



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

**Condensed Interim Financial Information  
(unaudited)**

**30 June 2017**

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## Report on Review of 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 of 30 June 2017 and the related condensed statements of profit and loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. 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 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".

*PricewaterhouseCoopers LLP*

1 August 2017

Almaty, Kazakhstan

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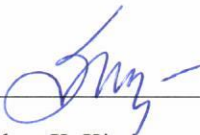
*PricewaterhouseCoopers LLP*

34 Al-Farabi Ave., Building A, 4th floor, 050059 Almaty, Kazakhstan  
T: +7 (727) 330 3200, F: +7 (727) 244 6868, [www.pwc.com/kz](http://www.pwc.com/kz)

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

<i>(in thousands of Kazakhstani Tenge)</i>	Note	30 June 2017 (unaudited)	31 December 2016
<b>ASSETS</b>			
Cash and cash equivalents	6	28,201,371	80,596,796
Trading securities		4,776,934	5,129,889
Due from other banks	7	13,079,341	31,243,925
Loans to customers	8	373,289,621	326,576,299
Investment securities available for sale	9	178,344,152	103,219,371
Investment securities held-to-maturity	10	89,402,468	68,666,146
Premises and equipment		4,113,882	4,036,763
Intangible assets		1,489,723	1,202,545
Other assets		702,571	878,275
<b>TOTAL ASSETS</b>		<b>693,400,063</b>	<b>621,550,009</b>
<b>LIABILITIES</b>			
Customer accounts	11	475,936,681	413,276,483
Borrowed funds	12	69,193,133	68,266,465
Compensation payable	13	3,113,425	12,000,000
Deferred income tax liabilities		4,477,676	4,095,869
Other liabilities	14	12,092,073	5,029,461
<b>TOTAL LIABILITIES</b>		<b>564,812,988</b>	<b>502,668,278</b>
<b>EQUITY</b>			
Share capital	15	78,300,000	78,300,000
Additional paid-in-capital		23,629,414	23,629,414
Revaluation reserve for investment securities available for sale		(6,855,151)	(10,680,281)
Other reserves		3,389,604	3,389,604
Retained earnings		30,123,208	24,242,994
<b>TOTAL EQUITY</b>		<b>128,587,075</b>	<b>118,881,731</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>693,400,063</b>	<b>621,550,009</b>

  
Lyazzat Ye. Ibragimova  
Chairperson of the Management Board

  
Gulnar K. Kissina  
Chief Accountant

1 August 2017

\* 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 30 June of such year.

The notes on pages 5 to 29 form an integral part of these interim condensed financial information.

*House Construction Savings Bank of Kazakhstan Joint Stock Company*  
*Condensed Interim Financial Information*  
**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 2017 (unaudited)	30 June 2016 (unaudited)
Interest income	16	26,089,710	21,570,104
Interest expense	16	(5,148,872)	(3,973,050)
<b>Net interest income</b>		<b>20,940,838</b>	<b>17,597,054</b>
(Provision for)/reversal of provision for impairment of loans to customers	8	(178,671)	128,162
<b>Net interest income after provision/reversal of provision for loan impairment</b>		<b>20,762,167</b>	<b>17,725,216</b>
Fee and commission income		420,709	214,967
Fee and commission expense		(768,896)	(614,752)
Net loss on initial recognition of financial instruments at rates below market		(383,494)	(141,600)
Gains less losses from trading securities		(273,701)	114,298
Other expenses		(365,519)	(195,361)
General and administrative expenses		(5,268,041)	(4,305,908)
<b>Profit before tax</b>		<b>14,123,225</b>	<b>12,796,860</b>
Income tax expense	17	(1,464,082)	(1,253,066)
<b>Profit for the period</b>		<b>12,659,143</b>	<b>11,543,794</b>
<b>Other comprehensive income /(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available for sale investments:			
- Gains less losses /(losses less gains) from revaluation		3,825,130	(5,122,808)
<b>Other comprehensive income /(loss)</b>		<b>3,825,130</b>	<b>(5,122,808)</b>
<b>Total comprehensive income for the period</b>		<b>16,484,273</b>	<b>6,420,986</b>
<b>Earnings per share for profit attributable to the Bank shareholder, basic and diluted (in Kazakhstani Tenge per share)</b>			
	23	1,617	1,474

The notes on pages 5 to 29 form an integral part of these interim condensed financial information.

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

	Share capital	Additional paid-in-capital	Revaluation reserve for investment securities available for sale	Other reserves	Retained earnings	Total
<i>(in thousands of Kazakhstani Tenge)</i>						
<b>Balance at 1 January 2016</b>	78,300,000	10,087,682	(8,285,436)	3,389,604	24,090,487	107,582,337
Profit for the six months	-	-	-	-	11,543,794	11,543,794
Other comprehensive loss	-	-	(5,122,808)	-	-	(5,122,808)
<b>Total comprehensive income for the period</b>	-	-	(5,122,808)	-	11,543,794	6,420,986
Gain on initial recognition on loan received from NWF Baiterek less deferred tax liability	-	13,541,732	-	-	-	13,541,732
Compensation on customer accounts	-	-	-	-	(24,000,000)	(24,000,000)
<b>Balance at 30 June 2016 (unaudited)</b>	78,300,000	23,629,414	(13,408,244)	3,389,604	11,634,281	103,545,055
<b>Balance at 1 January 2017</b>	78,300,000	23,629,414	(10,680,281)	3,389,604	24,242,994	118,881,731
Profit for the six months	-	-	-	-	12,659,143	12,659,143
Other comprehensive income	-	-	3,825,130	-	-	3,825,130
<b>Total comprehensive income for the period</b>	-	-	3,825,130	-	12,659,143	16,484,273
Dividends declared	-	-	-	-	(6,778,929)	(6,778,929)
<b>Balance at 30 June 2017 (unaudited)</b>	78,300,000	23,629,414	(6,855,151)	3,389,604	30,123,208	128,587,075

The notes on pages 5 to 29 form an integral part of these interim condensed financial information.

