# ForteBank Joint Stock Company

## Interim condensed consolidated financial statements

*30 June 2019*
*with report on review of interim financial information*

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# Report on Review of Interim Financial Information

To the shareholders and Board of Directors of ForteBank JSC

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of ForteBank JSC and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended, interim condensed consolidated changes in equity and cash flows for the six-month period then ended, and selected explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

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*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of ForteBank JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khegay
Auditor

Auditor's qualification certificate
No. МФ-0000286 dated 25 September 2015

Dinara Malayeva
Acting General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

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31 October 2019

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## for the six months ended 30 June 2019

*(millions of tenge)*

| | Note | For the three months ended 30 June 2019 (unaudited) | For the three months ended 30 June 2018 (unaudited)* | For the six months ended 30 June 2019 (unaudited) | For the six months ended 30 June 2018 (unaudited)* |
|---|---|---|---|---|---|
| Interest revenue calculated using the effective interest rate | 5 | **39,515** | 30,172 | **74,314** | 60,111 |
| Other interest revenue | 5 | **67** | 98 | **169** | 174 |
| Interest expense | 5 | **(21,639)** | (18,225) | **(40,940)** | (36,797) |
| **Net interest income** | | **17,943** | 12,045 | **33,543** | 23,488 |
| Fee and commission income | 6 | **8,000** | 4,615 | **13,964** | 7,795 |
| Fee and commission expense | | **(2,445)** | (1,289) | **(4,372)** | (2,401) |
| Net (losses)/gains from financial instruments at fair value through profit or loss | | **(1,344)** | 24 | **(1,963)** | 17 |
| Net (losses)/gains from derecognition of investment securities at fair value through other comprehensive income | | **(76)** | – | **(53)** | 872 |
| Net (losses)/gains from foreign currencies | 7 | **(527)** | 967 | **285** | 925 |
| Other income | | **1,018** | 1,091 | **1,818** | 1,918 |
| **Non-interest income** | | **4,626** | 5,408 | **9,679** | 9,126 |
| Reversal of credit loss allowances/(credit loss expense) | 8 | **413** | (910) | **(1,401)** | (391) |
| General and administrative expenses | 9 | **(9,739)** | (8,314) | **(19,288)** | (16,801) |
| Other expenses | | **(2,723)** | (854) | **(4,586)** | (1,601) |
| **Non-interest expense** | | **(12,049)** | (10,078) | **(25,275)** | (18,793) |
| **Profit before corporate income tax expense** | | **10,520** | 7,375 | **17,947** | 13,821 |
| Corporate income tax expense | 10 | **(971)** | (1,440) | **(1,902)** | (2,837) |
| **Profit for the period** | | **9,549** | 5,935 | **16,045** | 10,984 |
| **Attributable to:** | | | | | |
| - shareholders of the Bank | | **9,562** | 5,905 | **16,040** | 10,942 |
| - non-controlling interests | | **(13)** | 30 | **5** | 42 |
| | | **9,549** | 5,935 | **16,045** | 10,984 |
| **Other comprehensive income** | | | | | |
| *Other comprehensive income/(loss) to be reclassified subsequently to profit or loss* | | | | | |
| Net change in fair value of debt instruments at fair value through other comprehensive income | | **2,439** | (1,245) | **5,343** | (1,665) |
| Income tax relating to components of other comprehensive income | | **–** | – | **(323)** | – |
| Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income | | **(232)** | 310 | **(408)** | 450 |
| Reclassification of cumulative (loss)/gain on derecognition of debt instruments at fair value through other comprehensive income to profit or loss | | **76** | – | **53** | (872) |
| **Other comprehensive income/(loss) for the period, net of tax** | | **2,283** | (935) | **4,665** | (2,087) |
| **Total comprehensive income for the period** | | **11,832** | 5,000 | **20,710** | 8,897 |
| **Attributable to:** | | | | | |
| - shareholders of the Bank | | **11,845** | 4,970 | **20,705** | 8,855 |
| - non-controlling interests | | **(13)** | 30 | **5** | 42 |
| | | **11,832** | 5,000 | **20,710** | 8,897 |
| **Basic and diluted earnings per share (in tenge)** | 22 | **0.11** | 0.06 | **0.18** | 0.12 |

* *Certain amounts included in these columns do not agree to the interim condensed consolidated financial statements for the six months ended 30 June 2018 as they reflect the reclassifications made and disclosed in Note 2.*

**Signed and authorised for release on behalf of the Management Board of the Bank:**

Guram Andronikashvili
Chairman of the Management Board

Yerkin Yetekbayeva
Chief accountant

«FORTEBANK» АКЦИОНЕРЛІК ҚОҒАМЫ ForteBank АКЦИОНЕРНОЕ ОБЩЕСТВО «FORTEBANK» ҚАЗАҚСТАН РЕСПУБЛИКАСЫ НҰР-СҰЛТАН ҚАЛАСЫ РЕСПУБЛИКА КАЗАХСТАН ГОРОД НУР-СУЛТАН

*The accompanying selected explanatory notes on pages 6 to 55 are an integral part of these interim condensed consolidated financial statements.*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 30 June 2019

*(millions of tenge)*

| | *Note* | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 11 | **282,676** | 224,121 |
| Amounts due from financial institutions | 12 | **22,318** | 18,215 |
| Trading securities | 13 | **6,386** | 9,511 |
| Loans to customers | 14 | **769,208** | 689,645 |
| Investment securities | 15 | **630,202** | 570,475 |
| Property and equipment | | **72,202** | 51,496 |
| Intangible assets | | **7,542** | 5,441 |
| Deferred income tax assets | 10 | **226** | 2,279 |
| Other assets | 16 | **112,798** | 117,540 |
| **Total assets** | | **1,903,558** | 1,688,723 |
| | | | |
| **Liabilities** | | | |
| Current accounts and deposits of customers | 17 | **1,264,676** | 1,075,628 |
| Amounts due to banks and other financial institutions | 18 | **82,969** | 72,128 |
| Amounts payable under repurchase agreements | | **51,872** | 56,392 |
| Debt securities issued | 19 | **258,921** | 253,584 |
| Deferred income tax liabilities | 10 | **1,101** | 183 |
| Subordinated debt | 20 | **25,934** | 22,648 |
| Other liabilities | | **14,071** | 7,521 |
| **Total liabilities** | | **1,699,544** | 1,488,084 |
| | | | |
| **Equity** | | | |
| Share capital | 21 | **328,377** | 331,504 |
| Additional paid-in capital | | **21,109** | 21,116 |
| Fair value reserve | | **7,024** | 2,359 |
| Accumulated losses | | **(152,813)** | (155,051) |
| **Total equity attributable to shareholders of the Bank** | | **203,697** | 199,928 |
| | | | |
| Non-controlling interests | | **317** | 711 |
| **Total equity** | | **204,014** | 200,639 |
| **Total equity and liabilities** | | **1,903,558** | 1,688,723 |

*The accompanying selected explanatory notes on pages 6 to 55 are an integral part of these interim condensed consolidated financial statements.*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

## for the six months ended 30 June 2019

*(millions of tenge)*

| | | *For the six months ended 30 June* | |
|---|---|---|---|
| | *Note* | *2019 (unaudited)* | *2018 (unaudited)* |
| **Cash flows from operating activities** | | | |
| Interest income received | | **62,569** | 55,431 |
| Interest expense paid | | **(30,314)** | (33,864) |
| Fee and commission income received | | **13,747** | 8,020 |
| Fee and commission expense paid | | **(4,372)** | (2,401) |
| Net realised (losses)/gains from financial instruments at fair value through profit or loss | | **(2,009)** | 26 |
| Net realised gains on dealing in foreign currencies | | **444** | 182 |
| Other operating (expenses paid)/income received | | **(365)** | 502 |
| General and administrative expenses paid | | **(15,499)** | (17,380) |
| | | | |
| **(Increase)/decrease in operating assets** | | | |
| Amounts due from financial institutions | | **(3,525)** | (1,483) |
| Trading securities | | **3,223** | (1,934) |
| Loans to customers | | **(14,308)** | (14,611) |
| Other assets | | **4,415** | 3,212 |
| | | | |
| **Increase/(decrease) in operating liabilities** | | | |
| Current accounts and deposits of customers | | **100,241** | (4,967) |
| Amounts due to banks and other financial institutions | | **584** | (2,797) |
| Amounts payable under repurchase agreements | | **(4,522)** | (25,549) |
| Other liabilities | | **(68)** | 587 |
| **Net cash flows from operating activities before income tax** | | **110,241** | (37,026) |
| | | | |
| Corporate income tax paid | | **(25)** | (17) |
| **Cash from operating activities** | | **110,216** | (37,043) |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of a subsidiary, net of cash acquired | | **29,767** | – |
| Purchase of investment securities at fair value through other comprehensive income | | **(646,799)** | (756,867) |
| Proceeds from sale of investment securities at fair value through other comprehensive income | | **32,475** | – |
| Redemption of investment securities at fair value through other comprehensive income | | **566,224** | 757,920 |
| Purchase of property and equipment and intangible assets | | **(13,387)** | (2,405) |
| Proceeds from sale of property and equipment and intangible assets | | **120** | 239 |
| **Cash used in investing activities** | | **(31,600)** | (1,113) |
| | | | |
| **Cash flows from financing activities** | | | |
| Repurchase of own shares | 21 | **(3,127)** | – |
| Proceeds from return of instruments unclaimed by creditors | | **–** | 1,647 |
| Dividends paid to shareholders of the Bank | 21 | **(11,376)** | (7,748) |
| Proceeds from placement of debt securities issued | | **27** | 20 |
| Repurchase of debt securities issued | | **–** | (3) |
| Redemption of debt securities issued | | **(3,954)** | (4,068) |
| **Cash used in financing activities** | | **(18,430)** | (10,152) |
| **Net change in cash and cash equivalents** | | **60,186** | (48,308) |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | | **(1,625)** | 3,639 |
| Cash and cash equivalents, beginning | | **224,121** | 231,820 |
| **Cash and cash equivalents, ending** | | **282,682** | 187,151 |
| | | | |
| **Non-monetary transactions** | | | |
| Repossession of collateral on loans to customers | 16 | **4,699** | 9,005 |

*The accompanying selected explanatory notes on pages 6 to 55 are an integral part of these interim condensed consolidated financial statements.*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the six months ended 30 June 2019

*(millions of tenge)*

| | Equity attributable to shareholders of the Bank | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Share capital | Additional paid-in capital | Fair value reserve | Accumulated losses | Total | | |
| **At 1 January 2019** | 331,504 | 21,116 | 2,359 | (155,051) | 199,928 | 711 | 200,639 |
| Impact of adopting IFRS 16 *(Note 2)* (unaudited) | – | – | – | (428) | **(428)** | – | **(428)** |
| **Restated opening balance under IFRS 16 (unaudited)** | **331,504** | **21,116** | **2,359** | **(155,479)** | **199,500** | **711** | **200,211** |
| Profit for the period (unaudited) | **–** | **–** | **–** | **16,040** | **16,040** | **5** | **16,045** |
| Other comprehensive income for the period (unaudited) | **–** | **–** | **4,665** | **–** | **4,665** | **–** | **4,665** |
| **Total comprehensive income for the period (unaudited)** | **–** | **–** | **4,665** | **16,040** | **20,705** | **5** | **20,710** |
| Share repurchase *(Note 21)* (unaudited) | **(3,127)** | **(7)** | **–** | **–** | **(3,134)** | **–** | **(3,134)** |
| Acquisition of non-controlling interests (unaudited) | **–** | **–** | **–** | **–** | **–** | **(399)** | **(399)** |
| Acquisition of subsidiaries *(Note 4)* (unaudited) | **–** | **–** | **–** | **(1,998)** | **(1,998)** | **–** | **(1,998)** |
| Dividends declared *(Note 21)* (unaudited) | **–** | **–** | **–** | **(11,376)** | **(11,376)** | **–** | **(11,376)** |
| **At 30 June 2019 (unaudited)** | **328,377** | **21,109** | **7,024** | **(152,813)** | **203,697** | **317** | **204,014** |

*The accompanying selected explanatory notes on pages 6 to 55 are an integral part of these interim condensed consolidated financial statements.*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

| | *Equity attributable to shareholders of the Bank* | | | | | | |
|---|---|---|---|---|---|---|---|
| | ***Share capital*** | ***Additional paid-in capital*** | ***Revaluation reserve for available-for-sale securities*** | ***Accumulated losses*** | ***Total*** | ***Non-controlling interest*** | ***Total equity*** |
| **At 1 January 2018** | 331,522 | 21,116 | 598 | (159,676) | 193,560 | 641 | 194,201 |
| Impact of adopting IFRS 9 *(Note 2)* (unaudited) | – | – | 3,243 | (16,719) | (13,476) | – | (13,476) |
| **Restated balance in accordance with IFRS 9 at the beginning of the period (unaudited)** | 331,522 | 21,116 | 3,841 | (176,395) | 180,084 | 641 | 180,725 |
| Profit for the period (unaudited) | – | – | – | 10,942 | 10,942 | 42 | 10,984 |
| Other comprehensive income for the period (unaudited) | – | – | (2,087) | – | (2,087) | – | (2,087) |
| **Total comprehensive income for the period (unaudited)** | – | – | (2,087) | 10,942 | 8,855 | 42 | 8,897 |
| **Transactions with owners recorded directly within equity** | | | | | | | |
| Dividends declared *(Note 21)* (unaudited) | – | – | – | (7,748) | (7,748) | – | (7,748) |
| **At 30 June 2018 (unaudited)** | 331,522 | 21,116 | 1,754 | (173,201) | 181,191 | 683 | 181,874 |

*The accompanying selected explanatory notes on pages 6 to 55 are an integral part of these interim condensed consolidated financial statements.*

*(millions of tenge)*

# 1. General information

### Corporate structure and activities

These interim condensed consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the "Bank") and its subsidiaries (together, the "Group").

The Bank was established in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered to ForteBank JSC (formerly, Alliance Bank JSC).

Legal address of the Bank's head office: 8/1, Dostyk str., 010017, Nur-Sultan, Republic of Kazakhstan. The Bank's activities are regulated by the National Bank of the Republic of Kazakhstan (hereinafter, the "NBRK"). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the NBRK on 27 February 2015.

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some debt securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange and the Kazakhstan Stock Exchange (hereinafter, the "KASE").

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the "KDIF"). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 30 June 2019 and 31 December 2018, depositors can receive limited insurance coverage for deposits, depending on the currency of the deposit: in tenge – up to KZT 10 million, in foreign currencies – up to KZT 5 million.

As at 30 June 2019 and 31 December 2018, the Group includes the following subsidiaries:

| | | | *Ownership, %* | |
|---|---|---|---|---|
| ***Name*** | ***Country of incorporation*** | ***Principal activities*** | ***30 June 2019 (unaudited)*** | ***31 December 2018*** |
| ForteLeasing JSC | Republic of Kazakhstan | Leasing operations | **96.7** | 80.6 |
| OUSA Alliance LLP | Republic of Kazakhstan | Management of doubtful and bad assets | **100.0** | 100.0 |
| OUSA-F LLP | Republic of Kazakhstan | Management of doubtful and bad assets | **100.0** | 100.0 |
| Kassa Nova Bank JSC | Republic of Kazakhstan | Banking operations | **100.0** | – |
| One Technologies LLP | Republic of Kazakhstan | Software development | **100.0** | – |

During May 2019, the Group increased its share in equity of ForteLeasing JSC by acquiring shares from non-controlling shareholders. As a result, the Bank's ownership in ForteLeasing JSC increased to 96.7%.

### Shareholders

As at 30 June 2019, Mr. Utemuratov B.Zh. owns 90.10% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (as at 31 December 2018: 88.47%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

On 18 March 2019, Mr. Utemuratov B.Zh. entered into the trust management agreement with Nova Leasing JSC to manage 54% of outstanding shares of the Bank. Mr. Utemuratov B.Zh. is a 100% shareholder of Nova Leasing JSC.

# 2. Basis of preparation

### General

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

The interim condensed consolidated financial statements are presented in millions of Kazakh tenge ("tenge" or "KZT"), unless otherwise is stated.

