House Construction Savings Bank of Kazakhstan JSC

International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report

31 December 2015

Content

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of House Construction Savings Bank of Kazakhstan JSC

We have audited the accompanying financial statements of House Construction Savings Bank of Kazakhstan JSC, which comprise the statement of financial position as at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of House Construction Savings Bank of Kazakhstan JSC as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

26 February 2016
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Derek Clark
Audit Partner
Assurance Partner
(Certificate of the Institute of Chartered Accountants in Australia №26312; Special Power of Attorney # 25-14 dated 3 October 2014)

Signed by:

Aigule Akhmetova
Auditor in charge
(Qualified Auditor's Certificate №00000083 dated 27 August 2012)

House Construction Savings Bank of Kazakhstan JSC
Statement of Financial Position

(in thousands of Kazakhstani Tenge)	Note	2015	2014
ASSETS			
Cash and cash equivalents	6	35,430,300	30,707,667
Trading securities	7	4,842,768	5,110,424
Due from other banks	8	29,145,901	37,654,713
Loans and advances to customers	9	276,153,740	200,323,848
Investment securities available for sale	10	123,330,827	144,433,224
Premises and equipment	11	4,103,962	3,816,528
Intangible assets	11	820,659	485,743
Other assets	12	235,533	459,873
TOTAL ASSETS		**474,063,690**	**422,992,020**
LIABILITIES			
Customer accounts	13	301,032,888	251,012,932
Borrowed funds	14	61,464,087	60,101,137
Deferred tax liabilities	21	440,931	788,506
Other liabilities	15	3,543,447	2,907,754
TOTAL LIABILITIES		**366,481,353**	**314,810,329**
EQUITY			
Share capital	16	78,300,000	78,300,000
Additional paid-in capital		10,087,682	10,087,682
Revaluation reserve for investment securities available for sale		(8,285,436)	380,066
Other reserves		3,389,604	3,389,604
Retained earnings		24,090,487	16,024,339
TOTAL EQUITY		**107,582,337**	**108,181,691**
TOTAL LIABILITIES AND EQUITY		**474,063,690**	**422,992,020**

Zhumagulov Aibatyr Nyshanbayevich
Chairman of the Board

Kisina Gulnar Karimovna
Chief Accountant

26 February 2016

(in thousands of Kazakhstani Tenge)	Note	2015	2014
Interest income	17	33,845,227	25,119,985
Interest expense	17	(6,480,391)	(5,564,642)
Net interest income		**27,364,836**	**19,555,343**
(Provision) / Recovery for loan impairment	9	(196,168)	597,042
Net interest income after (provision) / recovery for loan impairment		**27,168,668**	**20,152,385**
Fee and commission income	18	794,985	673,907
Fee and commission expense	18	(839,603)	(647,451)
Losses on initial recognition of assets at rates below market		(575,449)	(229,793)
Losses from trading securities		(193,058)	(103)
(Losses)/recovery of losses from impairment of investment securities available for sale		(1,617)	19,486
Losses from disposals of investment securities available for sale		-	(18,956)
Gains less losses from trading in foreign currencies		138,188	(78)
Other operating expenses	19	(793,993)	(688,701)
Administrative and other operating expenses	20	(8,519,935)	(6,714,689)
Profit before tax		**17,178,186**	**12,546,007**
Income tax expense	21	(1,945,944)	(992,718)
PROFIT FOR THE YEAR		**15,232,242**	**11,553,289**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
- Gains less losses arising from revaluation		(8,665,502)	1,666,842
- Gains less losses reclassified to profit or loss		-	19,691
Other comprehensive income for the year		**(8,665,502)**	**1,686,533**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,566,740**	**13,239,822**
Earnings per share for profit attributable to the shareholder of the Bank, basic and diluted (expressed in Kazakhstani Tenge per share)	28	**1,945**	**1,476**