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

<i>(in thousands of Kazakhstani Tenge)</i>	Note	For six months ended	
		30 June 2017 (unaudited)	30 June 2016 (unaudited)
<b>Cash flows from operating activities</b>			
Interest received		24,450,525	18,861,133
Interest paid		(886,084)	(4,441,911)
Fees and commissions received		420,709	214,549
Fees and commissions paid		(768,896)	(614,752)
Payroll costs paid		(3,152,798)	(2,498,810)
General and administrative expenses paid		(1,942,112)	(1,312,047)
Income tax paid		(1,121,513)	(1,101,611)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>16,999,831</b>	<b>9,106,551</b>
<i>Net (increase)/ decrease in:</i>			
- due from other banks		16,877,936	(16,362,090)
- loans to customers		(46,809,236)	(5,144,307)
- other assets		211,471	(354,073)
<i>Net (decrease)/ increase in:</i>			
- customer accounts		49,793,253	53,387,551
- compensation paid		85,687	1,460,976
- other liabilities		249,777	502,359
<b>Net cash from operating activities</b>		<b>37,408,719</b>	<b>42,596,967</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(415,360)	(149,870)
Acquisition of intangible assets		(446,552)	(125,548)
Proceeds from disposal of premises and equipment		5	10
Acquisition of investment securities available for sale		(75,711,039)	-
Acquisition of investment securities held to maturity		(46,579,197)	(5,157,651)
Proceeds from disposal and redemption of investment securities available for sale		7,351,662	3,578,377
Proceeds from disposal and redemption of investment securities held to maturity		26,000,000	-
<b>Net cash used in investing activities</b>		<b>(89,800,481)</b>	<b>(1,854,682)</b>
<b>Cash flows from financing activities</b>			
Loans received from Parent company		-	22,000,000
<b>Net cash from financing activities</b>		<b>-</b>	<b>22,000,000</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(3,663)</b>	<b>43</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(52,395,425)</b>	<b>62,742,328</b>
Cash and cash equivalents at the beginning of the period	6	80,596,796	35,430,300
<b>Cash and cash equivalents at the end of the period</b>		<b>28,201,371</b>	<b>98,172,628</b>

The notes on pages 5 to 29 form an integral part of these interim condensed financial information.

## **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 22.

**Principal activity.** The Bank performs activities to attract depositor funds into housing construction savings, extends various housing loans to depositors, and performs operations on security trading and deposit placement.

In accordance with Resolution of Government of the Republic of Kazakhstan No.922 dated 31 December 2016 On Approval of the Housing construction Programme "Nurly Zher", the Bank participates in implementation of this program related to the development of housing construction ensuring affordability of housing to people at large through the system of housing construction savings.

The Bank’s audited financial statements for the year ended 31 December 2016 is placed on the official website of the Bank, section “About the Bank” – Reporting.

The Bank attracts depositor funds into housing construction savings, ensures safety and recoverability of deposits, provides housing, interim housing and preliminary housing loans to take measures aimed at improving housing conditions within the Republic of Kazakhstan.

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 and second half of 2017, such as number of concluded house construction savings and volumes of loans issued. Thus, since commencement of lending, i.e. 2005, and for the first half of 2017 the Bank has issued 146,975 loans of Tenge 724.9 billion, 1,377 thousand agreements have been concluded since the beginning of its operation. These growing indicators have finally resulted in stable growth of the loan and deposit portfolios.

In the first half of 2017, return on financial assets increased due to an increase in the loan portfolio and an increase in the volume of placement of funds in financial instruments, which in turn is due to the growth of the Bank's deposit portfolio.

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.

The Bank has license of the National Bank of the Republic of Kazakhstan for banking and other operations and activity on 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 2017 the Bank had 17 regional branches and 15 service centres throughout Kazakhstan and 12 service points throughout Kazakhstan (2016:17 regional branches and 15 service centres).

The Bank is a member of the obligatory retail deposit insurance system in accordance with Certificate No.25 dated 9 December 2004 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.



## **1 Introduction (Continued)**

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.

At 30 June 2017 and 31 December 2016 Moody's rating agency assigned the following ratings to the Bank:

- Long-term rating on deposits in national currency: Baa3 (Negative);
- Short-term rating on deposits in national currency: Prime-3;
- Baseline Credit Assessment (BCA): ba2;
- Long-term and short-term Counterparty Risk Assessment (CR Assessment): Baa3(cr)/ P-3(cr).

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;
- Long-term sovereign rating: AA+ (kaz)/Stable;
- Support rating: 2.

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

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

**Republic of Kazakhstan.** In general, the economy of the Republic of Kazakhstan continues to displays characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices 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.

On 20 August 2015 the National Bank and the Government of Republic of Kazakhstan made a decision to terminate support of exchange rate of Tenge and implementation of new monetary policy, which is based on inflation targeting regime, also to abolish the exchange rate band and transit to a freely floating exchange rate. As a result, the exchange rate of Tenge varied from 187 to 321.46 Tenge per 1 US Dollar from August 2015 to June 2017. Thus, there is uncertainty about the exchange rate of Tenge and future actions of the National Bank and the Government, as well as the influence of these factors on the economy of the Republic of Kazakhstan.

In the mid-January 2016 Standard & Poor's, international rating agency, significantly reduced their forecasts for oil prices for the period of 2016-2019. Since Kazakhstan's economy is largely dependent on the oil and gas sector, Standard & Poor's expects stagnation or a very slight increase in GDP.

Accordingly, in February 2016, Standard & Poor downgraded long-term credit ratings of Kazakhstan on liabilities in foreign and national currency from BBB + to BBB. In addition, S & P lowered the short-term ratings of Kazakhstan on liabilities in foreign and national currency from "A-2" to "A-3" and the national scale rating - from "kzAA +" to "kzAA". The outlook on the long-term ratings of "negative".

In March 2017, International Rating Agency Standard & Poor's Global Ratings affirmed its 'BBB-/A-3' long- and short-term foreign and local currency sovereign credit ratings on the Republic of Kazakhstan. They also affirmed the Kazakhstan national scale ratings at 'kzAA'.

The negative rating outlook reflects the agency's opinion on increasing external risks, and risks associated with monetary policy, based on the current feeble and unstable situation in the global commodity market.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. 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. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

## **2 Operating Environment of the Bank (Continued)**

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 determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus, final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 5.

## **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 they should be read in conjunction with the annual financial information for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Except as described below, the same accounting policies and methods of computation were followed in the preparation of this condensed interim financial information as compared with the annual financial statements for the year ended 31 December 2016.

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**

New and amended standards and interpretations to be applied in the preparation of the first interim financial statements issued after the date of their entry into force. Among the new or amended IFRS and interpretations, which came into force on 1 January 2017, no such, which would have a significant impact on the Bank, the presentation of its financial statements and the assessment of transactions and balances.

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

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment losses on loans and advances.** The Bank regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

The whole loan portfolio is divided into homogeneous pools of loans by type of loan programs. The mortgage loans with the overdue for 90 days or more and with the book value less than Tenge 100,000 thousand are classified as impaired. They are evaluated on a basis of incurred losses calculated as a difference between carrying value of loans and discounted future cash flows from realisation of collateral against the carrying value of loans. For calculation of the provision for loans with objective evidence of impairment the loss coefficient is applied, which represents ratio of expected loss and carrying value of the pool.