As at 30 June 2019, the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 380.53 for 1 US Dollar (as at 31 December 2018: KZT 384.20 to USD 1).

*(millions of tenge)*

## 2. Basis of preparation (continued)

**Functional and presentation currency of consolidated financial statements**

The functional currency of the Group and the majority of its subsidiaries is tenge as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them affecting its activities.

The Kazakhstan tenge is also the presentation currency for the purposes of these interim condensed consolidated financial statements.

Financial information of the interim condensed consolidated financial statements is rounded to the nearest million.

**Changes in accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new Standards effective as at 1 January 2019. The nature and the effect of these changes are disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*IFRS 16 Leases*

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 on the interim condensed consolidated statement of financial position is as follows:

| | ***1 January 2019*** |
|---|---|
| **Assets** | |
| Property and equipment | 5,453 |
| Deferred tax assets | 103 |
| **Total assets** | **5,556** |
| | |
| **Liabilities** | |
| Other liabilities | 5,984 |
| **Total liabilities** | **5,984** |
| **Net effect on equity** | **(428)** |

*(a) Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Group classified each of its leases as lessee at the inception date as an operating lease. The leased property was not capitalized, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

*(millions of tenge)*

## 2. Basis of preparation (continued)

**Changes in accounting policies (continued)**

*IFRS 16 Leases (continued)*

*(a) Nature of the effect of adoption of IFRS 16 (continued)*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of KZT 5,453 million were recognised and included in property and equipment;
- Additional lease liabilities of KZT 5,984 million (included in other liabilities) were recognised;
- Deferred income tax assets increased by KZT 103 million because of the deferred income tax impact of the changes in assets and liabilities;
- The net effect of these adjustments had been adjusted to retained earnings (KZT 428 million).

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows (unaudited):

| | |
|---|---|
| **Operating lease commitments as at 31 December 2018** | **5,794** |
| Weighted average incremental borrowing rate as at 1 January 2019 | 0.82%-9.35% |
| **Discounted operating lease commitments at 1 January 2019** | **5,495** |
| | |
| **Less:** | |
| Commitments relating to short-term leases | (250) |
| Commitments relating to leases of low-value assets | – |
| | |
| **Add:** | |
| Payments in optional extension periods not recognised as at 31 December 2018 | 739 |
| **Lease liabilities as at 1 January 2019** | **5,984** |

*(b) Summary of new accounting policies*

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

<u>Right-of-use assets</u>

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*(millions of tenge)*

## 2. Basis of preparation (continued)

**Changes in accounting policies (continued)**

*IFRS 16 Leases (continued)*

*(b) Summary of new accounting policies (continued)*

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The interpretation became effective for annual reporting periods beginning on 1 January 2019 or after this date. The interpretation did not have any impact on the interim condensed consolidated financial statements of the Group.

*(millions of tenge)*

## 2. Basis of preparation (continued)

### Changes in accounting policies (continued)

*Amendments to IFRS 9 Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

*Amendments to IAS 19 Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

*Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

***Annual improvements 2015-2017 cycle***

Amendments to IFRS improvements were as follows:

*IFRS 3 Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

*IFRS 11 Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

*(millions of tenge)*

## 2. Basis of preparation (continued)

**Changes in accounting policies (continued)**

***Annual improvements 2015-2017 cycle (continued)***

*IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the interim condensed consolidated financial statements of the Group.

*IAS 23 Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the interim condensed consolidated financial statements of the Group.

**Reclassifications**

The following reclassifications have been made in the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2018 to conform to the 2019 presentation:

| | ***For the six months ended 30 June 2018 (unaudited)*** | | |
|---|---|---|---|
| ***Interim condensed consolidated statement of comprehensive income*** | ***As previously reported*** | ***Reclassification*** | ***As reclassified*** |
| Fee and commission income | 8,256 | (461) | 7,795 |
| Other operating income, net | 502 | (502) | – |
| Other income | – | 1,918 | 1,918 |
| | **8,758** | **955** | **9,713** |
| **Non-interest income** | **8,171** | **955** | **9,126** |
| General and administrative expenses | (17,447) | 646 | (16,801) |
| Other expenses | – | (1,601) | (1,601) |
| | **(17,447)** | **(955)** | **(18,402)** |
| **Non-interest expense** | **(17,838)** | **(955)** | **(18,793)** |

| | ***For the three months ended 30 June 2018 (unaudited)*** | | |
|---|---|---|---|
| ***Interim condensed consolidated statement of comprehensive income*** | ***As previously reported*** | ***Reclassification*** | ***As reclassified*** |
| Fee and commission income | 4,841 | (226) | 4,615 |
| Other operating income, net | 336 | (336) | – |
| Other income | – | 1,091 | 1,091 |
| | **5,177** | **529** | **5,706** |
| **Non-interest income** | **4,879** | **529** | **5,408** |
| General and administrative expenses | (8,639) | 325 | (8,314) |
| Other expenses | – | (854) | (854) |
| | **(8,639)** | **(529)** | **(9,168)** |
| **Non-interest expense** | **(9,549)** | **(529)** | **(10,078)** |

*(millions of tenge)*

## 3. Significant accounting judgements and estimates

**Estimation uncertainty**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes could differ from these estimates.

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

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

*Collateral assessment*

The Group management performs monitoring of collateral on a regular basis. The management of the Group uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering the current market conditions.

*Allowance for impairment of loans and receivables*

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgement to estimate the expected credit losses in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

*Taxation*

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Group’s tax position as at 30 June 2019 and 31 December 2018 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues. Assessment of recoverability of deferred income tax assets requires to use subjective judgements by the Group’s management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred tax assets as at 30 June 2019 are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised, and deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

## 4. Business combinations

**Acquisition of Kassa Nova Bank JSC**

On 29 April 2019, the Group acquired 100% of the voting shares of KassaNova Bank JSC, following the approvals given by the NBRK. Its main activity is banking operations. The Group has acquired KassaNova Bank JSC because of strategic initiatives aimed at increase market share and ability to gain synergy effect.

Kassa Nova Bank JSC was purchased from NovaLeasing JSC, which is owned by Utemuratov B.Zh., therefore it is considered to be an acquisition of entity under common control and pooling of interest method was applied without historical restatement.

*(millions of tenge)*

## 4. Business combinations (continued)

**Acquisition of KassaNova Bank JSC (continued)**

Assets and liabilities of Kassa Nova Bank JSC as at the date of acquisition were:

| | ***29 April 2019 (unaudited)*** |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 42,785 |
| Amounts due from credit institutions | 601 |
| Loans to customers | 74,870 |
| Investment securities | 2,073 |
| Property and equipment | 5,675 |
| Intangible assets | 1,108 |
| Other assets | 3,252 |
| **Total assets** | **130,364** |

| | ***29 April 2019 (unaudited)*** |
|---|---|
| **Liabilities** | |
| Current accounts and deposits of customers | 94,093 |
| Amounts due to banks and other financial institutions | 16,268 |
| Deferred income tax liabilities | 917 |
| Subordinated debt | 3,277 |
| Other liabilities | 1,683 |
| **Total liabilities** | **116,238** |
| | |
| Net assets acquired | 14,126 |
| Purchase consideration transferred | (11,277) |
| **Gain on acquisition of subsidiary recognised in equity** | **2,849** |

From the date of acquisition, Kassa Nova Bank JSC has contributed KZT 1,094 million of net interest income, KZT 430 million of non-interest income and KZT 498 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, the profit for the six months ended 30 June 2019 of the Group would have been KZT 16,820 million, net interest income would have been KZT 35,230 million, and non-interest income would have been KZT 10,371 million.

**Acquisition of ONE Technologies LLP**

On 23 April 2019, the Group acquired 100% of the equity of ONE Technologies LLP, following the approvals given by the NBRK. Its main activity is development of software. The Group has acquired ONE Technologies LLP because of strategic initiatives aimed at digitalisation of core banking processes and developing banking applications.

ONE Technologies LLP was acquired from individuals closely related to the ultimate shareholder and a legal entity, controlled by Utemuratov B.Zh., therefore it is considered to be an acquisition of entity under common control and pooling of interest method was applied without historical restatement.

Assets and liabilities of ONE Technologies LLP as at the date of acquisition were:

| | ***29 April 2019 (unaudited)*** |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 130 |
| Loans to customers | 27 |
| Property and equipment | 172 |
| Intangible assets | 545 |
| Other assets | 352 |
| **Total assets** | **1,226** |
| | |
| Other liabilities | 169 |
| **Total liabilities** | **169** |
| **Net assets acquired** | **1,057** |
| | |
| Purchase consideration transferred | (5,900) |
| **Loss on acquisition of subsidiary recognised in equity** | **(4,843)** |

*(millions of tenge)*

## 4. Business combinations (continued)

**Acquisition of ONE Technologies LLP (continued)**

From the date of acquisition, ONE Technologies LLP has contributed losses of KZT 190 million to net profit before tax of the Group. If the combination had taken place at the beginning of the year, profit for the year of the Group would have been KZT 16,330 million.

**Cash outflow on acquisition of the subsidiaries**

| | *KassaNova Bank JSC* | *ONE Technologies LLP* | *Total* |
|---|---|---|---|
| Net cash acquired with the subsidiary (included in cash flows from investing activities) (unaudited) | 42,785 | 130 | 42,915 |
| Cash paid (included in cash flows from investing activities) (unaudited) | (11,277) | (5,900) | (17,177) |
| **Net cash outflow** | **31,508** | **(5,770)** | **25,738** |

## 5. Net interest income

Interest income and expense comprise the following:

| | *For the three months ended 30 June* | | *For the six months ended 30 June* | |
|---|---|---|---|---|
| | *2019 (unaudited)* | *2018 (unaudited)* | *2019 (unaudited)* | *2018 (unaudited)* |
| **Interest revenue calculated using the effective interest rate** | | | | |
| Loans to customers | **27,424** | 22,906 | **51,199** | 45,681 |
| Debt investment securities at FVOCI | **6,274** | 6,574 | **11,641** | 13,123 |
| Investment securities at amortised cost | **3,769** | 278 | **7,538** | 550 |
| Amounts due from financial institutions | **1,923** | 326 | **2,904** | 636 |
| Amounts receivable under reverse repurchase agreements | **125** | 88 | **1,032** | 121 |
| | **39,515** | 30,172 | **74,314** | 60,111 |
| **Other interest revenue** | | | | |
| Trading securities | **67** | 98 | **169** | 174 |
| | **39,582** | 30,270 | **74,483** | 60,285 |
| **Interest expense** | | | | |
| Current accounts and deposits of customers | **(12,191)** | (13,606) | **(22,505)** | (27,625) |
| Debt securities issued | **(7,779)** | (3,316) | **(15,217)** | (6,498) |
| Amounts due to banks and other financial institutions | **(894)** | (787) | **(1,691)** | (1,599) |
| Subordinated debt | **(506)** | (448) | **(954)** | (896) |
| Amounts payable under repurchase agreements | **(269)** | (68) | **(573)** | (179) |
| | **(21,639)** | (18,225) | **(40,940)** | (36,797) |
| **Net interest income** | **17,943** | 12,045 | **33,543** | 23,488 |

## 6. Fee and commission income

Fee and commission income comprises the following:

| | *For the three months ended 30 June* | | *For the six months ended 30 June* | |
|---|---|---|---|---|
| | *2019 (unaudited)* | *2018 (unaudited)* | *2019 (unaudited)* | *2018 (unaudited)* |
| Card operations | **4,584** | 2,010 | **7,922** | 3,117 |
| Settlement transactions | **1,574** | 1,385 | **2,929** | 2,502 |
| Cash operations | **980** | 660 | **1,618** | 1,106 |
| Guarantees and letters of credits | **505** | 312 | **851** | 555 |
| Foreign currency transactions and transactions with securities | **99** | 45 | **153** | 120 |
| Trust management, custodial and other fiduciary services | **10** | 15 | **21** | 30 |
| Other | **248** | 188 | **470** | 365 |
| | **8,000** | 4,615 | **13,964** | 7,795 |

*(millions of tenge)*

## 7. Net (losses)/gains from foreign currencies

Net (losses)/gains from foreign currencies comprise the following:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Translation differences, net | **70** | 158 | **(159)** | 744 |
| Dealing transactions, net | **(597)** | 809 | **444** | 181 |
| | **(527)** | 967 | **285** | 925 |

## 8. Reversal of credit loss allowances / (credit loss expense)

Reversal of credit loss allowances / (credit loss expense) for the three-month and six-month periods ended 30 June 2019 are presented as follows:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Amounts due from financial institutions | **3** | (22) | **(14)** | (10) |
| Loans to customers *(Note 14)* | **112** | (551) | **(1,774)** | 386 |
| Investment securities at amortised cost | **81** | – | **45** | (5) |
| Investment securities at FVOCI | **175** | (310) | **351** | (450) |
| Other financial assets | **(87)** | (123) | **(109)** | (408) |
| Financial guarantees, letters of credit and loan commitment | **129** | 96 | **100** | 96 |
| | **413** | (910) | **(1,401)** | (391) |

## 9. General and administrative expenses

General and administrative expenses comprise the following:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Personnel expenses and related taxes | **(5,851)** | (4,484) | **(11,092)** | (9,353) |
| Depreciation and amortisation | **(1,101)** | (1,013) | **(2,593)** | (1,992) |
| Taxes other than corporate income tax | **(429)** | (632) | **(1,183)** | (1,195) |
| Repair and maintenance | **(462)** | (407) | **(907)** | (785) |
| Maintenance of buildings | **(348)** | (206) | **(757)** | (637) |
| Advertising and marketing | **(472)** | (333) | **(858)** | (499) |
| Security | **(234)** | (220) | **(455)** | (439) |
| Rent *(Note 24)* | **(133)** | (375) | **(262)** | (750) |
| Encashment | **(109)** | (98) | **(202)** | (193) |
| Transportation | **(83)** | (87) | **(173)** | (182) |
| Business trips | **(64)** | (60) | **(148)** | (113) |
| Telecommunication and information services | **(277)** | (239) | **(374)** | (444) |
| Other professional services | **(140)** | (41) | **(167)** | (59) |
| Other | **(36)** | (119) | **(117)** | (160) |
| | **(9,739)** | (8,314) | **(19,288)** | (16,801) |

*(millions of tenge)*

## 10. Corporate income tax expense

Corporate income tax expense comprises the following:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | 2019 (unaudited) | 2018 (unaudited) | 2019 (unaudited) | 2018 (unaudited) |
| Current corporate income tax expenses | **(29)** | – | **(29)** | – |
| Deferred corporate income tax charge – origination and reversal of temporary differences | **(942)** | (1,440) | **(1,873)** | (2,837) |
| | **(971)** | (1,440) | **(1,902)** | (2,837) |

As at 30 June 2019, deferred income tax assets comprised KZT 226 million (as at 31 December 2018: KZT 2,279 million).

As at 30 June 2019, deferred income tax liabilities comprised KZT 1,101 million (as at 31 December 2018: KZT 183 million).

## 11. Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | 30 June 2019 (unaudited) | 31 December 2018 |
|---|---|---|
| Cash on hand | **44,983** | 54,463 |
| Cash on current accounts with the NBRK rated BBB- | **53,061** | 54,365 |
| Cash on current accounts with other banks: | | |
| - Rated from A- to A+ | **16,304** | 32,813 |
| - Rated from BBB- to BBB+ | **5,595** | 2,908 |
| - Rated from BB- to BB+ | **1,743** | 664 |
| - Rated below B+ | **377** | 443 |
| - Not rated | **491** | 150 |
| Time deposits with the NBRK with contractual maturity of 90 days or less rated BBB- | **100,622** | – |
| Time deposits with other banks with contractual maturity of 90 days or less: | | |
| - Rated from BBB- to BBB+ | **604** | – |
| Amounts receivable under reverse repurchase agreements with contractual maturity of 90 days or less | **58,902** | 78,317 |
| **Cash and cash equivalents before allowance for ECL** | **282,682** | 224,123 |
| Allowance for ECL | **(6)** | (2) |
| **Cash and cash equivalents** | **282,676** | 224,121 |

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of other international agencies.

