,228</b>

## **21 Related Party Transactions**

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

These financial statements disclose information about individually insignificant transactions and balances with the government and parties that are related to the entity because the Government has control, joint control or significant influence over such party.

The Bank purchases goods and services from a large number of enterprises with state participation. These purchases alone amount to insignificant amounts and are usually carried out on a commercial basis. The operations with the state also include taxes, which are disclosed in Notes 13 and 16.

Other related parties include the Government, Government-controlled entities and other affiliated individuals.

## 21 Related Party Transactions (Continued)

At 30 June 2019, the outstanding balances with related parties were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Parent company</b>	<b>Entities under common control</b>	<b>Key management personnel</b>	<b>Other related parties</b>
Cash and cash equivalents (contractual interest rate: 8.8%)	-	-	-	71,282,476
Loans to customers (contractual interest rate: 4 % -10 %)	-	-	134,004	284,598
Investment in debt securities (contractual interest rate: 3% - 10.5%)	16,081,707	8,764,186	-	207,771,871
Other financial assets	-	-	-	3,053,816
Other assets	-	-	732	152,676
Borrowed funds (contractual interest rate: 0.01% - 1%)	6,404,899	-	-	52,841,652
Debt securities in issue (9.58%)	57,730,697	-	-	-
Customer accounts (contractual interest rate: 2% - 7.5%)	-	60,036,395	53,588	177,372
Other financial liabilities	7,936,551	-	-	17,282
Other liabilities	-	1,649	-	518,414
Additional paid-in capital	13,541,732	-	-	58,725,125

The income and expense items with related parties during the six months ended 30 June 2019 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Parent company</b>	<b>Entities under common control</b>	<b>Key management personnel</b>	<b>Other related parties</b>
Interest income	76,560	232,258	6,168	12,796,905
Interest expense	(3,003,085)	(1,805,714)	(849)	(1,447,369)
Provision for impairment	(3,360)	87,929	(99)	33,064
Other income/(expense)	-	166	-	-
Administrative and other operating expense	-	(10,259)	-	(273,563)
Income tax expense	-	-	-	-

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2019 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Other related parties</b>
Amounts lent to related parties during the period	68,003
Amounts repaid by related parties during the period	90,416

## 21 Related Party Transactions (Continued)

At 31 December 2018, the outstanding balances with related parties were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Parent company</b>	<b>Entities under common control</b>	<b>Key management personnel</b>	<b>Other related parties</b>
Cash and cash equivalents (contractual interest rate: 8.25%)	-	-	-	169,781,221
Loans to customers (contractual interest rate: 4% - 10%)	-	-	204,539	316,999
Investment in debt securities (contractual interest rate: 3%-10,5%)	-	4,754,097	-	140,643,948
Other assets	-	1,245	-	522
Borrowed funds (contractual interest rate: 0.01% - 1%)	6,182,144	-	-	53,388,319
Debt securities in issue (9.58%)	57,730,697	-	-	-
Customer accounts (contractual interest rate: 2% -7.75%)	-	26,481,863	137,691	190,244
Other liabilities	-	1,394	-	255,047
Additional paid-in capital	13,541,732	-	-	41,026,794

The income and expense items with related parties during the six months ended 30 June 2018 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Parent company</b>	<b>Entities under common control</b>	<b>Key management personnel</b>	<b>Other related parties</b>
Interest income	-	228,383	9,466	11,662,893
Interest expense	(222,802)	(43,254)	(9,838)	(546,177)
Provision for impairment	-	-	(225)	(985)
Other expense	-	138	-	(441,911)
Administrative and other operating expenses	-	(3,440)	-	-
Income tax expense	-	-	-	(533,974)

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2018 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Other related parties</b>
Amounts lent to related parties during the period	55,355
Amounts repaid by related parties during the period	109,368

## 21 Related Party Transactions (Continued)

Key management compensation is presented below:

<i>(in thousands of Kazakhstani Tenge)</i>	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	116,932	-	107,087	-
- Short-term bonuses	11,038	-	6,528	-
- Benefits in-kind	2,355	-	1,091	-
- Long-term bonuses	47,553	47,553	43,485	43,485
<b>Total</b>	<b>177,878</b>	<b>47,553</b>	<b>158,191</b>	<b>43,485</b>

## 22 Earnings per Share

Basic earnings per share are calculated by dividing the net profit attributable to owners of the Parent by the number of outstanding ordinary shares during the 6 months of 2019.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equals the basic earnings per share. Earnings per share are calculated as follows:

<i>In thousands of Kazakhstani Tenge, excluding number of shares</i>	Note	2019	2018
Profit for 6 attributable to ordinary share holders		14,083,742	14,765,525
Number of outstanding ordinary shares (thousands)	14	7,830	7,830
Basic and diluted earnings per ordinary share (in Tenge per share)		1,799	1,886

## 23 Subsequent Events

On 16 July 2019, the Bank received a loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of Tenge 50,000,000 thousand at below market rate, which was 0.01% for the period of 25 years with the condition of partial early repayment of the principal debt, in the amount of Tenge 1,000 thousand upon the lapse of 100 months. The loan was granted to issue preliminary and interim housing loans to participants of a new stream of the Nurly Zher Housing Programme, lending for housing purchase to low-income families.

On 17 July 2019, the Bank placed coupon bonds for the amount of Tenge 20,000,000 thousand out of Tenge 40,000,000 thousand issued on Kazakhstan Stock Exchange at rate of 10.25% with coupon to be paid twice a year.

On 25 July 2019, the Bank paid dividends to the Parent company in the amount of Tenge 7,936,550.

**House Construction Savings Bank of Kazakhstan JSC  
The book value of one share as of July 1, 2019 on the basis of financial position statement for the  
second quarter ended on 30 June, 2019.**

The book amount of one share was calculated in accordance with the Listing Rules (Appendix 5.7 to the Listing Rules) approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes No. 15 dated April 27, 2017).

The book value of one common share is calculated using the formula:

$$BV_{CS} = NAV / NO_{CS}, \text{ where}$$

- $BV_{CS}$  - (book value per common share) balance value per one common share as the settlement date;  
 $NAV$  - (net asset value) net assets for common share at the settlement date;  
 $NO_{CS}$  - (number of outstanding common shares) number of common shares at the settlement date.

*Net assets for common shares are calculated using the formula:*

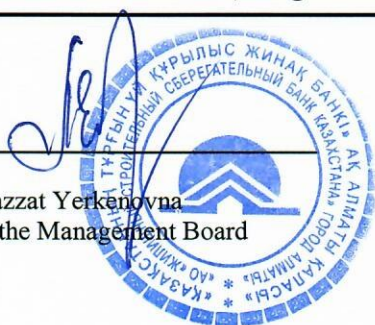
$$NAV = (TA - IA) - TL - PS, \text{ where}$$

- $TA$  — (total assets) assets of the shares issuer in the financial position statement of the shares' issuer at the settlement date;  
 $IA$  — (intangible assets) intangible assets in the financial position statement of the issuer of shares on the settlement date, which the organization will not be able to sell to third parties in order to reimburse the paid cash or cash equivalents and / or obtain economic benefits;  
 $TL$  — (total liabilities) liabilities in the financial position statement of the issuer of shares at the settlement date;  
 $PS$  — (preferred stock) balance of the account “authorized capital, preferred shares” in the financial position statement of the issuer of shares at the settlement date.

Calculation of the book value of one common share at the balance sheet date is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Number of common shares (thousands)	7,830	7,830
Total assets	1,148,994,575	998,340,246
Less intangible assets	3,170,745	2,375,748
Less liabilities	925,731,364	798,678,448
<b>Total net assets</b>	<b>220,092,466</b>	<b>197,286,050</b>
<b>Balance value of one common share, Tenge</b>	<b>28,109</b>	<b>25,196</b>

Ibragimova Lyazzat Yerkenovna  
Chairperson of the Management Board



Kiltbayeva Zhanerke Almasbekovna  
Chief Accountant