Monthly loss ratios relevant for each pool are applied to calculate the impairment of remaining portfolio. These loss ratios are calculated as the product of the coefficients of the probability of borrowers default (PD) and the coefficients of the level of losses in the event of borrower default (LGD). PD coefficient is calculated based on the vintage analysis, which represents the statistical model of outstanding loans with overdue over 90 days with monthly breakdown, starting from the date of issuance of the loan. This model brings performance loss over the generations to the same point of time. The LGD coefficient is calculated as percentage of movement of loans from one overdue category to another from months to month,

For the period ended 30 June 2017 the Bank created provisions of Tenge 178,671 thousand.

The main reason for increasing provisions is the increase in the loan portfolio volume. Management believes that the accrued provisions for impairment at 30 June 2017 are sufficient to cover any losses that may arise as a result of unpaid amounts due from borrowers.

In accordance with internal documents, the Bank performs on monthly basis the sensitivity analysis of loan portfolio with the fall of prices for pledged real estate by 40 % and 50 %. The fall of real estate prices causes adverse impact on the borrowing to collateral ratio leading to the increase in provisions for impairment of the loan portfolio. If real estate prices decrease by 20 %, 40 %, and 50 %, provisions for the impairment of loan portfolio will increase by Tenge 98,415 thousand, Tenge 231,879 thousand, and Tenge 308,714 thousand, respectively. (Note 8).

**Fair value of financial instruments at rates below market.** According to tariff programs of the Bank, housing loans are advanced to the population with an interest rate of 3.5% 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.

During 2008-2012 the Government of the Republic of Kazakhstan and “Samruk-Kazyna” National Welfare Fund” JSC provided funds to the Bank to finance government programs on lending of housing loans. These borrowings were received on contractual terms significantly different from the average market interest rate on loans with similar maturity and interest rate terms and were recognized in the financial statement at fair value.

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 until 2036. 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.

Funds received under the governmental programs were further distributed to borrowers and placed on the deposits with commercial banks at below-market rates. The granted loans and placed deposits are initially recognised at the fair value.

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.

For 6 months 2017 the Bank recognised expenses of Tenge 312,851 thousand (2016: Tenge 52,496 thousand) at initial recognition of loans advanced under the government programmes at below-market rates.

## 6 Cash and Cash Equivalents

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Cash balances with the NBRK (other than mandatory reserve deposits)	20,725,589	35,394,733
Notes of NBRK with the maturity less than three months	3,242,707	40,069,124
Mandatory cash balances with the NBRK	2,600,326	2,150,291
Cash on hand	1,289,241	2,814,991
Correspondent accounts with other banks	143,508	167,657
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	200,000	-
<b>Total cash and cash equivalents</b>	<b>28,201,371</b>	<b>80,596,796</b>

Analysis by credit quality of cash and cash equivalents is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
<i>Neither past due, nor impaired</i>		
- National Bank of Republic of Kazakhstan	26,568,622	77,614,148
- BBB- to BBB+ rated	200,000	-
- BB- to BB+ rated	125,600	151,469
- B- to B+ rated	17,908	16,188
<b>Total cash and cash equivalents other than available cash</b>	<b>26,912,130</b>	<b>77,781,805</b>

The credit ratings are based on Standard & Poor's, where available, or Moody's converted to the nearest equivalent on the Standard & Poor's rating scale.

As at 30 June 2017 the Bank had notes of the National Bank of the Republic of Kazakhstan with the maturity less than three months for the total amount of Tenge 3,242,707 thousand (31 December 2016: 40,069,124), and cash balances with the National Bank of the Republic of Kazakhstan, including mandatory reserve deposits of Tenge 23,325,915 thousand (31 December 2016: 37,545,024 thousand).

As at 30 June 2017 the Bank had total cash and cash equivalents exceeding Tenge 17,616 thousand held with 2 counterparty banks, excluding the National Bank of the Republic of Kazakhstan (31 December 2016: 2 counterparty banks). Total cash balances was Tenge 139,150 thousand (31 December 2016: Tenge 162,210 thousand), or 97 % of cash and cash equivalents at correspondent accounts with other banks. (31 December 2016: 97 %).

Information on transactions with related parties is presented in Note 22.

## 7 Due from Other Banks

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Placements with other banks with original maturities of more than 3 months	13,079,341	31,243,925
<b>Total due from other banks</b>	<b>13,079,341</b>	<b>31,243,925</b>

Due from other banks are not secured, besides deposits placed within implementation of state programmes. Collateral on deposits, placed within implementation of state programmes with the carrying amount of Tenge 2,882,564 thousand at 30 June 2017 (31 December 2016: 4,115,826 thousand), is represented by the land plot and construction in progress with the fair value of Tenge 4,087,253 thousand (31 December 2016: 5,306,317 thousand). In 2017 collateral in the form of securities was written down. Other dues from other banks are not secured. At 30 June 2017 and 31 December 2016 collateral on deposits did not have financial impact on dues from other banks since due from other banks were neither past due nor impaired.

## 7 Due from Other Banks (Continued)

As at 30 June 2017 the Bank had cash balances held with 2 counterparty banks (2016: 5 banks) with the total amount exceeding Tenge 2,776,833 thousand (2016: Tenge 4,075,533 thousand).

Analysis by credit quality of due from other banks at 30 June 2017 and 31 December 2016 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
<i>Neither past due, nor impaired</i>		
- BBB- to BBB+ rated	7,419,943	7,421,261
- BB- to BB+ rated	2,776,833	9,187,194
- B- to B+ rated	2,882,565	14,635,470
<b>Total due from other banks</b>	<b>13,079,341</b>	<b>31,243,925</b>

The credit ratings are based on Standard & Poor's, where available, or Moody's converted to the nearest equivalent on the Standard & Poor's rating scale.

Fair value measurement of due from other banks by levels of the fair value hierarchy is provided in Note 20. Information on transactions with related parties is presented in Note 22.

## 8 Loans to Customers

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Interim housing loans	159,032,060	120,387,582
Housing loans	122,145,423	101,955,844
Preliminary housing loans	56,482,900	63,735,558
Preliminary and interim housing loans under governmental program	36,922,610	41,611,336
Less: Provision for loan impairment	(1,293,372)	(1,114,021)
<b>Total loans and advances to customers</b>	<b>373,289,621</b>	<b>326,576,299</b>

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

As at 30 June 2017 the Bank had 10 major borrowers (2016: 10 borrowers) with the total loans advanced to each of borrowers exceeding Tenge 67,889 thousand (2016: Tenge 63,148 thousand). Total amount of these loans was Tenge 819,471 thousand (2016: Tenge 746,672 thousand), or 0.22 % of the loan portfolio before deduction of its impairment provision (2016: 0.23 %).