As at 30 June 2019 and 31 December 2018, all balances of cash equivalents are allocated to Stage 1 for ECL measurement purposes.

As at 30 June 2019 and 31 December 2018, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are government bonds with total fair value of KZT 59,331 million as at 30 June 2019 (as at 31 December 2018: KZT 79,739 million).

### Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percentage of specified liabilities of the second-tier banks. Banks are required to comply with these requirements by maintaining average reserve assets (cash in local currency and held on accounts with the NBRK) equal to or in excess of the average minimum requirements. As at 30 June 2019, minimum reserve requirements of the Bank amount to KZT 26,074 million (as at 31 December 2018: KZT 17,876 million).

### Concentration of cash and cash equivalents

As at 30 June 2019, the Group has accounts with one bank which balances exceed 10% of total cash and cash equivalents (as at 31 December 2018: two banks). The total balance on the accounts with the above counterparties as at 30 June 2019 and 31 December 2018 amounts to KZT 153,683 million and KZT 82,657 million, respectively.

*(millions of tenge)*

## 12. Amounts due from financial institutions

Amounts due from financial institutions comprise the following:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| Current accounts with the NBRK rated BBB-, restricted in use | **2,080** | 1,263 |
| Deposits with other banks: | | |
| - Rated below B+ | **3,177** | 3,250 |
| - Not rated | **584** | 591 |
| Contingent deposits and deposits pledged as a collateral: | | |
| - Rated from AA- to AA+ | **147** | 19 |
| - Rated from A- to A+ | **4,684** | 3,879 |
| - Rated from BBB- to BBB+ | **4** | – |
| - Rated from BB- to BB+ | **10,153** | 8,343 |
| - Not rated | **2,286** | 1,658 |
| **Amounts due from financial institutions before allowance for ECL** | **23,115** | 19,003 |
| Allowance for ECL | **(797)** | (788) |
| **Amounts due from financial institutions** | **22,318** | 18,215 |

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of other international agencies.

Amounts on current accounts with the NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending to businesses.

As at 30 June 2019 and 31 December 2018, all balances of amounts due from financial institutions are allocated to Stage 1 for ECL measurement purposes.

As at 30 June 2019 contingent deposits and deposits pledged as collateral include contingent deposits, restricted for use on transactions with providers of payment operation services in the amount of KZT 6,603 million (as at 31 December 2018: KZT 5,512 million) and deposits pledged as collateral under counter-guarantees, issued to the clients of the Group, in the amount of KZT 10,153 million (as at 31 December 2018: KZT 8,343 million).

**Concentration of amounts due from financial institutions**

As at 30 June 2019 and 31 December 2018, the Group has amounts due from three financial institutions which balances individually exceed 10% of total amounts due from financial institutions. The total value of these balances as at 30 June 2019 is KZT 17,919 million (as at 31 December 2018: KZT 15,377 million).

## 13. Trading securities

Trading securities comprise the following:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| **Bonds of banks** | | |
| - Rated from B- to B+ | **4,948** | 8,046 |
| **Total bonds of banks** | **4,948** | 8,046 |
| Equity instruments | **1,438** | 1,465 |
| **Trading securities** | **6,386** | 9,511 |

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of other international agencies.

*(millions of tenge)*

## 14. Loans to customers

Loans to customers comprise the following:

| | *30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **Individually significant corporate loans** | | | | | |
| Loans to large entities | **186,015** | **4,843** | **43,696** | **–** | **234,554** |
| **Total individually significant corporate loans** | **186,015** | **4,843** | **43,696** | **–** | **234,554** |
| **Individually insignificant corporate loans and loans to individuals** | | | | | |
| Corporate loans | **113,715** | **7,221** | **26,113** | **39** | **147,088** |
| Mortgage loans | **35,238** | **1,326** | **28,336** | **9,595** | **74,495** |
| Consumer loans | **154,832** | **2,392** | **9,395** | **–** | **166,619** |
| Car loans | **1,352** | **1** | **1,817** | **–** | **3,170** |
| Credit cards | **4,187** | **142** | **399** | **–** | **4,728** |
| Other loans secured by collateral | **124,870** | **7,693** | **63,629** | **11,020** | **207,212** |
| **Total individually insignificant corporate loans and loans to individuals** | **434,194** | **18,775** | **129,689** | **20,654** | **603,312** |
| **Loans to customers before allowance for ECL** | **620,209** | **23,618** | **173,385** | **20,654** | **837,866** |
| Allowance for ECL | **(5,572)** | **(1,449)** | **(65,645)** | **4,008** | **(68,658)** |
| **Loans to customers** | **614,637** | **22,169** | **107,740** | **24,662** | **769,208** |

| | *31 December 2018* | | | | |
|---|---|---|---|---|---|
| | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **Individually significant corporate loans** | | | | | |
| Loans to large entities | 190,875 | 15,999 | 45,765 | – | 252,639 |
| **Total individually significant corporate loans** | 190,875 | 15,999 | 45,765 | – | 252,639 |
| **Individually insignificant corporate loans and loans to individuals** | | | | | |
| Corporate loans | 86,701 | 5,884 | 22,475 | 69 | 115,129 |
| Mortgage loans | 37,512 | 1,826 | 32,796 | 5,644 | 77,778 |
| Consumer loans | 120,789 | 1,756 | 9,755 | – | 132,300 |
| Car loans | 1,401 | 5 | 2,120 | – | 3,526 |
| Credit cards | 2,114 | 56 | 217 | – | 2,387 |
| Other loans secured by collateral | 99,135 | 6,816 | 66,365 | 6,723 | 179,039 |
| **Total individually insignificant corporate loans and loans to individuals** | 347,652 | 16,343 | 133,728 | 12,436 | 510,159 |
| **Loans to customers before allowance for ECL** | 538,527 | 32,342 | 179,493 | 12,436 | 762,798 |
| Allowance for ECL | (4,326) | (1,369) | (68,032) | 574 | (73,153) |
| **Loans to customers** | 534,201 | 30,973 | 111,461 | 13,010 | 689,645 |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually significant corporate loans**

Information on the quality of individually significant corporate loans at 30 June 2019 is presented in the table below:

| | *30 June 2019 (unaudited)* | | | |
|---|---|---|---|---|
| | ***Loans before allowance for ECL*** | ***Allowance for ECL*** | ***Loans net of allowance for ECL*** | ***Allowance for ECL to loans before allowance for ECL, (%)*** |
| **Individually significant corporate loans** | | | | |
| **Stage 1 loans** | | | | |
| - Not overdue | **186,015** | **(878)** | **185,137** | **0.47** |
| | | | | |
| **Stage 2 and 3 loans** | | | | |
| - Not overdue | **8,292** | **(926)** | **7,366** | **11.17** |
| - Overdue for less than 30 days | **2,182** | **(471)** | **1,711** | **21.59** |
| - Overdue for 30 to 89 days | **4,867** | **(1,547)** | **3,320** | **31.79** |
| - Overdue for 90 days to 360 days | **3,258** | **(1,528)** | **1,730** | **46.90** |
| - Overdue for more than 360 days | **29,940** | **(19,871)** | **10,069** | **66.37** |
| **Total Stage 2 and 3 loans** | **48,539** | **(24,343)** | **24,196** | **50.15** |
| **Total individually significant corporate loans** | **234,554** | **(25,221)** | **209,333** | **10.75** |

Information on the quality of individually significant corporate loans at 31 December 2018 is presented in the table below:

| | *31 December 2018* | | | |
|---|---|---|---|---|
| | ***Loans before allowance for ECL*** | ***Allowance for ECL*** | ***Loans net of allowance for ECL*** | ***Allowance for ECL to loans before allowance for ECL, (%)*** |
| **Individually significant corporate loans** | | | | |
| **Stage 1 loans** | | | | |
| - Not overdue | 190,699 | (1,635) | 189,064 | 0.86 |
| - Overdue for less than 30 days | 176 | – | 176 | 0.00 |
| **Total Stage 1 loans** | 190,875 | (1,635) | 189,240 | 0.86 |
| | | | | |
| **Stage 2 and 3 loans** | | | | |
| - Not overdue | 19,661 | (2,618) | 17,043 | 13.32 |
| - Overdue for less than 30 days | 403 | (26) | 377 | 6.45 |
| - Overdue for 30 to 89 days | 3,536 | (42) | 3,494 | 1.19 |
| - Overdue for 90 days to 360 days | 8,952 | (3,038) | 5,914 | 33.94 |
| - Overdue for more than 360 days | 29,212 | (21,797) | 7,415 | 74.62 |
| **Total Stage 2 and 3 loans** | 61,764 | (27,521) | 34,243 | 44.56 |
| **Total individually significant corporate loans** | 252,639 | (29,156) | 223,483 | 11.54 |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually significant corporate loans (continued)**

*Analysis of movements in the ECL allowances*

An analysis of changes in the ECL allowances in relation to individually significant corporate loans during the three-month period ended 30 June 2019 is as follows:

| | *For the three months ended 30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| | *Stage 1* | *Stage 2* | *Stage 3* | *POCI* | *Total* |
| **Individually significant corporate loans** | | | | | |
| **ECL as at 1 April 2019** | **(1,073)** | **–** | **(27,632)** | **–** | **(28,705)** |
| Acquisition of subsidiaries | **–** | **–** | **(4)** | **–** | **(4)** |
| New assets originated or purchased | **(234)** | **–** | **–** | **–** | **(234)** |
| Assets derecognised or repaid (excluding write-offs) | **458** | **–** | **135** | **–** | **593** |
| Transfers to Stage 1 | **–** | **–** | **–** | **–** | **–** |
| Transfers to Stage 2 | **–** | **–** | **–** | **–** | **–** |
| Transfers to Stage 3 | **–** | **–** | **–** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(27)** | **–** | **(1,211)** | **–** | **(1,238)** |
| Transfer between categories | **(8)** | **–** | **(798)** | **–** | **(806)** |
| Unwinding of discount | **–** | **–** | **(640)** | **–** | **(640)** |
| Recoveries | **–** | **–** | **–** | **–** | **–** |
| Write-offs | **–** | **–** | **5,718** | **–** | **5,718** |
| Effect from changes in exchange rates | **6** | **–** | **89** | **–** | **95** |
| **At 30 June 2019** | **(878)** | **–** | **(24,343)** | **–** | **(25,221)** |

An analysis of changes in the ECL allowances in relation to individually significant corporate loans during the six-month period ended 30 June 2019 is as follows:

| | *For the six months ended 30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| | *Stage 1* | *Stage 2* | *Stage 3* | *POCI* | *Total* |
| **Individually significant corporate loans** | | | | | |
| **ECL as at 1 January 2019** | **(1,635)** | **(558)** | **(26,963)** | **–** | **(29,156)** |
| Acquisition of subsidiaries | **–** | **–** | **(4)** | **–** | **(4)** |
| New assets originated or purchased | **(343)** | **–** | **–** | **–** | **(343)** |
| Assets derecognised or repaid (excluding write-offs) | **1,069** | **60** | **2,090** | **–** | **3,219** |
| Transfers to Stage 1 | **(30)** | **30** | **–** | **–** | **–** |
| Transfers to Stage 2 | **–** | **–** | **–** | **–** | **–** |
| Transfers to Stage 3 | **–** | **582** | **(582)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(30)** | **(114)** | **(2,476)** | **–** | **(2,620)** |
| Transfer between categories | **(8)** | **–** | **(129)** | **–** | **(137)** |
| Unwinding of discount | **–** | **–** | **(1,209)** | **–** | **(1,209)** |
| Recoveries | **–** | **–** | **(1,800)** | **–** | **(1,800)** |
| Write-offs | **–** | **–** | **6,620** | **–** | **6,620** |
| Effect from changes in exchange rates | **99** | **–** | **110** | **–** | **209** |
| **At 30 June 2019** | **(878)** | **–** | **(24,343)** | **–** | **(25,221)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually significant corporate loans (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to individually significant corporate loans during the three-month period ended 30 June 2018 is as follows:

| | For the three months ended 30 June 2018 (unaudited) | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Individually significant corporate loans** | | | | |
| **ECL as at 1 April 2018** | (1,864) | (173) | (24,632) | (26,669) |
| New assets originated or purchased | 44 | – | – | 44 |
| Assets derecognised or repaid (excluding write-offs) | – | 300 | (53) | 247 |
| Transfers to Stage 1 | (22) | 22 | – | – |
| Transfers to Stage 2 | 9 | (1,013) | 1,004 | – |
| Transfers to Stage 3 | – | – | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (48) | (660) | (1,596) | (2,304) |
| Recoveries | – | – | (595) | (595) |
| Write-offs | – | – | 999 | 999 |
| Effect from changes in exchange rates | (71) | (9) | (1,053) | (1,133) |
| **At 30 June 2018** | (1,952) | (1,533) | (25,926) | (29,411) |

An analysis of changes in the ECL allowances in relation to individually significant corporate loans during the six-month period ended 30 June 2018 is as follows:

| | For the six months ended 30 June 2018 (unaudited) | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Individually significant corporate loans** | | | | |
| **ECL as at 1 January 2018** | (2,038) | (2,265) | (19,549) | (23,852) |
| New assets originated or purchased | (80) | – | – | (80) |
| Assets derecognised or repaid (excluding write-offs) | 212 | 875 | 1,698 | 2,785 |
| Transfers to Stage 1 | (61) | 61 | – | – |
| Transfers to Stage 2 | 89 | (3,797) | 3,708 | – |
| Transfers to Stage 3 | – | – | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (58) | 3,530 | (9,365) | (5,893) |
| Recoveries | – | – | (3,029) | (3,029) |
| Write-offs | – | – | 999 | 999 |
| Effect from changes in exchange rates | (16) | 63 | (388) | (341) |
| **At 30 June 2018** | (1,952) | (1,533) | (25,926) | (29,411) |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals**

