



House Construction Savings Bank of Kazakhstan Joint Stock Company

**Condensed Interim Financial Information
(unaudited)**

30 June 2020

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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 2020 and the related condensed interim 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".

PricewaterhouseCoopers LLP.

30 July 2020

Almaty, Kazakhstan

PricewaterhouseCoopers LLP

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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 2020 (unaudited)	31 December 2019
ASSETS			
Cash and cash equivalents	6	144,293,911	151,024,879
Loans and advances to customers	7	1,057,629,734	993,338,343
Investments in debt securities	8	251,214,867	196,087,584
Investments in equity securities		5,147	5,214
Premises and equipment and right of use assets		5,726,353	5,256,199
Intangible assets		5,067,238	3,874,218
Current income tax prepayment		247,404	171,542
Other financial assets	9	10,018,148	2,979,171
Other assets	9	749,287	338,503
Non-current assets held for sale		191,476	199,399
TOTAL ASSETS		1,475,143,565	1,353,275,052
LIABILITIES			
Customer accounts	10	965,174,705	902,023,405
Borrowed funds	11	156,570,783	105,626,763
Debt securities in issue	12	78,650,648	78,650,059
Deferred income tax liabilities		15,849,428	15,944,892
Other financial liabilities	13	3,814,835	4,175,467
Other liabilities	13	2,341,681	2,152,659
TOTAL LIABILITIES		1,222,402,080	1,108,573,245
EQUITY			
Share capital	14	78,300,000	78,300,000
Additional paid-in-capital		83,036,332	80,980,344
Revaluation reserve for investment securities measured at fair value through other comprehensive income		(4,035,243)	(3,077,553)
Other reserves		2,283,335	2,283,335
Retained earnings		93,157,061	86,215,681
TOTAL EQUITY		252,741,485	244,701,807
TOTAL LIABILITIES AND EQUITY		1,475,143,565	1,353,275,052

* 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.

30 July 2020

Miras B. Beisembayev
Acting 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 2020 (unaudited)	30 June 2019 (unaudited)
Interest income calculated using effective interest rate method	15	51,778,944	39,732,964
Interest and other similar expense	15	(16,556,636)	(12,531,826)
Net margin on interest and similar income		35,222,308	27,201,138
Credit loss allowance	7	(1,422,437)	(23,582)
Net margin on interest and similar income after credit loss allowance		33,799,871	27,177,556
Fee and commission income		555,105	647,520
Fee and commission expense		(2,209,047)	(1,984,974)
Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition		(5,754,051)	-
Losses on initial recognition of assets at rates below market		(1,028,325)	(2,343,111)
Losses less gains from trading in foreign currencies		32,953	(423)
Gains less losses from trading securities measured at fair value through other comprehensive income		-	2,436
General and administrative expenses		(9,126,754)	(8,246,129)
Other net operating expenses		(720,549)	(475,021)
Profit before tax		15,549,203	14,777,854
Income tax expense	16	(315,226)	(694,112)
Profit for the period		15,233,977	14,083,742
Other comprehensive income /(loss):			
<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		(957,623)	(248,757)
Gains less losses on investments in debt securities at fair value through other comprehensive income carried into profit and loss statement		-	4,772
<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		(67)	(124)
Other comprehensive loss		(957,690)	(244,109)
Total comprehensive income for the period		14,276,287	13,839,633
Earnings per share for profit attributable to the Bank shareholder, basic and diluted			
(in Kazakhstani Tenge per share)	22	1,946	1,799

The accompanying notes on pages 5 to 50 are an integral part of these financial statements.

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 measured at fair value through other comprehensive income	Other reserves	Retained earnings	Total capital
Balance at 1 January 2019	78,300,000	54,568,526	(1,999,265)	2,283,335	66,509,202	199,661,798
Changes in the initial adoption of IFRS 16	-	-	-	-	-	-
Restated balance at 1 January 2019	78,300,000	54,568,526	(1,999,265)	2,283,335	66,509,202	199,661,798
Profit for the six months	-	-	-	-	14,083,742	14,083,742
Other comprehensive income	-	-	(244,109)	-	-	(244,109)
Total comprehensive income for the period	-	-	(244,109)	-	14,083,742	13,839,633
Fair value adjustment for borrowed funds, net of deferred tax	-	17,698,331	-	-	-	17,698,331
Dividends declared	-	-	-	-	(7,936,551)	(7,936,551)
Balance at 30 June 2019 (unaudited)	78,300,000	72,266,857	(2,243,374)	2,283,335	72,656,393	223,263,211
Balance at 1 January 2020	78,300,000	80,980,344	(3,077,553)	2,283,335	86,215,681	244,701,807
Profit for the six months	-	-	-	-	15,233,977	15,233,977
Other comprehensive loss	-	-	(957,690)	-	-	(957,690)
Total comprehensive income for the period	-	-	(957,690)	-	15,233,977	14,276,287
Fair value adjustment for borrowed funds, net of deferred tax	-	2,055,988	-	-	-	2,055,988
Dividends declared	-	-	-	-	(8,292,597)	(8,292,597)
Balance at 30 June 2020 (unaudited)	78,300,000	83,036,332	(4,035,243)	2,283,335	93,157,061	252,741,485

The accompanying notes on pages 5 to 50 are an integral part of these financial statements.

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 2020 (unaudited)	30 June 2019 (unaudited)
Cash flows from operating activities			
Interest income calculated using effective interest rate method		46,129,478	38,808,407
Interest paid		(7,364,990)	(5,364,870)
Fees and commissions received		555,105	647,520
Fees and commissions paid		(2,394,702)	(1,984,974)
Payroll costs paid		(5,213,199)	(4,435,337)
General and administrative expenses paid		(3,289,150)	(3,422,770)
Income tax paid		(1,002,565)	(1,028,836)
Cash flows from operating activities before changes in operating assets and liabilities		27,419,977	23,219,140
<i>Net (increase)/ decrease in:</i>			
- due from other banks			-
- loans and advances to customers		(66,861,083)	(151,742,279)
- other financial assets		1,558,217	(2,542,301)
- other assets		(407,246)	(425,052)
<i>Net (decrease)/ increase in:</i>			
- customer accounts		46,833,350	103,791,504
- other financial liabilities		(97,333)	5,646,545
- other liabilities		(57,692)	15,078
Net cash from/(used in) operating activities		8,388,190	(22,037,365)
Cash flows from investing activities			
Acquisition of premises and equipment		(1,125,883)	(617,264)
Acquisition of intangible assets		(1,563,250)	(1,032,909)
Proceeds from disposal of premises and equipment		5,672	72,763
Acquisition of debt securities at fair value through other comprehensive income		(12,713,135)	(23,976,573)
Acquisition of investments in debt securities carried at amortised cost		(101,941,761)	(116,256,698)
Proceeds from disposal of debt securities at fair value through other comprehensive income		18,901,000	39,257,041
Proceeds from redemption of debt securities carried at amortised cost		39,750,000	5,000,000
Net cash used in investing activities		(58,687,357)	(97,553,640)
Cash flows from financing activities			
Loans received from the Ministry of Finance of the Republic of Kazakhstan		49,000,000	28,000,000
Loan received from local executive bodies of the Republic of Kazakhstan		3,000,000	1,500,000
Repayment of loan received from SWF Samruk-Kazyna JSC		-	(9,138,500)
Dividends paid		(8,292,597)	-
Long-term lease		(172,770)	-
Net cash from financing activities		43,534,633	20,361,500
Effect of exchange rate changes on cash and cash equivalents		33,566	287
Net decrease in cash and cash equivalents		(6,730,968)	(99,229,218)
Cash and cash equivalents at the beginning of the period	6	151,024,879	173,374,282
Cash and cash equivalents at the end of the period		144,293,911	74,145,064

The accompanying notes on pages 5 to 50 are an integral part of these financial statements.

Notes to the Condensed Interim Financial Information of House Construction Savings Bank of Kazakhstan Joint Stock Company for 6 months ended on 30 June 2020:

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 Nurlı 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 2019 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 2020, such as number of signed house construction savings contracts and volumes of loans issued. As at 30 June 2020 160,501 agreements on housing savings have been signed with contracted amount of Tenge 499.4 billion, and 15,394 loans for a total of Tenge 172.3 billion had been granted (30 June 2019: 177,399 agreements on housing savings were signed with contracted amount of Tenge 456.9 billion, 22,501 loans for a total of Tenge 241.6 billion were granted).

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 2020, the Bank implemented the following projects to improve servicing quality and ensure own housing for wider population:

1. *ARNAU* children deposits and loans terms were approved in November 2019, where the product was launched on 1 June 2020. Terms of the program enable housing improvement in the future at 2% annual interest rate for loans.
2. The terms of *Zhas Otbası* program for young families were approved in February 2020, where the program was launched on 1 July 2020. The program terms give opportunity to young families to improve housing (loans are issued at 6% per annum with further housing loan at 5% per annum).

1 Introduction (Continued)

3. The following amendments to Almaty Zhastary program terms were made:

- Loan amount increase up to Tenge 13 million;
- Decrease of down payment to 10% of loan amount;
- Enhancement of loan purposes for house acquisition.

These terms were approved in February 2020, and launched on 15 June 2020.

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 2020 the Bank has 17 regional branches, 19 service centres throughout Kazakhstan and 4 service points throughout Kazakhstan (2019:17 regional branches, 18 service centres, and 5 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 16 November 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 2020 and 31 December 2019 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.

On 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Kazakhstani authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Kazakhstan and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Bank, as well as the Kazakhstani and global economy for an unknown period of time.

The Management is taking necessary measures to ensure sustainability of the Bank's operations and support its customers and employees:

Due to quarantine regime in Kazakhstan taking into force since 16 March 2020, and limitations on operations time and the list of permitted services in the second-tier banks, to ensure ongoing operations of the Bank 50% of employees were transferred to working from home regime. Due to temporary closure of business at different times in different regions of Kazakhstan, provision of bank services to customers were stopped in 12 regions, in 5 regions limited customer reception with advance booking for electronic queue was introduced. In order to ensure ongoing informing of customers about products and services, the Bank continued its functioning for the entire period of the State of Emergency and the extension of quarantine in the Republic of Kazakhstan.