House Construction Savings Bank of Kazakhstan JSC
Statement of Changes in Equity

(in thousands of Kazakhstani Tenge)	Share capital	Additional paid-in capital	Revaluation reserve for AFS investment securities	Other reserves	Retained earnings	Total equity
Balance at 1 January 2014	**78,300,000**	**10,026,675**	**(1,306,467)**	**3,389,604**	**6,270,227**	**96,680,039**
Profit for the year	-	-	-	-	11,553,289	11,553,289
Other comprehensive income	-	-	1,686,533	-	-	1,686,533
Total comprehensive income for 2014	-	-	1,686,533	-	11,553,289	13,239,822
Dividends declared	-	-	-	-	(1,799,177)	(1,799,177)
Discount on loans received from the Government	-	61,007	-	-	-	61,007
Balance at 31 December 2014	**78,300,000**	**10,087,682**	**380,066**	**3,389,604**	**16,024,339**	**108,181,691**
Profit for the year	-	-	-	-	15,232,242	15,232,242
Other comprehensive income	-	-	(8,665,502)	-	-	(8,665,502)
Total comprehensive income for the period	**-**	**-**	**(8,665,502)**	**-**	**15,232,242**	**6,566,740**
Dividends declared	-	-	-	-	(7,166,094)	(7,166,094)
Balance at 31 December 2015	**78,300,000**	**10,087,682**	**(8,285,436)**	**3,389,604**	**24,090,487**	**107,582,337**

(in thousands of Kazakhstani Tenge)	Note	2015	2014
Cash flows from operating activities			
Interest received		32,772,833	25,219,657
Interest paid		(3,944,637)	(3,015,623)
Fees and commissions received		794,985	673,907
Fees and commissions paid		(839,603)	(647,451)
Staff costs paid		(5,153,471)	(4,628,011)
Administrative and other operating expenses paid		(3,298,747)	(2,389,189)
Income tax paid		(2,235,160)	(1,182,709)
Cash flows from operating activities before changes in operating assets and liabilities		**18,096,200**	**14,030,581**
Net (decrease)/increase in:			
- trading securities		-	(4,980,000)
- due from other banks		7,730,625	(25,650,000)
- loans and advances to customers		(75,731,709)	(54,684,085)
- other assets		166,823	(71,947)
Net (decrease)/increase in:			
- customer accounts		48,847,152	54,212,109
- other financial liabilities		435,265	417,287
Net cash used in operating activities		**(455,644)**	**(16,726,055)**
Cash flows from investing activities			
Acquisition of premises and equipment		(758,825)	(1,172,849)
Acquisition of intangible assets		(526,617)	(225,315)
Proceeds from disposal of premises and equipment		67	176
Acquisition of investment securities available for sale		-	(42,722,682)
Acquisition of investment securities held to maturity		(10,866,100)	-
Proceeds from redemption of investment securities held to maturity		11,000,000	-
Proceeds from disposal and redemption of investment securities available for sale		13,356,757	46,232,318
Net cash from/(used in) investing activities		**12,205,282**	**2,111,648**
Cash flows from financing activities			
Dividends paid	16	(7,166,094)	(1,799,177)
Net cash used in financing activities		**(7,166,094)**	**(1,799,177)**
Effect of exchange rate changes on cash and cash equivalents		**139,089**	-
Net increase/(decrease) in cash and cash equivalents		**4,722,633**	**(16,413,584)**
Cash and cash equivalents at the beginning of the year	6	30,707,667	47,121,251
Cash and cash equivalents at the end of the year		**35,430,300**	**30,707,667**

1 Introduction

These financial statements of the House Construction Savings Bank of Kazakhstan JSC (the "Bank") are prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2015.

The Bank was established in accordance with Resolution of Government of the Republic of Kazakhstan No.364 dated 16 April 2003 with a 100% state participation in the charter capital for the purpose of development of housing construction savings system in the Republic of Kazakhstan.

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

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

The ultimate controlling party of the Bank is the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 27.

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

In accordance with the Resolution of Government of the Republic of Kazakhstan No.728 dated 28 June 2014 concerning the approval of the Program for development of the regions till 2020, the Bank participates in implementation of this Program related to the development of housing construction ensuring affordability of housing to people at large through the system of housing construction savings.

The Bank has the following licenses to conduct its business:

1) License of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA" or "FMSC") for banking and other operations performed by banks, in national and in foreign currencies, No.254/1 dated 20 August 2007;

2) License of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations for dealing on the securities market without right to operate client's accounts, No.0402100283 dated 26 November 2005.

Registered address and place of business. The Bank's registered legal address is: 91, Abylay Khan avenue, 050000, Almaty, Republic of Kazakhstan.

As at 31 December 2015, the Bank had 17 regional branches and 15 service centers throughout Kazakhstan (in 2014: 17 regional branches and 15 service centers).

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

According to the Resolution of the Management Board of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations №162 dated 25 June 2007, the Bank was granted the status of a financial agency.