The following table provides information on the credit quality of corporate loans that are individually insignificant and loans to individuals collectively assessed for impairment as at 30 June 2019:

| | *30 June 2019 (unaudited)* | | | |
|---|---|---|---|---|
| | ***Loans before allowance for ECL*** | ***Allowance for ECL*** | ***Loans net of allowance for ECL*** | ***Allowance for ECL to loans before allowance for ECL, (%)*** |
| **Individually insignificant corporate loans** | | | | |
| Not overdue | **120,632** | **(308)** | **120,324** | **0.26** |
| Overdue for less than 30 days | **3,027** | **(39)** | **2,988** | **1.29** |
| Overdue for 30 to 89 days | **2,330** | **(167)** | **2,163** | **7.17** |
| Overdue for 90 to 179 days | **714** | **(62)** | **652** | **8.68** |
| Overdue for 180 to 360 days | **1,838** | **(94)** | **1,744** | **5.11** |
| Overdue for more than 360 days | **18,508** | **(7,144)** | **11,364** | **38.60** |
| POCI | **39** | **17** | **56** | **–** |
| **Total individually insignificant corporate loans** | **147,088** | **(7,797)** | **139,291** | **5.30** |
| | | | | |
| **Mortgage loans** | | | | |
| Not overdue | **34,737** | **(232)** | **34,505** | **0.67** |
| Overdue for less than 30 days | **2,454** | **(77)** | **2,377** | **3.14** |
| Overdue for 30 to 89 days | **547** | **(9)** | **538** | **1.65** |
| Overdue for 90 to 179 days | **467** | **(59)** | **408** | **12.63** |
| Overdue for 180 to 360 days | **423** | **(62)** | **361** | **14.66** |
| Overdue for more than 360 days | **26,272** | **(8,887)** | **17,385** | **33.83** |
| POCI | **9,595** | **1,659** | **11,254** | **–** |
| **Total mortgage loans** | **74,495** | **(7,667)** | **66,828** | **10.29** |
| | | | | |
| **Consumer loans** | | | | |
| Not overdue | **149,100** | **(2,735)** | **146,365** | **1.83** |
| Overdue for less than 30 days | **6,054** | **(891)** | **5,163** | **14.72** |
| Overdue for 30 to 89 days | **2,197** | **(1,075)** | **1,122** | **48.93** |
| Overdue for 90 to 179 days | **2,185** | **(1,797)** | **388** | **82.24** |
| Overdue for 180 to 360 days | **2,601** | **(2,133)** | **468** | **82.01** |
| Overdue for more than 360 days | **4,482** | **(3,631)** | **851** | **81.01** |
| **Total consumer loans** | **166,619** | **(12,262)** | **154,357** | **7.36** |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

| | *30 June 2019 (unaudited)* | | | |
|---|---|---|---|---|
| | ***Loans before allowance for ECL*** | ***Allowance for ECL*** | ***Loans net of allowance for ECL*** | ***Allowance for ECL to loans before allowance for ECL, (%)*** |
| **Car loans** | | | | |
| Not overdue | **1,352** | **(2)** | **1,350** | **0.15** |
| Overdue for less than 30 days | **8** | **–** | **8** | **–** |
| Overdue for 30 to 89 days | **1** | **–** | **1** | **–** |
| Overdue for 90 to 179 days | **1** | **–** | **1** | **–** |
| Overdue for 180 to 360 days | **–** | **–** | **–** | **–** |
| Overdue for more than 360 days | **1,808** | **(229)** | **1,579** | **12.67** |
| **Total car loans** | **3,170** | **(231)** | **2,939** | **7.29** |
| | | | | |
| **Credit cards** | | | | |
| Not overdue | **3,928** | **(787)** | **3,141** | **20.04** |
| Overdue for less than 30 days | **298** | **(149)** | **149** | **50.00** |
| Overdue for 30 to 89 days | **127** | **(119)** | **8** | **93.70** |
| Overdue for 90 to 179 days | **94** | **(79)** | **15** | **84.04** |
| Overdue for 180 to 360 days | **80** | **(65)** | **15** | **81.25** |
| Overdue for more than 360 days | **201** | **(170)** | **31** | **84.58** |
| **Total credit cards** | **4,728** | **(1,369)** | **3,359** | **28.96** |
| | | | | |
| **Other loans secured by collateral** | | | | |
| Not overdue | **120,067** | **(524)** | **119,543** | **0.44** |
| Overdue for less than 30 days | **9,878** | **(37)** | **9,841** | **0.37** |
| Overdue for 30 to 89 days | **6,240** | **(51)** | **6,189** | **0.82** |
| Overdue for 90 to 179 days | **3,302** | **(66)** | **3,236** | **2.00** |
| Overdue for 180 to 360 days | **3,101** | **(180)** | **2,921** | **5.80** |
| Overdue for more than 360 days | **53,604** | **(15,585)** | **38,019** | **29.07** |
| POCI | **11,020** | **2,332** | **13,352** | **–** |
| **Total other loans secured by collateral** | **207,212** | **(14,111)** | **193,101** | **6.81** |
| **Total individually insignificant corporate loans and loans to individuals** | **603,312** | **(43,437)** | **559,875** | **7.20** |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

The following table provides information on the credit quality of corporate loans that are individually insignificant and loans to individuals collectively assessed for impairment as at 31 December 2018:

| | *31 December 2018* | | | |
|---|---|---|---|---|
| | *Loans before allowance for ECL* | *Allowance for ECL* | *Loans net of allowance for ECL* | *Allowance for ECL to loans before allowance for ECL, (%)* |
| **Individually insignificant corporate loans** | | | | |
| Not overdue | 92,639 | (235) | 92,404 | 0.25 |
| Overdue for less than 30 days | 1,517 | (42) | 1,475 | 2.77 |
| Overdue for 30 to 89 days | 1,507 | (27) | 1,480 | 1.79 |
| Overdue for 90 to 179 days | 437 | (5) | 432 | 1.14 |
| Overdue for 180 to 360 days | 958 | (56) | 902 | 5.85 |
| Overdue for more than 360 days | 18,002 | (5,546) | 12,456 | 30.81 |
| POCI | 69 | 13 | 82 | – |
| **Total individually insignificant corporate loans** | 115,129 | (5,898) | 109,231 | 5.12 |
| **Mortgage loans** | | | | |
| Not overdue | 37,901 | (382) | 37,519 | 1.01 |
| Overdue for less than 30 days | 1,807 | (44) | 1,763 | 2.43 |
| Overdue for 30 to 89 days | 1,017 | (27) | 990 | 2.65 |
| Overdue for 90 to 179 days | 284 | (53) | 231 | 18.66 |
| Overdue for 180 to 360 days | 461 | (48) | 413 | 10.41 |
| Overdue for more than 360 days | 30,664 | (9,647) | 21,017 | 31.46 |
| POCI | 5,644 | 108 | 5,752 | – |
| **Total mortgage loans** | 77,778 | (10,093) | 67,685 | 12.98 |
| **Consumer loans** | | | | |
| Not overdue | 117,058 | (1,711) | 115,347 | 1.46 |
| Overdue for less than 30 days | 3,849 | (410) | 3,439 | 10.65 |
| Overdue for 30 to 89 days | 1,699 | (692) | 1,007 | 40.73 |
| Overdue for 90 to 179 days | 1,283 | (1,084) | 199 | 84.49 |
| Overdue for 180 to 360 days | 1,798 | (1,509) | 289 | 83.93 |
| Overdue for more than 360 days | 6,613 | (5,023) | 1,590 | 75.96 |
| **Total consumer loans** | 132,300 | (10,429) | 121,871 | 7.88 |
| **Car loans** | | | | |
| Not overdue | 1,406 | (2) | 1,404 | 0.14 |
| Overdue for less than 30 days | 3 | – | 3 | 0.00 |
| Overdue for 30 to 89 days | 5 | – | 5 | 0.00 |
| Overdue for 90 to 179 days | 4 | – | 4 | 0.00 |
| Overdue for 180 to 360 days | 2 | (1) | 1 | 50.00 |
| Overdue for more than 360 days | 2,106 | (480) | 1,626 | 22.79 |
| **Total car loans** | 3,526 | (483) | 3,043 | 13.70 |
| **Credit cards** | | | | |
| Not overdue | 1,953 | (380) | 1,573 | 19.46 |
| Overdue for less than 30 days | 164 | (76) | 88 | 46.34 |
| Overdue for 30 to 89 days | 56 | (47) | 9 | 83.93 |
| Overdue for 90 to 179 days | 49 | (42) | 7 | 85.71 |
| Overdue for 180 to 360 days | 32 | (27) | 5 | 84.38 |
| Overdue for more than 360 days | 133 | (113) | 20 | 84.96 |
| **Total credit cards** | 2,387 | (685) | 1,702 | 28.70 |
| **Other loans secured by collateral** | | | | |
| Not overdue | 97,242 | (531) | 96,711 | 0.55 |
| Overdue for less than 30 days | 6,518 | (27) | 6,491 | 0.41 |
| Overdue for 30 to 89 days | 4,547 | (25) | 4,522 | 0.55 |
| Overdue for 90 to 179 days | 2,227 | (215) | 2,012 | 9.65 |
| Overdue for 180 to 360 days | 2,667 | (138) | 2,529 | 5.17 |
| Overdue for more than 360 days | 59,115 | (15,926) | 43,189 | 26.94 |
| POCI | 6,723 | 453 | 7,176 | – |
| **Total other loans secured by collateral** | 179,039 | (16,409) | 162,630 | 9.17 |
| **Total individually insignificant corporate loans and loans to individuals** | 510,159 | (43,997) | 466,162 | 8.62 |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances*

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the three-month period ended 30 June 2019 are as follows:

| | For the three months ended 30 June 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Individually insignificant corporate loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2019** | **(125)** | **(95)** | **(6,830)** | **13** | **(7,037)** |
| Acquisition of subsidiaries | **(6)** | **(4)** | **(1,123)** | **–** | **(1,133)** |
| New assets originated or purchased | **(63)** | **–** | **–** | **–** | **(63)** |
| Assets derecognised or repaid (excluding write-offs) | **288** | **81** | **1,322** | **4** | **1,695** |
| Transfers to Stage 1 | **(34)** | **34** | **–** | **–** | **–** |
| Transfers to Stage 2 | **1** | **(1)** | **–** | **–** | **–** |
| Transfers to Stage 3 | **–** | **–** | **–** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(199)** | **(169)** | **(483)** | **–** | **(851)** |
| Transfer between categories | **8** | **–** | **798** | **–** | **806** |
| Unwinding of discount | **–** | **–** | **(277)** | **–** | **(277)** |
| Recoveries | **–** | **–** | **(1,448)** | **–** | **(1,448)** |
| Write-offs | **–** | **–** | **511** | **–** | **511** |
| Effect from changes in exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(130)** | **(154)** | **(7,530)** | **17** | **(7,797)** |

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the six-month period ended 30 June 2019 are as follows:

| | For the six months ended 30 June 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Individually insignificant corporate loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2019** | **–** | **(30)** | **(5,881)** | **13** | **(5,898)** |
| Acquisition of subsidiaries | **(6)** | **(4)** | **(1,123)** | **–** | **(1,133)** |
| New assets originated or purchased | **(99)** | **–** | **–** | **–** | **(99)** |
| Assets derecognised or repaid (excluding write-offs) | **374** | **117** | **2,002** | **4** | **2,497** |
| Transfers to Stage 1 | **(67)** | **67** | **–** | **–** | **–** |
| Transfers to Stage 2 | **9** | **(15)** | **6** | **–** | **–** |
| Transfers to Stage 3 | **33** | **3** | **(36)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(382)** | **(292)** | **(1,116)** | **–** | **(1,790)** |
| Transfer between categories | **8** | **–** | **129** | **–** | **137** |
| Unwinding of discount | **–** | **–** | **(422)** | **–** | **(422)** |
| Recoveries | **–** | **–** | **(2,482)** | **–** | **(2,482)** |
| Write-offs | **–** | **–** | **1,336** | **–** | **1,336** |
| Effect from changes in exchange rates | **–** | **–** | **57** | **–** | **57** |
| **At 30 June 2019** | **(130)** | **(154)** | **(7,530)** | **17** | **(7,797)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the three-month period ended 30 June 2018 are as follows:

| | For the three months ended 30 June 2018 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Individually insignificant corporate loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2018** | (96) | (168) | (5,643) | – | (5,907) |
| New assets originated or purchased | (10) | – | – | – | (10) |
| Assets derecognised or repaid (excluding write-offs) | 31 | 1 | 1,133 | – | 1,165 |
| Transfers to Stage 1 | (58) | 58 | – | – | – |
| Transfers to Stage 2 | 5 | (5) | – | – | – |
| Transfers to Stage 3 | – | 67 | (67) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | 22 | (3) | (332) | – | (313) |
| Recoveries | – | – | (526) | – | (526) |
| Write-offs | – | – | 655 | – | 655 |
| Effect from changes in exchange rates | (2) | – | (85) | – | (87) |
| **At 30 June 2018** | (108) | (50) | (4,865) | – | (5,023) |

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the six-month period ended 30 June 2018 are as follows:

| | For the six months ended 30 June 2018 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Individually insignificant corporate loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2018** | (45) | (62) | (7,215) | – | (7,322) |
| New assets originated or purchased | (123) | – | – | – | (123) |
| Assets derecognised or repaid (excluding write-offs) | 31 | 12 | 2,354 | – | 2,397 |
| Transfers to Stage 1 | (58) | 58 | – | – | – |
| Transfers to Stage 2 | 12 | (18) | 6 | – | – |
| Transfers to Stage 3 | 10 | 83 | (93) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | 65 | (123) | 370 | – | 312 |
| Recoveries | – | – | (1,384) | – | (1,384) |
| Write-offs | – | – | 1,116 | – | 1,116 |
| Effect from changes in exchange rates | – | – | (19) | – | (19) |
| **At 30 June 2018** | (108) | (50) | (4,865) | – | (5,023) |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to mortgage loans for the three-month period ended 30 June 2019 are as follows:

| | ***For the three months ended 30 June 2019 (unaudited)*** | | | | |
|---|---|---|---|---|---|
| ***Mortgage loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2019** | **(79)** | **(28)** | **(10,085)** | **349** | **(9,843)** |
| Acquisition of subsidiaries | **–** | **–** | **(68)** | **–** | **(68)** |
| New assets originated or purchased | **(7)** | **–** | **–** | | **(7)** |
| Assets derecognised or repaid (excluding write-offs) | **29** | **15** | **1,418** | **322** | **1,784** |
| Transfers to Stage 1 | **(15)** | **14** | **1** | **–** | **–** |
| Transfers to Stage 2 | **1** | **(3)** | **2** | **–** | **–** |
| Transfers to Stage 3 | **–** | **7** | **(7)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(18)** | **(19)** | **(628)** | **1,258** | **593** |
| Unwinding of discount | **–** | **–** | **(320)** | **–** | **(320)** |
| Recoveries | **–** | **–** | **(2,326)** | **(270)** | **(2,596)** |
| Write-offs | **–** | **–** | **2,790** | **–** | **2,790** |
| Effect from changes in foreign exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(89)** | **(14)** | **(9,223)** | **1,659** | **(7,667)** |

An analysis of changes in the ECL allowances in relation to mortgage loans for the six-month period ended 30 June 2019 are as follows:

| | ***For the six months ended 30 June 2019 (unaudited)*** | | | | |
|---|---|---|---|---|---|
| ***Mortgage loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2019** | **(92)** | **(22)** | **(10,087)** | **108** | **(10,093)** |
| Acquisition of subsidiaries | **–** | **–** | **(68)** | **–** | **(68)** |
| New assets originated or purchased | **(13)** | **–** | **–** | **–** | **(13)** |
| Assets derecognised or repaid (excluding write-offs) | **80** | **19** | **2,703** | **410** | **3,212** |
| Transfers to Stage 1 | **(22)** | **21** | **1** | **–** | **–** |
| Transfers to Stage 2 | **4** | **(6)** | **2** | **–** | **–** |
| Transfers to Stage 3 | **–** | **7** | **(7)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(46)** | **(33)** | **(1,746)** | **1,408** | **(417)** |
| Unwinding of discount | **–** | **–** | **(637)** | | **(637)** |
| Recoveries | **–** | **–** | **(3,311)** | **(270)** | **(3,581)** |
| Write-offs | **–** | **–** | **3,927** | **3** | **3,930** |
| Effect from changes in foreign exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(89)** | **(14)** | **(9,223)** | **1,659** | **(7,667)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

### Quality of individually insignificant corporate loans and loans to individuals (continued)

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to mortgage loans for the three-month period ended 30 June 2018 are as follows:

| | For the three months ended 30 June 2018 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Mortgage loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2018** | (51) | (92) | (10,847) | – | (10,990) |
| New assets originated or purchased | (1) | – | – | – | (1) |
| Assets derecognised or repaid (excluding write-offs) | 29 | – | 2,120 | – | 2,149 |
| Transfers to Stage 1 | (30) | 30 | – | – | – |
| Transfers to Stage 2 | 2 | (5) | 3 | – | – |
| Transfers to Stage 3 | – | 12 | (12) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | 21 | 30 | (1,301) | – | (1,250) |
| Recoveries | – | – | (1,660) | – | (1,660) |
| Write-offs | – | – | 760 | – | 760 |
| Effect from changes in exchange rates | – | – | (137) | – | (137) |
| **At 30 June 2018** | (30) | (25) | (11,074) | – | (11,129) |