In accordance with decision of the Management, the Bank continued provision of services to clients remotely on deposit and credit operations using biometric identification methods, RichCall video service, Genesys telephony, VDI remote access to the workplace and internet-banking system "HCSB24". With the end of state of emergency after the extension of the quarantine regime in the Republic of Kazakhstan, the Bank continued to serve customers through a video service.

One of the seven steps of customer support program during the state of emergency is payment holidays on principal and interest for 90 days upon customer application through the internet-banking system "HCSB24" and contact centre, without providing supporting documents on financial position.

The Bank did not participate or receive any government subsidies nor support in relation to COVID-19.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 5 provides more information on how the Bank incorporated forward-looking information in the ECL models.

In March 2020, the International Accounting Standards Board (the IASB) emphasised in its educational materials that an appropriate judgment has to be applied when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions.

In March 2020 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.

2 Operating Environment of the Bank (Continued)

S&P expects oil price decrease in 2020 to negatively affect economic activity of the country. Standard & Poor's expects the country's economic growth to be at 2.9% with the growth of non-oil sector and slight increase in oil production volume. Devaluation of tenge and pandemic are also considered to be the factors for decreased economic growth.

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 banking 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 Company'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 2019, which had been prepared in accordance with International Financial Reporting Standards (IFRS). 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 2019. Management prepared these financial statements on a going concern basis. 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

The following amended standards and interpretations became effective for the Bank from 1 January 2020, but did not have any material impact on the Bank:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020 did not have any material impact on the Bank's right-of-use assets.

4 New Accounting Pronouncements (Continued)

There were no other 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 2019. 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.

No COVID-19 related amendments were made to the Bank's Accounting Policy.

No new financial reporting standards were issued in 2020. Amendments were introduced to the existing IFRS, as well as to IFRS 3 "Business Combinations", IAS 1 "Presentation of Financial Statements" in the form of clarifications in terminology.

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 2019. 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 2019.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs consistent with those at 31 December 2019. 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 2020, the Bank performed the analysis of macro-economic variables as at 1 July 2020, since as at 1 April 2020, no sufficient time has passed since the state of emergency in the Republic of Kazakhstan related to COVID-19 taking force on 16 March 2020 and the event has not yet affected the statistics of macroeconomic indicators and the level of portfolio default as, for example, the level of non-performing loans increased in March 2020 for Tenge 165 million only. As at 1 July 2020, the Bank has collected and analysed information for the second quarter of year 2020, as a result impact of unemployment level on probability of default of preliminary housing loan portfolio was noted. As for the other pools of loan portfolio, impact of macroeconomic indicators on the probability of default does not exist or is insignificant. The results of the analysis of the macroeconomic impact on the probability of default are planned to be used to calculate the provision as of 31 July 2020, after the approval of these indicators by the Authorized Body of the Bank, the expected increase in ECL provision is Tenge 3.9 million.

As at 30 June 2020, 21.8% borrowers of the loan portfolio received payment holidays due to the COVID-19-related state of emergency, out of which 80.58% of loans were allocated to Stage 1, 19.12% to Stage 2 and 0.3% to Stage 3.

COVID-19 related events affected increase in the volume of overdue loans during the second quarter 2020, the loans were allocated among stages in line with the approved Methodology depending on the number of days overdue and other qualitative triggers. COVID-19 related payment holidays provided to borrowers are not considered as an event of default in accordance with the Decree of the Agency of the Republic of Kazakhstan on regulation and development of the financial market №66 dated 18 June 2020 and no rules and conditions of the internal document governing the procedure for granting restructuring of loans in the Bank were applied to loans with COVID-19 related payment holidays in accordance with the Decree of the Management of JSC «House Construction Savings Bank of Kazakhstan» №33 dated 2 April 2020, therefore, the measure was not considered as a default of borrower.

Considering that the payment holidays were provided to all borrowers who submitted an application without analysing their financial position and without providing supporting documents, the Bank does not expect a deterioration in the quality of the portfolio for the entire portfolio of loans with provided payment holidays during the state of emergency.

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

Borrowers with provided payment holidays during the state of emergency experiencing a deterioration in their credit history, overdue for more than 30 days and the borrowers with write-off based on payment orders were transferred to Stage 2 as loans with increased credit risk. As at 30 June 2020 more than 60% of loans with provided payment holidays during the state of emergency in Stage 2 are borrowers allocated into Stage 2 due to a deterioration of their credit history and about 20% due to the issuance of payment orders and / or collection orders to borrowers' accounts. Also, according to the Methodology, there are no other grounds for transferring borrowers' data to Stage 2. In addition, there is no significant effect on increasing Stage 2, since in June 2020 the APD calculation algorithm was improved, and therefore, part of the loans migrated to Stage 1.

Based on the foresaid, the model for calculating the provision was not adjusted for COVID-19, since the qualitative indicators of an increase in credit risk are quite sensitive to the behaviour of borrowers and, to a large extent, are triggered when the quality of loans deteriorates, and were sufficient at the reporting date. According to the Methodology, the adjustment of PD parameters is applied by imposing macroeconomic influence, since PD is most susceptible to the effect of changes in macroeconomic conditions. Accordingly, the Bank will monitor the dynamics of macroeconomic indicators for COVID-19 and in case of significant impact on the default rate, will be taken into account in the provision calculation model this year.

According to the Methodology, the Bank calibrates credit risk parameters on a quarterly basis, at the end of the quarter, the Bank revises the credit risk parameters and applies them to calculate the provisions in the month following the quarter. As of 1 July 2020 the Bank has calibrated the parameters of credit risk, the results were reflected in the Bank's accounting system and a preliminary allocation has been made as of 31 July 2020. According to preliminary estimates, additional charge of Tenge 1 billion is expected in relation to the revision of the parameters of credit risk. The analysis showed that over the past quarter there was a significant increase in the level of defaults on the loan portfolio and was reflected in the parameters of credit risk. As for "Baqytty otbasy" program, the volume of non-performing portfolio (NPL) as of 1 July 2020 amounted to only Tenge 28 million, or 0.04% of the loan portfolio, that is, the NPL level is significantly lower than the average and does not exceed the average for the portfolio (0.35%), as of 1 April 2020 NPL for "Baqytty otbasy" was null. Currently, there are no signs of more pronounced consequences of the impact of COVID-19 on "Baqytty otbasy" loan portfolio in comparison with the market and other programs of the Bank.

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 2020) 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 2,772,424 thousand as of 30 June 2020.

Should Loss Given Default on impaired loans is 100%, the expected credit loss would be higher by Tenge 2,827,315 thousand.

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.

From 2008 to the present "Samruk-Kazyna" National Welfare Fund" JSC, the Ministry of Finance of the Republic of Kazakhstan and Baiterek National Managing Holding JSC provided funds to the Bank to finance government programs on lending of housing loans within the framework of "Affordable Housing - 2020" and "Nurly Zher" housing programs.

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

The Bank also attracts funds from local budgets to finance regional programs for the provision of preliminary loans under the “Almaty Zhastary” program as part of the Almaty Youth Support Roadmap for 2020, for the provision of preliminary and intermediate loans under the regional program “Bakytty Otbasyn” in Almaty, for the provision of preliminary loans to residents of “Makhabat” residential complex in Nur-Sultan city. The Bank reflected loans at initial recognition received under the “Almaty Zhastary” program at the market rate at the loan issue date.

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. On initial recognition, the Bank recognized loans at the market rate at the loan issue date. Details are presented in the table below.

The Bank’s management evaluates this financing under the programs “as participation in the Bank’s capital”, as the Bank is the only financial operator in the framework of these programs and a subject of the quasi-public sector. In accordance with the Group accounting policies of the parent company and accounting policies of the Bank, fair value adjustments at initial recognition of borrowed funds from shareholders should be accounted through equity. Borrowed funds were provided to the Bank in order to support its core operating activities. The Bank provides loans under programs using its own funds and borrowed funds provided from other sources.

The table below illustrates borrowed funds under contractual terms that differ significantly from average market borrowing rates with similar terms on maturity and interest rates, and were recognized in the financial statements at fair value.

(in thousands of Kazakhstani Tenge)

No.	Creditor	Contract start date	Contract end date	Amount per contract	Program	Nominal rate	Market rate	Discount period/years	Amount of paid capital	Calculation method
1	“Samruk-Kazyna” SWF” JSC	3 March 2011	30 November 2021	15,163,000	Affordable housing 2020	1.00%	* 4.68%	10	3,375,255	GS rate of return with a similar maturity
2	Ministry of Finance of the Republic of Kazakhstan	11 July 2012	18 July 2023	12,200,000	Affordable housing 2020	1.00%	4.5656%	11	2,949,902	GS rate of return with a similar maturity
3	Administration of Almaty	6 November 2017	15 November 2025	1,000,000	Almaty Zhastary	0.01%	9.0230%	8	398,409	GS rate of return nominated in tenge, by linearizing the indicated dependence using a linear function
4		30 July 2018	2 August 2026	400,000		0.01%	8.4304%	8	151,741	
5				400,000		0.01%	9.2060%	8	159,056	
6				400,000		0.01%	9.0429%	8	156,586	