1 Introduction (continued)

Moody's rating agency affirmed the Bank the following ratings:

- Baa3 (stable);
- Short-term rating on deposits in the national currency: Prime-3 (stable);
- Rating of financial stability of banks: D- (stable).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB+ / Stable;
- Short-term IDR in national currency: F2;
- National Long-term rating: AAA (kaz) / Stable;
- Support Rating: 2;
- The level of support rating: BBB+

Presentation currency. These financial statements are presented in Kazakhstani Tenge.

2 Operating environment of the Bank

Republic of Kazakhstan. In general, the economy of the Republic of Kazakhstan continues to displays characteristics of an emerging market. Its economy is particularly sensitive to prices on oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Low prices on oil and other commodities, ongoing political tension in the region, volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

On 20 August 2015 the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of new monetary policy, which is based on inflation targeting regime, cancellation of exchange rate trading band and start a free floating eoxchange rate. As the result, during the period of August-December 2015 the exchange rate of Tenge has varied from 187 to 350 tenge per 1 US Dollar. As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 349.81 per USD 1, compared to Tenge 339.47 per USD 1 as at 31 December 2015 (31 December 2014: Tenge 182.35 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge and future action of National Bank and the Government of the Republic of Kazakhstan and the impact of these factors on the economy of the Republic of Kazakhstan.

In mid-January 2016, Standard & Poor's materially lowered its oil price assumptions for the period 2016-2019. Since Kazakhstan's economy depends heavily on the oil sector S&P now expects GDP growth to stagnate or to contract modestly in 2016, according to the press release.

Accordingly, in February 2016 Standard & Poor's Ratings Services lowered its long-term foreign and local currency sovereign credit ratings on the Republic of Kazakhstan to 'BBB-' from 'BBB'. At the same time, S&P lowered the short-term foreign and local currency ratings to 'A-3' from 'A-2' and the Kazakhstan national scale rating to 'kzAA' from 'kzAA+'. The outlook on the long-term ratings is negative.

The negative outlook reflects S&P's view of risks to Kazakhstan's external and monetary profiles under the current weak and volatile global commodity environment. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Bank's operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

2 Operating environment of the Bank (continued)

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

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

3 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Going concern. Management prepared these financial statements on a going concern basis.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date the average of actual trading prices on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

3 Summary of significant accounting policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). No transfers between levels of the fair value hierarchy have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

3 Summary of significant accounting policies (continued)

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the NBRK and all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists.

The Bank may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Bank's right to receive the dividend payment is established, and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

3 Summary of significant accounting policies (continued)

The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year.

3 Summary of significant accounting policies (continued)

Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Premises	8 – 100
Vehicles	5 – 7
Office and computer equipment	2 – 10
Other	3 – 20

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Bank's intangible assets primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised intangible assets are amortised on a straight line basis over expected useful lives:

	Useful lives in years
Licenses	3-20
Computer software	1-14

3 Summary of significant accounting policies (continued)

Intangible assets with indefinite useful lives are not amortized but tested for annually for impairment.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Borrowed funds. Borrowed funds include loans received from the Government of the Republic of Kazakhstan and Fund of National Welfare "Samruk-Kazyna" JSC.

Loans are carried at amortised cost. Obligations to return securities borrowed and sold to third parties are carried at fair value through profit or loss.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge and credit comprise current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3 Summary of significant accounting policies (continued)

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

4 Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

4 Critical accounting estimates and judgements in applying accounting policies (continued)

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

With effect from 31 December 2014 management revised its approach to calculating the provision on mortgage loans. The Bank adopted a model under which loans overdue for 90 days or more are classified as impaired, whereas earlier it had instead used 60 days or more. The Bank's management changed its approach since the Bank accumulated sufficient historical information and data statistics as compared to past years. Management accounted for the change in approach as a change in accounting estimates and applied prospective approach of accounting.

A provision recovery of Tenge 597,042 thousand was recognised for the year ended 31 December 2014. Management estimates that had the Bank not changed its approach a provision expense of Tenge 605,032 would have instead been recognised, a difference of Tenge 1,202,074 thousand. During 2015 the Bank consistently applied the new approach to impairment. As a results a provision expense for the amount of Tenge 196,168 thousand was recognised for the year ended 31 December 2015.

The whole loan portfolio is divided into homogeneous pools of loans by type of loan programs. The mortgage loans with the overdue for 90 days or more are classified as impaired. They are evaluated on a basis of incurred losses calculated as a difference between carrying value of loans and discounted future cash flows from realisation of collateral against the carrying value of loans. Loss coefficient is calculated as incurred loss divided by carrying value of the pool. Monthly loss ratios relevant for each pool are applied to calculate the impairment of remaining portfolio.