Movements in the provision for loan impairment for six months ended 30 June 2017 and 30 June 2016 are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Provision for impairment at 1 January</b>	<b>(1,114,021)</b>	<b>(1,282,894)</b>
Provision for impairment during the period	(827,232)	(370,588)
Recovery of provision for impairment during the period	648,561	498,750
Amounts written off during the period as uncollectible	(680)	(904)
<b>Provision for loan impairment at 30 June</b>	<b>(1,293,372)</b>	<b>(1,155,636)</b>

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

All loans were issued to individuals.

## 8 Loans to Customers (Continued)

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, which is more than 50 percent of the total value of the collateral.

Information about collateral at 30 June 2017 is presented below:

	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
<i>(in thousands of Kazakhstani Tenge)</i>					
Unsecured loans	4,247	455	7,596	-	12,298
Loans guaranteed by other individuals	1,407,738	235,101	146,905	-	1,789,744
Loans collateralised by:					
- residential real estate	119,842,828	55,963,942	156,919,345	36,812,944	369,539,059
- land	674,909	42,965	777,313	-	1,495,187
- other real estate	16,349	11,843	230,259	-	258,451
- cash deposits	21,151	5,206	90,052	49,040	165,449
- residential real estate, deposits and guarantees (multi-collateral)	18,306	7,144	-	3,983	29,433
<b>Total loans and advances to customers</b>	<b>121,985,528</b>	<b>56,266,656</b>	<b>158,171,470</b>	<b>36,865,967</b>	<b>373,289,621</b>

The amount of deposits held as collateral for loans as of 30 June 2017 was Tenge 121,499,318 thousand.

Loans collateralised by commercial real estate are classified as other real estate.

Information about collateral at 31 December 2016 is presented below:

	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
<i>(in thousands of Kazakhstani Tenge)</i>					
Unsecured loans	18,574	603	4,906	1,099	25,182
Loans guaranteed by other individuals	1,247,109	260,089	240,910	-	1,748,108
Loans collateralised by:					
- residential real estate	99,863,335	63,224,924	118,423,705	41,522,056	323,034,020
- land	623,468	45,336	635,972	-	1,304,776
- other real estate	17,848	11,834	242,653	-	272,335
- cash deposits	24,064	14,374	83,460	45,006	166,904
- residential real estate, deposits and guarantees (multi-collateral)	20,560	4,414	-	-	24,974
<b>Total loans and advances to customers</b>	<b>101,814,958</b>	<b>63,561,574</b>	<b>119,631,606</b>	<b>41,568,161</b>	<b>326,576,299</b>

The amount of deposits held as collateral for loans as of 31 December 2016 was Tenge 103,842,008 thousand.

## 8 Loans to Customers (Continued)

Analysis by credit quality of outstanding loans at 30 June 2017 is as follows:

	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
<i>(in thousands of Kazakhstani Tenge)</i>					
<i>Neither past due nor impaired (gross) fully collateralised:</i>					
- LTV less than 25%	40,871,158	5,353,511	1,356,928	1,358,487	48,940,084
- LTV 26% to 50%	74,482,707	16,174,711	21,049,379	12,019,724	123,726,521
- LTV 51% to 75%	4,488,710	32,620,079	132,993,258	22,098,109	192,200,156
- LTV 75% to 100%	29,799	60,285	943,906	74,386	1,108,376
<i>partially collateralised:</i>					
- LTV greater than 100 %	2,825	3,000	143,411	43,554	192,790
- no collateral	744,502	-	-	-	744,502
<b>Total neither past due nor impaired (gross)</b>	<b>120,619,701</b>	<b>54,211,586</b>	<b>156,486,882</b>	<b>35,594,260</b>	<b>366,912,429</b>
<i>Past due but not impaired (gross)</i>					
- less than 30 days overdue	1,145,306	1,433,236	1,414,423	1,053,479	5,046,444
- 31 to 90 days overdue	196,155	350,063	273,940	202,727	1,022,885
<b>Total past due but not impaired (gross)</b>	<b>1,341,461</b>	<b>1,783,299</b>	<b>1,688,363</b>	<b>1,256,206</b>	<b>6,069,329</b>
<i>Past due and impaired (gross)</i>					
- 91 to 180 days overdue	59,205	131,406	206,354	40,007	436,972
- 181 to 360 days overdue	31,439	76,631	19,088	11,782	138,940
- over 360 days overdue	93,617	279,978	631,373	20,355	1,025,323
<b>Total past due and impaired (gross)</b>	<b>184,261</b>	<b>488,015</b>	<b>856,815</b>	<b>72,144</b>	<b>1,601,235</b>
<b>Less impairment provisions</b>	<b>(159,895)</b>	<b>(216,244)</b>	<b>(860,590)</b>	<b>(56,643)</b>	<b>(1,293,372)</b>
<b>Total loans and advances to customers</b>	<b>121,985,528</b>	<b>56,266,656</b>	<b>158,171,470</b>	<b>36,865,967</b>	<b>373,289,621</b>

The coefficient of collateral coverage LTV (Loan-to-value) is calculated as the gross on-balance sheet carrying amount of the loan at the balance sheet date divided by the value of collateral that consist of real estate and pledged deposit.

## 8 Loans to Customers (Continued)

Analysis by credit quality of outstanding loans at 31 December 2016 is as follows:

	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
<i>(in thousands of Kazakhstani Tenge)</i>					
<i>Neither past due nor impaired (gross)</i>					
Fully collateralised:					
- LTV less than 25%	35,331,744	5,447,167	1,220,536	1,512,842	43,512,289
- LTV 26% to 50%	61,470,087	18,679,647	18,884,605	14,726,377	113,760,716
- LTV 51% to 75%	3,363,932	37,545,214	97,064,940	23,934,746	161,908,832
- LTV 75% to 100%	26,950	90,065	1,191,376	107,222	1,415,613
Partially collateralised:					
- LTV greater than 100%	11,165	7,449	189,683	41,814	250,111
- no collateral	520,964	-	-	-	520,964
<b>Total neither past due nor impaired (gross)</b>	<b>100,724,842</b>	<b>61,769,542</b>	<b>118,551,140</b>	<b>40,323,001</b>	<b>321,368,525</b>
<i>Past due but not impaired (gross)</i>					
- less than 30 days overdue	861,365	1,280,454	913,176	1,082,257	4,137,252
- 31 to 90 days overdue	164,152	278,918	198,954	163,411	805,435
<b>Total past due but not impaired (gross)</b>	<b>1,025,517</b>	<b>1,559,372</b>	<b>1,112,130</b>	<b>1,245,668</b>	<b>4,942,687</b>
<i>Past due and impaired (gross)</i>					
- 91 to 180 days overdue	60,922	89,992	51,954	7,676	210,544
- 181 to 360 days overdue	73,617	24,228	20,178	20,318	138,341
- over 360 days overdue	70,946	292,424	652,180	14,673	1,030,223
<b>Total past due and impaired (gross)</b>	<b>205,485</b>	<b>406,644</b>	<b>724,312</b>	<b>42,667</b>	<b>1,379,108</b>
<b>Less impairment provisions</b>	<b>(140,886)</b>	<b>(173,984)</b>	<b>(755,976)</b>	<b>(43,175)</b>	<b>(1,114,021)</b>
<b>Total loans and advances to customers</b>	<b>101,814,958</b>	<b>63,561,574</b>	<b>119,631,606</b>	<b>41,568,161</b>	<b>326,576,299</b>