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

No.	Creditor	Contract start date	Contract end date	Amount per contract	Program	Nominal rate	Market rate	Discount period/ years	Amount of paid capital	Calculation method
7	“Baiterek” NMH” JSC	25 March 2016	25 March 2036	22,000,000	Nurly Zhol	0.15%	7.9694%	20	13,541,732	GS rate of return nominated in tenge, by linearizing the indicated dependence using a linear function
8	Ministry of Finance of the Republic of Kazakhstan	22 November 2017	27 November 2037	8,000,000	Nurly Zher	0.15%	9.4762%	20	5,266,234	GS rate of return with a similar maturity
9	Ministry of Finance of the Republic of Kazakhstan	16 March 2018	5 March 2038	24,000,000	Nurly Zher	0.15%	8.9601%	20	15,473,120	GS rate of return with a similar maturity
10	Ministry of Finance of the Republic of Kazakhstan	19 December 2018	20 December 2038	15,000,000	Nurly Zher	0.15%	8.1825%	20	9,333,966	GS rate of return with a similar maturity
11	Ministry of Finance of the Republic of Kazakhstan	06 March 2019	1 March 2039	28,000,000	Nurly Zher	0.15%	8.5157%	20	17,698,330	GS rate of return with a similar maturity
12	Ministry of Finance of the Republic of Kazakhstan	3 December 2019	3 December 2039	14,000,000	Nurly Zher	0.15%	8.1869%	20	8,713,488	The multicomponent fair value determination technique used by “Baiterek” NMH” JSC and its subsidiaries

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

No.	Creditor	Contract start date	Contract end date	Amount per contract	Program	Nominal rate	Market rate	Discount period/ years	Amount of paid capital	Calculation method
13	Administration of Nur-Sultan	29 May 2020	29 May 2028	500,000	“Makhabat” residential complex	0.01%	13.8100 %	8	321,233	The multicomponent fair value determination technique used by “Baiterek” NMH” JSC and its subsidiaries
14	Administration of Almaty	12 June 2020	30 June 2045	2,500,000	Almaty Zhastary	0.01%	13.3800 %	25	2,248,751	The multicomponent fair value determination technique used by “Baiterek” NMH” JSC and its subsidiaries

* average rate for all tranches.

** For the group of the Parent company, a general methodology has been developed for determining the fair value of financial assets and financial liabilities, which regulates methods and approaches for determining the fair value at which a transaction would be carried out on a voluntary basis to sell the asset or transfer liabilities between market participants at the valuation date in the current market conditions.

*** GS – Government securities

According to the goals of the “Bakytty otbasy” program, the funds in the table below were aimed to provide preliminary, intermediate and housing loans to large Bank customers with a loan term of up to 25 years, with an interest rate of 2% and an initial payment of at least 10%. The Bank believes that the loans issued under this Program relate to a separate main market (according to IFRS 13 Fair Value) and, therefore, the Bank does not adjust to its fair value at initial recognition.

(in thousands of Kazakhstani Tenge)

No	Creditor	Contract start date	Contract end date	Amount per contract	Program	Nominal rate
1	Administration of Almaty	27 March 2019	3 April 2044	1,000,000	Bakytty otbasy	0.01%
2	Administration of Almaty	26 June 2019	28 April 2044	1,500,000	Bakytty otbasy	0.01%
3	Ministry of Finance of the Republic of Kazakhstan	15 July 2019	12 July 2044	50,000,000	Bakytty otbasy	0.01%
4	Ministry of Finance of the Republic of Kazakhstan	28 May 2020	20 March 2045	49,000,000	Bakytty otbasy	0.01%

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

If this financing were reflected as a state subsidy, the benefit from the loan would be recognized as deferred income, which is recognized in profit or loss on a systematic basis as borrowed funds are absorbed.

The Bank's management in its judgements relies on the following main reasons indicating the formation of a separate main market:

- the Bank is the only bank in Kazakhstan that issues such loans;
- low attraction rate at 0.01% per annum, long-term special financing by Administrations, the Ministry of Finance of the Republic of Kazakhstan;
- the program was created exclusively for large families with 4 or more children, single-parent families and families with or raising children with disabilities;
- there is a limit on the maximum income for a family (family income cannot exceed 1 minimum wage for each family member);
- low interest rate of 2% per annum, taking into account that the interest rate changes when the loan becomes housing in other programs of the Bank;
- there is a strict list of criteria allowing participation in the Program (lack of housing, presence in the waiting list of local executive authorities in the categories of “large families”, “single-parent family”, “family with or raising children with disabilities”).

As noted above, this program involves long-term financing by government agencies at a low interest rate. The Bank also applied professional judgment in determining the fair value of borrowings received and does not consider it necessary to adjust such borrowings at fair value based on commercial borrowing rates for the following main reasons:

- granting loans under the Program is an essential condition for financing;
- this Program is unprofitable for the Bank, unlike other programs with similar financing, therefore, the provision of financing cannot be considered as a “capital injection” if it requires the implementation of the Program, which brings the Bank a loss;
- the active part of the Bank's loans and advances to customers balance sheet is not adjusted to fair value;
- adjusting the borrowings to fair value through equity (contractual rate of 0.01%, and the range of commercial rates of 8-10%) and, as a result, a significant decrease in the liability leads to an incorrect presentation of economic phenomena.

For 6 months 2020 the Bank recorded a loss in the amount of Tenge 1,028,325 thousand (6 months 2019: Tenge 2,343,111 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>	30 June 2020	31 December 2019
Cash balances with the NBRK (other than mandatory reserve deposits)	63,210,885	11,613,115
Notes of NBRK with the maturity less than three months	55,934,311	62,070,483
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	13,949,922	66,590,603
Mandatory cash balances with the NBRK	7,900,769	7,640,811
Cash on hand	2,723,413	2,778,572
Correspondent accounts with other banks	576,797	334,121
Less credit loss allowance	(2,186)	(2,826)
Total cash and cash equivalents	144,293,911	151,024,879

In 2020 the Bank decreased the amount of investment in the reverse sale and repurchase agreements, the notes of the National Bank of Republic of Kazakhstan (hereinafter – “NB RK”) with a maturity of less than three months, so increased the amount of investment in other financial instruments.

The credit quality of cash and cash equivalents balances may be summarized as follows at 30 June 2020:

<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	Correspondent accounts in other banks	Total
<i>Neither past due, nor impaired</i>					
- National Bank of Republic of Kazakhstan	71,110,760	55,933,308	-	-	127,044,068
- BBB- to BBB+ rated	-	-	13,949,643	-	13,949,643
- BB- to BB+ rated	-	-	-	576,787	576,787
Total cash and cash equivalents, excluding cash on hand	71,110,760	55,933,308	13,949,643	576,787	141,570,498

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.

6 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances may be summarized as follows at 31 December 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	19,253,589	62,069,039	-	-	81,322,628
- BBB- to BBB+ rated	-	-	66,589,564	-	66,589,564
- BB- to BB+ rated	-	-	-	334,115	334,115
Total cash and cash equivalents, excluding cash on hand	19,253,589	62,069,039	66,589,564	334,115	148,246,307

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 2020 the Bank had notes of the NB RK with a maturity of less than three months in the total amount of Tenge 55,933,308 thousand (31 December 2019: Tenge 62,069,039 thousand), and also balances with the NB RK, including mandatory reserves in the amount of Tenge 71,110,760 thousand (31 December 2019: Tenge 19,253,589 thousand).

Security issued by KazAgroFinance JSC, Kazakhstan Sustainability Fund JSC, SB "Bank Home Credit" JSC, the Ministry of Finance of Republic of Kazakhstan and NB RK with the fair value of Tenge 13,949,643 thousand serves as collateral for reverse repurchase agreements.

As at 30 June 2020 the Bank had 1 counterparty bank, except for NB RK (31 December 2019: 1 bank counterparty). The total aggregate amount of these balances amounted to Tenge 576,787 thousand (31 December 2019: 334,115 thousand).

As at 30 June 2020 and 31 December 2019, 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 2020	31 December 2019
Interim housing loans	376,742,662	365,867,287
Preliminary housing loans	375,045,646	353,393,522
Housing loans	309,143,160	276,210,590
Less credit loss allowance	(3,301,734)	(2,133,056)
Total loans and advances to customers	1,057,629,734	993,338,343

As at 30 June 2020, 21.8% borrowers of the loan portfolio received payment holidays due to the COVID-19-related state of emergency, out of which 80.58% of loans were allocated to Stage 1, 19.12% to Stage 2 and 0.3% to Stage 3.

7 Loans and Advances to Customers (Continued)

Taking into account payment holidays provided to customers without analysis of financial position and provision of supporting documents, the Bank does not expect deterioration of loan portfolio quality.

Payment holidays granted in response to the state of emergency did not lead to derecognition of financial assets measured at amortised cost, the Bank estimated gross carrying value of these loans and recognized loss on modification in the amount of Tenge 5,754,051 thousand.

As at 30 June 2020, the planned loan portfolio balance was expected to be Tenge 987,000,000 thousand, in fact it increased up to Tenge 1,059,000,000 thousand exceeding the planned amount. As at year end the loan portfolio balance is expected to increase up to Tenge 1,260,000,000 thousand due to loans to be granted within “Baqitty otbasy” program (financing of Tenge 49,000,000 thousand was received in June 2020, additional Tenge 51,000,000 thousand is expected to be received), “5-10-20” program (Tenge 70,000,000 thousand financing is to be received), housing for military (Tenge 60,000,000 thousand is planned), “Nurly Zher” program (Tenge 28,000,000 thousand is expected to be received and utilized during the fall), as well as loans issued at market rates.

