

**SB JSC “Bank Home Credit”**

Condensed Interim  
Financial Information  
for the six months ended  
30 June 2019

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## **Independent Auditors' Report on Review of Condensed Interim Financial Information**

To the Board of Directors and Management Board of SB JSC "Bank Home Credit"

### ***Introduction***

We have reviewed the accompanying condensed interim statement of financial position of SB JSC "Bank Home Credit" (the "Bank") as at 30 June 2019, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### ***Scope of Review***

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



**SB JSC "Bank Home Credit"**

*Independent Auditors' Report on Review of Condensed Interim Financial Information*

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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2019 and for the six months then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard (IAS) 34 *Interim Financial Reporting*.



Assel Urdabayeva  
Authorised representative (Partner)

KPMG Audit LLC




Almaty, Republic of Kazakhstan

12 August 2019

**SB JSC "Bank Home Credit"**  
*Condensed Interim Statement of Profit or Loss and Other Comprehensive Income*  
*for the six months ended 30 June 2019*

		<b>Unaudited Six months ended 30 June 2019 KZT'000</b>	<b>Unaudited Six months ended 30 June 2018 KZT'000</b>
Interest income calculated using the effective interest method	4	45,276,715	33,438,609
Interest expense	4	(14,163,504)	(9,987,354)
<b>Net interest income</b>		<b>31,113,211</b>	<b>23,451,255</b>
Fee and commission income	5	10,468,873	7,157,092
Fee and commission expense	5	(1,162,265)	(813,211)
<b>Net fee and commission income</b>		<b>9,306,608</b>	<b>6,343,881</b>
Net loss on financial instruments at fair value through profit or loss	6	(3,420,787)	(1,089,341)
Net foreign exchange gain		901,853	421,247
Other operating income, net		231,242	208,104
<b>Operating income</b>		<b>38,132,127</b>	<b>29,335,146</b>
Recovery/(charge) for credit losses on loans to retail customers	10	2,566,033	(1,143,102)
Other impairment losses on other assets		(102,557)	(198,399)
General administrative expenses	7	(16,380,343)	(14,306,009)
<b>Profit before income tax</b>		<b>24,215,260</b>	<b>13,687,636</b>
Income tax expense	8	(4,935,038)	(2,859,945)
<b>Profit for the period</b>		<b>19,280,222</b>	<b>10,827,691</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in fair value reserve (debt instruments):			
- Net change in fair value		48,483	17,526
- Net change in expected credit losses		10,305	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>58,788</b>	<b>17,526</b>
<b>Total comprehensive income for the period</b>		<b>19,339,010</b>	<b>10,845,217</b>
Earnings per share, in KZT (basic and diluted)	20	552,600	310,338

The condensed interim financial information as set out on pages 5 to 40 was approved by the Management on 12 August 2019 and was signed on its behalf by:

 <b>Karel Horak</b> <i>Chairman of the Board</i>		 <b>Gaukhar Massangaliyeva</b> <i>Chief Accountant</i>
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**SB JSC “Bank Home Credit”**  
Condensed Interim Statement of Financial Position as at 30 June 2019

	Note	Unaudited 30 June 2019 KZT'000	31 December 2018* KZT'000
<b>ASSETS</b>			
Cash and cash equivalents	9	53,008,123	70,259,604
Placements with banks		3,598,895	2,473,653
Loans to retail customers	10	282,351,210	267,900,659
Investment securities			
- Pledged under sale and repurchase agreements		9,489,120	9,458,245
- Not pledged under sale and repurchase agreements		7,560,148	7,474,998
Financial instruments at fair value through profit or loss for the period	11	823,441	795,930
Property, equipment and intangible assets		11,379,910	8,652,491
Other assets		4,486,648	4,377,829
<b>Total assets</b>		<b>372,697,495</b>	<b>371,393,409</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss	11	3,337,741	301,083
Deposits and balances from banks	12	53,553,661	62,372,082
Current accounts and deposits from customers			
- Current accounts and deposits from retail customers	13	78,897,564	79,227,545
- Current accounts and deposits from corporate customers	13	74,811,949	62,429,017
Debt securities issued	14	44,657,001	50,542,872
Other borrowed funds	15	15,013,323	35,915,808
Certificates of deposit	17	14,990,467	7,673,418
Lease liabilities	2(e)	3,354,794	-
Other liabilities		10,812,455	10,002,039
<b>Total liabilities</b>		<b>299,428,955</b>	<b>308,463,864</b>
<b>EQUITY</b>	18		
Share capital		5,199,503	5,199,503
Retained earnings		67,936,885	57,656,678
Fair value reserve		132,152	73,364
<b>Total equity</b>		<b>73,268,540</b>	<b>62,929,545</b>
<b>Total liabilities and equity</b>		<b>372,697,495</b>	<b>371,393,409</b>
Book value per share, in KZT	19	1,989,255	1,684,689

\*The Bank has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(e).

	<b>Unaudited Six months ended 30 June 2019 KZT'000</b>	<b>Unaudited Six months ended 30 June 2018** KZT'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	44,446,665	32,463,602
Interest payments, restated*	(12,178,858)	(9,503,170)
Fee and commission receipts	10,713,957	7,281,706
Fee and commission payments	(1,406,518)	(721,815)
Net payments from financial instruments at fair value through profit or loss	(411,640)	(557,919)
Net receipts from foreign exchange	185,107	761,383
Other income receipts, net	231,242	208,104
General administrative expenses	(14,986,331)	(11,959,790)
<b>Increase in operating assets</b>		
Loans to retail customers	(11,762,773)	(28,518,269)
Placements with banks	(1,116,523)	(605,126)
Loans and advances to banks	-	762
Investment securities	(162,243)	(757,498)
Other assets	(356,256)	(317,744)
<b>Increase/ (decrease) in operating liabilities</b>		
Current accounts and deposits from customers	11,757,154	29,963,614
Deposits and balances from banks	(8,915,008)	(5,029,854)
Certificates of deposit	7,326,803	547,900
Other liabilities	256,924	367,541
<b>Net cash provided from operating activities before income tax paid, restated*</b>	<b>23,621,702</b>	<b>13,623,427</b>
Income tax paid	(2,807,842)	(3,325,524)
<b>Cash flows provided from operating activities, restated*</b>	<b>20,813,860</b>	<b>10,297,903</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, equipment and intangible assets	(1,004,477)	(2,099,629)
Proceeds from sale of property and equipment	21,157	4,158
<b>Cash flows used in investing activities</b>	<b>(983,320)</b>	<b>(2,095,471)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of other borrowed funds, restated*	-	21,146,960
Repayments of other borrowed funds, restated*	(20,458,350)	(9,894,300)
Issue of debt securities	52,450	-
Repayment of debt securities	(6,768,502)	-
Dividends paid	(9,000,015)	-
Payments on lease liabilities	(564,511)	-
<b>Net cash (used in)/from financing activities, restated*</b>	<b>(36,738,928)</b>	<b>11,252,660</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(16,908,388)</b>	<b>19,455,092</b>
Effect of changes in exchange rates on cash and cash equivalents	(343,093)	15,745
Cash and cash equivalents at the beginning of the period	70,259,604	14,211,027
<b>Cash and cash equivalents as at the end of the period (Note 9)</b>	<b>53,008,123</b>	<b>33,681,864</b>

\* Comparative information has been modified and presented as gross movements on other borrowings.

\*\* The Bank has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(e).