## 9 Investment Securities Available for Sale

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2017	31 December 2016
Government securities of the Ministry of Finance of the Republic of Kazakhstan	141,832,216	77,650,745
Government securities of Astana city Finance Department SE	5,008,859	-
Corporate bonds	14,351,907	11,659,360
Bonds issued by “Samruk-Kazyna” National Welfare Fund” JSC	9,272,145	8,969,197
Bonds issued by international financial organizations	5,005,653	2,080,861
Bonds issued by Kazakhstani credit institutions separate from banks	1,986,516	1,980,587
Bonds issued by Kazakhstani banks	885,761	876,446
<b>Total debt securities</b>	<b>178,343,057</b>	<b>103,217,196</b>
Corporate shares	1,095	2,175
<b>Total investment securities available for sale</b>	<b>178,344,152</b>	<b>103,219,371</b>

Analysis by credit quality of securities available for sale at 30 June 2017:

<i>(in thousands of Kazakhstani Tenge)</i>	Government securities of the RK Ministry of Finance	Government securities of Astana city Finance Department SE	Corporate bonds	Bonds issued by “Samruk-Kazyna” National Welfare Fund” JSC	Bonds issued by international financial organizations	Bonds issued by Kazakhstani banks	Bonds issued by Kazakhstani credit institutions other than banks
<i>Neither past due nor impaired</i>							
- BBB- to BBB+ rated	141,832,216	5,008,859	2,013,736	9,272,145	5,005,653	-	-
- BB- to BB+ rated	-	-	12,338,171	-	-	885,761	1,986,516
<b>Total neither past due nor impaired</b>	<b>141,832,216</b>	<b>5,008,859</b>	<b>14,351,907</b>	<b>9,272,145</b>	<b>5,005,653</b>	<b>885,761</b>	<b>1,986,516</b>
<i>Debt securities individually determined to be impaired (gross)</i>							
- over 360 days overdue	-	-	675,534	-	-	-	-
<b>Total individually impaired debt securities</b>	<b>-</b>	<b>-</b>	<b>675,534</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment	-	-	(675,534)	-	-	-	-
<b>Total debt securities available for sale</b>	<b>141,832,216</b>	<b>5,008,859</b>	<b>14,351,907</b>	<b>9,272,145</b>	<b>5,005,653</b>	<b>885,761</b>	<b>1,986,516</b>

## 9 Investment Securities Available for Sale (Continued)

Analysis by credit quality of securities available for sale at 31 December 2016:

<i>(in thousands of Kazakhstani Tenge)</i>	Government securities of the RK Ministry of Finance	Government securities of Astana city Finance Department SE	Corporate bonds	Bonds issued by “Samruk- Kazyna” National Welfare Fund” JSC	Bonds issued by international financial organizations	Bonds issued by Kazakhstani banks
<i>Neither past due nor impaired</i>						
- BBB- to BBB+ rated	77,650,745	-	8,969,197	2,080,861	-	-
- BB- to BB+ rated	-	11,659,360	-	-	876,446	1,980,587
<b>Total neither past due nor impaired</b>	<b>77,650,745</b>	<b>11,659,360</b>	<b>8,969,197</b>	<b>2,080,861</b>	<b>876,446</b>	<b>1,980,587</b>
<i>Debt securities individually determined to be impaired (gross)</i>						
- over 360 days overdue	-	675,534	-	-	-	-
<b>Total individually impaired debt securities</b>	<b>-</b>	<b>675,534</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for impairment	-	(675,534)	-	-	-	-
<b>Total debt securities available for sale</b>	<b>77,650,745</b>	<b>11,659,360</b>	<b>8,969,197</b>	<b>2,080,861</b>	<b>876,446</b>	<b>1,980,587</b>

The credit ratings are based on Standard & Poor’s or Moody’s converted to the nearest equivalent on the Standard & Poor’s rating scale.

## 10 Investment Securities Held to Maturity

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2017	31 December 2016
Notes of the National Bank of the Republic of Kazakhstan	84,141,204	63,649,754
Government securities of the Ministry of Finance of the Republic of Kazakhstan	5,261,264	5,016,392
Corporate bonds	83,190	83,190
Less provision for impairment	(83,190)	(83,190)
<b>Total investment securities held to maturity</b>	<b>89,402,468</b>	<b>68,666,146</b>

## 10 Investment Securities Held to Maturity (Continued)

Analysis by credit quality of securities held to maturity at 30 June 2017:

	Government securities of the Ministry of Finance of the Republic of Kazakhstan	Notes of the National Bank of the Republic of Kazakhstan	Corporate bonds	Total
<i>(in thousands of Kazakhstani Tenge)</i>				
<i>Neither past due nor impaired</i>				
- BBB-to BBB+ rated	5,261,264	84,141,204	-	89,402,468
<b>Total neither past due nor impaired</b>	<b>5,261,264</b>	<b>84,141,204</b>	<b>-</b>	<b>89,402,468</b>
<i>Debt securities individually determined to be impaired (gross)</i>				
- over 360 days overdue	-	-	83,190	-
<b>Total individually impaired debt securities (gross)</b>	<b>-</b>	<b>-</b>	<b>83,190</b>	<b>83,190</b>
Less provision for impairment	-	-	(83,190)	(83,190)
<b>Total investment securities held to maturity</b>	<b>5,261,264</b>	<b>84,141,204</b>	<b>-</b>	<b>89,402,468</b>

Analysis by credit quality of securities held to maturity at 31 December 2016:

	Government securities of the Ministry of Finance of the Republic of Kazakhstan	Notes of the National Bank of the Republic of Kazakhstan	Corporate bonds	Total
<i>(in thousands of Kazakhstani Tenge)</i>				
<i>Neither past due nor impaired</i>				
- BBB-to BBB+ rated	5,016,392	63,649,754	-	68,666,146
<b>Total neither past due nor impaired</b>	<b>5,016,392</b>	<b>63,649,754</b>	<b>-</b>	<b>68,666,146</b>
<i>Debt securities individually determined to be impaired (gross)</i>				
- over 360 days overdue	-	-	83,190	83,190
<b>Total individually impaired debt securities (gross)</b>	<b>-</b>	<b>-</b>	<b>83,190</b>	<b>83,190</b>
Less provision for impairment	-	-	(83,190)	(83,190)
<b>Total investment securities held to maturity</b>	<b>5,016,392</b>	<b>63,649,754</b>	<b>-</b>	<b>68,666,146</b>

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

## 10 Investment Securities Held to Maturity (Continued)

The primary factor that the Bank considers in determining whether a debt security is impaired is its overdue status. Based on this factor, the Bank presents above an ageing analysis of debt securities that are individually determined to be impaired.