As at 30 June 2020 the Bank had 10 major borrowers with the total loans advanced to each of borrowers exceeding Tenge 80,491 thousand (2019: Tenge 81,600 thousand). The aggregated amount of these loans was Tenge 875,528 thousand (2019: Tenge 877,559 thousand), or 0.08 % of the loan portfolio before allowance for loan impairment (2019: 0.09 %).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 30 June 2020 and 31 December 2019 are disclosed in the table below:

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020			31 December 2019		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Interim housing loans	376,742,662	(1,056,075)	375,686,587	365,867,287	(736,997)	365,130,290
Preliminary housing loans	375,045,646	(1,229,255)	373,816,391	353,393,522	(817,302)	352,576,220
Housing loans	309,143,160	(1,016,404)	308,126,756	276,210,590	(578,757)	275,631,833
Total loans and advances to customers at AC	1,060,931,468	(3,301,734)	1,057,629,734	995,471,399	(2,133,056)	993,338,343

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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 interim housing loans and advances to customers carried at amortized 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
Interim housing loans								
As at 1 January 2020	(203,239)	(38,118)	(495,640)	(736,997)	355,252,577	9,571,689	1,043,021	365,867,287
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	9,906	(51,001)	-	(41,095)	(16,524,542)	16,524,542	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(269)	27,603	27,334	-	74,603	(74,603)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	193	6,326	(375,908)	(369,389)	(329,294)	(692,423)	1,021,717	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,058)	6,817	4,341	10,100	2,238,344	(2,226,611)	(11,733)	-
New originated or purchased	(37,068)	(12,882)	(7,712)	(57,662)	98,064,605	2,743,513	20,844	100,828,962
Repayment in full or in part during the period	4,919	601	14,441	19,961	(52,070,134)	(2,401,641)	(124,436)	(54,596,211)
Changes to ECL measurement model assumptions	35,655	7,833	22,974	66,462	-	-	-	-
Unwinding of discount	-	-	-	-	(226,078)	(62,646)	(142)	(288,866)
Changes in accrued interest	-	-	-	-	(245,445)	3,196	17,133	(225,116)
Transfer from preliminary and interim loans	15,800	5,024	4,387	25,211	(33,109,618)	(1,721,920)	(11,856)	(34,843,394)
Total movements with impact on credit loss allowance charge for the period	28,347	(37,550)	(309,874)	(319,078)	(2,202,162)	12,240,613	836,924	10,875,375
At 30 June 2020	(174,892)	(75,669)	(805,514)	(1,056,075)	353,050,415	21,812,302	1,879,945	376,742,662

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 amortized cost between the beginning and the end of the reporting period.

During six months of 2020 the significant amount of preliminary housing loans, Tenge 53,561,844 thousand, were transferred from Stage 2 to Stage 1, mainly due to improvement of APD calculation algorithm as at 30 June 2020. Change in APD calculation model caused transfer of preliminary housing loans from Stage 2 to Stage 1 for total gross carrying amount of Tenge 44,009,480 thousand and decrease in credit loss allowance for Tenge 81,566 thousand.

<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
Preliminary housing loans								
As at 1 January 2020	(155,563)	(304,938)	(356,801)	(817,302)	277,482,842	75,163,895	746,785	353,393,522
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	42,378	(319,916)	-	(277,538)	(59,858,651)	59,858,651	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(681)	52,432	51,751	-	140,687	(140,687)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	89	15,442	(324,999)	(309,468)	(123,620)	(719,208)	842,828	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(37,961)	184,563	-	146,602	53,561,844	(53,561,844)	-	-
New originated or purchased	(11,830)	(30,980)	-	(42,810)	37,191,407	3,963,402	-	41,154,809
Repayment in full or in part during the period	1,466	4,332	12,746	18,544	(2,211,996)	(9,809,275)	(67,467)	(12,088,738)
Changes to ECL measurement model assumptions	(27,757)	5,714	3,299	(18,744)	-	-	-	-
Unwinding of discount	-	-	-	-	345,724	277,444	3,855	627,023
Changes in accrued interest	-	-	-	-	13,647	(22,567)	16,164	7,244
Transfer from preliminary and interim loans	27	13,665	6,018	19,710	(140,044)	(7,891,906)	(16,264)	(8,048,214)
Total movements with impact on credit loss allowance charge for the period	(33,588)	(127,861)	(250,504)	(411,953)	28,778,311	(7,764,616)	638,429	21,652,124
At 30 June 2020	(189,151)	(432,799)	(607,305)	(1,229,255)	306,261,153	67,399,279	1,385,214	375,045,646

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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 amortized 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
Housing loans								
As at 1 January 2020	(186,973)	(123,887)	(267,897)	(578,757)	228,816,801	46,687,748	706,041	276,210,590
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	8,572	(41,135)	-	(32,563)	(10,062,512)	10,062,512	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(458)	38,034	37,576	-	97,804	(97,804)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	406	6,816	(466,307)	(459,085)	(387,935)	(766,555)	1,154,490	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(4,994)	22,309	8,669	25,984	9,083,609	(9,060,178)	(23,431)	-
New originated or purchased	(14,933)	(4,033)	-	(18,966)	26,233,226	580,864	-	26,814,090
Repayment in full or in part during the period	6,473	5,190	18,259	29,922	(29,936,517)	(6,625,649)	(138,267)	(36,700,433)
Changes to ECL measurement model assumptions	3,268	8,235	12,903	24,406	-	-	-	-
Unwinding of discount	-	-	-	-	(12,706)	9,246	(3,175)	(6,635)
Changes in accrued interest	-	-	-	-	(73,021)	(8,783)	15,742	(66,062)
Transfer from preliminary and interim loans	(15,827)	(18,689)	(10,405)	(44,921)	33,249,662	9,613,826	28,122	42,891,610
Total movements with impact on credit loss allowance charge for the period	(17,035)	(21,765)	(398,847)	(437,647)	28,093,806	3,903,087	935,677	32,932,570
At 30 June 2020	(204,008)	(145,652)	(666,744)	(1,016,404)	256,910,607	50,590,835	1,641,718	309,143,160

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
Interim housing loans								
As at 1 January 2019	(222,702)	(79,022)	(435,521)	(737,245)	268,693,856	10,362,090	844,443	279,900,389
<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)
Total movements with impact on credit loss allowance charge for the period	34,473	29,432	(59,993)	3,912	19,759,793	(1,043,953)	190,685	18,906,525
At 30 June 2019	(188,229)	(49,590)	(495,514)	(733,333)	288,453,649	9,318,137	1,035,128	298,806,914

House Construction Savings Bank of Kazakhstan Joint Stock Company
Notes to Condensed Interim Financial Statements – 30 June 2020

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 amortized cost between the beginning and the end of the prior reporting period.

<i>(in thousands of Tenge)</i>	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
Preliminary housing loans								
As at 1 January 2019	(84,013)	(71,233)	(315,007)	(470,253)	154,661,451	11,288,049	659,749	166,609,249
<i>Movements with impact on credit loss allowance charge for the period:</i>								
<i>Transfers:</i>								
- 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)
Total movements with impact on credit loss allowance charge for the period	(35,875)	(90,846)	5,639	(121,082)	69,573,062	32,321,462	8,187	101,902,711
At 30 June 2019	(119,888)	(162,079)	(309,368)	(591,335)	224,234,513	43,609,511	667,936	268,511,960

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

<i>(in thousands of Tenge)</i>	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	
Housing loans								
As at 1 January 2019	(153,915)	(158,906)	(157,482)	(470,303)	158,661,059	58,404,136	413,069	217,478,264
<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
Total movements with impact on credit loss allowance charge for the period	(13,412)	64,104	(60,188)	(9,496)	50,659,041	(21,337,784)	160,594	29,481,851
At 30 June 2019	(167,327)	(94,802)	(217,670)	(479,799)	209,320,100	37,066,352	573,663	246,960,115

All loans were issued to individuals.

7 Loans and Advances to Customers (Continued)

Information about collateral is as follows at 30 June 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	Housing loans	Preliminary housing loans	Interim housing loans	Total
Unsecured loans	-	287	-	287
<i>Loans guaranteed by other individuals</i>	2,116,996	32,827	277	2,150,100
<i>Loans collateralised by:</i>				
- residential real estate	302,470,785	362,452,377	357,145,964	1,022,069,126
- land	386,781	24,150	956,399	1,367,330
- other real estate	81,229	7,382	326,645	415,256
- cash deposits	25,673	11,043,379	17,043,669	28,112,721
- residential real estate, deposits and guarantees (multi-collateral)	-	197,192	213,633	410,825
<i>Loans secured by other assets:</i>	3,045,292	58,797	-	3,104,089
Total loans and advances to customers	308,126,756	373,816,391	375,686,587	1,057,629,734

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 2020 was Tenge 306,451,039 thousand (31 December 2019: Tenge 285,840,765 thousand).

Information about collateral is as follows at 31 December 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	Housing loans	Preliminary housing loans	Interim housing loans	Total
Unsecured loans	2,710	285	-	2,995
<i>Loans guaranteed by other individuals</i>	1,984,808	5,993	1,846	1,992,647
<i>Loans collateralised by:</i>				
- residential real estate	270,842,042	334,591,276	353,539,804	958,973,122
- land	983,226	30,736	1,048,818	2,062,780
- other real estate	43,222	7,385	299,112	349,719
- cash deposits	28,176	17,737,355	10,018,734	27,784,265
- residential real estate, deposits and guarantees (multi-collateral)	-	203,192	221,975	425,167
<i>Loans secured by other assets:</i>	1,747,648	-	-	1,747,648
Total loans and advances to customers	275,631,832	352,576,222	365,130,289	993,338,343

The amount of deposits held as collateral for loans as of 31 December 2019 was Tenge 285,840,765 thousand.