In accordance with internal documents, the Bank performs on monthly basis the sensitivity analysis of loan portfolio with the fall of prices for pledged real estate by 20%, 40%, 50%.

The fall of real estate prices causes negative impact on the borrowing to collateral ratio leading to the increase in provisions. If real estate prices decrease by 20%, 40%, and 50%, provisions for the impairment of loan portfolio will increase by Tenge 182,142 thousand, Tenge 196,964 thousand and Tenge 270,156 thousand respectively (Note 9).

Fair value of financial instruments at rates below market. According to tariff programs of the Bank, housing loans are advanced to the population with an interest rate of 3.5% to 5%. These loans are granted when 50% of savings of the contractual amount are available at the savings account of the potential borrower subject to reaching the estimated index and meeting the minimum period of savings which is not less than three years. The savings interest rate is 2%. The Bank concluded that both loans and savings transactions are sufficiently unique and there are no similar transactions in the market. Following from this, the Bank also concluded that these transactions in themselves constitute a principal or most advantageous market and, hence, transaction price is fair value and no adjustments are required for the loans and savings at their initial recognition.

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

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

4 Critical accounting estimates and judgements in applying accounting policies (continued)

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

During 2015 the Bank recorded a loss in the amount of Tenge 517,182 thousand (2014: Tenge 229,793 thousand) from the initial recognition of loans advanced under the government program at below market rates.

Contingent liability and going concern. The Bank has a contingent obligation to compensate its depositors for the effect of the devaluation of Tenge that took place in August 2015. The details of the contingent liability are disclosed in Note 25. At the date of approving these financial statements the amount payable by the Bank under the scheme cannot be reliably estimated but may be substantial. Management of the Bank believes that the cash outflow from the scheme will not impact the Bank's ability to continue as a going concern.

5 New accounting pronouncements

(i) The following amended standards became effective for the Bank from 1 January 2015, but did not have a material impact on the Bank:

- Amendments to IAS 19 – Defined Benefit Plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below)
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

(ii) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Bank has not early adopted:

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

5 New accounting pronouncements (continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

This standard is xpected to affect significantly the loan impairment provisions of the Bank. The Bank is currently assessing the impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

The adoption of the following new accounting pronouncements is not expected to affect significantly the Bank:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative – Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

6 Cash and cash equivalents

(in thousands of Kazakhstani Tenge)	2015	2014
Reverse sale and repurchase agreements with original maturities of less than three months	24,161,834	18,346,877
Cash balances with the NBRK (other than mandatory reserve deposits)	6,871,340	8,671,241
Mandatory cash balances with the NBRK	1,469,456	1,234,604
Cash on hand	1,379,837	1,954,569
Deposits with other banks with original maturity of less than three months	1,201,850	500,000
Correspondent accounts in other banks	345,983	376
Total cash and cash equivalents	**35,430,300**	**30,707,667**

The credit quality of cash and cash equivalents balances may be summarized based on Standard and Poor's ratings as follows at 31 December 2015:

(in thousands of Kazakhstani Tenge)	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts in other banks	Placements with other banks	Reverse sale and repurchase agreement	Total
Neither past due nor impaired					
- National Bank of Kazakhstan	8,340,796	-	-	-	8,340,796
- BBB- to BBB+ rated	-	-	-	24,161,834	24,161,834
- BB- to BB+ rated	-	322,476	1,201,850	-	1,524,326
- B- to B+ rated	-	23,507	-	-	23,507
Total cash and cash equivalents, excluding cash on hand	**8,340,796**	**345,983**	**1,201,850**	**24,161,834**	**34,050,463**

The credit quality of cash and cash equivalents balances analysed based on Standard and Poor's ratings at 31 December 2014, is as follows:

(in thousands of Kazakhstani Tenge)	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts in other banks	Placements with other banks	Reverse sale and repurchase agreement	Total
Neither past due nor impaired					
- National Bank of Kazakhstan	9,905,845	-	-	-	9,905,845
- BBB- to BBB+ rated	-	-	-	13,317,137	13,317,137
- BB- to BB+ rated	-	-	-	5,029,740	5,029,740
- B- to B+ rated	-	376	500,000	-	500,376
Total cash and cash equivalents, excluding cash on hand	**9,905,845**	**376**	**500,000**	**18,346,877**	**28,753,098**

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

6 Cash and cash equivalents (continued)

The Bank has the right to sell or re-pledge securities with a fair value of 24,161,834 thousand Tenge (2014: Tenge 18,346,877 thousand) received under reverse sale and repurchase agreements. As of 31 December 2015, the Bank had 2 counterparty banks (2014: 3 counterparty banks) with total cash and cash equivalents, exceeding Tenge 500,000 thousand. The aggregate amount of these balances was Tenge 9,861,497 thousand (2014: Tenge 15,435,584 thousand), or 28% of cash and cash equivalents (2014: 50%).