The debt securities are not collateralised.

Information about the fair value of each category of investment securities held to maturity is presented in Note 20. Information about investment securities held to maturity issued to related parties is presented in Note 22.

## 11 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 2017</b>	<b>31 December 2016</b>
<b>Individuals</b>		
Long-term deposits	348,957,319	305,948,371
Current accounts	5,480,044	3,486,104
<b>Customer accounts</b>	<b>354,437,363</b>	<b>309,434,475</b>
Held as security under loans issued	121,499,318	103,842,008
<b>Total customer accounts</b>	<b>475,936,681</b>	<b>413,276,483</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 2017 customer accounts in the amount of Tenge 287,563 thousand (0.06%) represented accounts of the largest ten customers of the Bank (31 December 2016: Tenge 429,023 thousand (0.001%).

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 21).

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 investment and development 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 investment and development of the Republic of Kazakhstan fails to provide state premium on customer accounts to the Bank.

## 12 Borrowed Funds

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Ministry of Finance of the Republic of Kazakhstan	33,591,620	33,433,400
Samruk-Kazyna National Wealth Fund JSC	30,045,983	29,468,599
Parent Company	5,555,530	5,364,466
<b>Total borrowed funds</b>	<b>69,193,133</b>	<b>68,266,465</b>

In 2008, in accordance with the Republic’s budget program “Financing of implementation of State public housing program in the Republic of Kazakhstan”, the Bank received a loan from Ministry of Finance of Tenge 23,560,000 thousand for a period of ten years at 1% interest per annum payable semi-annually. The loan principal is repayable in 2018. The purpose of the loan is to finance the Bank’s granting preliminary and intermediate housing loans at 4% interest per annum to the priority groups specified by the state program.

In 2010-2011 the Bank obtained loans from Samruk-Kazyna Fund amounting Tenge 33,440,000 thousand at 1% per annum. Principal of loans obtained in 2010-2011 is payable until 1 August 2019 and 30 November 2021, respectively, and interest is payable semi-annually. The purpose of the loans is to grant preliminary and interim housing loans at 4% interest per annum to the priority groups specified by the State Programme and the Law of the Republic of Kazakhstan *On House Construction savings in the Republic of Kazakhstan* dated 7 December 2000.

In 2012 the Bank obtained a loan in the amount of Tenge 12,200,000 thousand with an interest rate of 1% per annum from the Republic’s Budget to implement a program “Affordable Housing – 2020” associated with housing construction development ensuring affordability of housing to people at large through the system of housing construction savings. The purpose of the loan is to grant preliminary and intermediate housing loans to participants of the program “Affordable Housing – 2020”. The interest rates of intermediate housing loans are set at a cap of 9% and 8% respectively. Loan principal amount received in 2012 is payable at maturity date 1 July 2023, and the interest is payable every six months. Resources resulted from early repaid loans issued using the abovementioned resources may be used by the Bank to advance loans under its market programmes.

In 2016, the Bank received a loan from the Parent for Tenge 22 billion at 0.15% interest rate. Principal should be paid by 25 March 2036, and interest is payable semi-annually.

Upon initial recognition the Bank recorded the above mentioned borrowings at market rates effective on the date of the tranches. The gain on initial recognition in the amount of Tenge 13,541,732 thousands less deferred tax liability was recognized within equity as additional paid-in capital (Note 4).

## 13 Compensation Payable

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Compensation payable by the Bank	3,113,425	12,000,000
<b>Total compensation payable</b>	<b>3,113,425</b>	<b>12,000,000</b>

Due to the transition in 2015 to the regime of freely floating exchange rate and, as a result, devaluation, the Government of Kazakhstan jointly with the Bank, decided to compensate housing construction savings partially from the funds of the RK Government and partially using the Bank’s funds. In accordance with decision of the Shareholder No. 20/16 dated 28 April 2016 retained earnings of previous years of Tenge 24,000,000 thousand are used for payment of compensation for the customer deposits in two stages, 2016 and 2017. During six months 2017, the Bank paid compensation for 284,468 deposits of the total amount of Tenge 9,011,663 thousand from its own funds (2016: for 316,498 deposits of Tenge 10,425,685 thousand.) Unused compensation of Tenge 3,002,454 thousand (including repayment for 2016: Tenge 14,117 thousand) is planned for re-classification to retained earnings of the Bank by the end of 2017. The remaining amount of Tenge 110,971 thousand represents an unused part of the compensation payable from the budget, which will be transferred back to the state.

#### 14 Other Liabilities

Other liabilities include the following items:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Dividends payable	6,778,929	-
Deferred commission income	3,761,245	3,654,227
Other liabilities accrued	296,766	194,067
<b>Total other financial liabilities</b>	<b>10,836,940</b>	<b>3,848,294</b>
Accrued employee benefits costs	799,392	482,539
Accrued expenses for administrative activities	277,711	504,587
Taxes payable other than income tax	101,345	113,338
Others	76,685	80,703
<b>Total other liabilities</b>	<b>12,092,073</b>	<b>5,029,461</b>

#### 15 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 2016</b>	7,830	78,300,000	78,300,000
New shares issued	-	-	-
<b>At 30 June 2016</b>	<b>7,830</b>	<b>78,300,000</b>	<b>78,300,000</b>
<b>At 1 January 2017</b>	7,830	78,300,000	78,300,000
New shares issued	-	-	-
<b>At 30 June 2017</b>	<b>7,830</b>	<b>78,300,000</b>	<b>78,300,000</b>

On 26 April 2017, at the meeting of shareholders, the Bank declared dividends for 2016 ended 31 December 2016 of Tenge 6,778,929 thousand. The dividend amount per ordinary share was Tenge 865.76.