House Construction Savings Bank of Kazakhstan Joint Stock Company
Notes to Condensed Interim Financial Statements – 30 June 2020

7 Loans and Advances to Customers (Continued)

The credit quality of loans is as follows at 30 June 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Interim loans	352,875,522	21,736,625	1,074,440	375,686,587
Neither past due nor impaired				
fully collateralized:				
- LTV less 25%	350,762,471	17,512,774	353,122	368,628,367
- LTV from 25% to 50%	1,305,808	93,789	7,265	1,406,862
- LTV from 51% to 75%	28,824,592	1,723,414	30,830	30,578,836
- LTV from 76% to 100%	287,930,495	13,548,167	247,750	301,726,412
- LTV more than 100%	16,339,160	1,540,614	8,857	17,888,631
- unsecured	16,362,416	606,790	2,985	16,972,191
- less than 30 days overdue	-	-	55,435	55,435
- 31 to 60 days overdue	2,287,944	3,014,023	70,974	5,372,941
- 61 to 90 days overdue	-	675,523	-	675,523
- 91 to 180 days overdue	-	609,973	7,697	617,670
- 181 to 360 days overdue	-	-	772,045	772,045
- over 360 days overdue	-	-	162,638	162,638
Credit loss allowance	(174,893)	(75,668)	(805,514)	(1,056,075)
Preliminary loans	306,072,002	66,966,480	777,909	373,816,391
Neither past due nor impaired				
fully collateralized:				
- LTV less 25%	304,596,358	61,749,770	309,880	366,656,008
- LTV from 25% to 50%	807,644	969,188	1,531	1,778,363
- LTV from 51% to 75%	6,605,867	5,390,349	14,453	12,010,669
- LTV from 76% to 100%	173,129,281	25,344,086	91,732	198,565,099
- LTV more than 100%	114,306,148	27,581,906	69,414	141,957,468
- unsecured	9,747,130	2,464,241	72,668	12,284,039
- less than 30 days overdue	288	-	60,082	60,370
- 31 to 60 days overdue	1,664,794	4,717,728	13,440	6,395,962
- 61 to 90 days overdue	-	453,811	-	453,811
- 91 to 180 days overdue	-	477,969	4,967	482,936
- 181 to 360 days overdue	-	-	657,551	657,551
- over 360 days overdue	-	-	140,617	140,617
Credit loss allowance	(189,150)	(432,798)	(607,307)	(1,229,255)
Housing loans	256,706,598	50,445,183	974,975	308,126,756
Neither past due nor impaired				
fully collateralized:				
- LTV less 25%	255,337,845	46,656,559	500,122	302,494,526
- LTV from 25% to 50%	54,600,284	16,656,479	146,793	71,403,556
- LTV from 51% to 75%	180,846,578	26,169,124	276,073	207,291,775
- LTV from 76% to 100%	19,392,432	3,107,183	72,323	22,571,938
- LTV more than 100%	358,161	392,151	-	750,312
- unsecured	140,390	331,622	-	472,012
- less than 30 days overdue	-	-	4,933	4,933
- 31 to 60 days overdue	1,570,669	2,874,689	76,961	4,522,319
- 61 to 90 days overdue	-	412,392	-	412,392
- 91 to 180 days overdue	-	647,195	12,106	659,301
- 181 to 360 days overdue	2,094	-	755,140	757,234
- over 360 days overdue	-	-	193,399	193,399
Credit loss allowance	(204,010)	(145,652)	(666,742)	(1,016,404)
Gross carrying amount	916,222,175	139,802,406	4,906,887	1,060,931,468
Credit loss allowance	(568,053)	(654,118)	(2,079,563)	(3,301,734)
Carrying amount	915,654,122	139,148,288	2,827,324	1,057,629,734

House Construction Savings Bank of Kazakhstan Joint Stock Company
Notes to Condensed Interim Financial Statements – 30 June 2020

7 Loans and Advances to Customers (Continued)

The credit quality of loans is as follows at 31 December 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL)	Total
Interim loans	355,049,338	9,533,571	547,381	365,130,290
Neither past due nor impaired fully collateralized:	353,632,370	7,082,863	189,800	360,905,033
- LTV less 25%	1,275,398	55,316	-	1,330,714
- LTV from 25% to 50%	28,276,307	578,685	12,965	28,867,957
- LTV from 51% to 75%	297,298,642	5,327,132	142,349	302,768,123
- LTV from 76% to 100%	16,896,795	942,961	34,486	17,874,242
- LTV more than 100%	9,885,228	178,769	-	10,063,997
- less than 30 days overdue	1,620,207	1,605,581	-	3,225,788
- 31 to 60 days overdue	-	634,280	6,352	640,632
- 61 to 90 days overdue	-	248,964	3,809	252,773
- 91 to 180 days overdue	-	-	227,917	227,917
- 181 to 360 days overdue	-	-	69,734	69,731
Credit loss allowance	(203,239)	(38,117)	(495,641)	(736,997)
Preliminary loans	277,327,278	74,858,956	389,986	352,576,220
Neither past due nor impaired fully collateralized:	277,352,027	72,095,173	285,058	349,732,258
- LTV less 25%	2,298,165	277,934	1,340	2,577,439
- LTV from 25% to 50%	11,141,095	2,069,392	40,653	13,251,140
- LTV from 51% to 75%	124,606,316	49,517,784	80,747	174,204,847
- LTV from 76% to 100%	123,484,026	17,189,529	98,998	140,772,553
- LTV more than 100%	15,822,140	3,040,534	63,320	18,925,994
- unsecured	285	-	-	285
- less than 30 days overdue	130,814	2,323,066	5,510	2,459,390
- 31 to 60 days overdue	-	561,136	12,990	574,126
- 61 to 90 days overdue	-	184,519	23,950	208,469
- 91 to 180 days overdue	-	-	81,007	81,007
- 181 to 360 days overdue	-	-	45,629	45,629
- over 360 days overdue	-	-	292,643	292,643
Credit loss allowance	(155,563)	(304,938)	(356,801)	(817,302)
Housing loans	228,629,828	46,563,861	438,144	275,631,833
Neither past due nor impaired fully collateralized:	228,118,936	44,064,613	340,528	272,524,077
- LTV less 25%	48,291,923	16,298,071	46,075	64,636,069
- LTV from 25% to 50%	161,040,593	23,324,145	226,444	184,591,182
- LTV from 51% to 75%	18,480,014	3,597,983	61,522	22,139,519
- LTV from 76% to 100%	241,034	414,039	-	655,073
- LTV more than 100%	63,684	429,351	-	493,035
- unsecured	1,688	1,024	6,487	9,199
- less than 30 days overdue	697,866	1,933,473	43,722	2,675,061
- 31 to 60 days overdue	-	493,934	-	493,934
- 61 to 90 days overdue	-	195,728	9,673	205,401
- 91 to 180 days overdue	-	-	163,922	163,922
- 181 to 360 days overdue	-	-	109,666	109,666
- over 360 days overdue	-	-	38,529	38,529
Credit loss allowance	(186,974)	(123,887)	(267,896)	(578,757)
Gross carrying amount	861,552,220	131,423,330	2,495,849	995,471,399
Credit loss allowance	(545,776)	(466,942)	(1,120,338)	(2,133,056)
Carrying amount	861,006,444	130,956,388	1,375,511	993,338,343

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.

7 Loans and Advances to Customers (Continued)

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.

8 Investments in Debt Securities

<i>(in thousands of Tenge)</i>	30 June 2020	31 December 2019
Debt securities at AC	128,232,643	65,492,851
Debt securities at FVOCI	122,982,224	130,594,733
Total investments in debt securities	251,214,867	196,087,584

The table below discloses investments in debt securities at 30 June 2020 by measurement categories and classes:

<i>(in thousands of Tenge)</i>	Debt securities at FVOCI	Debt securities at AC	Total
Government securities of the Ministry of Finance of RK	78,568,915	50,036,311	128,605,226
Notes of the National Bank of RK	-	67,172,650	67,172,650
Corporate bonds	9,190,651	11,058,483	20,249,134
Bonds of Fund of National Welfare “Samruk-Kazyna” JSC	1,059,563	-	1,059,563
Bonds issued by international financial organizations	16,540,021	-	16,540,021
Bonds of Kazakhstani non-bank financial institutions	18,331,680	-	18,331,680
Total investments in debt securities at 30 June 2020 (fair value or gross carrying value)	123,690,830	128,267,444	251,958,274
Credit loss allowance	(708,606)	(34,801)	(743,407)
Total investments in debt securities at 30 June 2020 (carrying value)	122,982,224	128,232,643	251,214,867

8 Investments in Debt Securities (Continued)

The table below discloses investments in debt securities at 31 December 2019 by measurement categories and classes:

<i>(in thousands of Tenge)</i>	Debt securities at FVOCI	Debt securities at AC	Total
Government securities of the Ministry of Finance of RK	90,559,009	1,983,552	92,542,561
Notes of the National Bank of RK	-	47,432,637	47,432,637
Bonds issued by international financial organizations	16,601,489	-	16,601,489
Bonds of Kazakhstani non-bank financial institutions	14,727,703	-	14,727,703
Corporate bonds	9,184,602	16,085,067	25,269,669
Total investments in debt securities at 31 December 2019 (fair value or gross carrying value)	131,072,803	65,501,256	196,574,059
Credit loss allowance	(478,070)	(8,405)	(486,475)
Total investments in debt securities at 31 December 2019 (carrying value)	130,594,733	65,492,851	196,087,584

(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 2020, for which an ECL allowance is recognised, based on credit risk grades.

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020
<i>Government securities of the Ministry of Finance of RK</i> BBB- rated	78,568,915
Gross carrying amount	78,568,915
Less credit loss allowance	(27,244)
Carrying value (fair value)	78,541,671
<i>Corporate bonds</i> - BB+ to BB- rated	7,775,889
- B+ to B- rated	1,060,511
- unrated	354,251
Gross carrying amount	9,190,651
Less credit loss allowance	(564,441)
Carrying value (fair value)	8,626,210

8 Investments in Debt Securities (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020
<i>Bonds of Fund of National Welfare “Samruk-Kazyna” JSC</i>	
- BB+ to BB- rated	1,059,563
Gross carrying amount	1,059,563
Less credit loss allowance	(7,861)
Carrying value (fair value)	1,051,702
<i>Bonds issued by international financial organizations</i>	
- AAA rated	5,114,153
- BBB- rated	11,425,868
Gross carrying amount	16,540,021
Less credit loss allowance	(40,200)
Carrying value (fair value)	16,499,821
<i>Bonds of Kazakhstani credit institutions other than banks</i>	
- BBB+ to BBB- rated	16,306,510
- BB+ to BB- rated	2,025,170
Gross carrying amount	18,331,680
Less credit loss allowance	(68,860)
Carrying value (fair value)	18,262,820

Gross carrying amount of investments at FVOCI as at 30 June 2020 was Tenge 123,690,830 thousand, and credit loss allowance was Tenge 708,606 thousand. During the period ended 30 June 2020, 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 2019, for which an ECL allowance is recognised, based on credit risk grades.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2019
- Government securities of the Ministry of Finance of RK BBB- rated	90,559,009
Gross carrying amount	90,559,009
Less credit loss allowance	(16,696)
Carrying value (fair value)	90,542,313
<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2019
<i>Corporate bonds</i>	
- BB+ to BB- rated	7,773,993
- B+ to B- rated	1,056,358
- unrated	354,251
Gross carrying amount	9,184,602
Less credit loss allowance	(397,736)
Carrying value (fair value)	8,786,866
<i>Bonds issued by international financial organizations</i>	
- AAA rated	2,136,408
- BBB- rated	14,465,081
Gross carrying amount	16,601,489
Less credit loss allowance	(29,127)
Carrying value (fair value)	16,572,362
<i>Bonds of Kazakhstani credit institutions other than banks</i>	
- BBB+ to BBB- rated	9,954,932
- BB+ to BB- rated	2,748,594
- B+ to B- rated	2,024,177
Gross carrying amount	14,727,703
Less credit loss allowance	(34,511)
Carrying value (fair value)	14,693,192

During the year ended 31 December 2019, there were no transfers between credit quality stages.