**SB JSC “Bank Home Credit”**  
*Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2019*

<b>KZT'000</b>	<b>Share capital</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 January 2018</b>	<b>5,199,503</b>	<b>(33,922)</b>	<b>39,965,763</b>	<b>45,131,344</b>
Impact of adopting IFRS 9 at 1 January 2018 (unaudited)	-	-	(1,113,769)	(1,113,769)
<b>Restated balance as at 1 January 2018 (unaudited)</b>	<b>5,199,503</b>	<b>(33,922)</b>	<b>38,851,994</b>	<b>44,017,575</b>
<b>Total comprehensive income for the period (unaudited)</b>				
Profit for the period (unaudited)	-	-	10,827,691	10,827,691
<b>Other comprehensive income for the period (unaudited)</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Movement in fair value reserve (debt instruments) (unaudited)				
- Net change in fair value (unaudited)	-	17,526	-	17,526
<b>Total other comprehensive income for the period (unaudited)</b>	<b>-</b>	<b>17,526</b>	<b>-</b>	<b>17,526</b>
<b>Total comprehensive income for the period (unaudited)</b>	<b>-</b>	<b>17,526</b>	<b>10,827,691</b>	<b>10,845,217</b>
<b>Balance at 30 June 2018 (unaudited)</b>	<b>5,199,503</b>	<b>(16,396)</b>	<b>49,679,685</b>	<b>54,862,792</b>



**SB JSC “Bank Home Credit”**  
*Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2019*

<b>KZT'000</b>	<b>Share capital</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 January 2019</b>	<b>5,199,503</b>	<b>73,364</b>	<b>57,656,678</b>	<b>62,929,545</b>
<b>Total comprehensive income for the period (unaudited)</b>				
Profit for the period (unaudited)	-	-	19,280,222	19,280,222
<b>Other comprehensive income for the period (unaudited)</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Movement in fair value reserve (debt instruments) (unaudited)				
- Net change in fair value (unaudited)	-	48,483	-	48,483
- Net change in expected credit losses (unaudited)	-	10,305	-	10,305
<b>Total other comprehensive income for the period (unaudited)</b>	<b>-</b>	<b>58,788</b>	<b>-</b>	<b>58,788</b>
<b>Total comprehensive income for the period (unaudited)</b>	<b>-</b>	<b>58,788</b>	<b>19,280,222</b>	<b>19,339,010</b>
<b>Transactions with owners, recorded directly in equity (unaudited)</b>				
Dividends declared and paid (Note 18(b)) (unaudited)	-	-	(9,000,015)	(9,000,015)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>5,199,503</b>	<b>132,152</b>	<b>67,936,885</b>	<b>73,268,540</b>

## **1 Introduction**

### **(a) Organisation and operations**

Private Bank FTD was established in 1993 and subsequently renamed to Bank Alma-Ata in December 1994. In December 1995, the Bank was re-registered as Open Joint Stock Company International Bank Alma-Ata. Due to a change in legislation, the Bank was re-registered as a joint stock company in November 2004. On 4 November 2008, International Bank Alma-Ata JSC was renamed to Home Credit Bank JSC. In January 2013 the Bank was acquired by Home Credit and Finance Bank incorporated in the Russian Federation, in this connection the Bank was renamed to Subsidiary Bank Joint Stock Company Home Credit and Finance Bank (short name SB JSC “Bank Home Credit”) on 4 April 2013.

The principal activities of the Bank are retail lending, deposit taking and customer accounts maintenance, issuing guarantees, cash and settlement operations and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”). The Bank holds license #1.2.36/40 dated 11 January 2016 to carry out banking activity and activity on securities market.

The registered address of the Bank’s head office is 248, Nursultan Nazarbayev Avenue, 050059, Almaty, Republic of Kazakhstan. As at 30 June 2019, the Bank had 17 branches and 45 bank offices, unaudited (31 December 2018: 17 branches and 45 bank offices).

Debt securities issued by the Bank are listed on Kazakhstan Stock Exchange (“KASE”).

As at 30 June 2019 the Bank was 100% owned by Home Credit and Finance Bank incorporated in the Russian Federation. The ultimate controlling owner of the Bank is Petr Kellner, who exercises control over Home Credit and Finance Bank through PPF Financial Holdings B.V. registered in the Netherlands.

### **(b) Kazakhstan business environment**

The Bank’s operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment. The condensed interim financial information reflects management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment.

## **2 Basis of preparation**

### **(a) Statement of compliance**

This condensed interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the last annual financial statements as at and for the year ended 31 December 2018. This condensed interim financial information does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

This is the first set of the Bank’s financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 2(e).

## 2 Basis of preparation, continued

### (b) Basis of measurement

The condensed interim financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss and investment securities measured at fair value through other comprehensive income are stated at fair value.

### (c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan Tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of this condensed interim financial information.

Condensed interim financial information presented in KZT is rounded to the nearest thousand.

### (d) Use of estimates and judgments

Preparing the condensed interim financial information requires management to make judgements, estimates assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The significant judgements made by management in applying the Bank's accounting policies are the key sources of estimation uncertainty were the same as those described in the last annual financial statements except for the new significant judgements that applied to the lessee's accounting under IFRS 16 as disclosed in Note 2(e).

### (e) Changes in accounting policies and presentation

Except as described below, the accounting policies applied in this condensed interim financial information are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Bank's financial statements as at and for the year ending 31 December 2019.

#### IFRS 16

The Bank has initially adopted IFRS 16 *Leases* from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Bank has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Bank now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

## 2 Basis of preparation, continued

### (e) Changes in accounting policies and presentation, continued

#### IFRS 16 *Leases*, continued

##### Definition of a lease, continued

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

##### As a lessee

The Bank leases mainly property items.

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Bank presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’, the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

KZT'000	Property, plant and equipment	
	Real estate	Total
Balance at 1 January 2019, unaudited	3,593,498	3,593,498
Balance at 30 June 2019, unaudited	3,360,180	3,360,180

The Bank presents lease liabilities in “Lease liabilities” in the condensed interim statement of financial position.

### (i) Significant accounting policies

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank’s incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## 2 Basis of preparation, continued

### (e) Changes in accounting policies and presentation, continued

#### IFRS 16 Leases, continued

#### As a lessee, continued

#### (ii) Transition

Previously, the Bank classified property leases as operating leases under IAS 17. The leases typically run for a period of 3 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### (iii) Impacts on transition

On transition to IFRS 16, the Bank recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

<b>KZT’000</b>	<b>Unaudited 1 January 2019</b>
Right-of-use assets presented in property, plant and equipment	3,593,498
Lease liabilities	3,593,498

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 12.39%.

<b>KZT’000</b>	<b>Unaudited 1 January 2019</b>
Operating lease commitment at 31 December 2018	(6,363,850)
Effect of discounting using the incremental borrowing rate at 1 January 2019	2,630,016
Finance lease liabilities recognised as at 31 December 2018	-
– Recognition exemption for leases of low-value assets	87,175
– Recognition exemption for leases with less than 12 months of lease term at transition	53,161
Lease liabilities recognised at 1 January 2019	<b>(3,593,498)</b>

#### (iv) Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Bank recognised KZT 3,360,180 thousand of right-of-use assets and KZT 3,354,794 thousand of lease liabilities as at 30 June 2019.

## 2 Basis of preparation, continued

### (e) Changes in accounting policies and presentation, continued

#### IFRS 16 Leases, continued

#### As a lessee, continued

### (iv) Impacts for the period, continued

Also in relation to those leases under IFRS 16, the Bank has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Bank recognised KZT 405,509 thousand of depreciation charges and KZT 252,993 thousand of interest costs from these leases.

#### New amendments and interpretations

A number of new amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Bank’s condensed interim financial information.

## 3 Significant accounting policies

The accounting policies applied by the Bank in this condensed interim financial information are the same as those applied in the last annual financial statements, except as explained below, related to the Bank’s adoption of IFRS 16 (Note 2(e)), which is applicable from 1 January 2019.

#### New standards and interpretations not yet adopted

A number of new amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application if permitted; however, the Bank has not early adopted the following amended standards in the preparing this condensed interim financial information.