An analysis of changes in the ECL allowances in relation to mortgage loans for the six-month period ended 30 June 2018 are as follows:

| | For the six months ended 30 June 2018 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Mortgage loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2018** | (42) | (47) | (10,580) | – | (10,669) |
| New assets originated or purchased | (99) | – | – | – | (99) |
| Assets derecognised or repaid (excluding write-offs) | 134 | 8 | 2,723 | – | 2,865 |
| Transfers to Stage 1 | (33) | 33 | – | – | – |
| Transfers to Stage 2 | 6 | (16) | 10 | – | – |
| Transfers to Stage 3 | 6 | 12 | (18) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (2) | (15) | (1,175) | – | (1,192) |
| Recoveries | – | – | (2,851) | – | (2,851) |
| Write-offs | – | – | 839 | – | 839 |
| Effect from changes in exchange rates | – | – | (22) | – | (22) |
| **At 30 June 2018** | (30) | (25) | (11,074) | – | (11,129) |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to consumer loans for the three-month period ended 30 June 2019 are as follows:

| | For the three months ended 30 June 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Consumer loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2019** | **(2,667)** | **(1,087)** | **(8,532)** | **–** | **(12,286)** |
| Acquisition of subsidiaries | **(266)** | **(60)** | **(227)** | **–** | **(553)** |
| New assets originated or purchased | **(816)** | **–** | **–** | **–** | **(816)** |
| Assets derecognised or repaid (excluding write-offs) | **704** | **182** | **185** | **–** | **1,071** |
| Transfers to Stage 1 | **(491)** | **329** | **162** | **–** | **–** |
| Transfers to Stage 2 | **133** | **(168)** | **35** | **–** | **–** |
| Transfers to Stage 3 | **70** | **669** | **(739)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(139)** | **(987)** | **(2,293)** | **–** | **(3,419)** |
| Unwinding of discount | **–** | **–** | **(585)** | **–** | **(585)** |
| Recoveries | **–** | **–** | **(207)** | **–** | **(207)** |
| Write-offs | **–** | **–** | **4,533** | **–** | **4,533** |
| Effect from changes in foreign exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(3,472)** | **(1,122)** | **(7,668)** | **–** | **(12,262)** |

An analysis of changes in the ECL allowances in relation to consumer loans for the six-month period ended 30 June 2019 are as follows:

| | For the six months ended 30 June 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Consumer loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2019** | **(2,074)** | **(688)** | **(7,667)** | **–** | **(10,429)** |
| Acquisition of subsidiaries | **(266)** | **(60)** | **(227)** | **–** | **(553)** |
| New assets originated or purchased | **(1,242)** | **–** | **–** | **–** | **(1,242)** |
| Assets derecognised or repaid (excluding write-offs) | **1,408** | **299** | **582** | **–** | **2,289** |
| Transfers to Stage 1 | **(719)** | **442** | **277** | **–** | **–** |
| Transfers to Stage 2 | **215** | **(268)** | **53** | **–** | **–** |
| Transfers to Stage 3 | **129** | **1,131** | **(1,260)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(923)** | **(1,978)** | **(3,033)** | **–** | **(5,934)** |
| Unwinding of discount | **–** | **–** | **(1,168)** | **–** | **(1,168)** |
| Recoveries | **–** | **–** | **(357)** | **–** | **(357)** |
| Write-offs | **–** | **–** | **5,132** | **–** | **5,132** |
| Effect from changes in foreign exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(3,472)** | **(1,122)** | **(7,668)** | **–** | **(12,262)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to consumer loans for the three-month period ended 30 June 2018 are as follows:

| | *For the three months ended 30 June 2018 (unaudited)* | | | | |
|---|---|---|---|---|---|
| ***Consumer loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2018** | (1,743) | (607) | (6,338) | – | (8,688) |
| New assets originated or purchased | 13 | – | – | – | 13 |
| Assets derecognised or repaid (excluding write-offs) | – | (100) | 631 | – | 531 |
| Transfers to Stage 1 | (230) | 203 | 27 | – | – |
| Transfers to Stage 2 | 53 | (103) | 50 | – | – |
| Transfers to Stage 3 | 27 | 166 | (193) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | 475 | 5 | (232) | – | 248 |
| Recoveries | – | – | (51) | – | (51) |
| Write-offs | – | – | 8 | – | 8 |
| Effect from changes in exchange rates | (13) | (10) | (82) | – | (105) |
| **At 30 June 2018** | (1,418) | (446) | (6,180) | – | (8,044) |

An analysis of changes in the ECL allowances in relation to consumer loans for the six-month period ended 30 June 2018 are as follows:

| | *For the six months ended 30 June 2018 (unaudited)* | | | | |
|---|---|---|---|---|---|
| ***Consumer loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2018** | (1,248) | (493) | (6,177) | – | (7,918) |
| New assets originated or purchased | (180) | – | – | – | (180) |
| Assets derecognised or repaid (excluding write-offs) | 72 | (4) | 1,136 | – | 1,204 |
| Transfers to Stage 1 | (306) | 255 | 51 | – | – |
| Transfers to Stage 2 | 178 | (432) | 254 | – | – |
| Transfers to Stage 3 | 109 | 211 | (320) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (43) | 17 | (1,036) | – | (1,062) |
| Recoveries | – | – | (302) | – | (302) |
| Write-offs | – | – | 214 | – | 214 |
| Effect from changes in exchange rates | – | – | – | – | – |
| **At 30 June 2018** | (1,418) | (446) | (6,180) | – | (8,044) |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to car loans for the three-month period ended 30 June 2019 are as follows:

| | For the three months ended 30 June 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| *Car loans* | *Stage 1* | *Stage 2* | *Stage 3* | *POCI* | *Total* |
| **ECL as at 1 April 2019** | **–** | **–** | **(524)** | **–** | **(524)** |
| New assets originated or purchased | **–** | **–** | **–** | **–** | **–** |
| Assets derecognised or repaid (excluding write-offs) | **–** | **–** | **1** | **–** | **1** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **–** | **–** | **(82)** | **–** | **(82)** |
| Unwinding of discount | **–** | **–** | **(10)** | **–** | **(10)** |
| Recoveries | **–** | **–** | **(57)** | **–** | **(57)** |
| Write-offs | **–** | **–** | **441** | **–** | **441** |
| **At 30 June 2019** | **–** | **–** | **(231)** | **–** | **(231)** |

An analysis of changes in the ECL allowances in relation to car loans for the six-month period ended 30 June 2019 are as follows:

| | For the six months ended 30 June 2019 (unaudited) | | | | |
|---|---|---|---|---|---|
| *Car loans* | *Stage 1* | *Stage 2* | *Stage 3* | *POCI* | *Total* |
| **ECL as at 1 January 2019** | **–** | **–** | **(483)** | **–** | **(483)** |
| New assets originated or purchased | **–** | **–** | **–** | **–** | **–** |
| Assets derecognised or repaid (excluding write-offs) | **–** | **–** | **15** | **–** | **15** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **–** | **–** | **(140)** | **–** | **(140)** |
| Unwinding of discount | **–** | **–** | **(32)** | **–** | **(32)** |
| Recoveries | **–** | **–** | **(69)** | **–** | **(69)** |
| Write-offs | **–** | **–** | **478** | **–** | **478** |
| **At 30 June 2019** | **–** | **–** | **(231)** | **–** | **(231)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to car loans for the three-month period ended 30 June 2018 are as follows:

| | For the three months ended 30 June 2018 (unaudited) | | | |
|---|---|---|---|---|
| ***Car loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***Total*** |
| **ECL as at 1 April 2018** | (1) | (1) | (272) | (274) |
| Assets derecognised or repaid (excluding write-offs) | – | – | 37 | 37 |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | – | – | (190) | (190) |
| Recoveries | – | – | (12) | (12) |
| Write-offs | – | – | 202 | 202 |
| **At 30 June 2018** | (1) | (1) | (235) | (237) |

An analysis of changes in the ECL allowances in relation to car loans for the six-month period ended 30 June 2018 are as follows:

| | For the six months ended 30 June 2018 (unaudited) | | | |
|---|---|---|---|---|
| ***Car loans*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***Total*** |
| **ECL as at 1 January 2018** | (1) | (1) | (240) | (242) |
| Assets derecognised or repaid (excluding write-offs) | – | – | 87 | 87 |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | – | – | (225) | (225) |
| Recoveries | – | – | (63) | (63) |
| Write-offs | – | – | 206 | 206 |
| **At 30 June 2018** | (1) | (1) | (235) | (237) |

*(millions of tenge)*

## 14. Loans to customers (continued)

**Quality of individually insignificant corporate loans and loans to individuals (continued)**

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to credit card loans for the three-month period ended 30 June 2019 are as follows:

| | *For the three months ended 30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| ***Credit cards*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2019** | **(682)** | **(82)** | **(226)** | **–** | **(990)** |
| Acquisition of subsidiaries | **(16)** | **(1)** | **(77)** | **–** | **(94)** |
| New assets originated or purchased | **(290)** | **–** | **–** | **–** | **(290)** |
| Assets derecognised or repaid (excluding write-offs) | **212** | **2** | **7** | **–** | **221** |
| Transfers to Stage 1 | **(26)** | **20** | **6** | **–** | **–** |
| Transfers to Stage 2 | **16** | **(18)** | **2** | **–** | **–** |
| Transfers to Stage 3 | **12** | **44** | **(56)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(135)** | **(91)** | **8** | **–** | **(218)** |
| Unwinding of discount | **–** | **–** | **(14)** | **–** | **(14)** |
| Recoveries | **–** | **–** | **(2)** | **–** | **(2)** |
| Write-offs | **–** | **–** | **18** | **–** | **18** |
| Effect from changes in exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(909)** | **(126)** | **(334)** | **–** | **(1,369)** |

An analysis of changes in the ECL allowances in relation to credit card loans for the six-month period ended 30 June 2019 are as follows:

| | *For the six months ended 30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| ***Credit cards*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2019** | **(453)** | **(48)** | **(184)** | **–** | **(685)** |
| Acquisition of subsidiaries | **(16)** | **(1)** | **(77)** | **–** | **(94)** |
| New assets originated or purchased | **(581)** | **–** | **–** | **–** | **(581)** |
| Assets derecognised or repaid (excluding write-offs) | **213** | **2** | **9** | **–** | **224** |
| Transfers to Stage 1 | **(3)** | **(3)** | **6** | **–** | **–** |
| Transfers to Stage 2 | **4** | **20** | **(24)** | **–** | **–** |
| Transfers to Stage 3 | **9** | **43** | **(52)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(82)** | **(139)** | **(19)** | **–** | **(240)** |
| Unwinding of discount | **–** | **–** | **(26)** | **–** | **(26)** |
| Recoveries | **–** | **–** | **(4)** | **–** | **(4)** |
| Write-offs | **–** | **–** | **37** | **–** | **37** |
| Effect from changes in exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(909)** | **(126)** | **(334)** | **–** | **(1,369)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

### Quality of individually insignificant corporate loans and loans to individuals (continued)

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to credit card loans for the three-month period ended 30 June 2018 are as follows:

| | For the three months ended 30 June 2018 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Credit cards*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2018** | (113) | (20) | (147) | – | (280) |
| New assets originated or purchased | (89) | – | – | – | (89) |
| Assets derecognised or repaid (excluding write-offs) | – | 2 | – | – | 2 |
| Transfers to Stage 1 | (17) | 17 | – | – | – |
| Transfers to Stage 2 | 7 | (7) | – | – | – |
| Transfers to Stage 3 | – | 13 | (13) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (34) | (72) | 70 | – | (36) |
| Recoveries | – | – | (34) | – | (34) |
| **At 30 June 2018** | (246) | (67) | (124) | – | (437) |

An analysis of changes in the ECL allowances in relation to credit card loans for the six-month period ended 30 June 2018 are as follows:

| | For the six months ended 30 June 2018 (unaudited) | | | | |
|---|---|---|---|---|---|
| ***Credit cards*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2018** | (63) | (13) | (55) | – | (131) |
| New assets originated or purchased | (102) | – | – | – | (102) |
| Assets derecognised or repaid (excluding write-offs) | 2 | 2 | – | – | 4 |
| Transfers to Stage 1 | (26) | 22 | 4 | – | – |
| Transfers to Stage 2 | 13 | (37) | 24 | – | – |
| Transfers to Stage 3 | 20 | 33 | (53) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (90) | (74) | (5) | – | (169) |
| Recoveries | – | – | (40) | – | (40) |
| Write-offs | – | – | 1 | – | 1 |
| **At 30 June 2018** | (246) | (67) | (124) | – | (437) |

*(millions of tenge)*

## 14. Loans to customers (continued)

### Quality of individually insignificant corporate loans and loans to individuals (continued)

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the three-month period ended 30 June 2019 are as follows:

| | ***For the three months ended 30 June 2019 (unaudited)*** | | | | |
|---|---|---|---|---|---|
| ***Other loans secured by collateral*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 April 2019** | **(65)** | **(25)** | **(16,700)** | **780** | **(16,010)** |
| Acquisition of subsidiaries | **(4)** | **(9)** | **(222)** | **–** | **(235)** |
| New assets originated or purchased | **(116)** | **–** | **–** | **–** | **(116)** |
| Assets derecognised or repaid (excluding write-offs) | **119** | **3** | **1,870** | **193** | **2,185** |
| Transfers to Stage 1 | **(18)** | **4** | **14** | **–** | **–** |
| Transfers to Stage 2 | **1** | **(16)** | **15** | **–** | **–** |
| Transfers to Stage 3 | **2** | **17** | **(19)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(13)** | **(7)** | **(2,036)** | **1,359** | **(697)** |
| Unwinding of discount | **–** | **–** | **(649)** | **–** | **(649)** |
| Recoveries | **–** | **–** | **(3,412)** | **–** | **(3,412)** |
| Write-offs | **–** | **–** | **4,823** | **–** | **4,823** |
| Effect from changes in foreign exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(94)** | **(33)** | **(16,316)** | **2,332** | **(14,111)** |

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the six-month period ended 30 June 2019 are as follows:

| | ***For the six months ended 30 June 2019 (unaudited)*** | | | | |
|---|---|---|---|---|---|
| ***Other loans secured by collateral*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***POCI*** | ***Total*** |
| **ECL as at 1 January 2019** | **(72)** | **(23)** | **(16,767)** | **453** | **(16,409)** |
| Acquisition of subsidiaries | **(4)** | **(9)** | **(222)** | **–** | **(235)** |
| New assets originated or purchased | **(174)** | **–** | **–** | **–** | **(174)** |
| Assets derecognised or repaid (excluding write-offs) | **221** | **16** | **4,310** | **216** | **4,763** |
| Transfers to Stage 1 | **(21)** | **7** | **14** | **–** | **–** |
| Transfers to Stage 2 | **7** | **(29)** | **22** | **–** | **–** |
| Transfers to Stage 3 | **17** | **18** | **(35)** | **–** | **–** |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | **(68)** | **(13)** | **(6,022)** | **1,703** | **(4,400)** |
| Unwinding of discount | **–** | **–** | **(1,270)** | **–** | **(1,270)** |
| Recoveries | **–** | **–** | **(4,516)** | **(40)** | **(4,556)** |
| Write-offs | **–** | **–** | **8,170** | **–** | **8,170** |
| Effect from changes in foreign exchange rates | **–** | **–** | **–** | **–** | **–** |
| **At 30 June 2019** | **(94)** | **(33)** | **(16,316)** | **2,332** | **(14,111)** |

*(millions of tenge)*

## 14. Loans to customers (continued)

### Quality of individually insignificant corporate loans and loans to individuals (continued)

*Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the three-month period ended 30 June 2018 are as follows:

| *Other loans secured by collateral* | *For the three months ended 30 June 2018 (unaudited)* Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **At 1 April 2018** | (5) | (27) | (16,353) | – | (16,385) |
| New assets originated or purchased | 1 | – | – | – | 1 |
| Assets derecognised or repaid (excluding write-offs) | 10 | – | 1,973 | – | 1,983 |
| Transfers to Stage 1 | (10) | 10 | – | – | – |
| Transfers to Stage 2 | 3 | (19) | 16 | – | – |
| Transfers to Stage 3 | – | 22 | (22) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (79) | (30) | (2,669) | – | (2,778) |
| Recoveries | – | – | (2,042) | – | (2,042) |
| Write-offs | – | – | 2,385 | – | 2,385 |
| Effect from changes in exchange rates | – | – | (250) | – | (250) |
| **At 30 June 2018** | (80) | (44) | (16,962) | – | (17,086) |

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the six-month period ended 30 June 2018 are as follows:

| *Other loans secured by collateral* | *For the six months ended 30 June 2018 (unaudited)* Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL as at 1 January 2018** | (73) | (46) | (15,427) | – | (15,546) |
| New assets originated or purchased | (116) | – | – | – | (116) |
| Assets derecognised or repaid (excluding write-offs) | 228 | 68 | 2,383 | – | 2,679 |
| Transfers to Stage 1 | (15) | 13 | 2 | – | – |
| Transfers to Stage 2 | 7 | (38) | 31 | – | – |
| Transfers to Stage 3 | 8 | 49 | (57) | – | – |
| Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period | (119) | (90) | (2,497) | – | (2,706) |
| Recoveries | – | – | (4,000) | – | (4,000) |
| Write-offs | – | – | 2,657 | – | 2,657 |
| Effect from changes in exchange rates | – | – | (54) | – | (54) |
| **At 30 June 2018** | (80) | (44) | (16,962) | – | (17,086) |

*(millions of tenge)*

## 14. Loans to customers (continued)

*Analysis of movements in the ECL allowances (continued)*

The amount of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised during the three-month and six-month periods ended 30 June 2019 was as follows:

| | ***For the three months ended 30 June 2019 (unaudited)*** | ***For the six months ended 30 June 2019 (unaudited)*** |
|---|---|---|
| Mortgage loans | **150** | **357** |
| Other loans secured by collateral | **251** | **663** |
| **Total undiscounted ECL at initial recognition of POCI** | **401** | **1,020** |

### Analysis of collateral and other enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

For certain mortgage loans and other loans to individuals the Group updates the estimated values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Group may also carry out a specific individual valuation of collateral at each reporting date.