Interest rate analysis of cash and cash equivalents is disclosed in Note 22. Information on transactions with related parties is disclosed in Note 27.

7 Trading securities

(in thousands of Kazakhstani Tenge)	2015	2014
Corporate bonds	4,842,768	5,110,424
Total debt trading securities	**4,842,768**	**5,110,424**

As trading securities are carried at their fair values based on observable market data, the Bank does not analyse or monitor impairment indicators. Analysis by credit quality of debt trading securities is as follows at 31 December 2015 and 2014:

(in thousands of Kazakhstani Tenge)	2015	2014
Neither past due nor impaired (at fair value)		
Corporate bonds		
- BBB- to BBB+ rated	4,842,768	2,777,065
- BB- to BB+ rated	-	2,333,359
Total debt trading securities, neither past due nor impaired	**4,842,768**	**5,110,424**

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

Debt securities are not collateralized.

8 Due from other banks

(in thousands of Kazakhstani Tenge)	2015	2014
Placements with other banks with original maturities of more than three months	29,145,901	37,654,713
Total due from other banks	**29,145,901**	**37,654,713**

Due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2015 and 2014 is as follows:

(in thousands of Kazakhstani Tenge)	2015	2014
Neither past due nor impaired		
- BBB- to BBB+ rated	7,421,261	11,111,222
- BB- to BB+ rated	5,082,916	6,438,344
- B- to B+ rated	16,641,724	20,105,147
Total due from other banks, neither past due nor impaired	**29,145,901**	**37,654,713**

8 Due from other banks (continued)

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

As of 31 December 2015, the Bank had cash balances in five counterparty banks (2014: five banks) with total cash exceeding Tenge 2,006,847 thousand (2014: Tenge 2,661,616 thousand). The total aggregate amount of these balances was Tenge 19,552,233 thousand (2014: Tenge 25,949,895 thousand), or 67% of the total amount held in other banks (2014: 69%).

Refer to Note 24 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

9 Loans and advances to customers

(in thousands of Kazakhstani Tenge)	2015	2014
Housing loans	75,582,470	45,471,940
Preliminary housing loans	68,090,707	42,897,630
Interim housing loans	79,860,249	55,101,760
Preliminary and interim housing loans under governmental program	53,903,208	57,966,692
Less: Provision for loan impairment	(1,282,894)	(1,114,174)
Total loans and advances to customers	**276,153,740**	**200,323,848**

As of December 31, 2015, the Bank had Top 10 borrowers (2014: Top 10 borrowers) with total loan amounts exceeding Tenge 51,949 thousand (2014: 46,401 thousand tenge). The aggregate amount of these loans was Tenge 696,344 thousand (2014: Tenge 559,825 thousand), or 0.25% loan portfolio before allowance for loan impairment (2014: 0.28%).

Movements in the provision for loan impairment during 2015 are as follows:

(in thousands of Kazakhstani Tenge)	2015	2014
Provision for loan impairment at 1 January 2015	**1,114,174**	**2,142,333**
Provision for / (recovery) of impairment during the year	196,168	(597,042)
Amounts written off during the year as uncollectible	(27,448)	(431,117)
Provision for loan impairment at 31 December 2015	**1,282,894**	**1,114,174**

All loans were issued to individuals.

9 Loans and advances to customers (continued)

Information about collateral at 31 December 2015 is as follows:

(in thousands of Kazakhstani Tenge)	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Unsecured loans	5,564	1,466	11,110	17,563	35,703
Loans guaranteed by other individuals	981,685	30,173	491,007	-	1,502,865
Loans collateralised by:					
- residential real estate	73,935,875	67,761,227	77,679,440	53,788,323	273,164,865
- land	515,107	115,165	561,930	-	1,192,202
- other real estate	26,717	20,504	44,874	-	92,095
- cash deposits	34,216	12,891	51,721	41,398	140,226
- residential real estate, deposits and guarantees (multi-collateral)	12,617	1,507	-	11,660	25,784
Total loans and advances to customers	**75,511,781**	**67,942,933**	**78,840,082**	**53,858,944**	**276,153,740**

The amount of deposits held as collateral on loans provided as of 31 December 2015 was 70,921,811 thousand tenge (2014: 47,184,855 thousand tenge).