## 4 Net interest income

	Unaudited Six months ended 30 June 2019 000’KZT	Unaudited Six months ended 30 June 2018 000’KZT
<b>Interest income calculated using the effective interest method on:</b>		
Loans to retail customers	42,964,637	32,979,597
Cash and cash equivalents	1,775,166	386,536
Investment securities	536,912	72,476
<b>Total interest income calculated using the effective interest method</b>	<b>45,276,715</b>	<b>33,438,609</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	6,821,881	6,669,977
Debt securities issued	3,036,717	1,425,252
Deposits and balances from banks	2,001,083	1,449,200
Other borrowed funds	1,214,138	373,486
Certificates of deposit	836,692	69,439
Lease liabilities	252,993	-
<b>Total interest expense</b>	<b>14,163,504</b>	<b>9,987,354</b>
<b>Net interest income</b>	<b>31,113,211</b>	<b>23,451,255</b>

## 5 Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major types of commission income.

	Unaudited Six months ended 30 June 2019 000'KZT	Unaudited Six months ended 30 June 2018 000'KZT
<b>Fee and commission income:</b>		
Commission income from insurance	7,094,299	4,228,261
Contractual penalties from customers	1,374,172	919,094
Fees from retailers	1,284,478	1,251,547
Fees for early loan repayments	329,596	510,570
Transfer operations	203,536	96,793
Card operations	131,449	76,495
Cash withdrawal	3,615	952
Other fee and commission income	47,728	73,380
<b>Total fee and commission income</b>	<b>10,468,873</b>	<b>7,157,092</b>
<b>Fee and commission expense:</b>		
Commissions paid for verification services	467,396	339,307
Card processing	291,757	117,845
Commissions paid to partners	136,843	129,085
Settlements	110,949	65,982
Deposit insurance fund contributions	87,370	145,231
Other	67,950	15,761
<b>Total fee and commission expense</b>	<b>1,162,265</b>	<b>813,211</b>

The fees and commission presented in this note include income of KZT 10,421,145 thousand, unaudited (the six months ended 30 June 2018: KZT 7,083,712 thousand, unaudited) and expense of KZT 983,366 thousand, unaudited (the six months ended 30 June 2018: KZT 731,468 thousand, unaudited) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

### *Contract balances*

The following table provides information about receivables and liabilities from contracts with customers.

KZT'000	Unaudited 30 June 2019	31 December 2018
Receivables, which are included in 'other assets'	1,779,747	2,799,455
Contract liabilities, which are included in 'other liabilities'	-	-

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

## 6 Net loss on financial instruments at fair value through profit or loss

For six months ended 30 June 2019 the Bank recognised net loss on financial instruments at fair value through profit or loss on short-term currency swap operations concluded on KASE in the amount of KZT 29,553 thousand, unaudited (the six months ended 30 June 2018: KZT 56,541 thousand, unaudited), and net loss on currency swap operations with maturity up to two years concluded with PPF Banka A.S. in the amount of KZT 3,391,234 thousand (Note 25), unaudited (the six months ended 30 June 2018: on 1-year currency swap operations concluded with PPF Banka A.S. in the amount of KZT 1,032,800 thousand, unaudited).

## 7 General administrative expenses

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
Employee compensation and payroll related taxes	7,634,241	7,415,159
Depreciation and amortisation	2,080,451	1,465,771
Information technology	1,544,662	963,852
Professional services	1,301,604	933,825
Telecommunication and postage	1,067,508	896,311
Advertising and marketing	774,552	412,978
Collectors' services	687,597	495,924
Taxes other than income tax	471,661	568,708
Rent	305,815	655,958
Travel expenses	174,422	161,241
Other	337,830	336,282
	<b>16,380,343</b>	<b>14,306,009</b>

## 8 Income tax expense

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
<b>Income tax expense</b>		
Current income tax expense	5,211,613	2,883,125
Current tax expense overprovided in prior years	(306,987)	(170,924)
	<b>4,904,626</b>	<b>2,712,201</b>
<b>Deferred tax expense</b>		
Deferred taxation movement due to origination and reversal of temporary differences	30,412	147,744
<b>Total income tax expense</b>	<b>4,935,038</b>	<b>2,859,945</b>

In 2019, the applicable tax rate for current and deferred tax was 20% (2018: 20%), it is used for calculation of deferred tax assets and liabilities as at 30 June 2019.



## 8 Income tax expense, continued

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management’s best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the condensed interim financial information may differ from management’s estimate of the effective tax rate for the annual financial statements.

### Reconciliation of effective tax rate:

	Unaudited Six months ended 30 June 2019 KZT’000	%	Unaudited Six months ended 30 June 2018 000’KZT	%
<b>Profit before income tax</b>	<b>24,215,260</b>	<b>100.0</b>	<b>13,687,636</b>	<b>100.0</b>
Income tax at the applicable tax rate	4,843,052	20.0	2,737,527	20.0
Non-deductible costs	398,973	1.6	293,342	2.1
Overprovided in prior years	(306,987)	(1.3)	(170,924)	(1.2)
	<b>4,935,038</b>	<b>20.3</b>	<b>2,859,945</b>	<b>20.9</b>

## 9 Cash and cash equivalents

	Unaudited 30 June 2019 KZT’000	31 December 2018 KZT’000
Cash on hand	5,794,980	5,882,559
Nostro accounts with the NBRK (rated BBB-)	11,914,486	14,077,562
Nostro accounts with other banks		
- rated from BBB- to BBB+	24,929	4,365,500
- rated from BB- to BB+	677,923	44,927
- rated below B+	80,334	474,635
<b>Nostro accounts with other banks</b>	<b>783,186</b>	<b>4,885,062</b>
Loss allowance	(312)	(282)
<b>Net total nostro accounts with other banks</b>	<b>782,874</b>	<b>4,884,780</b>
<b>Cash equivalents</b>		
Term deposits with the NBRK (rated BBB-)	32,921,933	45,030,938
Term deposits with other banks		
- rated B-	944,272	384,285
- not rated	649,642	-
<b>Total term deposits with other banks</b>	<b>1,593,914</b>	<b>384,285</b>
Loss allowance	(64)	(520)
<b>Net total term deposits with banks</b>	<b>1,593,850</b>	<b>383,765</b>
<b>Total cash equivalents</b>	<b>34,515,783</b>	<b>45,414,703</b>
<b>Total cash and cash equivalents</b>	<b>53,008,123</b>	<b>70,259,604</b>

## 9 Cash and cash equivalents, continued

Cash equivalent balances that are not rated pertain to the Kazakh bank, having a rating not higher than the sovereign credit rating.

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

All cash and cash equivalents are included in Stage 1 of the credit risk grade.

As at 30 June 2019 the Bank has one counterparty bank (31 December 2018: one counterparty bank), whose balances exceeded 10% of equity. The gross value of these balances as at 30 June 2019 is KZT 44,836,419 thousand, unaudited (31 December 2018: KZT 59,108,500 thousand).

### Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 30 June 2019, the minimum reserve is KZT 2,936,825 thousand, unaudited (31 December 2018: KZT 5,316,336 thousand).

## 10 Loans to retail customers

	<b>Unaudited 30 June 2019 KZT’000</b>	<b>31 December 2018 KZT’000</b>
<b>Loans to individuals</b>		
Cash loans	160,879,621	150,212,027
POS loans	108,145,013	109,201,408
Credit cards	25,664,156	20,908,557
<b>Total loans to individuals</b>	<b>294,688,790</b>	<b>280,321,992</b>
Loss allowance	(12,337,580)	(12,421,333)
<b>Net loans to individuals</b>	<b>282,351,210</b>	<b>267,900,659</b>

Increase in cash loans and credit cards issuance during six months 2019 resulted in increased gross carrying amount of the portfolio by KZT 14,366,798 thousand, and the relevant increase in the loss allowance in cash loans and credit cards was KZT 524,997 thousand.

Writing-off of loans with carrying amount of KZT 2,844,163 thousand has led to decreased loss allowance by the same amount for loans included in Stage 3.