As at 30 June 2019, loans net of ECL allowance overdue over 90 days amount to KZT 112,184 million (as at 31 December 2018: KZT 102,267 million). As at 30 June 2019, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to KZT 146,327 million (as at 31 December 2018: KZT 139,834 million).

*Repossessed collateral*

During the six-month period ended 30 June 2019, the Group repossessed collateral on loans to customers, represented by real estate, with a carrying amount totalling to KZT 4,699 million (six-month period ended 30 June 2018: KZT 9,005 million). The Group's policy assumes sale of these assets as soon as it is practicable.

### Industry and geographical analysis of loans

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

| | ***30 June 2019 (unaudited)*** | ***31 December 2018*** |
|---|---|---|
| Loans to retail customers | **456,224** | 395,030 |
| Metallurgy | **64,140** | 65,710 |
| Wholesale trading | **62,849** | 53,986 |
| Real estate activities | **50,040** | 59,870 |
| Construction | **40,973** | 39,405 |
| Services provided by small and medium businesses | **34,666** | 31,743 |
| Retail services | **32,944** | 22,928 |
| Food industry | **17,463** | 18,293 |
| Financial services | **14,420** | 13,093 |
| Transportation | **12,911** | 10,639 |
| Textile production | **6,836** | 5,956 |
| Production of crude oil and natural gas | **6,105** | 6,402 |
| Agriculture | **3,071** | 3,657 |
| Manufacturing | **2,609** | 3,042 |
| Production of metal goods | **2,997** | 3,069 |
| Chemical industry | **1,063** | 1,286 |
| Post and communication | **1,062** | 1,068 |
| Machine-engineering | **516** | 441 |
| Other | **26,977** | 27,180 |
| | **837,866** | 762,798 |
| Allowance for impairment | **(68,658)** | (73,153) |
| | **769,208** | 689,645 |

### Concentration of loans to customers

As at 30 June 2019, the concentration of loans issued by the Group to the ten largest independent borrowers amounted to KZT 123,230 million or 14.7% of the total loan portfolio (as at 31 December 2018: KZT 140,662 million or 18.4% of the total loan portfolio). ECL allowance for these loans is KZT 916 million (as at 31 December 2018: KZT 2,199 million).

*(millions of tenge)*

## 15. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise the following:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| **Debt securities measured at amortised cost** | | |
| **Government bonds** | | |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB- | **15,536** | 15,703 |
| Bonds of foreign countries rated BB+ | **768** | 776 |
| **Total government bonds** | **16,304** | 16,479 |
| | | |
| **Corporate bonds** | | |
| Rated from BB- to BB+ | **167,209** | 160,369 |
| **Total corporate bonds** | **167,209** | 160,369 |
| | | |
| **Bonds of banks** | | |
| Rated from B- to B+ | **4,749** | 4,807 |
| **Total bonds of banks** | **4,749** | 4,807 |
| **Investment securities at amortised cost before allowance for impairment** | **188,262** | 181,655 |
| | | |
| Allowance for ECL | **(721)** | (715) |
| **Investment securities at amortised cost** | **187,541** | 180,940 |

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| **Debt securities at FVOCI** | | |
| **Government bonds** | | |
| Treasury bills of the United States of America rated AAA | **22,782** | 19,185 |
| Notes of the NBRK rated BBB- | **173,415** | 121,320 |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB- | **80,703** | 85,848 |
| Bonds of the Sultanate of Oman rated BB | **1,129** | 4,756 |
| **Total government bonds** | **278,029** | 231,109 |
| | | |
| **Corporate bonds** | | |
| Rated from A- to A+ | **772** | 732 |
| Rated from BBB- to BBB+ | **101,091** | 92,072 |
| **Total corporate bonds** | **101,863** | 92,804 |
| | | |
| **Bonds of banks** | | |
| Rated from A- to A+ | **8,243** | 8,222 |
| Rated from BBB- to BBB+ | **18,645** | 18,460 |
| Rated from BB- to BB+ | **30,564** | 35,433 |
| Rated below B+ | **5,317** | 3,507 |
| **Total bonds of banks** | **62,769** | 65,622 |
| **Investment securities at FVOCI** | **442,661** | 389,535 |

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

As at 30 June 2019, investment securities at FVOCI, represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan and corporate bonds of "Mortgage organisation "Baspana" JSC with the fair value of KZT 43,446 million and KZT 10,371 million, respectively, were pledged under the repurchase agreements entered into at KASE (as at 31 December 2018: KZT 57,994 million and nil, respectively).

On 25 September 2018 and 28 September 2018, the Group purchased corporate bonds of National Welfare Fund "Samruk-Kazyna" JSC and "Kazakhstan Temir Zholy" JSC maturing on 15 November 2024 and classified as investment securities measured at amortised cost with book value as at 30 June 2019 of KZT 80,498 million and KZT 80,557 million, respectively (as at 31 December 2018: KZT 77,047 million and KZT 77,106 million, respectively).

On 11 October 2018, the Group acquired bonds of NAC Kazatomprom JSC, indexed to the US Dollar and maturing on 11 November 2019 with fair value of KZT 76,157 million. The Group classified these bonds as investment securities measured at FVOCI. Debt securities issued by the Group, which are held by NWF Samruk-Kazyna JSC *(Note 19)* with a total nominal value of KZT 220,000 million, act as a collateral for obligations to the Group on the above listed bonds.

*(millions of tenge)*

## 16. Other assets

Other assets comprise the following:

| | ***30 June 2019 (unaudited)*** | ***31 December 2018*** |
|---|---|---|
| Other receivables from banking activities | **21,454** | 21,377 |
| Other receivables | **12,182** | 10,587 |
| Allowance for ECL | **(2,921)** | (3,497) |
| **Other financial assets** | **30,715** | 28,467 |
| | | |
| Repossessed collaterals | **64,621** | 65,774 |
| Prepayments and other receivables | **6,385** | 12,381 |
| Long-term assets held for sale | **4,700** | 4,566 |
| Prepaid taxes, other than corporate income tax | **4,337** | 3,303 |
| Investment property | **1,276** | 1,256 |
| Inventories | **586** | 687 |
| Current corporate income tax asset | **44** | – |
| Other | **134** | 1,106 |
| **Other non-financial assets** | **82,083** | 89,073 |
| **Total other assets** | **112,798** | 117,540 |

During the six-month period ended 30 June 2019, the Group took possession of collaterals with a total value of KZT 4,699 million (six-month period ended 30 June 2018: KZT 9,005 million). Even though the Group is currently working actively to dispose repossessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the repossessed collateral.

## 17. Current accounts and deposits of customers

Current accounts and deposits of customers comprise the following:

| | ***30 June 2019 (unaudited)*** | ***31 December 2018*** |
|---|---|---|
| **Current accounts and demand deposits** | | |
| - Retail customers | **81,519** | 56,364 |
| - Corporate customers | **335,936** | 276,719 |
| | | |
| **Term deposits** | | |
| - Retail customers | **492,249** | 439,744 |
| - Corporate customers | **290,133** | 237,853 |
| | | |
| **Guarantee deposits** | | |
| - Retail customers | **20,519** | 15,642 |
| - Corporate customers | **44,320** | 49,306 |
| | **1,264,676** | 1,075,628 |
| | | |
| **Held as security against letters of credit and guarantees *(Note 24)*** | **(3,075)** | (144) |

**Concentration of current accounts and deposits of customers**

As at 30 June 2019, total amount of account balances of top 10 clients amounted to KZT 239,957 million or 19% of total current accounts and deposits of customers (as at 31 December 2018: KZT 226,872 million or 21%).

As at 30 June 2019, current accounts and deposits of customers include customer accounts of individuals in the amount of KZT 594,287 million (as at 31 December 2018: KZT 511,750 million), which are subject to limited insurance coverage by KFGD on behalf of the government.

In accordance with the Kazakhstan Civil Code, the Bank is obliged to repay time deposits upon demand of a depositor. In case a term deposit is repaid upon demand of a depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

*(millions of tenge)*

## 18. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise the following:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| Loans from governmental organizations | **70,010** | 56,483 |
| Loans from other financial institutions | **12,956** | 14,946 |
| Current accounts and deposits of banks | **3** | 699 |
| | **82,969** | 72,128 |

As at 30 June 2019, loans from governmental organizations include loans from Entrepreneurship Development Fund "Damu" JSC and Development Bank of Kazakhstan JSC in the amount of KZT 30,764 million and KZT 10,984 million respectively (as at 31 December 2018: KZT 22,840 million and KZT 9,683 million, respectively), as part of the state program for support of small and medium-sized businesses by the banking sector. The loans are denominated in KZT, bear interest rates of 2.0%-8.5% per annum and mature in 2019-2035.

As at 30 June 2019, loans from governmental organizations also include deposits in the amount of KZT 27,431 million (as at 31 December 2018: KZT 22,968 million) received from Kazakhstan Sustainability Fund JSC as part of the governmental program for refinancing of mortgage and housing loans to customers. The deposits are denominated in tenge, bear nominal interest rates of 0.1%-2.99% per annum (effective interest rates of 13.2%-14.5% per annum) and mature in 2035-2038.

As at 30 June 2019, loans from other financial institutions include loans in the amount of KZT 8,704 million (as at 31 December 2018: KZT 10,653 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in tenge, bear interest rate of 9.5% per annum and mature in 2019-2020.

## 19. Debt securities issued

The carrying amount of debt securities issued included the following:

| | *Maturity date* | *Coupon rate* | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|---|---|
| **Eurobonds denominated in US Dollars** | | | | |
| Eurobonds issued in 2014 | 2024 | 11.75% | **45,701** | 50,539 |
| Eurobonds issued in 2010 | 2022 | 14.00% | **13,672** | 13,781 |
| | | | **59,373** | 64,320 |
| **Bonds denominated in tenge** | | | | |
| Bonds issued in 2018 | 2024 | 4.00% | **147,999** | 137,966 |
| Bonds issued in 2015 | 2025 | 10.13% | **47,557** | 47,306 |
| Bonds issued in 2010 | 2020 | 8.00% (1.00% + inflation index) | **3,992** | 3,992 |
| | | | **199,548** | 189,264 |
| | | | **258,921** | 253,584 |

In September 2018, the Group issued debt securities with a total nominal value of KZT 220,000 million, coupon rate of 4% per annum and maturity in 2024. The bonds were transferred to NWF Samruk-Kazyna JSC in exchange for a deposit in the amount of KZT 220,000 million placed with the Group on similar terms.

As at 30 June 2019, bonds denominated in tenge and issued in 2010 are secured by the Group's mortgage loans issued to customers with a total value of KZT 11,196 million (as at 31 December 2018: KZT 11,142 million).

## 20. Subordinated debt

Subordinated debt comprises the following:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| Subordinated debt securities issued | **22,648** | 22,648 |
| Long-term loans denominated in tenge | **1,892** | – |
| Long-term loans denominated in US Dollars | **354** | – |
| Debt component of preferred shares | **1,040** | – |
| | **25,934** | 22,648 |

As at 30 June 2019 and 31 December 2018, subordinated debt securities include subordinated bonds denominated in tenge, maturing in 2020-2031 with a fixed coupon rate of 8% per annum. The coupon is paid semi-annually.

In December 2010 the Group placed 1,000,000 preferred shares at the placement value of KZT 1,000 per share. These preferred shares do not have any voting rights unless payment of preferred dividends has been delayed for three months and carry a cumulative dividend of a minimum of 8% per annum, but not less than dividends on ordinary shares.

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the obligation to distribute dividends is shown as a liability and the balance of the issue proceeds as equity. For the six-month periods ended 30 June 2019 and 2018, expenses on dividends accrued on preferred shares amounted to KZT 40 million and were classified as interest expenses in accordance with IAS 32.

As at 30 June 2019, long-term loans denominated in tenge include subordinated loans from Global Development LLP maturing in 2033 with an interest rate of 7% per annum.

As at 30 June 2019, long-term loans denominated in US Dollars include subordinated loans from Maglink Limited maturing in 2033 with an interest rate of 3% per annum.

The fair value of long-term loans at initial recognition was determined by the Group using market interest rates of 10.77% per annum for the loan in US Dollars and 14.28% per annum for loans denominated in tenge.

## 21. Share capital

The number of authorised, placed and outstanding common shares and share capital as at 30 June 2019 and 31 December 2018 are as follows:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| **Common shares** | | |
| Number of authorised shares | **150,003,000,000** | 150,003,000,000 |
| Number of issued shares | **92,387,104,089** | 92,387,104,089 |
| Number of re-acquired shares | **(2,893,522,817)** | (1,246,952,788) |
| Number of outstanding shares | **89,493,581,272** | 91,140,151,301 |
| **Total share capital, millions of tenge** | **328,377** | 331,504 |

Movements in outstanding, placed and fully paid common shares were as follows:

| | *Number of common shares* | *Placement value of common shares* |
|---|---|---|
| **At 1 January 2019** | **91,140,151,301** | **331,504** |
| Repurchase of own shares (unaudited) | **(1,646,570,029)** | **(3,127)** |
| **At 30 June 2019 (unaudited)** | **89,493,581,272** | **328,377** |
| | | |
| **At 1 January 2018** | 91,381,593,246 | 331,522 |
| Return of shares not claimed by creditors (unaudited) | (223,792,003) | – |
| **At 30 June 2018 (unaudited)** | 91,157,801,243 | 331,522 |

*(millions of tenge)*

## 21. Share capital (continued)

In accordance with the decision of the shareholders dated 29 April 2019, the Bank declared dividends on common shares for the year ended 31 December 2018 in the amount of KZT 11,376 million.

During the six months ended 30 June 2018, the Bank declared dividends on common shares for the year ended 31 December 2017 in the amount of KZT 7,748 million.

## 22. Earnings per share

The following reflects the net profit and share information used in the basic and diluted earnings per share computations:

| | *For the three months ended 30 June* | |
|---|---|---|
| | *2019 (unaudited)* | *2018 (unaudited)* |
| Net profit attributable to shareholders of the Bank | **9,562** | 5,905 |
| Weighted average number of common shares for the three-month period ended 30 June | **90,021,013,921** | 91,157,801,243 |
| Basic and diluted earnings per share, in tenge | **0.11** | 0.06 |

| | *For the six months ended 30 June* | |
|---|---|---|
| | *2019 (unaudited)* | *2018 (unaudited)* |
| Net profit attributable to shareholders of the Bank | **16,040** | 10,942 |
| Weighted average number of common shares for the six-month period ended 30 June | **90,577,491,071** | 91,163,983,343 |
| Basic and diluted earnings per share, in tenge | **0.18** | 0.12 |

As at 30 June 2019 and 31 December 2018, the Group does not have any financial instruments diluting earnings per share.

## 23. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Bank.

As at 30 June 2019 and 31 December 2018, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The NBRK sets and monitors capital requirements for the Bank.