The debt securities at FVOCI are not collateralised.

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 2020 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 2020 below also represents the Bank's maximum exposure to credit risk on these assets.

<i>(in thousands of Kazakhstani Tenge)</i>	Total
<i>Notes of the National Bank of RK</i> BBB- rated	67,172,650
Gross carrying amount	67,172,650
Less credit loss allowance	(7,928)
Carrying value (fair value)	67,164,722
<i>Government securities of the Ministry of Finance of RK</i> BBB- rated	50,036,311
Gross carrying amount	50,036,311
Less credit loss allowance	(21,897)
Carrying value (fair value)	50,014,414
<i>Corporate bonds</i> BBB rated	11,058,483
Gross carrying amount	11,058,483
Less credit loss allowance	(4,976)
Carrying value (fair value)	11,053,507

Gross carrying amount of investments at AC as at 30 June 2020 was Tenge 128,267,444 thousand, and credit loss allowance was Tenge 34,801 thousand. During the period ended 30 June 2020, 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 2019.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2019	
<i>Notes of the National Bank of RK</i> BBB- rated		47,432,637
Gross carrying amount		47,432,637
Credit loss allowance		(4,637)
Carrying amount		47,428,000
<i>Government securities of the Ministry of Finance of RK</i> BBB- rated		1,983,552
Gross carrying amount		1,983,552
Credit loss allowance		(315)
Carrying amount		1,983,237
<i>Corporate Bonds</i> BBB rated		16,085,067
Gross carrying amount		16,085,067
Credit loss allowance		(3,453)
Carrying amount		16,081,614

During the year ended 31 December 2019 there were no transfers between credit quality stages.

9 Other Financial Assets and Other Assets

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
Accounts receivable from banking activities	10,018,148	2,979,171
Total other financial assets	10,018,148	2,979,171

Accounts receivable for banking activities are mainly represent the requirements to the Government of the Republic of Kazakhstan for state premiums in the amount of Tenge 8,598,348 thousand as at 30 June 2020 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.

9 Other Financial Assets and Other Assets (Continued)

Analysis of the bank's receivables by quality as of 30 June 2020 and 31 December 2019 is as follows.

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
<i>Neither past due nor impaired</i>		
- BBB-to BBB+ rated	8,620,990	315
- BB- to BB+ rated	1,383,353	2,962,466
- B- to B+ rated	13,795	16,390
- unrated	10	-
Total receivables on banking activity, neither past due nor impaired	10,018,148	2,979,171

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
Prepayments for services	456,918	192,117
Inventory and other materials	202,192	72,252
Prepayments for taxes excluding profit tax	72,626	72,045
Other	19,231	3,784
Less: provision for impairment	(1,680)	(1,695)
Total other assets	749,287	338,503

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>	30 June 2020	31 December 2019
Individuals		
Long-term deposits	576,162,310	520,990,279
Current accounts	20,623,907	20,257,414
Legal entities		
Current accounts	59,084,228	74,934,947
Customer accounts	655,870,445	616,182,640
Held as security under loans issued	309,304,260	285,840,765
Total customer accounts	965,174,705	902,023,405

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 2020 customer accounts in the amount of Tenge 59,423,388 thousand (6% of the total balance) represented accounts of the largest ten customers of the Bank, including Tenge 58,996,382 thousand on funds of legal entities and Tenge 427,006 thousand on funds of individuals. At 31 December 2019, customer accounts in the amount of Tenge 75,316,620 thousand (8% of the total balance) represented accounts of the largest ten customers, including Tenge 74,893,303 thousand on funds of legal entities and Tenge 423,317 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.

The Bank accrues for interest on the current account balances of legal entities at lower end of NB RK base rate range minus 0.5% (7%).

11 Borrowed Funds

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
Ministry of Finance of the Republic of Kazakhstan	130,798,847	80,842,501
Samruk-Kazyna National Wealth Fund JSC	14,616,518	14,359,043
Parent Company	6,882,447	6,640,480
Almaty Administration	4,092,165	3,784,739
Nur-Sultan Administration	180,806	
Total borrowed funds	156,570,783	105,626,763

Upon initial recognition the Bank recorded the above mentioned borrowings at fair value (Note 5).

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>	Borrowed funds
Balance at 1 January 2019	59,570,463
Cash flow	76,223,000
Other changes not associated with cash flow	(30,166,700)
Balance at 31 December 2019	105,626,763
Balance at 1 January 2020	105,626,763
Cash flow	51,777,096
Other changes not associated with cash flow	(833,076)
Balance at 30 June 2020	156,570,783

12 Debt Securities in Issue

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
Bonds issued on domestic market	78,650,648	78,650,059
Total debt securities in issue	78,650,648	78,650,059

On 22 January and 29 June 2020 the Bank paid a half-year coupon in the amount of Tenge 3,790,830 thousand on issued debt securities. The carrying value of debt securities in issue as at 30 June 2020 was Tenge 78,650,648 thousand.

In July 2019, the Bank placed coupon bonds of the first issue under the first bond program in the amount of 20,000,000 units, with a nominal value of Tenge 1,000 and a maturity of 7 years on the Kazakhstan Stock Exchange JSC site. During specialized trades on the placement of the Bank's bond, the coupon rate was 10.27% per annum, with a periodicity of the coupon payment 2 times a year.

13 Other Financial Liabilities and Other Liabilities

Other liabilities include the following items:

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
Deferred commission fee	2,409,127	2,541,735
Other	631,782	596,507
Long-term lease	457,963	535,607
Other accrued liabilities	315,963	501,618
Total other financial liabilities	3,814,835	4,175,467
Accrued employee benefits costs	1,710,805	885,077
Accrued expenses for administrative activities	321,201	715,473
Taxes payable other than income tax	207,594	341,955
Others	102,081	210,154
Total other liabilities	2,341,681	2,152,659

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.

The table below shows the changes in the long-term lease of the Bank arising from financial activities for six months of 2020. Debt items are reflected in the statement of cash flows as financial activities.

<i>(in thousands of Kazakhstani Tenge)</i>	Long-term lease
Balance at 1 January 2019	
Cash flows	(131,178)
Other changes not related to cash flows from financing activities	694,447
Balance at 31 December 2019	535,607
Balance at 1 January 2020	535,607
Cash flows	(77,408)
Other changes not related to cash flows from financing activities	(236)
Balance at 30 June 2020	457,963

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14 Share Capital

<i>In thousands of Kazakhstani Tenge except for number of shares</i>	Shares (thousands of units)	Ordinary shares	Total
At 1 January 2019	7,830	78,300,000	78,300,000
New shares issued	-	-	-
At 30 June 2019	7,830	78,300,000	78,300,000
At 1 January 2020	7,830	78,300,000	78,300,000
New shares issued	-	-	-
At 30 June 2020	7,830	78,300,000	78,300,000

At the shareholders meeting on 29 April 2020, the Bank declared dividends for 2019 ended on 31 December 2019, for a total of Tenge 8,292,596 thousand. The dividend per one common share was equal to Tenge 1,059.08.

15 Interest Income and Expense

<i>(in thousands of Kazakhstani Tenge)</i>	For six months ended 30 June 2020	For six months ended 30 June 2019
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	35,296,098	25,857,184
Debt securities at AC	9,138,606	6,488,788
Debt securities at FVOCI	5,395,303	5,416,466
Due from other banks at AC	1,100,641	111,528
Due from the National Bank of the Republic of Kazakhstan	848,296	1,858,998
Total interest income calculated using the effective interest method	51,778,944	39,732,964
Interest and other similar expense		
Customer accounts	(11,005,434)	(8,069,509)
Bonds in issue	(3,791,420)	(2,763,830)
Borrowed funds	(1,736,820)	(1,684,927)
REPO transactions	-	(2,471)
Total interest expense calculated using the effective interest method	(16,533,674)	(12,520,737)
Other similar income		
Lease liabilities	(22,962)	(11,089)
Net interest income	35,222,308	27,201,138

Interest income includes interest income of Tenge 41,029 thousand (2019: Tenge 13,588 thousand) recognised for impaired non-performing customer loans.

15 Interest Income and Expense (Continued)

Interest income for the period ended 30 June 2020, in the amount of Tenge 29,300,000 thousand (with the planned amount of Tenge 30,300,000 thousand, or 97%) is Tenge 1,000,000 thousand lower than the expected amount due to the Bank's decision to grant 90 days payment holidays (principal and interest) to the borrowers in response to COVID-19 pandemic and its negative impact on the Kazakhstani economy. 28,909 borrowers, or 18% of total number of active borrowers, were granted with payment holidays. Tenge 64,000,000 thousand interest income on the loan portfolio is expected to be recognized by the end of 2020.