## 10 Loans to retail customers, continued

### (a) Analysis of movements in the credit loss allowance

KZT'000	Unaudited Six months ended 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to retail customers at amortised cost</b>				
Balance at 1 January	3,803,935	1,831,057	6,786,341	12,421,333
Transfer to Stage 1	132,756	(132,756)	-	-
Transfer to Stage 2	(314,173)	314,299	(126)	-
Transfer to Stage 3	(45,385)	(2,319,754)	2,365,139	-
New financial assets originated or purchased*	1,845,016	392,610	184,383	2,422,009
Net remeasurement of loss allowance**	(1,910,049)	1,818,685	(4,896,678)	(4,988,042)
Recoveries (write-offs)**	-	-	1,685,462	1,685,462
Unwinding of discount on present value of ECLs	-	-	796,818	796,818
<b>Balance at 30 June</b>	<b>3,512,100</b>	<b>1,904,141</b>	<b>6,921,339</b>	<b>12,337,580</b>

KZT'000	Unaudited Six months ended 30 June 2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to retail customers at amortised cost</b>				
Balance at 1 January	2,810,097	1,271,004	4,249,477	8,330,578
Transfer to Stage 1	57,423	(57,423)	-	-
Transfer to Stage 2	(202,925)	202,937	(12)	-
Transfer to Stage 3	(50,974)	(1,525,505)	1,576,479	-
New financial assets originated or purchased*	1,782,135	506,446	264,573	2,553,154
Net remeasurement of loss allowance***	(1,555,837)	1,362,181	(1,216,396)	(1,410,052)
Recoveries (write-offs)	(2,259)	(9,460)	(175,025)	(186,744)
<b>Balance at 30 June</b>	<b>2,837,660</b>	<b>1,750,180</b>	<b>4,699,096</b>	<b>9,286,936</b>

\* Includes new financial assets issued during the period, including transfers of these loans between stages.

\*\* During six months ended 30 June 2019, the Bank recovered KZT 5,284,502 thousand on overdue loans previously written-off, followed by stopgap measures to collect debts that were written-off against the allowance account, including claims to second-tier banks and intensive work with involvement of private court bailiffs. As a result of this, the Bank revised its approach to writing-off loans that are overdue more than 360 days and expected recoveries thereto. The Bank is in the process of finalising with the Group an approach to writing-off overdue debts, including increase in the number of days overdue, upon occurrence of which the debts are to be written-off of the Bank's balance sheet.

\*\*\*Due to changes in estimates, effect of repayments (including early repayments).

## 10 Loans to retail customers, continued

### (b) Credit quality of loans to retail customers

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 30 June 2019 total impairment allowance to non-performing loans was 85%, unaudited (31 December 2018: 114%).

	30 June 2019 (unaudited)			
KZT'000	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for assets credit- impaired	Total
<i>Loans to retail customers at amortised cost:</i>				
<i>Cash loans</i>				
Not overdue	124,272,360	22,918,266	-	147,190,626
Overdue less than 30 days	2,316,745	2,007,490	-	4,324,235
Overdue 31-90 days	-	1,951,337	-	1,951,337
Overdue 91-180 days	-	-	2,194,842	2,194,842
Overdue 181-360 days	-	-	3,514,439	3,514,439
Overdue more than 360 days	-	-	1,704,142	1,704,142
<b>Total gross carrying amount</b>	<b>126,589,105</b>	<b>26,877,093</b>	<b>7,413,423</b>	<b>160,879,621</b>
Loss allowance	(1,890,770)	(1,062,086)	(3,429,725)	(6,382,581)
<b>Carrying amount</b>	<b>124,698,335</b>	<b>25,815,007</b>	<b>3,983,698</b>	<b>154,497,040</b>
<i>POS loans</i>				
Not overdue	92,374,909	5,805,770	-	98,180,679
Overdue less than 30 days	1,705,759	832,615	-	2,538,374
Overdue 31-90 days	-	1,503,380	-	1,503,380
Overdue 91-180 days	-	-	1,844,807	1,844,807
Overdue 181-360 days	-	-	2,932,229	2,932,229
Overdue more than 360 days	-	-	1,145,544	1,145,544
<b>Total gross carrying amount</b>	<b>94,080,668</b>	<b>8,141,765</b>	<b>5,922,580</b>	<b>108,145,013</b>
Loss allowance	(1,518,932)	(732,730)	(3,023,515)	(5,275,177)
<b>Carrying amount</b>	<b>92,561,736</b>	<b>7,409,035</b>	<b>2,899,065</b>	<b>102,869,836</b>
<i>Credit cards</i>				
Not overdue	22,793,765	566,423	-	23,360,188
Overdue less than 30 days	643,649	47,097	-	690,746
Overdue 31-90 days	-	414,699	-	414,699
Overdue 91-180 days	-	-	409,841	409,841
Overdue 181-360 days	-	-	516,831	516,831
Overdue more than 360 days	-	-	271,851	271,851
<b>Total gross carrying amount</b>	<b>23,437,414</b>	<b>1,028,219</b>	<b>1,198,523</b>	<b>25,664,156</b>
Loss allowance	(102,398)	(109,325)	(468,099)	(679,822)
<b>Carrying amount</b>	<b>23,335,016</b>	<b>918,894</b>	<b>730,424</b>	<b>24,984,334</b>

**10 Loans to retail customers, continued****(b) Credit quality of loans to retail customers, continued**

KZT'000	31 December 2018			
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL for assets not credit-impaired	Stage 3 Lifetime ECL for assets credit-impaired	Total
<i>Loans to retail customers at amortised cost:</i>				
<i>Cash loans</i>				
Not overdue	117,122,570	22,491,822	-	139,614,392
Overdue less than 30 days	1,170,109	2,378,310	-	3,548,419
Overdue 31-90 days	-	1,907,615	-	1,907,615
Overdue 91-180 days	-	-	1,831,444	1,831,444
Overdue 181-360 days	-	-	3,310,157	3,310,157
<b>Total gross carrying amount</b>	<b>118,292,679</b>	<b>26,777,747</b>	<b>5,141,601</b>	<b>150,212,027</b>
Loss allowance	(1,821,557)	(1,042,361)	(3,034,657)	(5,898,575)
<b>Carrying amount</b>	<b>116,471,122</b>	<b>25,735,386</b>	<b>2,106,944</b>	<b>144,313,452</b>
<i>Consumer loans to customers</i>				
Not overdue	95,516,435	5,243,646	-	100,760,081
Overdue less than 30 days	1,271,102	747,257	-	2,018,359
Overdue 31-90 days	-	1,398,891	-	1,398,891
Overdue 91-180 days	-	-	1,636,690	1,636,690
Overdue 181-360 days	-	-	3,387,387	3,387,387
<b>Total gross carrying amount</b>	<b>96,787,537</b>	<b>7,389,794</b>	<b>5,024,077</b>	<b>109,201,408</b>
Loss allowance	(1,908,973)	(704,322)	(3,271,183)	(5,884,478)
<b>Carrying amount</b>	<b>94,878,564</b>	<b>6,685,472</b>	<b>1,752,894</b>	<b>103,316,930</b>
<i>Credit cards</i>				
Not overdue	19,121,762	260,147	-	19,381,909
Overdue less than 30 days	379,307	30,679	-	409,986
Overdue 31-90 days	-	327,373	-	327,373
Overdue 91-180 days	-	-	289,181	289,181
Overdue 181-360 days	-	-	500,108	500,108
<b>Total gross carrying amount</b>	<b>19,501,069</b>	<b>618,199</b>	<b>789,289</b>	<b>20,908,557</b>
Loss allowance	(73,405)	(84,374)	(480,501)	(638,280)
<b>Carrying amount</b>	<b>19,427,664</b>	<b>533,825</b>	<b>308,788</b>	<b>20,270,277</b>

## 11 Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise:

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
<b>ASSETS</b>		
<b>Financial derivatives</b>		
Foreign currency swap transactions	718,415	681,000
Foreign currency spot transactions	105,026	114,930
	<b>823,441</b>	<b>795,930</b>
<b>LIABILITIES</b>		
<b>Derivative financial instruments</b>		
Foreign currency swap transactions	(3,232,681)	(186,501)
Foreign currency spot transactions	(105,060)	(114,582)
	<b>(3,337,741)</b>	<b>(301,083)</b>

As at 30 June 2019 and 31 December 2018, the unrealised gains and losses on unmatured contracts, together with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate, as follows:

Type of instrument	Notional amount'000	Maturity	30 June 2019, unaudited		Fair value, assets, KZT'000	Counter-party
			Payments to be made by the Bank '000	Payments to be received by the Bank '000		
Foreign currency swap	USD 17,790	25/10/2019	EUR 15,000 at maturity	USD 17,790 at maturity	219,840	PPF Banka a.s.
Foreign currency swap	USD 17,663	30/10/2019	EUR 15,000 at maturity	USD 17,663 at maturity	170,365	PPF Banka a.s.
Foreign currency swap	USD 11,720	30/10/2019	EUR 10,000 at maturity	USD 11,720 at maturity	92,225	PPF Banka a.s.
Foreign currency swap	USD 26,070	01/11/2019	GBP 20,000 at maturity	USD 26,070 at maturity	195,708	PPF Banka a.s.
Foreign currency swap	USD 10,000	28/12/2020	KZT 3,742,000 at maturity	USD 10,000 at maturity	40,277	PPF Banka a.s.
Foreign currency swap	KZT 4,559,144	01/07/2019	USD 12,000 at maturity	KZT 4,559,144 at maturity	-	KASE
Foreign currency swap	KZT 38,055	01/07/2019	USD 100 at maturity	KZT 38,055 at maturity	-	KASE
<b>Total</b>					<b>718,415</b>	

**11 Financial instruments at fair value through profit or loss, continued**

<b>30 June 2019, unaudited</b>						
<b>Type of instrument</b>	<b>Notional amount '000</b>	<b>Maturity</b>	<b>Payments to be made by the Bank '000</b>	<b>Payments to be received by the Bank '000</b>	<b>Fair value, liabilities, KZT '000</b>	<b>Counter-party</b>
Foreign currency swap	USD 10,000	26/08/2019	KZT 4,000,000 at maturity	USD 10,000 at maturity	(136,809)	PPF Banka a.s.
Foreign currency swap	USD 10,000	26/08/2019	KZT 4,005,000 at maturity	USD 10,000 at maturity	(141,710)	PPF Banka a.s.
Foreign currency swap	USD 10,000	20/09/2019	KZT 4,040,000 at maturity	USD 10,000 at maturity	(145,102)	PPF Banka a.s.
Foreign currency swap	USD 20,000	04/10/2019	KZT 8,103,000 at maturity	USD 20,000 at maturity	(277,847)	PPF Banka a.s.
Foreign currency swap	USD 20,000	18/10/2019	KZT 8,277,000 at maturity	USD 20,000 at maturity	(411,100)	PPF Banka a.s.
Foreign currency swap	EUR 15,000 at maturity	25/10/2019	KZT 7,302,750 at maturity	EUR 15,000 at maturity	(512,347)	PPF Banka a.s.
Foreign currency swap	EUR 15,000 at maturity	30/10/2019	KZT 7,350,000 at maturity	EUR 15,000 at maturity	(544,268)	PPF Banka a.s.
Foreign currency swap	EUR 10,000 at maturity	30/10/2019	KZT 4,905,500 at maturity	EUR 10,000 at maturity	(371,678)	PPF Banka a.s.
Foreign currency swap	GBP 20,000 at maturity	01/11/2019	KZT 10,750,000 at maturity	GBP 20,000 at maturity	(648,039)	PPF Banka a.s.
Foreign currency swap	USD 10,000	28/12/2020	KZT 3,742,000 at maturity	USD 10,000 at maturity	(43,781)	PPF Banka a.s.
<b>Total</b>					<b>(3,232,681)</b>	

<b>31 December 2018.</b>						
<b>Type of instrument</b>	<b>Notional amount '000</b>	<b>Maturity</b>	<b>Payments to be made by the Bank '000</b>	<b>Payments to be received by the Bank '000</b>	<b>Fair value assets, KZT '000</b>	<b>Counter-party</b>
Foreign currency swap	USD 10,000	26/08/2019	KZT 4,000,000 at maturity	USD 10,000 at maturity	63,477	PPF Banka a.s.
Foreign currency swap	USD 10,000	26/08/2019	KZT 4,005,000 at maturity	USD 10,000 at maturity	58,843	PPF Banka a.s.
Foreign currency swap	USD 10,000	20/09/2019	KZT 4,040,000 at maturity	USD 10,000 at maturity	51,481	PPF Banka a.s.
Foreign currency swap	USD 20,000	04/10/2019	KZT 8,103,000 at maturity	USD 20,000 at maturity	85,085	PPF Banka a.s.
Foreign currency swap	USD 17,790	25/10/2019	EUR 15,000 at maturity	USD 17,790 at maturity	73,494	PPF Banka a.s.
Foreign currency swap	USD 17,623	30/10/2019	EUR 15,000 at maturity	USD 17,623 at maturity	22,882	PPF Banka a.s.
Foreign currency swap	USD 26,070	01/11/2019	GBP 20,000 at maturity	USD 26,070 at maturity	102,075	PPF Banka a.s.
Foreign currency swap	USD 19,238 at maturity	04/02/2019	GBP 15,000 at maturity	USD 19,238 at maturity	56,169	PPF Banka a.s.
Foreign currency swap	GBP 15,000 at maturity	04/02/2019	KZT 7,343,100 at maturity	GBP 15,000 at maturity	43,145	PPF Banka a.s.
Foreign currency swap	EUR 15,000 at maturity	07/06/2019	KZT 6,798,000 at maturity	EUR 15,000 at maturity	124,349	PPF Banka a.s.
<b>Total</b>					<b>681,000</b>	

## 11 Financial instruments at fair value through profit or loss, continued

Type of instrument	Notional amount'000	Maturity	31 December 2018		Fair value, liabilities, KZT'000	Counter-party
			Payments to be made by the Bank '000	Payments to be received by the Bank '000		
Foreign currency swap	USD 20,000	18/10/2019	KZT 8,277,222 at maturity	USD 20,000 at maturity	(46,256)	PPF Banka a.s.
Foreign currency swap	EUR 15,000 at maturity	25/10/2019	KZT 7,302,750 at maturity	EUR 15,000 at maturity	(15,816)	PPF Banka a.s.
Foreign currency swap	EUR 15,000 at maturity	30/10/2019	KZT 7,350,000 at maturity	EUR 15,000 at maturity	(44,975)	PPF Banka a.s.
Foreign currency swap	USD 11,720	30/10/2019	EUR 10,000 at maturity	USD 11,720 at maturity	(5,367)	PPF Banka a.s.
Foreign currency swap	EUR 10,000 at maturity	30/10/2019	KZT 4,905,500 at maturity	EUR 10,000 at maturity	(34,956)	PPF Banka a.s.
Foreign currency swap	GBP 20,000 at maturity	01/11/2019	KZT 10,750,000 at maturity	GBP 20,000 at maturity	(39,131)	PPF Banka a.s.
<b>Total</b>					<b>(186,501)</b>	

## 12 Deposits and balances from banks

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
Loro accounts	213,927	137,107
Term deposits	44,029,459	53,471,742
Sale and repurchase agreements	9,310,275	8,763,233
	<b>53,553,661</b>	<b>62,372,082</b>

As at 30 June 2019 the Bank has two counterparties whose balances exceeded 10% of the Bank's equity (31 December 2018: two counterparties). As at 30 June 2019 these balances amounted to KZT 28,967,622 thousand, unaudited (31 December 2018: KZT 40,083,874 thousand).

As at 30 June 2019 amounts payable under sale and repurchase agreements were secured by investment securities with fair of value KZT 9,489,120 thousand, unaudited (31 December 2018: KZT 9,458,245 thousand). These transactions are conducted under terms that are usual and customary to standard lending activities.



### 13 Current accounts and deposits from customers

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
Corporate		
- Current accounts	423,651	2,015,611
- Term deposits	74,388,298	60,413,406
<b>Current accounts and deposits from corporate customers</b>	<b>74,811,949</b>	<b>62,429,017</b>
Retail		
- Current accounts	14,597,477	13,756,609
- Term deposits	64,300,087	65,470,936
<b>Current accounts and deposits from retail customers</b>	<b>78,897,564</b>	<b>79,227,545</b>
	<b>153,709,513</b>	<b>141,656,562</b>

As at 30 June 2019, the Bank has one customer (31 December 2018: one customer), whose balances exceeded 10% of the Bank's equity. As at 30 June 2019 these balances amounted to KZT 10,026,160 thousand, unaudited (31 December 2018: KZT 6,347,376 thousand).

### 14 Debt securities issued

During the six months ended 30 June 2019 the Bank has repaid KZT-denominated unsecured bonds of the first issue, as part of the second bond programme, with the nominal value of KZT 6,768,502 thousand, which mature in February 2019 and bear a fixed coupon rate of 9.5%.