Under the current capital requirements set by the NBRK, banks have to maintain:

- A ratio of core capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k1) of not less than 5.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1-2) of not less than 6.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) of not less than 8%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the share capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

*(millions of tenge)*

## 23. Capital management (continued)

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 30 June 2019 and 31 December 2018:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| Tier 1 capital | **190,132** | 185,528 |
| Tier 2 capital | **17,169** | 18,238 |
| Deduction of regulatory provisions from capital | **(279)** | (61) |
| **Total capital** | **207,022** | 203,705 |
| Risk-weighted statutory assets, contingent liabilities, operational and market risk | **1,261,628** | 1,142,057 |
| Ratio k1 | **15.1%** | 16.2% |
| Ratio k1-2 | **15.1%** | 16.2% |
| Ratio k2 | **16.4%** | 17.8% |

## 24. Commitments and contingencies

### Political and economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Interest rates of attracting funds in KZT remain high in 2019, which resulted in a higher cost of capital and increased uncertainty regarding further economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. The management of the Group believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

### Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loan and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table by category. The amounts reflected in the table for credit related contingencies assume that the indicated contingencies will be fully settled. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed to fulfil their contractual obligations.

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| Loan and credit line commitments | **82,130** | 61,795 |
| Guarantees issued | **56,298** | 33,358 |
| Letters of credit | **1,722** | 179 |
| | **140,150** | 95,332 |
| Less: current accounts and deposits of customers, held as security against letters of credit and guarantees *(Note 17)* | **(3,075)** | (144) |
| Less: provisions for ECL | **(241)** | (223) |
| | **136,834** | 94,965 |

The loan commitment agreements stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the Group arise, including change of the refinance rate, inflation, exchange rates and other conditions.

The total outstanding contractual amount of commitments on issuance of loans, letters of credit and guarantees does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

*(millions of tenge)*

## 24. Commitments and contingencies (continued)

### Operating lease commitments

Operating lease liabilities that could not be unilaterally cancelled could be presented as follows:

| | *30 June 2019 (unaudited)* | *31 December 2018* |
|---|---|---|
| Less than 1 year | – | 1,209 |
| From 1 to 5 years | – | 4,079 |
| Over 5 years | – | 506 |
| | – | 5,794 |

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

### Legal proceedings

In the ordinary course of business, the Group 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 conditions of the results of future operations of the Group. Management is unaware of any significant actual, pending or threatened claims against the Group.

### Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities in these interim condensed consolidated financial statements based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 25. Related party transactions

### Remuneration of members of the Board of Directors and the Management Board

Total remuneration to members of the Management Board and the Board of Directors included in general and administrative expenses for the three-month and six-month periods ended 30 June 2019 and 2018 is as follows:

| | *For three months ended 30 June* | | *For the six months ended 30 June* | |
|---|---|---|---|---|
| | *2019 (unaudited)* | *2018 (unaudited)* | *2019 (unaudited)* | *2018 (unaudited)* |
| Members of the Board of Directors and the Management Board of the Group | **329** | 160 | **507** | 413 |
| | **329** | 160 | **507** | 413 |

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 30 June 2019, total Group's liabilities on remuneration payments to the members of the Board of Directors and the Management Board were equal to KZT 2,431 million (as at 31 December 2018: KZT 1,639 million) and in accordance with the Decree of the NBRK No. 74 dated 24 February 2012, should be paid during the period of not less than three years, under the specific conditions.

*(millions of tenge)*

## 25. Related party transactions (continued)

**Transactions with related parties**

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 30 June 2019 and related profit or loss for the three-month and six-month periods ended 30 June 2019 from transactions with related parties are as follows:

| | *30 June 2019 (unaudited)* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Shareholders* | | *Entities under common control* | | *Other related parties* | | *Total* |
| | *In million tenge* | *Average effective interest rate, (%)* | *In million tenge* | *Average effective interest rate, (%)* | *In million tenge* | *Average effective interest rate, (%)* | *In million tenge* |
| **Assets** | | | | | | | |
| Loans to customers | – | – | **3,808** | **5** | **126** | **5** | **3,934** |
| Other assets | – | – | **27** | – | – | – | **27** |
| **Liabilities** | | | | | | | |
| Current accounts and deposits of customers | **5,286** | **1.19** | **10,269** | **1.05** | **28,190** | **0.24** | **43,745** |
| Subordinated debt | **1,040** | **8** | – | – | – | – | **1,040** |
| Other liabilities | – | – | **19** | – | – | – | **19** |
| Contingent liabilities | – | – | – | – | **111** | – | **111** |

| | *For the three months ended 30 June 2019 (unaudited)* | | | |
|---|---|---|---|---|
| | *Shareholders* | *Entities under common control* | *Other related parties* | *Total* |
| **Income/(expense)** | | | | |
| Interest income | – | **96** | **4** | **100** |
| Interest expense | **(13)** | **(26)** | **(80)** | **(119)** |
| Fee and commission income | – | **10** | **19** | **29** |
| Net gains from foreign currencies | – | – | **78** | **78** |
| Other expenses | – | **(52)** | **(4)** | **(56)** |

| | *For the six months ended 30 June 2019 (unaudited)* | | | |
|---|---|---|---|---|
| | *Shareholders* | *Entities under common control* | *Other related parties* | *Total* |
| **Income/(expense)** | | | | |
| Interest income | – | **96** | **6** | **102** |
| Interest expense | **(64)** | **(36)** | **(114)** | **(214)** |
| Fee and commission income | – | **14** | **21** | **35** |
| Net gains from foreign currencies | – | – | **78** | **78** |
| Other income | – | **1** | – | **1** |
| Other expenses | – | **(57)** | – | **(57)** |

*(millions of tenge)*

## 25. Related party transactions (continued)

**Transactions with related parties (continued)**

The outstanding balances and the related average effective rates as at 31 December 2018, and related income or loss from transactions with related parties for the three months ended 30 June 2018 are as follows:

| | *31 December 2018* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Shareholders* | | *Entities under common control* | | *Other related parties* | | *Total* |
| | *In million tenge* | *Average effective interest rate, (%)* | *In million tenge* | *Average effective interest rate, (%)* | *In million tenge* | *Average effective interest rate, (%)* | *In million tenge* |
| **Assets** | | | | | | | |
| Loans to customers | – | – | – | – | 170 | 5.83 | 170 |
| **Liabilities** | | | | | | | |
| Current accounts and deposits of customers | 2,790 | 1.17 | 10,569 | 0.20 | 9,791 | 0.94 | 23,150 |
| Amounts due to banks and other financial institutions | – | – | 685 | – | – | – | 685 |
| Other liabilities | – | – | 16 | – | – | – | 16 |
| Contingent liabilities | – | – | – | – | 4 | – | 4 |

| | *For the three months ended 30 June 2018 (unaudited)* | | | |
|---|---|---|---|---|
| | *Shareholders* | *Entities under common control* | *Other related parties* | *Total* |
| **Income/(expenses)** | | | | |
| Interest income | – | 60 | 4 | 64 |
| Interest expense | (18) | (8) | (38) | (64) |
| Fee and commission income | – | 6 | 7 | 13 |
| Other expenses | – | (64) | – | (64) |

| | *For the six months ended 30 June 2018 (unaudited)* | | | |
|---|---|---|---|---|
| | *Shareholders* | *Entities under common control* | *Other related parties* | *Total* |
| **Income/(expenses)** | | | | |
| Interest income | – | 123 | 10 | 133 |
| Interest expense | (22) | (11) | (85) | (118) |
| Fee and commission income | – | 10 | 7 | 17 |
| Other expenses | – | (96) | – | (96) |

*(millions of tenge)*

## 26. Segment analysis

The Group has five reporting segments and business lines ("Other" segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments / business lines offer a variety of products and services in the financial/banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs);
- Small and medium businesses (SMB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs);
- Retail banking (RB) – includes issuance of loans, attracting deposits, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities – responsible for financing the Group's operations (repo operations, raising funds from banks and financial institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions;
- Other – other transactions with debtors/creditors, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Heritage, Investing activities).

At the end of 2018, the Group made changes to the segment information used by operating decision makers to assess the Group's performance and make decision regarding allocation of resources. According to the revised segmentation for management reporting purposes, the Group's activities related to "old" non-performing loans to customers do not represent a separate operating segment, previously presented as "Heritage" segment. The Group made appropriate changes to the comparative information.

Performance of each reportable segment is presented below. Performance results of segment / business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment / business line is used to measure performance. Pricing is performed on the basis of borrowing / placement rates approved by the authorised body of the Group.

| | ***30 June 2019 (unaudited)*** | | | | | |
|---|---|---|---|---|---|---|
| | ***CB*** | ***SMB*** | ***RB*** | ***Investing activities*** | ***Other*** | ***Total*** |
| **Assets** | | | | | | |
| Cash and cash equivalents | **80,503** | **28,030** | **114,828** | **–** | **59,315** | **282,676** |
| Amounts due from financial institutions | **–** | **–** | **–** | **22,318** | **–** | **22,318** |
| Trading securities | **–** | **–** | **–** | **6,386** | **–** | **6,386** |
| Loans to customers | **140,215** | **193,476** | **342,662** | | **92,855** | **769,208** |
| Investment securities | **–** | **–** | **–** | **630,202** | **–** | **630,202** |
| Property and equipment | **–** | **–** | **–** | **–** | **72,202** | **72,202** |
| Intangible assets | **–** | **–** | **–** | **–** | **7,542** | **7,542** |
| Deferred income tax assets | **–** | **–** | **–** | **–** | **226** | **226** |
| Other assets | **38** | **1,604** | **2,632** | **6,725** | **101,799** | **112,798** |
| **Total assets** | **220,756** | **223,110** | **460,122** | **665,631** | **333,939** | **1,903,558** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Current accounts and deposits of customers | **373,362** | **288,710** | **602,604** | **–** | **–** | **1,264,676** |
| Amounts due to banks and other financial institutions | **9,337** | **41,356** | **2,473** | **1,771** | **28,032** | **82,969** |
| Amounts payable under repurchase agreements | **–** | **–** | **–** | **51,872** | **–** | **51,872** |
| Debt securities issued | **–** | **–** | **–** | **–** | **258,921** | **258,921** |
| Deferred income tax liabilities | **–** | **–** | **–** | | **1,101** | **1,101** |
| Subordinated debt | **–** | **–** | **–** | **25,934** | | **25,934** |
| Other liabilities | **33** | **394** | **2,074** | **24** | **11,546** | **14,071** |
| **Total liabilities** | **382,732** | **330,460** | **607,151** | **79,601** | **299,600** | **1,699,544** |
| | | | | | | |
| **Equity** | | | | | | |
| Share capital | **–** | **–** | **–** | **–** | **328,377** | **328,377** |
| Additional paid-in capital | **–** | **–** | **–** | **–** | **21,109** | **21,109** |
| Fair value reserve | **–** | **–** | **–** | **–** | **7,024** | **7,024** |
| Accumulated losses | **–** | **–** | **–** | **–** | **(152,813)** | **(152,813)** |
| **Total equity attributable to shareholders of the Bank** | **–** | **–** | **–** | **–** | **203,697** | **203,697** |

*(millions of tenge)*

## 26. Segment analysis (continued)

| | *31 December 2018* | | | | | |
|---|---|---|---|---|---|---|
| | ***CB*** | ***SMB*** | ***RB*** | ***Investing activities*** | ***Other*** | ***Total*** |
| **Assets** | | | | | | |
| Cash and cash equivalents | 62,116 | 44,685 | 105,316 | – | 12,004 | 224,121 |
| Amounts due from financial institutions | – | – | – | 18,215 | – | 18,215 |
| Trading securities | – | – | – | 9,511 | – | 9,511 |
| Loans to customers | 157,636 | 158,305 | 284,530 | – | 89,174 | 689,645 |
| Investment securities | – | – | – | 570,475 | – | 570,475 |
| Property and equipment | – | – | – | – | 51,496 | 51,496 |
| Intangible assets | – | – | – | – | 5,441 | 5,441 |
| Deferred income tax assets | – | – | – | – | 2,279 | 2,279 |
| Other assets | 37 | 2,000 | 3,502 | 78 | 111,923 | 117,540 |
| **Total assets** | 219,789 | 204,990 | 393,348 | 598,279 | 272,317 | 1,688,723 |
| **Liabilities** | | | | | | |
| Current accounts and deposits of customers | 343,483 | 208,457 | 523,687 | – | 1 | 1,075,628 |
| Amounts due to banks and other financial institutions | 8,037 | 33,492 | 2,633 | 4,998 | 22,968 | 72,128 |
| Amounts payable under repurchase agreements | – | – | – | 56,392 | – | 56,392 |
| Debt securities issued | – | – | – | – | 253,584 | 253,584 |
| Deferred income tax liabilities | – | – | – | – | 183 | 183 |
| Subordinated debt | – | – | – | – | 22,648 | 22,648 |
| Other liabilities | 28 | 490 | 1,159 | 110 | 5,734 | 7,521 |
| **Total liabilities** | 351,548 | 242,439 | 527,479 | 61,500 | 305,118 | 1,488,084 |
| **Equity** | | | | | | |
| Share capital | – | – | – | – | 331,504 | 331,504 |
| Additional paid-in capital | – | – | – | – | 21,116 | 21,116 |
| Fair value reserve | – | – | – | – | 2,359 | 2,359 |
| Accumulated losses | – | – | – | – | (155,051) | (155,051) |
| **Total equity attributable to shareholders of the Bank** | – | – | – | – | 199,928 | 199,928 |

*(millions of tenge)*

## 26. Segment analysis (continued)

Information on the main reporting segments for the three-month period ended 30 June 2019 and 2018 is presented as follows:

| | *For the three months ended 30 June 2019 (unaudited)* | | | | | |
|---|---|---|---|---|---|---|
| | ***CB*** | ***SMB*** | ***RB*** | ***Investing activities*** | ***Other*** | ***Total*** |
| Interest income | **2,407** | **5,655** | **15,188** | **12,111** | **4,221** | **39,582** |
| Interest expense | **(3,340)** | **(1,384)** | **(7,495)** | **(310)** | **(9,110)** | **(21,639)** |
| **Net interest income** | **(933)** | **4,271** | **7,693** | **11,801** | **(4,889)** | **17,943** |
| Fee and commission income | **262** | **3,317** | **4,392** | **29** | **–** | **8,000** |
| Fee and commission expense | **(3)** | **(1,018)** | **(1,352)** | **(72)** | **–** | **(2,445)** |
| Net losses from financial instruments at fair value through profit or loss | **–** | **–** | **–** | **(1,344)** | **–** | **(1,344)** |
| Net losses from derecognition of investment securities at fair value through other comprehensive income | **–** | **–** | **–** | **(76)** | **–** | **(76)** |
| Net gains/(losses) from foreign currencies | **936** | **1,084** | **642** | **(122)** | **(3,067)** | **(527)** |
| Other income | **–** | **(1)** | **110** | **–** | **909** | **1,018** |
| **Non-interest income** | **1,195** | **3,382** | **3,792** | **(1,585)** | **(2,158)** | **4,626** |
| Reversal of credit loss allowances / (credit loss expense) | **374** | **(39)** | **(4,631)** | **252** | **4,457** | **413** |
| General and administrative expenses | **(454)** | **(1,955)** | **(5,323)** | **(374)** | **(1,633)** | **(9,739)** |
| Other expenses | **95** | **(58)** | **(711)** | **(8)** | **(2,041)** | **(2,723)** |
| **Non-interest expense** | **15** | **(2,052)** | **(10,665)** | **(130)** | **783** | **(12,049)** |
| **Profit before corporate income tax expense** | **277** | **5,601** | **820** | **10,086** | **(6,264)** | **10,520** |
| Corporate income tax expense | **–** | **–** | **–** | **–** | **(971)** | **(971)** |
| **Profit for the period** | **277** | **5,601** | **820** | **10,086** | **(7,235)** | **9,549** |

| | *For the six months ended 30 June 2019 (unaudited)* | | | | | |
|---|---|---|---|---|---|---|
| | ***CB*** | ***SMB*** | ***RB*** | ***Investing activities*** | ***Other*** | ***Total*** |
| Interest income | **4,739** | **10,722** | **29,291** | **23,237** | **6,494** | **74,483** |
| Interest expense | **(6,198)** | **(2,542)** | **(14,268)** | **(639)** | **(17,293)** | **(40,940)** |
| **Net interest income** | **(1,459)** | **8,180** | **15,023** | **22,598** | **(10,799)** | **33,543** |
| Fee and commission income | **494** | **5,987** | **7,440** | **43** | **–** | **13,964** |
| Fee and commission expense | **(11)** | **(1,661)** | **(2,590)** | **(110)** | **–** | **(4,372)** |
| Net losses from financial instruments at fair value through profit or loss | **–** | **–** | **–** | **(1,963)** | **–** | **(1,963)** |
| Net losses from derecognition of investment securities at fair value through other comprehensive income | **–** | **–** | **–** | **(53)** | **–** | **(53)** |
| Net gains/(losses) from foreign currencies | **1,710** | **1,888** | **1,080** | **299** | **(4,692)** | **285** |
| Other income | **–** | **–** | **164** | **–** | **1,654** | **1,818** |
| **Non-interest income** | **2,193** | **6,214** | **6,094** | **(1,784)** | **(3,038)** | **9,679** |
| Reversal of credit loss allowances / (credit loss expense) | **777** | **(11)** | **(7,300)** | **374** | **4,759** | **(1,401)** |
| General and administrative expenses | **(964)** | **(4,035)** | **(10,098)** | **(961)** | **(3,230)** | **(19,288)** |
| Other expenses | **(7)** | **(113)** | **(1,348)** | **(18)** | **(3,100)** | **(4,586)** |
| **Non-interest expense** | **(194)** | **(4,159)** | **(18,746)** | **(605)** | **(1,571)** | **(25,275)** |
| **Profit before corporate income tax expense** | **540** | **10,235** | **2,371** | **20,209** | **(15,408)** | **17,947** |
| Corporate income tax expense | **–** | **–** | **–** | **–** | **(1,902)** | **(1,902)** |
| **Profit for the period** | **540** | **10,235** | **2,371** | **20,209** | **(17,310)** | **16,045** |