## 19 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 2017 is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/retail banking	Investment banking operations	Total
Cash and cash equivalents	6	-	28,201,371	28,201,371
Trading securities		-	4,776,934	4,776,934
Due from other banks	7	-	13,079,341	13,079,341
Loans and advances to customers	8	373,289,621	-	373,289,621
Investment securities available for sale	9	-	178,344,152	178,344,152
Investment securities held to maturity	10	-	89,402,468	89,402,468
<b>Total assets of operating segments</b>		<b>373,289,621</b>	<b>313,804,266</b>	<b>687,093,887</b>
Customer accounts	11	475,936,681	-	475,936,681
Borrowed funds	12	69,193,133	-	69,193,133
Compensation payable	13	3,113,425	-	3,113,425
Other liabilities	14	3,761,245	-	3,761,245
<b>Total liabilities of operating segments</b>		<b>552,004,484</b>	<b>-</b>	<b>552,004,484</b>
<b>Capital expenditures</b>		<b>-</b>	<b>(415,360)</b>	<b>(415,360)</b>

## 19 Segment Information (Continued)

Capital expenditures represent acquisition of property and equipment.

<i>(in thousands of Kazakhstani Tenge)</i>	Mortgage/retail banking	Investment banking operations	Total
<b>Six months ended 30 June 2017 (unaudited)</b>			
<b>Segment revenues</b>			
Interest income on loans to customer	12,956,653	-	12,956,653
Interest income on securities and due from the National Bank of the Republic of Kazakhstan	-	13,133,057	13,133,057
Interest expense on customer accounts	(3,859,704)	-	(3,859,704)
Interest expense on borrowed funds	(1,289,168)	-	(1,289,168)
<b>Net interest income</b>	<b>7,807,781</b>	<b>13,133,057</b>	<b>20,940,838</b>
Provision for impairment of loan portfolio	(178,671)	-	(178,671)
<b>Net interest income after provision for impairment of loan portfolio</b>	<b>7,629,110</b>	<b>13,133,057</b>	<b>20,762,167</b>
Fee and commission income	420,709	-	420,709
Fee and commission expense	(753,457)	(15,439)	(768,896)
Net loss on initial recognition of financial instruments at rates below market	(312,851)	(70,643)	(383,494)
Gains less losses from trading securities	-	(273,701)	(273,701)
Other expenses	(382,948)	-	(382,948)
Administrative and other operating expenses	(1,793,376)	(3,474,665)	(5,268,041)
<b>Segment results</b>	<b>5,190,135</b>	<b>9,298,609</b>	<b>14,105,796</b>

Segment information for the reportable segments for the year ended 31 December 2016:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/retail banking	Investment banking operations	Total
Cash and cash equivalents	6	-	80,596,796	80,596,796
Trading securities	-	-	5,129,889	5,129,889
Due from other banks	7	-	31,243,925	31,243,925
Loans and advances to customers	8	326,576,299	-	326,576,299
Investment securities available for sale	9	-	103,219,371	103,219,371
Investment securities held to maturity	10	-	68,666,146	68,666,146
<b>Total assets of operating segments</b>		<b>326,576,299</b>	<b>288,856,127</b>	<b>615,432,426</b>
Customer accounts	11	413,276,483	-	413,276,483
Borrowed funds	12	68,266,465	-	68,266,465
Compensation payable	13	12,000,000	-	12,000,000
Other liabilities	14	3,654,227	-	3,654,227
<b>Total liabilities of operating segments</b>		<b>497,197,175</b>	<b>-</b>	<b>497,197,175</b>
<b>Capital expenditures</b>		<b>-</b>	<b>(149,870)</b>	<b>(149,870)</b>



## 19 Segment Information (Continued)

Segment information for the reportable segments for six months ended 30 June 2016 is set out below:

	Mortgage/retail banking	Investment banking operations	Total
<i>(in thousands of Kazakhstani Tenge)</i>			
<b>Six months ended 30 June 2016</b>			
<b>Segment revenues</b>			
Interest income on loans to customer	10,422,215	-	10,422,215
Interest income on securities and due from the National Bank of the Republic of Kazakhstan	-	11,147,889	11,147,889
Interest expense on customer accounts	(2,817,815)	-	(2,817,815)
Interest expense on borrowed funds	(1,155,235)	-	(1,155,235)
<b>Net interest income</b>	<b>6,449,165</b>	<b>11,147,889</b>	<b>17,597,054</b>
Reversal of provision for impairment of loan portfolio	128,162	-	128,162
<b>Net interest income after reversal of provision for impairment of loan portfolio</b>	<b>6,577,327</b>	<b>11,147,889</b>	<b>17,725,216</b>
Fee and commission income	214,967	-	214,967
Fee and commission expense	(602,689)	(12,063)	(614,752)
Net loss on initial recognition of financial instruments at rates below market	(52,496)	(89,104)	(141,600)
Gains less losses from trading securities	-	114,298	114,298
Other expenses	(275,474)	-	(275,474)
Administrative and other operating expenses	(1,830,640)	(2,475,268)	(4,305,908)
<b>Segment results</b>	<b>4,030,995</b>	<b>8,685,752</b>	<b>12,716,747</b>

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

	30 June 2017	31 December 2016
<i>(in thousands of Kazakhstani Tenge)</i>		
<b>Total assets of operating segments</b>	<b>687,093,887</b>	<b>615,432,426</b>
Property and equipment	4,113,882	4,036,763
Intangible assets	1,489,723	1,202,545
Other assets	702,571	878,275
<b>Total assets</b>	<b>693,400,063</b>	<b>621,550,009</b>
<b>Total liabilities of operating segments</b>	<b>552,004,484</b>	<b>497,197,175</b>
Deferred tax liability	4,477,676	4,095,869
Other liabilities	8,330,828	1,375,234
<b>Total liabilities</b>	<b>564,812,988</b>	<b>502,668,278</b>

## 19 Segment Information (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	Six months ended 30 June 2017	Six months ended 30 June 2016
<b>Segment results</b>	<b>14,105,796</b>	<b>12,716,747</b>
Other income	17,429	80,113
<b>Profit before tax</b>		
Income tax expense	(1,464,082)	(1,253,066)
<b>Profit for the period</b>	<b>12,659,143</b>	<b>11,543,794</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 2017 (2016: nil).