### 15 Other borrowed funds

	Issue date	Maturity date	Currency	Weighted- average effective interest rate, %	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
Other borrowed funds						
Unsecured loans and borrowings*	09/08/2018	31/12/2020	USD	7.60	9,519,275	15,380,977
Unsecured loans and borrowings	27/12/2018	27/12/2019	KZT	12.5	5,494,048	5,482,295
Unsecured loans and borrowings	04/07/2018	27/06/2019	EUR	4.80	-	6,593,186
Unsecured loans and borrowings **	09/08/2018	27/06/2019	USD	7.40	-	8,459,350
					<b>15,013,323</b>	<b>35,915,808</b>

\*prolonged till 31 December 2020

\*\*early repaid in March 2019

## 16 Movements in other borrowed funds, debt securities issued

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Total
	Other borrowed funds	Debt securities issued	
<b>KZT'000</b>			
Balance at 1 January 2019	35,915,808	50,542,872	86,458,680
<b>Changes from financing cash flows</b>			
Repayment of other borrowed funds	(20,458,350)	-	(20,458,350)
Proceeds from issued of debt securities		52,450	52,450
Repayment of debt securities		(6,768,502)	(6,768,502)
<b>Total changes from financing cash flows</b>	<b>(20,458,350)</b>	<b>(6,716,052)</b>	<b>(27,174,402)</b>
<b>The effect of changes in foreign exchange rate</b>	<b>(439,694)</b>	<b>-</b>	<b>(439,694)</b>
<b>Other changes</b>			
Interest expense	1,214,138	3,036,717	4,250,855
Interest paid	(1,218,579)	(2,206,536)	(3,425,115)
<b>Balance at 30 June 2019 (unaudited)</b>	<b>15,013,323</b>	<b>44,657,001</b>	<b>59,670,324</b>

	Liabilities		Total
	Other borrowed funds	Debt securities issued	
<b>KZT'000</b>			
Balance at 1 January 2018	14,911,830	22,158,530	37,070,360
<b>Changes from financing cash flows</b>			
Proceeds from other borrowed funds	21,146,960	-	21,146,960
Repayment of other borrowed funds	(9,894,300)	-	(9,894,300)
<b>Total changes from financing cash flows</b>	<b>11,252,660</b>	<b>-</b>	<b>11,252,660</b>
<b>The effect of changes in foreign exchange rate</b>	<b>(74,088)</b>	<b>-</b>	<b>(74,088)</b>
<b>Other changes</b>			
Interest expense	373,486	1,425,252	1,798,738
Interest paid	(373,199)	(1,384,003)	(1,757,202)
<b>Balance at 30 June 2018 (unaudited)</b>	<b>26,090,689</b>	<b>22,199,779</b>	<b>48,290,468</b>

## 17 Certificates of deposit

During the six months ended 30 June 2019 the Bank issued to individuals unsecured 1-year bank certificates of deposit, which bear a fixed interest rate of 15% per annum to be paid at maturity, unaudited (31 December 2018: unsecured 1-year bank certificates of deposit to individuals, which bear a fixed interest rate of 15% per annum to be paid at maturity).

## 18 Equity

### (a) Issued capital

As at 30 June 2019 the authorised share capital comprised 160,240 ordinary shares (31 December 2018: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2018: 34,890 ordinary shares). The shares do not have nominal value.

### (b) Dividends

The amount of available for distribution reserves of the Bank is based on the actual values of the capital adequacy ratios of the bank k1, k1-2 and k2, taking into account the equity buffers, which must be at least equal to the capital adequacy ratios established by the legislation of the Republic of Kazakhstan, taking into account these equity buffers. In the event that the actual values of the Bank's capital ratios k1, k1-2 and k2 are not lower than those established by the legislation of the Republic of Kazakhstan, but any of these ratios is lower than the established values of capital adequacy ratios taking into account the equity buffers, then the use of retained earnings of the Bank is subject to a restriction according to the minimum amount of the restriction of undistributed net income in accordance with the legislation of the Republic of Kazakhstan, regarding the termination of payment of dividends and redemption of shares, except for cases stipulated by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

## 18 Equity, continued

### (b) Dividends, continued

As at 30 June 2019 reserves available for distribution amounted to KZT 13,587,377 thousand, unaudited (31 December 2018: KZT 11,318,663 thousand).

During the six months ended 30 June 2019, the Bank has declared and paid dividends of KZT 9,000,015 thousand or KZT 257,954 per share (for the six months ended 30 June 2018: no dividends were declared or paid by the Bank).

## 19 Book value per share

The calculation of book value per share as at 30 June 2019 is based on the number of outstanding ordinary shares of 34,890, unaudited (31 December 2018: 34,890) and net assets calculated in accordance with the Listing Rules of Kazakhstan Stock Exchange as follows:

	<b>Unaudited 30 June 2019 KZT'000</b>	<b>31 December 2018 KZT'000</b>
Total assets	372,697,495	371,393,409
Intangible assets	(3,863,436)	(4,150,760)
Total liabilities	(299,428,955)	(308,463,864)
<b>Net assets</b>	<b>69,405,104</b>	<b>58,778,785</b>

The following table shows the book value per share calculations as at 30 June 2019 and 31 December 2018:

	<b>Unaudited 30 June 2019</b>	<b>31 December 2018</b>
Net assets, KZT'000	69,405,104	58,778,785
Outstanding number of ordinary shares at the end of the year, share	34,890	34,890
<b>Book value per share (in KZT)</b>	<b>1,989,255</b>	<b>1,684,689</b>

## 20 Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding during the period calculated as follows:

	<b>Unaudited 30 June 2019</b>	<b>Unaudited 30 June 2018</b>
Net profit attributable to ordinary shareholders, KZT'000	19,280,222	10,827,691
Weighted average number of ordinary shares	34,890	34,890
<b>Earnings per share, in KZT (basic and diluted)</b>	<b>552,600</b>	<b>310,338</b>

There are no potentially dilutive shares for the periods ended 30 June 2019 and 30 June 2018.

## 21 Analysis by segment

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank), whose operating results are regularly reviewed by the chief operating decision maker, the Management Board, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Assets are concentrated primarily in the Republic of Kazakhstan, and the majority of revenues and net income are derived from operations in, and connected with the Republic of Kazakhstan.

## **22 Risk management**

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

### **(a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk and interest rate risk. Market risk arises from volatile currency and interest rates together with adverse pricing of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

The Management Board is the authority for market risk control and strategy. Market risk limits such as open currency position volumes, currency gaps, net interest rate margins and spreads are under control of a Market Risks Unit reported to the local CRO. The Board of Directors approves market risk limits based on the recommendations of the Market Risks Unit.

No significant fluctuations in foreign currency exchange rates and/or interest rates took place from 31 December 2018, which is the date of the Bank's most recent financial statements

### **(b) Credit risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (retail);
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

The Portfolio reporting unit develops scoring models and data verification procedures for credit approval purposes.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

For the analysis of the credit risk in respect of loans to retail customers refer to Note 10.

No significant changes in credit quality have occurred for other types of financial assets as at 30 June 2019 as compared with 31 December 2018.

## 22 Risk management, continued

### (c) Liquidity risk

The following tables show undiscounted cash flows on financial liabilities and unrecognised credit-related commitments on the basis of their remaining contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flows on the financial liability or commitment.