Loans and advances to customers are allocated by the types of collateral depending on the highest value of collateral, i.e. loan falls within a certain category, if it is collateralised by a pledge that amounts to more than 50 percent of the total cost of pledge.

Information about collateral at 31 December 2014 is as follows:

(in thousands of Kazakhstani Tenge)	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Unsecured loans	3,693	22,695	27,313	21,724	75,425
Loans guaranteed by other individuals	730,949	46,736	1,213,135	-	1,990,820
Loans collateralised by:					
- residential real estate	44,377,998	42,506,804	52,641,931	57,773,146	197,299,879
- land	285,687	120,001	318,605	-	724,293
- other real estate	3,444	16,005	11,949	-	31,398
- cash deposits	28,090	20,702	64,062	47,698	160,552
- residential real estate, deposits and guarantees (multi-collateral)	13,643	1,496	-	26,342	41,481
Total loans and advances to customers	**45,443,504**	**42,734,439**	**54,276,995**	**57,868,910**	**200,323,848**

Loans with collateral in the form of commercial real estate are categorized as other real estate.

9 Loans and advances to customers (continued)

The LTV coefficient represents the ratio of the total carrying amount of loans as of reporting date to the cost of collateral that includes real estate and cash deposits.

Analysis by credit quality of loans outstanding at 31 December 2015 is as follows:

(in thousands of Kazakhstani Tenge)	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Neither past due nor impaired (gross)					
fully collateralised:					
- LTV less than 25%	27,494,381	1,040,592	861,876	5,761,729	35,158,578
- LTV from 25% to 50%	42,330,486	16,945,229	11,994,320	16,224,683	87,494,718
- LTV from 51% to 75%	4,642,532	47,423,580	61,136,953	20,971,930	134,174,995
- LTV from 76% to 100%	31,665	1,136,544	4,231,397	9,888,149	15,287,755
partially collateralised:					
- LTV more than 100%	5,200	4,437	266,811	39,200	315,648
- unsecured	206,401	-	37	17,572	224,010
Total neither past due nor impaired (gross)	**74,710,665**	**66,550,382**	**78,491,394**	**52,903,263**	**272,655,704**
Past due but not impaired (gross)					
- less than 30 days overdue	542,846	1,001,701	536,010	775,573	2,856,130
- 31 to 90 days overdue	190,194	224,878	116,590	195,946	727,608
Total past due but not impaired (gross)	**733,040**	**1,226,579**	**652,600**	**971,519**	**3,583,738**
Past due and impaired (gross)					
- 91 to 180 days overdue	77,335	36,461	12,896	3,742	130,434
- 181 to 360 days overdue	33,638	14,476	11,150	9,104	68,368
- over 360 days overdue	27,792	262,809	692,209	15,580	998,390
Total past due and impaired loans (gross)	**138,765**	**313,746**	**716,255**	**28,426**	**1,197,192**
Less impairment provisions	**(70,688)**	**(147,775)**	**(1,020,167)**	**(44,264)**	**(1,282,894)**
Total loans and advances to customers	**75,511,782**	**67,942,932**	**78,840,082**	**53,858,944**	**276,153,740**