## 20 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 2017			31 December 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Assets measured at fair value</b>						
<b>Financial assets</b>						
<b>Trading securities</b>						
- Corporate bonds	-	4,776,934	4,776,934	-	5,129,889	5,129,889
<b>Available-for-sale investments</b>						
- Treasury bonds of Ministry Finance of the Republic of Kazakhstan	-	141,832,216	141,832,216	-	77,650,745	77,650,745
- Government securities of the Astana city Finance Department SE	-	5,008,859	5,008,859	-	-	-
- Corporate bonds	-	23,624,052	23,624,052	-	20,628,557	20,628,557
- International financial organizations bonds	-	5,005,653	5,005,653	-	2,080,861	2,080,861
- Bonds of second tier banks of the Republic of Kazakhstan	-	885,761	885,761	-	876,446	876,446
- Bonds of Kazakhstani non-banking financial institutions	-	1,986,516	1,986,516	-	1,980,587	1,980,587
- Ordinary and preferred shares of the second tier banks of the Republic of Kazakhstan	-	1,095	1,095	-	2,175	2,175
<b>Total assets recurring fair value measurements</b>	-	<b>183,121,086</b>	<b>183,121,086</b>	-	<b>108,349,260</b>	<b>108,349,260</b>

## 20 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 2017				31 December 2016			
	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>Assets</b>								
Cash and cash equivalents	1,289,241	3,242,707		4,531,948	2,814,991	40,069,124		42,884,115
Due from other banks		13,027,947		13,079,341		31,119,897		31,243,925
Loans and advances to customers		348,206,110	25,083,511	373,289,621		292,802,998	33,773,301	326,576,299
Investment securities held to maturity		89,402,468		89,402,468		68,666,146		68,666,146
<b>Total</b>	<b>1,289,241</b>	<b>453,879,232</b>	<b>25,083,511</b>	<b>480,303,378</b>	<b>2,814,991</b>	<b>432,658,165</b>	<b>33,773,301</b>	<b>469,370,485</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 2017			31 December 2016		
	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	475,936,681	-	475,936,681	413,276,483	-	413,276,483
Borrowed funds	61,869,822	-	69,193,133	58,010,035	-	68,266,465
<b>Total</b>	<b>537,806,503</b>	<b>-</b>	<b>545,129,814</b>	<b>471,286,518</b>	<b>-</b>	<b>481,542,948</b>

**Cash and cash equivalents.** Cash on hand is classified at level 1, all other cash at level 2. 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.

Estimated fair value of loans and advances to customers/customer accounts issued/received within state programmes is based on estimated future cash flows expected to be received discounted at current interest rates for new loans/customer accounts, issued/received not under state programmes. Accordingly, the Bank's management applied its judgements at fair value measurement of these instruments and classified them as Level 3 in the fair value hierarchy (Note 5).

**Investment securities held to maturity.** At the moment of purchasing investment securities held to maturity, the market was active, but since later there was no active trading, these investment securities were reclassified to Level 2.

**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 credit risk and remaining maturities.

## **21 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 2017 and 31 December 2016 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 mortgage agreements were reached.

Financial and contingent liabilities of the Bank comprise:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
Obligations to provide loans	25,371,034	27,866,698
<b>Financial and contingent liabilities</b>	<b>25,371,034</b>	<b>27,866,698</b>

## **22 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 14 and 17.

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

## 22 Related Party Transactions (Continued)

At 30 June 2017, the outstanding balances with related parties were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Entities under common control	Key management personnel	Other related parties
Cash and cash equivalents (contractual interest rate: 9.5-9.8 %)	-	-	-	26,768,622
Due from other banks (contractual interest rate: 6.5 %)	-	7,419,943	-	-
Trading securities (contractual interest rate: 7.5% - 8.5%)	-	2,539,439	-	2,237,495
Loans to customers (contractual interest rate: 4 %-10 %)	-	-	54,319	281,176
Investment securities available for sale (contractual interest rate: 3 %-10.5 %)	-	2,013,736	-	165,429,048
Investments held-to-maturity (contractual interest rate: 5.6 %- 12 %)	-	-	-	89,402,468
Borrowed funds (contractual interest rate: 0.15% - 1%)	5,555,530	-	-	63,637,603
Customer accounts (contractual interest rate: 2% - 3%)	-	-	23,344	197,662
Deferred tax liabilities	-	-	-	4,477,676
Other liabilities	6,778,929	2,103	-	175,389
Additional paid-in capital	13,541,732	-	-	-

The income and expense items with related parties during the six months ended 30 June 2017 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Entities under common control	Key management personnel	Other related parties
Interest income	-	366,489	1,190	11,232,056
Interest expense	(207,564)	-	-	(1,083,103)
Gains less losses from trading securities	-	(118,137)	-	(155,564)
Impairment allowance	-	-	(48)	(527)
Other expense	-	-	-	(350,777)
Administrative and other operating expense	-	(12,617)	-	-
Income tax expense	-	-	-	(1,464,082)

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2017 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Other related parties
Amounts lent to related parties during the period	51,115
Amounts repaid by related parties during the period	24,709

## 22 Related Party Transactions (Continued)

At 31 December 2016, the outstanding balances with related parties were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Entities under common control	Key management personnel	Other related parties
Cash and cash equivalents (contractual interest rate: 11 %)	-	-	-	77,614,148
Due from other banks (contractual interest rate: 6.5% -16%)	-	7,421,261	-	-
Trading securities (contractual interest rate: 7.5% - 8.5%)	-	2,657,557	-	2,472,332
Loans to customers (contractual interest rate: 4% - 10%)	-	-	55,811	341,063
Investment securities available for sale (contractual interest rate: 6 %-9 %)	-	-	-	100,259,889
Investments held-to-maturity (contractual interest rate: 5.6 %-5.8 %)	-	-	-	68,666,146
Borrowed funds (contractual interest rate: 0.15% - 1%)	5,364,466	-	-	62,901,999
Customer accounts (contractual interest rate: 1.5 %-5.5 %)	-	-	18,206	219,389
Deferred tax liabilities	-	-	-	4,095,869
Other liabilities	-	-	-	164,234
Additional paid-in capital	13,541,732	-	-	-

The income and expense items with related parties during the six months ended 30 June 2016 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Entities under common control	Key management personnel	Other related parties
Interest income	-	370,320	2,508	7,013,629
Interest expense	(8,708)	-	(146)	(1,148,640)
Gains less losses from trading securities	-	12,820	-	101,478
Impairment allowance	-	-	(42)	(887)
Other expense	-	-	-	(256,870)
Income tax expense	-	-	-	(1,305,594)

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2016 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Other related parties
Amounts lent to related parties during the period	10,152
Amounts repaid by related parties during the period	22,657

## 22 Related Party Transactions (Continued)

Key management compensation is presented below:

<i>(in thousands of Kazakhstani Tenge)</i>	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	85,985	-	77,232	-
- Short-term bonuses	2,862	-	1,633	-
- Benefits in-kind	722	-	670	-
- Long-term bonuses	28,891	32,433	27,841	66,616
<b>Total</b>	<b>118,460</b>	<b>32,433</b>	<b>107,376</b>	<b>66,616</b>

## 23 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 2017.

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	2017	2016
Profit for 6 attributable to ordinary share holders		12,659,143	11,543,794
Number of outstanding ordinary shares (thousands)	15	7,830	7,830
Basic and diluted earnings per ordinary share (in Tenge per share)		1,617	1,474

## 24 Events after the End of the Reporting Period

No significant events occurred after the reporting date.