16 Income Tax

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

<i>(in thousands of Kazakhstani Tenge)</i>	For six months ended 30 June 2020	For six months ended 30 June 2019
Current income tax expense	924,687	1,347,964
Deferred tax benefit	(609,461)	(653,852)
Income tax expense for the period	315,226	694,112

The income tax rate applicable to the majority of the Bank's income is 20 % (2019: 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.

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 2020 are consistent with those applied during the year 2019.

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 2020 and 31 December 2019 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.

17 Financial Risk Management (Continued)

The table below summarises interest rates at 30 June 2020 and 31 December 2019:

<i>(in % p.a.)</i>	30 June 2020	31 December 2019
Assets		
Cash and cash equivalents	6.28%	8.32%
Debt securities at FVOCI	8.28%	8.17%
Debt securities at AC	9.79%	9.48%
Loans and advances to customers	6.83%	7.01%
Liabilities		
Customer accounts	1.95%	1.93%
Corporate clients funds	7.00%	7.75%
Borrowings from the Government of RK	9.73%	5.44%
Borrowings from Samruk-Kazyna	4.72%	4.72%
Borrowings from NMH Bayterek	7.97%	7.97%
Borrowings from Administration of Almaty	10.63%	4.19%
Bonds in issue	9.76%	9.76%

Other price risk. In the first half of 2020 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 (2019: 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 2019 and 30 June 2020.

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.

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 2020 this coefficient was 3.516 (2019: 3.55);
- 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 2020 this coefficient was 15.036 (2019: 182.62);
- 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

17 Financial Risk Management (Continued)

liabilities with the remaining maturity of up to one month inclusive. At 30 June 2020 this coefficient was 5.615 (2019: 56.21);

- 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 2020 this coefficient was 4.304 (2019: 16.15).

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 2020 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.

The maturity analysis of financial instruments at 30 June 2020 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	142,860,621	17,251,658	-	-	-	160,112,279
Loans and advances to customers	120,524	2,762,509	10,719,836	344,404,001	1,181,199,355	1,539,206,225
Investment securities at FVOCI	4,450,815	9,237,048	24,815,177	92,395,574	14,753,923	145,652,537
Investment securities at AC	-	29,551,849	33,324,249	13,042,743	85,375,544	161,294,385
Other financial assets	10,018,148	-	-	-	-	10,018,148
Total assets	157,450,109	58,803,063	68,859,262	449,842,318	1,281,328,822	2,016,283,574
Liabilities						
Borrowed funds	-	46,798	5,033,128	22,858,542	220,625,220	248,563,688
Bonds in issue	-	-	960,715	-	164,713,695	165,674,410
Customer accounts	91,644,082	82,006,811	169,833,596	261,688,301	454,975,127	1,060,147,917
Other financial liabilities	3,356,872	-	-	-	-	3,356,872
Total potential future payments for financial obligations	95,000,954	82,053,609	175,827,439	284,546,842	840,314,043	1,477,742,887
Contingent liabilities						
Irrevocable loan commitments	2,888,110	14,440,549	11,552,439	-	-	28,881,098

17 Financial Risk Management (Continued)

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.

The maturity analysis of financial instruments at 31 December 2019 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	136,457,403	31,007,598	-	-	-	167,465,001
Loans and advances to customers	45,299	1,797,666	7,629,555	335,668,812	1,079,082,739	1,424,224,071
Investment securities at FVOCI	6,639,856	16,357,838	11,081,039	106,380,323	15,590,377	156,049,432
Investment securities at AC		23,860,766	11,633,865	19,738,548	-	55,233,179
Other financial assets	2,979,171	-	-	-	-	2,979,171
Total assets	146,121,729	73,023,869	30,344,459	461,787,682	1,094,673,116	1,805,950,855
Liabilities						
Borrowed funds	-	46,710	1	28,043,656	168,883,029	196,973,395
Bonds in issue	-	-	960,715	-	168,504,525	169,465,240
Customer accounts	100,237,894	122,480,923	94,430,132	266,964,316	399,885,466	983,998,731
Other financial liabilities	4,175,467	-	-	-	-	4,175,467
Total potential future payments for financial obligations	104,413,361	122,527,633	95,390,848	295,007,972	737,273,019	1,354,612,833
Contingent liabilities						
Irrevocable loan commitments	2,624,176	13,120,882	10,496,706	-	-	26,241,764

17 Financial Risk Management (Continued)

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>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 30 June 2020						
Financial assets	331,846,792	22,304,360	20,259,229	318,222,198	770,520,328	1,463,152,908
Financial liabilities	94,991,151	81,556,721	172,821,863	269,650,032	584,733,240	1,203,753,007
Net liquidity gap based on expected maturities	236,855,641	(59,252,361)	(152,562,633)	48,572,166	185,787,089	259,399,901
Accumulated liquidity gap based on expected maturities	236,855,641	177,603,280	25,040,646	73,612,812	259,399,901	-
At 31 December 2019						
Financial assets	280,020,257	36,144,468	11,766,171	304,396,919	711,105,781	1,343,433,597
Financial liabilities	104,408,784	121,496,117	93,951,152	279,041,825	491,577,816	1,090,475,694
Net liquidity gap based on expected maturities	175,611,473	(85,351,648)	(82,184,981)	25,355,094	219,527,965	252,957,903
Accumulated liquidity gap based on expected maturities	175,611,473	90,259,825	8,074,844	33,429,938	252,957,903	-

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.

17 Financial Risk Management (Continued)

Additionally, stress testing performed:

During the state of emergency on the territory of the Republic of Kazakhstan, the Bank provided a payment holidays for loans to customers for a period of 3 months in order to provide support to the Bank's customers. In order to assess the impact of the state of emergency on the Bank's cash flows, a stress test was carried out, in accordance with which cash flows of loans to customers with 3 months period granted payment holidays due to the impact of the COVID-19 pandemic were changed. In addition, stress test of NPL increase up to 5%, affecting loan cash flows and loan maturity, was performed. Despite changes in loan cash flows due to extended maturity dates, the Bank expects highly collateralized loans to be repaid in full of extended maturities. The analysis of assets and liabilities based on undiscounted contractual maturities for the scenarios mentioned above is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 30 June 2020						
Financial assets	331,749,124	12,160,076	11,911,381	270,814,928	818,149,030	1,444,784,538
Financial liabilities	94,991,151	81,556,721	172,821,863	269,650,032	584,733,240	1,203,753,007
Net liquidity gap based on expected maturities	236,757,973	(69,396,645)	(160,910,482)	1,164,896	233,415,790	241,031,531
Accumulated liquidity gap based on expected maturities	236,757,973	167,361,327	6,450,845	7,615,741	241,031,531	-

To assess the impact of the state of emergency on financial activity of the Bank, 5% increase in NPL stress test was performed, where credit loss allowance is to increase by Tenge 18.4 billion. Additional increase in credit loss allowance will decrease Bank's equity balance and affect capital adequacy ratios. Tenge 18.4 billion increase in credit loss allowance is expected to slightly decrease the Bank's capital adequacy ratios, nonetheless landing within the range of prudential requirements.

<i>(in thousands of Kazakhstani Tenge)</i>	Actual as at 1 July 2020	In case of stress test realization 5%	Change 5%
Equity (without Intangible assets)	248,213	229,845	18,368
Overdue loans (90+)	3,675	52,829	49,153
Credit loss allowance	(3,302)	(21,670)	(18,368)
k1-1 (min. 0.055)	0.404	0.374	(0.03)
k1-2 (min. 0.065)	0.404	0.374	(0.03)
k2 (min. 0.08)	0.404	0.374	(0.03)

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 2020 is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/ retail banking	Investment banking operations	Total
Cash and cash equivalents	6	-	144,293,911	144,293,911
Loans and advances to customers	7	1,057,629,734	-	1,057,629,734
Investments in debt securities	8	-	251,214,867	251,214,867
Investments in equity securities		-	5,147	5,147
Total assets of operating segments		1,057,629,734	395,513,925	1,453,143,659
Customer accounts	10	965,174,705	-	965,174,705
Borrowed funds	11	156,570,783	-	156,570,783
Debt securities in issue	12	78,650,648	-	78,650,648
Other financial liabilities	13	3,814,835	-	3,814,835
Total liabilities of operating segments		1,204,210,971	-	1,204,210,971
Capital expenditures		-	(1,125,883)	(1,125,883)

Capital expenditures represent acquisition of property and equipment.

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18 Segment Information (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	Mortgage/ retail banking	Investment banking operations	Total
Six months ended 30 June 2020 (unaudited)			
Segment revenues			
Interest income on loans to customer	35,296,098	-	35,296,098
Interest income on securities and due from the National Bank of the Republic of Kazakhstan	-	16,482,846	16,482,846
Interest expense on customer accounts	(11,005,434)	-	(11,005,434)
Interest expense on borrowed funds	(1,736,820)	-	(1,736,820)
Interest expense on bonds in issue	(3,791,420)	-	(3,791,420)
Interest expense on other financial liabilities	(22,962)	-	(22,962)
Net interest income	18,739,462	16,482,846	35,222,308
Credit loss allowance	(1,165,795)	(256,642)	(1,422,437)
Net interest income after credit loss allowance	17,573,667	16,226,204	33,799,871
Fee and commission income	555,105	-	555,105
Fee and commission expense	(2,158,108)	(50,939)	(2,209,047)
Net loss on initial recognition of financial instruments at below-market rates	(1,028,325)	-	(1,028,325)
Gains less losses from trading securities	(5,754,051)	-	(5,754,051)
Provision for impairment of investment securities	-	32,953	32,953
Other (expenses) / income	(773,508)	-	(773,508)
Administrative and other operating expenses	-	(9,126,754)	(9,126,754)
Segment results	8,414,780	7,081,464	15,496,244