At 30 June 2019 (unaudited) KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
<b>Non-derivative liabilities</b>							
Deposits and balances from banks	8,982,384	14,433,080	6,533,266	4,537,348	21,936,656	56,422,734	53,553,661
Current accounts and deposits from customers	32,319,473	10,682,795	43,983,705	42,598,409	34,021,577	163,605,959	153,709,513
Debt securities issued	-	-	11,944,273	12,409,932	31,435,882	55,790,087	44,657,001
Other borrowed funds	59,201	299,253	5,844,963	365,520	9,888,812	16,457,749	15,013,323
Certificates of deposit	212,173	442,561	6,605,391	8,331,891	842,053	16,434,069	14,990,467
Lease liabilities	173,169	185,992	278,942	1,432,405	3,846,646	5,917,154	3,354,794
Other financial liabilities	4,871,511	1,025,893	-	514	7,045	5,904,963	5,904,963
<b>Total non-derivative liabilities</b>	<b>46,617,911</b>	<b>27,069,574</b>	<b>75,190,540</b>	<b>69,676,019</b>	<b>101,978,671</b>	<b>320,532,715</b>	<b>291,183,722</b>
Credit related commitments	30,213,081	-	-	-	-	30,213,081	30,213,081
<b>Derivative liabilities</b>							
<i>Gross settled derivative liabilities</i>	-	-	-	-	-	-	3,337,741
- Inflow	(105,060)	(11,415,900)	(42,191,600)	-	(3,805,300)	(57,517,860)	-
- Outflow	105,060	12,045,000	46,688,250	-	3,742,000	62,580,310	-

## 22 Risk management, continued

### (c) Liquidity risk, continued

At 31 December 2018 KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 Months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
<b>Non-derivative liabilities</b>							
Deposits and balances from banks	7,865,641	4,795,272	3,027,882	49,555,104	-	65,243,899	62,372,082
Current accounts and deposits from customers	25,192,968	21,985,609	22,174,169	60,874,797	18,390,890	148,618,433	141,656,562
Debt securities issued	-	7,081,379	-	10,930,552	43,949,217	61,961,148	50,542,872
Other borrowed funds	57,292	634,261	15,748,536	21,340,040	-	37,780,129	35,915,808
Certificates of deposit	89,980	-	732,565	7,736,844	-	8,559,389	7,673,418
Other financial liabilities	6,202,288	1,415,495	-	413	44	7,618,240	7,618,240
<b>Total non-derivative liabilities</b>	<b>39,408,169</b>	<b>35,912,016</b>	<b>41,683,152</b>	<b>150,437,750</b>	<b>62,340,151</b>	<b>329,781,238</b>	<b>305,778,982</b>
Credit related commitments	19,589,067	-	-	-	-	19,589,067	19,589,067
<b>Derivative liabilities</b>							
<i>Gross settled derivative liabilities</i>	-	-	-	-	-	-	301,083
- Inflow	-	(14,712,998)	(6,590,550)	(82,371,168)	-	(103,674,716)	-
- Outflow	-	14,665,050	6,798,000	86,070,650	-	107,533,700	-

In accordance with Kazakhstan legislation, individuals and legal entities can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

## 22 Risk management, continued

### (c) Liquidity risk, continued

The breakdown of the carrying amount of such deposits, by each time band, is as follows:

	<b>Unaudited 30 June 2019 KZT'000</b>	<b>31 December 2018 KZT'000</b>
Demand and less than 1 month	16,271,049	8,387,270
From 1 to 3 months	8,842,721	20,172,988
From 3 to 6 months	41,776,721	21,741,015
From 6 to 12 months	40,085,966	58,404,614
More than 1 year	31,711,928	17,178,455
	<b>138,688,385</b>	<b>125,884,342</b>

## 23 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBRK the Bank has to maintain: a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 30 June 2019, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.055, unaudited (31 December 2018: 0.055) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.080, unaudited (31 December 2018: 0.080). The Bank was in compliance with the statutory capital requirements as at 30 June 2019, unaudited, and 31 December 2018.

## 23 Capital management, continued

The following table shows the composition of the Bank’s capital position calculated in accordance with the requirements of the NBRK:

	<b>Unaudited 30 June 2019 KZT’000</b>	<b>31 December 2018 KZT’000</b>
<b>Tier 1 capital</b>		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	48,656,663	33,930,452
Profit for the period	19,280,222	23,726,226
Intangible assets	(3,863,436)	(4,150,760)
Fair value reserve	132,152	73,364
<b>Total tier 1 capital</b>	<b>69,405,104</b>	<b>58,778,785</b>
<b>Total tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>69,405,104</b>	<b>58,778,785</b>
<b>Total credit risk-weighted assets</b>	<b>440,027,443</b>	<b>416,603,663</b>
<b>Total credit risk-weighted assets and liabilities, including market and operational risk</b>	<b>515,389,302</b>	<b>465,989,998</b>
<b>Ratio of total capital to credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)</b>	<b>13.5%</b>	<b>12.6%</b>
<b>Ratio of total tier 1 capital to credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)</b>	<b>13.5%</b>	<b>12.6%</b>

The Bank’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

## 24 Credit related commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced.

	<b>Unaudited 30 June 2019 KZT’000</b>	<b>31 December 2018 KZT’000</b>
<b>Contracted amount</b>		
Loan and credit line commitments	30,213,081	19,589,067
	<b>30,213,081</b>	<b>19,589,067</b>

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 30 June 2019 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank’s equity (31 December 2018: none).



## 25 Related party transactions

### (a) Control relationships

The Bank’s parent company is Home Credit and Finance Bank (Russia). The Bank’s ultimate controlling owner is Petr Kellner. The Bank’s parent company issues publicly available financial statements.

### (b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the six months ended 30 June 2019 and 30 June 2018 was as follows:

	Unaudited Six months ended 30 June 2019 KZT’000	Unaudited Six months ended 30 June 2018 KZT’000
Members of the Board of Directors	205,701	920,443
Members of the Management Board	799,420	234,766
	<b>1,005,121</b>	<b>1,155,209</b>

The outstanding balances and average interest rates as at 30 June 2019 and 31 December 2018 for transactions with members of the Board of Directors and the Management Board were as follows:

	Unaudited 30 June 2019 KZT’000	Average interest rate, %	31 December 2018 KZT’000	Average interest rate, %
<b>Condensed interim statement of financial position</b>				
<b>LIABILITIES</b>				
Current accounts and deposits from customers	41,234	1.18	13,814	0.62

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the six months ended 30 June 2019 and 30 June 2018 were as follows:

	Unaudited Six months ended 30 June 2019 KZT’000	Unaudited Six months ended 30 June 2018 KZT’000
<b>Condensed interim statement of profit or loss and other comprehensive income</b>		
Interest expense	212	499
	<b>212</b>	<b>499</b>

## 25 Related party transactions, continued

### (c) Transactions with the parent

As at 30 June 2019 and 31 December 2018 transactions with the parent included in the condensed interim statement of financial position were as follows:

	Unaudited 30 June 2019 KZT'000	Average interest rate, %	31 December 2018 KZT'000	Average interest rate, %
<b>Condensed interim statement of financial positions</b>				
<b>ASSETS</b>				
Cash and cash equivalent				
-In USD	137	-	138	-
-In EUR	137	-	139	-
-In RUB	44	-	40	-
<b>LIABILITIES</b>				
Deposits and balances from banks				
-In KZT	3	-	3	-
-In USD	19,657,345	7.90	31,320,638	7.43

During six months ended 30 June 2019 and 30 June 2018 transactions with the parent included in the condensed interim statement of profit or loss and other comprehensive income were as follows:

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
<b>Condensed interim statement of profit or loss and other comprehensive income</b>		
<b>Interest expense</b>		
Deposits and balances from banks		
- In USD	814,490	22,936
	<b>814,490</b>	<b>22,936</b>

### (d) Transactions with entities controlled by the ultimate controlling owner

As at 30 June 2019 and 31 December 2018 balances with entities controlled by the ultimate controlling owner included in the condensed interim statement of financial position were as follows:

## 25 Related party transactions, continued

### (d) Transactions with entities controlled by the ultimate controlling owner, continued

	Unaudited 30 June 2019 KZT'000	Average interest rate, %	31 December 2018 KZT'000	Average interest rate, %
<b>Condensed interim statement of financial position</b>				
<b>ASSETS</b>				
Financial instruments at fair value through profit or loss				
-In EUR	3,598,895	-	2,473,653	0.001
Property, equipment and intangible assets*				
-In KZT	3,040,506	-	3,120,457	-
Financial instruments at fair value through profit or loss				
- In KZT/USD	718,415	-	681,000	-
Other assets				
- In EUR	359,873	-	-	-
<b>LIABILITIES</b>				
Deposits and balances from banks				
- In KZT	213,543	-	136,720	-
- In EUR	2,170,453	4.0	-	-
Current accounts and deposits of customers				
- In USD	5,711,175	6.78	-	-
Other borrowed funds				
- In USD	9,519,275	7.60	23,840,327	7.53
- In EUR	-	-	6,593,186	4.80
Financial instruments at fair value through profit or loss				
- In KZT	3,232,681	-	186,501	-
Debt securities issued				
- in KZT	5,015,225	13.0	-	-
Other financial liabilities				
- In EUR	903,067	-	1,588,310	-

\* During the six months ended 30 June 2019, the Bank has purchased licenses for development of IT systems from the related party for the total amount of KZT 420,364 thousand, unaudited (six months ended 30 June 2018: KZT 776,260 thousand, unaudited). These licenses were recognised as intangible assets.