*(millions of tenge)*

## 26. Segment analysis (continued)

| | *For the three months ended 30 June 2018 (unaudited)* | | | | | |
|---|---|---|---|---|---|---|
| | *CB* | *SMB* | *RB* | *Investing activities* | *Other* | *Total* |
| Interest income | 2,949 | 5,055 | 12,176 | 7,365 | 2,725 | 30,270 |
| Interest expense | (2,450) | (1,201) | (6,415) | (91) | (8,068) | (18,225) |
| **Net interest income** | 499 | 3,854 | 5,761 | 7,274 | (5,343) | 12,045 |
| Fee and commission income | 242 | 2,230 | 2,133 | 10 | – | 4,615 |
| Fee and commission expense | (55) | (114) | (961) | (79) | (80) | (1,289) |
| Net gains from financial instruments at fair value through profit or loss | – | – | – | 24 | – | 24 |
| Net gains/(losses) from foreign currencies | 482 | 466 | 451 | 2,105 | (2,537) | 967 |
| Other operating income/(loss), net | (11) | (28) | (551) | (12) | 839 | 237 |
| **Non-interest income** | 658 | 2,554 | 1,072 | 2,048 | (1,778) | 4,554 |
| (Credit loss expense) / reversal of credit loss allowances | (1,635) | 427 | 436 | (255) | 117 | (910) |
| General and administrative expenses | (291) | (1,863) | (3,774) | (142) | (2,244) | (8,314) |
| **Non-interest expenses** | (1,926) | (1,436) | (3,338) | (397) | (2,127) | (9,224) |
| **Profit before corporate income tax expense** | (769) | 4,972 | 3,495 | 8,925 | (9,248) | 7,375 |
| Corporate income tax expenses | – | – | – | – | (1,440) | (1,440) |
| **Profit for the period** | (769) | 4,972 | 3,495 | 8,925 | (10,688) | 5,935 |

Information on the main reporting segments for the six-month period ended 30 June 2019 and 2018 is presented as follows:

| | *For the six months ended 30 June 2018 (unaudited)* | | | | | |
|---|---|---|---|---|---|---|
| | *CB* | *SMB* | *RB* | *Investing activities* | *Other* | *Total* |
| Interest income | 5,541 | 9,906 | 25,275 | 14,604 | 4,959 | 60,285 |
| Interest expense | (5,130) | (2,429) | (13,128) | (223) | (15,887) | (36,797) |
| **Net interest income** | 411 | 7,477 | 12,147 | 14,381 | (10,928) | 23,488 |
| Fee and commission income | 437 | 4,005 | 3,332 | 21 | – | 7,795 |
| Fee and commission expense | (61) | (270) | (1,774) | (129) | (167) | (2,401) |
| Net gains from financial instruments at fair value through profit or loss | – | – | – | 17 | – | 17 |
| Net gains from derecognition of investment securities at fair value through other comprehensive income | – | – | – | 872 | – | 872 |
| Net gains/(losses) from foreign currencies | 771 | 738 | 713 | 2,105 | (3,402) | 925 |
| Other operating income/(loss), net | (11) | (57) | (994) | (15) | 1,394 | 317 |
| **Non-interest income** | 1,136 | 4,416 | 1,277 | 2,871 | (2,175) | 7,525 |
| (Credit loss expense) / reversal of credit loss allowances | (1,078) | (39) | (533) | (381) | 1,640 | (391) |
| General and administrative expenses | (714) | (3,750) | (7,775) | (607) | (3,955) | (16,801) |
| **Non-interest expenses** | (1,792) | (3,789) | (8,308) | (988) | (2,315) | (17,192) |
| **Profit before corporate income tax expense** | (245) | 8,104 | 5,116 | 16,264 | (15,418) | 13,821 |
| Corporate income tax expenses | – | – | – | – | (2,837) | (2,837) |
| **Profit for the period** | (245) | 8,104 | 5,116 | 16,264 | (18,255) | 10,984 |

*(millions of tenge)*

## 27. Fair values of financial instruments

**Accounting classification and fair values**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2019:

| | *30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| | *Assets and liabilities measured at fair value* | *Assets and liabilities for which fair value is disclosed* | *Total carrying amount* | *Fair value* | *Unrecognised gain/ (loss)* |
| Cash and cash equivalents | **–** | **282,676** | **282,676** | **282,676** | **–** |
| Amounts due from financial institutions | **–** | **22,318** | **22,318** | **22,318** | **–** |
| Trading securities | **6,386** | **–** | **6,386** | **6,386** | **–** |
| Loans to customers | **–** | **769,208** | **769,208** | **762,026** | **(7,182)** |
| Investment securities at FVOCI | **442,661** | **–** | **442,661** | **442,661** | **–** |
| Investment securities at amortised cost | **–** | **187,541** | **187,541** | **192,836** | **5,295** |
| Other financial assets | **–** | **30,715** | **30,715** | **30,171** | **(544)** |
| | **449,047** | **1,292,458** | **1,741,505** | **1,739,074** | **(2,431)** |
| Current accounts and deposits of customers | **–** | **1,264,676** | **1,264,676** | **1,268,931** | **(4,255)** |
| Amounts due to banks and other financial institutions | **–** | **82,969** | **82,969** | **80,700** | **2,269** |
| Amounts payable under repurchase agreements | **–** | **51,872** | **51,872** | **51,872** | **–** |
| Debt securities issued | **–** | **258,921** | **258,921** | **289,436** | **(30,515)** |
| Subordinated debt | **–** | **25,934** | **25,934** | **25,396** | **538** |
| Other financial liabilities | **–** | **9,839** | **9,839** | **9,826** | **13** |
| | **–** | **1,694,211** | **1,694,211** | **1,726,161** | **(31,950)** |
| | | | | | **(34,381)** |

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018:

| | *31 December 2018* | | | | |
|---|---|---|---|---|---|
| | *Assets and liabilities measured at fair value* | *Assets and liabilities whose fair value is disclosed* | *Total carrying amount* | *Fair value* | *Unrecognised gain/ (loss)* |
| Cash and cash equivalents | – | 224,121 | 224,121 | 224,121 | – |
| Amounts due from financial institutions | – | 18,215 | 18,215 | 18,215 | – |
| Trading securities | 9,511 | – | 9,511 | 9,511 | – |
| Loans to customers | – | 689,645 | 689,645 | 684,520 | (5,125) |
| Investment securities at FVOCI | 389,535 | – | 389,535 | 389,535 | – |
| Investment securities at amortised cost | – | 180,940 | 180,940 | 185,191 | 4,251 |
| Other financial assets | – | 28,467 | 28,467 | 28,467 | – |
| | 399,046 | 1,145,813 | 1,544,859 | 1,543,985 | (874) |
| Current accounts and deposits of customers | – | 1,075,628 | 1,075,628 | 1,075,873 | (245) |
| Amounts due to banks and other financial institutions | – | 72,128 | 72,128 | 73,198 | (1,070) |
| Amounts payable under repurchase agreements | – | 56,392 | 56,392 | 56,392 | – |
| Debt securities issued | – | 253,584 | 253,584 | 293,238 | (39,654) |
| Subordinated debt | – | 22,648 | 22,648 | 22,432 | 216 |
| Other financial liabilities | – | 6,059 | 6,059 | 6,059 | – |
| | – | 1,486,439 | 1,486,439 | 1,527,192 | (40,753) |
| | | | | | (41,627) |

## 27. Fair values of financial instruments (continued)

**Accounting classification and fair values (continued)**

The estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market quotes or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organized market for the sale of an asset or transfer a liability between market participants at the measurement date.

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

*Assets for which fair value approximates carrying value*

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

*Financial assets and financial liabilities carried for at amortised cost*

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from financial institutions, deposits of banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following assumptions are used by the management to estimate the fair values of financial instruments:

- To discount the future cash flows from loans to corporate customers a discount rate in the range from 5.22% p.a. to 14.71% p.a. (as at 31 December 2018: 4.89% p.a. to 14.56% p.a.) was used;
- To calculate the future cash flows from loans to individuals a discount rate in the range from 2.92% p.a. to 25.88% p.a. (as at 31 December 2018: 3.81% p.a. to 23.05% p.a.) was used.

**Fair value hierarchy**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

*(millions of tenge)*

## 27. Fair values of financial instruments (continued)

**Fair value hierarchy (continued)**

The following table analyses financial instruments carried at fair value as at 30 June 2019, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

| | | | | ***30 June 2019 (unaudited)*** | |
|---|---|---|---|---|---|
| | ***Note*** | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total*** |
| **Assets** | | | | | |
| Trading securities | 13 | **5,036** | **–** | **1,350** | **6,386** |
| Investment securities at FVOCI | 15 | **278,029** | **88,475** | **76,157** | **442,661** |
| | | **283,065** | **88,475** | **77,507** | **449,047** |

The following table analyses financial instruments carried at fair value as at 31 December 2018, by fair value hierarchy, into which the fair value measurement is categorised: The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

| | | | | ***31 December 2018*** | |
|---|---|---|---|---|---|
| | ***Note*** | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total*** |
| **Assets** | | | | | |
| Trading securities | 13 | 8,161 | – | 1,350 | 9,511 |
| Investment securities at FVOCI | 15 | 231,109 | 83,216 | 75,210 | 389,535 |
| | | 239,270 | 83,216 | 76,560 | 399,046 |

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

| ***30 June 2019 (unaudited)*** | ***Carrying amount*** | ***Valuation techniques*** | ***Unobservable input*** | ***Range (weighted average)*** |
|---|---|---|---|---|
| Investment securities at FVOCI | 76,157 | Discounted cash flow | Probability of default | 0.31%-0.40% (0.40%) |
| | | | Loss sensitivity | 75% |

| ***31 December 2018*** | ***Carrying amount*** | ***Valuation techniques*** | ***Unobservable input*** | ***Range (weighted average)*** |
|---|---|---|---|---|
| Investment securities at FVOCI | 75,210 | Discounted cash flow | Probability of default | 1.20%-1.32% (1.31%) |
| | | | Loss sensitivity | 75% |

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

| | ***30 June 2019 (unaudited)*** | | ***31 December 2018*** | |
|---|---|---|---|---|
| | ***Carrying amount*** | ***Effect of reasonably possible alternative assumptions*** | ***Carrying amount*** | ***Effect of reasonably possible alternative assumptions*** |
| **Financial assets** | | | | |
| Investment securities at FVOCI | **76,157** | **937** | 75,210 | 317 |

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs as follows:

- As at 30 June 2019, the Group adjusted the assumptions by decreasing the probability of default by 0.1 per cent and increasing loss given default by 5.0 per cent, which is consistent with the Group's internal credit risk ratings for the counterparties.
- As at 31 December 2018, the Group adjusted the assumptions by decreasing the probability of default by 0.1 per cent and increasing loss given default by 5.0 per cent, which is consistent with the Group's internal credit risk ratings for the counterparties.

*(millions of tenge)*

## 27. Fair values of financial instruments (continued)

**Fair value hierarchy (continued)**

The following table analyses financial instruments not measured at fair value but for which fair value is disclosed as at 30 June 2019 by fair value hierarchy:

| | *30 June 2019 (unaudited)* | | | | |
|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total fair value* | *Total carrying value* |
| **Assets** | | | | | |
| Cash and cash equivalents | **–** | **282,676** | **–** | **282,676** | **282,676** |
| Amounts due from financial institutions | **–** | **22,318** | **–** | **22,318** | **22,318** |
| Loans to customers | **–** | **–** | **762,026** | **762,026** | **769,208** |
| Investment securities at amortised cost | **192,836** | **–** | **–** | **192,836** | **187,541** |
| Other financial assets | **–** | **30,171** | **–** | **30,171** | **30,715** |
| **Liabilities** | | | | | |
| Current accounts and deposits of customers | **–** | **1,268,931** | **–** | **1,268,931** | **1,264,676** |
| Amounts due to banks and other financial institutions | **–** | **80,700** | **–** | **80,700** | **82,969** |
| Amounts payable under repurchase agreements | **–** | **51,872** | **–** | **51,872** | **51,872** |
| Debt securities issued | **–** | **289,436** | **–** | **289,436** | **258,921** |
| Subordinated debt | **–** | **25,396** | **–** | **25,396** | **25,934** |
| Other financial liabilities | **–** | **9,826** | **–** | **9,826** | **9,839** |

The following table analyses financial instruments not measured at fair value as at 31 December 2018, by fair value hierarchy, into which the fair value measurement is categorised:

| | *31 December 2018* | | | | |
|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total fair value* | *Total carrying value* |
| **Assets** | | | | | |
| Cash and cash equivalents | – | 224,121 | – | 224,121 | 224,121 |
| Amounts due from financial institutions | – | 18,215 | – | 18,215 | 18,215 |
| Loans to customers | – | – | 684,520 | 684,520 | 689,645 |
| Investment securities at amortised cost | 185,191 | – | – | 185,191 | 180,940 |
| Other financial assets | – | 28,467 | – | 28,467 | 28,467 |
| **Liabilities** | | | | | |
| Current accounts and deposits of customers | – | 1,075,873 | – | 1,075,873 | 1,075,628 |
| Amounts due to banks and other financial institutions | – | 73,198 | – | 73,198 | 72,128 |
| Amounts payable under repurchase agreements | – | 56,392 | – | 56,392 | 56,392 |
| Debt securities issued | – | 293,238 | – | 293,238 | 253,584 |
| Subordinated debt | – | 22,432 | – | 22,432 | 22,648 |
| Other financial liabilities | – | 6,059 | – | 6,059 | 6,059 |

*(millions of tenge)*

## 28. Events after the end of the interim period

On 4 July 2019, the Group acquired the remaining non-controlling interest in ForteLeasing JSC which accounts for 3.3%.

In August and October 2019, the Group issued debt securities denominated in US Dollars with a total nominal value of KZT 13,371 million, coupon rate of 3% per annum and maturity in 2020.

In September 2019, the Group sold bonds of NAC Kazatomprom JSC *(Note 15)* and purchased new bonds of NAC Kazatomprom JSC indexed to the US Dollar and maturing on 27 October 2024 with nominal value of KZT 70,000 million.