Segment information for the reportable segments for the year ended 31 December 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/ retail banking	Investment banking operations	Total
Cash and cash equivalents	6	-	151,024,879	151,024,879
Loans and advances to customers	7	993,338,343	-	993,338,343
Investments in debt securities	8	-	196,087,584	196,087,584
Investments in equity securities		-	5,214	5,214
Total assets of operating segments		993,338,343	347,117,677	1,340,456,020
Customer accounts	10	902,023,405	-	902,023,405
Borrowed funds	11	105,626,763	-	105,626,763
Debt securities in issue	12	78,650,059	-	78,650,059
Other liabilities	13	4,175,467	-	4,175,467
Total liabilities of operating segments		1,090,475,694	-	1,090,475,694
Capital expenditures		-	(1,273,166)	(1,273,166)

18 Segment Information (Continued)

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

<i>(in thousands of Kazakhstani Tenge)</i>	Mortgage/ retail banking	Investment banking operations	Total
Six months ended 30 June 2019 (unaudited)			
Segment revenues			
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)
Net interest income	13,325,358	13,875,780	27,201,138
Credit loss allowance	(126,537)	102,955	(23,582)
Net interest income after credit loss allowance	13,198,821	13,978,735	27,177,556
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)
Segment results	8,950,142	5,689,962	14,640,104

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

<i>(in thousands of Kazakhstani Tenge)</i>	30 June 2020	31 December 2019
Total assets of operating segments	1,453,143,659	1,340,456,020
Other assets	11,014,839	3,489,216
Property and equipment	5,726,353	5,256,199
Intangible assets	5,067,238	3,874,218
Long-term assets available for sale	191,476	199,399
Total assets	1,475,143,565	1,353,275,052
Total liabilities of operating segments	1,204,210,971	1,090,475,694
Deferred tax liability	15,849,428	15,944,892
Other liabilities	2,341,681	2,152,659
Total liabilities	1,222,402,080	1,108,573,245

18 Segment Information (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	Six months ended 30 June 2020	Six months ended 30 June 2019
Segment results		
Other income	15,496,244 52,959	14,640,104 137,750
Profit before tax	15,549,203	14,777,854
Income tax expense	(315,226)	(694,112)
Profit for the period	15,233,977	14,083,742

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 2020 (2019: 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 2020		31 December 2019	
	Level 2	Total	Level 2	Total
Assets measured at fair value				
Financial assets				
Investments in debt securities				
- Treasury bonds of Ministry Finance of the Republic of Kazakhstan	78,541,671	78,541,671	90,542,313	90,542,313
- Bonds of local executive bodies of RK	1,051,702	1,051,702	-	-
- Corporate Bonds	8,626,210	8,626,210	8,786,866	8,786,866
- International financial organizations bonds	16,499,821	16,499,821	16,572,362	16,572,362
- Bonds of Kazakhstani non-banking financial institutions	18,262,820	18,262,820	14,693,192	14,693,192
Investments in equity securities				
- Ordinary and preferred shares of the second-tier banks of the Republic of Kazakhstan	5,147	5,147	5,214	5,214
Total assets recurring fair value measurements	122,987,371	122,987,371	130,599,947	130,599,947

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 2020			31 December 2019		
	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial assets						
Cash and cash equivalents	72,606,364	-	72,606,364	131,437,175	-	131,437,175
Loans and advances to customers	1,057,629,734	-	1,057,629,734	993,338,343	-	993,338,343
Investment securities at AC	128,232,643	-	128,232,643	65,492,851	-	65,492,851
Other financial assets	-	10,018,148	10,018,148	-	2,979,171	2,979,171
Total	1,258,468,741	10,018,148	1,268,486,889	1,190,268,369	2,979,171	1,193,247,540

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 2020			31 December 2019		
	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial liabilities						
Customer accounts	965,174,705	-	965,174,705	902,023,405	-	902,023,405
Borrowed funds	137,855,710	-	156,570,783	104,167,557	-	105,626,763
Debt securities in issue	65,645,842	-	78,650,648	85,683,845	-	78,650,059
Other financial liabilities	-	3,814,835	3,814,835	-	4,175,467	4,175,467
Total	1,168,676,257	3,814,835	1,204,210,971	1,091,874,807	4,175,467	1,090,475,694

Cash and cash equivalents. Cash is measured at amortised cost and classified 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.

Investment securities carried at amortised cost. Due to the inactivity of trading at the KASE secondary market, investment securities carried at amortized cost are classified at 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 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 2020 and 31 December 2019 for any of the contingent liabilities mentioned above, since it was not necessary.

Tax legislation. The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Bank. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Bank management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax positions will be sustained.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

The Bank's contingent liabilities are contingencies on provision of a housing loan in the amount stipulated by the housing construction savings contract, which arise on achievement of the estimated value on deposit attracted, accumulation period of not less than 3 years, provision by depositor of relevant collateral for a housing loan, confirmation of borrower's solvency to repay housing loan. Contingent liability is written off from memorandum accounts, when housing loan is granted or depositor refuses to obtain housing loan. Housing loan is granted only after application underwriting and decision-making procedure.

Therefore, these contingent liabilities do not result in any credit risks for the Bank. As at 31 June 2020 there was no need to create and the Bank did not create provisions in these financial statements for any of the mentioned above contingent liabilities.

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>	30 June 2020	31 December 2019
Obligations to provide loans	28,881,098	26,241,764
Financial and contingent liabilities	28,881,098	26,241,764

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.

21 Related Party Transactions (Continued)

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.

At 30 June 2020, 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	-	-	-	127,044,068
Loans to customers (contractual interest rate: 3 % - 12.5 %)	-	-	179,168	177,876
Investment in debt securities (contractual interest rate: 3% - 10.5%)	11,053,509	10,386,072	-	213,275,465
Other financial assets	-	-	-	8,599
Other assets	-	-	-	207
Borrowed funds (contractual interest rate: 0.01% - 1%)	6,882,447	-	-	149,688,336
Debt securities in issue (9.58 – 10.27%)	57,730,698	-	-	17,436,779
Customer accounts (contractual interest rate: 2% - 7.5%)	-	58,996,382	80,847	158,806
Other financial liabilities	-	-	-	13,568
Other liabilities	-	1,649	-	565,805
Additional paid-in capital	13,541,732	-	-	69,494,600

The income and expense items with related parties during the six months ended 30 June 2020 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Entities under common control	Key management personnel	Other related parties
Interest income	739,017	497,777	5,013	13,354,861
Interest expense	(3,022,297)	(2,714,597)	(546)	(2,335,957)
Provision for impairment	(1,521)	(141,641)	(127)	(72,307)
Other income/(expense)	-	71	-	-
Administrative and other operating expense	-	(10,094)	-	(702,160)
Income tax expense	-	-	-	(315,226)

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2020 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Other related parties
Amounts lent to related parties during the period	21,866
Amounts repaid by related parties during the period	22,390

21 Related Party Transactions (Continued)

At 31 December 2019, the outstanding balances with related parties were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Immediate parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (effective rate: 9.93%-10.07%)	-	-	-	81,322,628
Loans and advances to customers (contractual interest rate: 4%-10%)	-	-	229,473	242,654
Investments in debt securities (contractual interest rate: 3%-11%)	16,081,613	10,502,634	-	152,930,975
Other financial assets	-	2,000	-	337
Borrowing funds (contractual interest rate: 0.01% - 9.48%)	6,640,480	-	-	175,326
Debt securities in issue (9.58-10.27%)	57,730,697	-	-	98,986,283
Customer accounts (contractual interest rate: 2%-7.75%)	-	74,893,303	90,743	17,436,287
Other liabilities	-	1,649	-	166,900
Additional paid-in capital	13,541,732	-	-	676,652
				67,438,612

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>	Parent company	Entities under common control	Key management personnel	Other related parties
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 expense	-	166	-	-
Administrative and other operating expenses	-	(10,259)	-	(273,563)
Income tax expense	-	-	-	(694,112)

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>	Other related parties
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)

Key management compensation is presented below:

<i>(in thousands of Kazakhstani Tenge)</i>	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	119,458	-	116,932	-
- Short-term bonuses	8,761	-	11,038	-
- Benefits in-kind	2,323	-	2,355	-
- Long-term bonuses	36,350	39,148	47,553	47,553
Total	166,892	39,148	177,878	47,553

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 2020.

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		15,233,977	14,083,742
Number of outstanding ordinary shares (thousands)	14	7,830	7,830
Basic and diluted earnings per ordinary share (in Tenge per share)		1,946	1,799

23 Subsequent Events

With the extension of restrictive quarantine measures in the Republic of Kazakhstan after 30 June 2020, in order to ensure uninterrupted operation, the Bank continues to serve clients on deposit and credit operations through a video service and preliminary booking of an electronic queue. 50% of the employees of the Central Office and the branch in Almaty continue to work through remote access to the VDI workplace, for the rest of the Bank's branches a remote work format is provided with a resolution of the Chief Sanitary Doctor of the corresponding region.

The Bank has developed a Business Continuity Action Plan related to COVID-19 infection and has started to implement the Plan. The plan provides for measures to ensure the continuity of operations and the safety of the Bank's employees.

On 27 July 2020, the Bank placed the second issue of bonds within the second bond program of the Bank in the amount of Tenge 90 billion with a coupon rate of 4.05% per annum and a circulation period of 20 years in the unorganized market by concluding an appropriate purchase and sale agreement with the parent company, JSC "NMH Baiterek". In accordance with the bond issue prospectus, funds from the placement of bonds will be used to provide preliminary and interim housing loans in order to ensure the purchase of housing by the Bank's depositors who are on the waiting list on the lists of local executive bodies.

**House Construction Savings Bank of Kazakhstan JSC
The book value of one share as of 1 July 2020 on the basis of financial position statement for the
second quarter ended on 30 June 2020.**

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 27 April 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>	30 June 2020	31 December 2019
Number of common shares (thousands)	7,830	7,830
Total assets	1,475,143,565	1,353,275,052
Less intangible assets	5,067,238	3,874,218
Less liabilities	1,222,402,080	1,108,573,245
Total net assets	247,674,247	240,827,589
Balance value of one common share, Tenge	31,631	30,757

Miras B. Beisembayev
Acting Chairperson of the Management Board



Kiltbayeva Zhanerke Almasbekovna
Chief Accountant