## 25 Related party transactions, continued

### (d) Transactions with entities controlled by the ultimate controlling owner, continued

During the six months ended 30 June 2019 and 30 June 2018 transactions with entities controlled by the ultimate controlling owner included in the condensed interim statement of profit or loss and other comprehensive income were as follows:

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
<b>Condensed interim statement of profit or loss and other comprehensive income</b>		
<b>Interest expense</b>		
Current accounts and deposits from customers		
- In USD	3,219	-
	<b>3,219</b>	<b>-</b>
Other borrowed funds		
- In USD	707,725	54,699
- In EUR	151,851	8,700
	<b>859,576</b>	<b>63,399</b>
Deposits and balances from banks		
- In EUR	5,040	-
	<b>5,040</b>	<b>-</b>
Debt securities issued	20,051	-
- In KZT	<b>20,051</b>	<b>-</b>
<b>Net loss on financial instruments at fair value through profit or loss</b>		
- In USD	3,391,234	1,032,800
	<b>3,391,234</b>	<b>1,032,800</b>
<b>General administrative expenses</b>		
General administrative expenses	<b>2,514,055</b>	<b>2,038,557</b>

## 26 Financial assets and liabilities: fair values and accounting classifications

### (a) Accounting classifications 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, unaudited:

<b>KZT'000</b>	<b>FVTPL</b>	<b>FVOCI</b>	<b>Amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	-	-	47,213,143	47,213,143	47,213,143
Placements with banks	-	-	3,598,895	3,598,895	3,598,895
Loans to customers	-	-	282,351,210	282,351,210	284,457,077
Investment securities	-	17,049,268	-	17,049,268	17,049,268
Financial instruments at fair value through profit or loss	823,441	-	-	823,441	823,441
Other financial assets	-	-	1,779,747	1,779,747	1,779,747
	<b>823,441</b>	<b>17,049,268</b>	<b>334,942,995</b>	<b>352,815,704</b>	<b>354,921,571</b>
Financial instruments at fair value through profit or loss	3,337,741	-	-	3,337,741	3,337,741
Deposits and balances from banks	-	-	53,553,661	53,553,661	53,629,139
Current accounts and deposits from customers	-	-	153,709,513	153,709,513	160,373,001
Debt securities issued	-	-	44,657,001	44,657,001	45,811,173
Other borrowed funds	-	-	15,013,323	15,013,323	15,185,543
Certificates of deposits	-	-	14,990,467	14,990,467	14,990,467
Lease liabilities	-	-	3,354,794	3,354,794	3,354,794
Other financial liabilities	-	-	5,904,963	5,904,963	5,904,963
	<b>3,337,741</b>	<b>-</b>	<b>291,183,722</b>	<b>294,521,463</b>	<b>302,586,821</b>

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

<b>KZT'000</b>	<b>FVTPL</b>	<b>FVOCI</b>	<b>Amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	-	-	64,377,045	64,377,045	64,377,045
Placements with banks	-	-	2,473,653	2,473,653	2,473,653
Loans to customers	-	-	267,900,659	267,900,659	270,781,236
Investment securities	-	16,933,243	-	16,933,243	16,933,243
Financial instruments at fair value through profit or loss	795,930	-	-	795,930	795,930
Other financial assets	-	-	2,782,880	2,782,880	2,782,880
	<b>795,930</b>	<b>16,933,243</b>	<b>337,534,237</b>	<b>355,263,410</b>	<b>358,143,987</b>
Financial instruments at fair value through profit or loss	301,083	-	-	301,083	301,083
Deposits and balances from banks	-	-	62,372,082	62,372,082	62,651,178
Current accounts and deposits from customers	-	-	141,656,562	141,656,562	144,756,312
Debt securities issued	-	-	50,542,872	50,542,872	50,733,727
Other borrowed funds	-	-	35,915,808	35,915,808	36,209,983
Certificates of deposits	-	-	7,673,418	7,673,418	7,673,418
Other financial liabilities	-	-	7,618,240	7,618,240	7,618,240
	<b>301,083</b>	<b>-</b>	<b>305,778,982</b>	<b>306,080,065</b>	<b>309,943,941</b>

## **26 Financial assets and liabilities: fair values and accounting classifications, continued**

### **(a) Accounting classifications and fair values, continued**

The estimates of fair value are intended to approximate the price 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, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

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

- average market rates of 28%, 25% and 37% are used for discounting future cash flows from credit cards, POS and cash loans, respectively;
- discount rates of 0.1% – 1.8% and 0.8% - 1.4% are used for discounting future cash flows from USD-denominated deposits of corporate and retail customers, respectively, and 6.4% - 8.3% and 7.6% - 10.0% are used for discounting future cash flows from KZT-denominated deposits of corporate and retail customers, respectively;
- discount rates of 1.7% - 7.6% are used for discounting future cash flows from USD and EUR-denominated deposits and balances from banks and other borrowed funds and 8.2% is used for discounting future cash flows from KZT-denominated deposits and balances from banks and other borrowed funds;
- quoted market prices are used for determination of fair value of debt securities issued.

### **(b) Fair value hierarchy**

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

## 26 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy, continued

- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the condensed interim statement of financial position:

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
	<b>Level 1</b>	
Investment securities		
- pledged under sale and repurchase agreements	9,489,120	9,458,245
	<b>Level 2</b>	
- Corporate bonds	7,560,148	7,474,998
	<b>17,049,268</b>	<b>16,933,243</b>
	<b>Level 2</b>	
Financial instruments at fair value through profit or loss		
- Derivative assets	823,441	795,930
	<b>823,441</b>	<b>795,930</b>
- Derivative liabilities	3,337,741	301,083
	<b>3,337,741</b>	<b>301,083</b>

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2019, unaudited:

KZT'000	Level 2	Level 3	Total fair value	Total carrying amount
<b>Assets</b>				
Cash and cash equivalents	47,213,143	-	47,213,143	47,213,143
Placements with banks and other financial institutions	3,598,895	-	3,598,895	3,598,895
Loans to customers	276,843,890	7,613,187	284,457,077	282,351,210
Other financial assets	1,779,747	-	1,779,747	1,779,747
<b>Liabilities</b>				
Deposits and balances from banks	53,629,139	-	53,629,139	53,553,661
Current accounts and deposits from customers	160,373,001	-	160,373,001	153,709,513
Debt securities issued	45,811,173	-	45,811,173	44,657,001
Other borrowed funds	15,185,543	-	15,185,543	15,013,323
Certificates of deposits	14,990,467	-	14,990,467	14,990,467
Lease liability under IFRS 16	3,354,794	-	3,354,794	3,354,794
Other financial liabilities	5,904,963	-	5,904,963	5,904,963

## 26 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy, continued

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

<b>KZT'000</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>Total carrying amount</b>
<b>Assets</b>				
Cash and cash equivalents	64,377,045	-	64,377,045	64,377,045
Placements with banks and other financial institutions	2,473,653	-	2,473,653	2,473,653
Loans to customers	266,612,610	4,168,626	270,781,236	267,900,659
Other financial assets	2,782,880	-	2,782,880	2,782,880
<b>Liabilities</b>				
Deposits and balances from banks	62,651,178	-	62,651,178	62,372,082
Current accounts and deposits from customers	144,756,312	-	144,756,312	141,656,562
Debt securities issued	50,733,727	-	50,733,727	50,542,872
Other borrowed funds	36,209,983	-	36,209,983	35,915,808
Certificates of deposits	7,673,418	-	7,673,418	7,673,418
Lease liability under IFRS 16	7,618,240	-	7,618,240	7,618,240