9 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

(in thousands of Kazakhstani Tenge)	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Neither past due nor impaired (gross)					
fully collateralised:					
- LTV less than 25%	17,847,986	1,053,029	533,273	3,612,591	23,046,879
- LTV from 25% to 50%	23,023,072	15,167,205	7,917,621	18,094,946	64,202,844
- LTV from 51% to 75%	3,675,883	24,126,836	39,416,276	21,153,335	88,372,330
- LTV from 76% to 100%	37,800	1,305,445	5,573,498	13,637,456	20,554,199
partially collateralised:					
- LTV more than 100%	5,678	38,007	210,317	47,757	301,759
- unsecured	83,012	254	261	21,751	105,278
Total neither past due nor impaired (gross)	**44,673,431**	**41,690,776**	**53,651,246**	**56,567,836**	**196,583,289**
Past due but not impaired (gross)					
- less than 30 days overdue	574,811	641,046	560,657	1,157,529	2,934,043
- 31 to 90 days overdue	157,952	193,673	86,444	198,150	636,219
Total past due but not impaired (gross)	**732,763**	**834,719**	**647,101**	**1,355,679**	**3,570,262**
Past due and impaired (gross)					
- 91 to 180 days overdue	32,096	63,631	55,648	27,300	178,675
- 181 to 360 days overdue	17,085	6,117	39,255	7,900	70,357
- over 360 days overdue	16,565	302,387	708,510	7,977	1,035,439
Total past due and impaired loans (gross)	**65,746**	**372,135**	**803,413**	**43,177**	**1,284,471**
Less impairment provisions	**(28,436)**	**(163,191)**	**(824,765)**	**(97,782)**	**(1,114,174)**
Total loans and advances to customers	**45,443,504**	**42,734,439**	**54,276,995**	**57,868,910**	**200,323,848**

9 Loans and advances to customers (continued)

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

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

Past due, but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2015:

	Over-collateralised assets		Under-collateralised assets	
(in thousands of Kazakhstani Tenge)	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Housing loans	74,931,387	374,246,494	502,132	233,195
Preliminary housing loans	47,621,372	112,610,206	1,249,132	1,080,171
Interim housing loans	38,201,232	96,256,770	680,619	464,935
Preliminary and interim housing loans under governmental program	41,954,669	174,723,692	91,386	38,804

The effect of collateral at 31 December 2014:

	Over-collateralised assets		Under-collateralised assets	
(in thousands of Kazakhstani Tenge)	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Housing loans	45,322,421	232,946,217	111,989	20,710
Preliminary housing loans	42,562,415	86,168,826	193,479	101,447
Interim housing loans	54,029,973	67,573,891	307,131	84,217
Preliminary and interim housing loans under governmental program	57,629,038	174,155,739	270,753	149,589

The amount of real estate taken into account as collateral (revaluation every six months) and the amount of monetary deposits are deducted from the carrying value of the portfolio. The Bank signed a contract with an independent appraiser, the "Edvelorim Kungasay" Evaluation and Non-Payments Center" LLP, for an independent evaluation of residential properties.

10 Investment securities available for sale

(in thousands of Kazakhstani Tenge)	2015	2014
Government bonds of Ministry of Finance of RK	97,851,349	116,770,260
Corporate bonds	9,838,781	11,012,299
Bonds issued by "Samruk-Kazyna" National Welfare Fund" JSC	8,480,979	9,185,246
Bonds issued by Kazakhstani credit institutions separate from banks	3,586,985	3,887,496
Bonds issued by international financial organizations	2,080,869	2,080,871
Bonds issued by Kazakhstani banks	1,489,605	1,495,576
Total debt securities	**123,328,568**	**144,431,748**
Corporate shares	2,259	1,476
Total investment securities available for sale	**123,330,827**	**144,433,224**

10 Investment securities available for sale (continued)

Analysis by credit quality of debt securities available for sale outstanding at 31 December 2015 is as follows:

(in thousands of Kazakhstani Tenge)	Government bonds of Ministry of Finance of RK	Corporate bonds	Bonds issued by "Samruk-Kazyna" National Welfare Fund" JSC	Bonds issued by international financial organizations	Bonds issued by Kazakhstani banks	Bonds issued by Kazakhstani credit institutions other than banks
Neither past due nor impaired						
- BBB- to BBB+ rated	97,851,349	-	8,480,979	2,080,869	-	1,969,669
- BB- to BB+ rated	-	9,838,781	-	-	992,342	1,617,316
- B- to B+ rated	-	-	-	-	497,263	-
Total neither past due nor impaired	**97,851,349**	**9,838,781**	**8,480,979**	**2,080,869**	**1,489,605**	**3,586,985**
Debt securities individually determined to be impaired (gross)						
- over 360 days overdue	-	675,534	-	-	-	-
Total individually impaired debt securities	**-**	**675,534**	**-**	**-**	**-**	**-**
Provision for impairment	**-**	**(675,534)**	**-**	**-**	**-**	**-**
Total debt securities available for sale	**97,851,349**	**9,838,781**	**8,480,979**	**2,080,869**	**1,489,605**	**3,586,985**

10 Investment securities available for sale (continued)

Analysis by credit quality of debt securities available for sale outstanding at 31 December 2014 is as follows:

(in thousands of Kazakhstani Tenge)	**Government bonds of Ministry of Finance of RK**	**Corporate bonds**	**Bonds issued by "Samruk-Kazyna" National Welfare Fund" JSC**	**Bonds issued by international financial organizations**	**Bonds issued by Kazakhstani banks**	**Bonds issued by Kazakhstani credit institutions other than banks**
Neither past due nor impaired						
- BBB- to BBB+ rated	116,770,260	11,012,300	9,185,246	2,080,871	-	3,590,601
- BB- to BB+ rated	-	-	-	-	996,664	-
- B- to B+ rated	-	-	-	-	498,912	-
- Unrated	-	-	-	-	-	296,894
Total neither past due nor impaired	**116,770,260**	**11,012,300**	**9,185,246**	**2,080,871**	**1,495,576**	**3,887,495**
Debt securities individually determined to be impaired (gross)						
- over 360 days overdue	-	675,534	-	-	-	421,068
Total individually impaired debt securities	**-**	**675,534**	**-**	**-**	**-**	**421,068**
Provision for impairment	**-**	**(675,534)**	**-**	**-**	**-**	**(421,068)**
Total debt securities available for sale	**116,770,260**	**11,012,300**	**9,185,246**	**2,080,871**	**1,495,576**	**3,887,495**

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

10 Investments securities available for sale (continued)

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

The debt securities are not collateralised.

The movements in investment securities available for sale are as follows:

(in thousands of Kazakhstani Tenge)	Note	2015	2014
Carrying amount at 1 January		**144,433,224**	**149,207,207**
Fair value gains less losses		(8,665,502)	1,686,533
Interest income accrued	16	7,836,348	7,067,982
Interest income received		(6,667,309)	(5,540,076)
Purchases		-	42,722,682
Disposals of investment securities available for sale		(13,356,757)	(46,232,318)
Changes in the discount/premium		(1,088,797)	(4,479,316)
Write-off due to the restructuring		420,168	-
Impairment provision		419,452	530
Carrying amount at 31 December		**123,330,827**	**144,433,224**

Interest rate analysis of investment securities available for sale is disclosed in Note 22. Information on related party debt investment securities available for sale is disclosed in Note 27.

11 Premises and equipment and intangible assets

Below is presented movement of property, plant and equipment and intangible assets:

(in thousands of Kazakhstani Tenge)	Land and buildings	Office and computer equipment	Vehicles	Total
Cost at 1 January 2014	2,235,552	1,567,442	139,903	**3,942,897**
Accumulated depreciation	(111,893)	(789,321)	(83,262)	**(984,476)**
Carrying amount at 1 January 2014	**2,123,659**	**778,121**	**56,641**	**2,958,421**
Additions	451,079	721,762	8	**1,172,849**
Disposals	-	(46,071)	-	**(46,071)**
Transfer to Intangible Assets	-	976	-	**976**
Depreciation charge	(54,099)	(250,528)	(11,091)	**(315,718)**
Accumulated depreciation on disposal	-	46,071	-	**46,071**
Carrying amount at 31 December 2014	**2,520,639**	**1,250,331**	**45,558**	**3,816,528**
Cost at 31 December 2014	2,686,631	2,244,109	139,911	**5,070,651**
Accumulated depreciation	(165,992)	(993,778)	(94,353)	**(1,254,123)**
Carrying amount at 1 January 2015	**2,520,639**	**1,250,331**	**45,558**	**3,816,528**
Additions	19,241	739,584	-	**758,825**
Disposals	-	(151,818)	-	**(151,818)**
Depreciation charge	(65,108)	(395,193)	(11,090)	**(471,391)**
Accumulated depreciation on disposal	-	151,818	-	**151,818**
Carrying amount at 31 December 2015	**2,474,772**	**1,594,722**	**34,468**	**4,103,962**
Cost at 31 December 2015	2,705,872	2,831,875	139,911	**5,677,658**
Accumulated depreciation	(231,100)	(1,237,153)	(105,443)	**(1,573,696)**
Carrying amount at 31 December 2015	**2,474,772**	**1,594,722**	**34,468**	**4,103,962**

11 Premises and equipment and intangible assets (continued)

(in thousands of Kazakhstani Tenge)	PC Software Licenses	Internally developed software	Total
Cost at 1 January 2014	211,231	380,242	**591,473**
Accumulated depreciation	(7,525)	(133,371)	**(140,896)**
Carrying amount at 1 January 2014	**203,706**	**246,871**	**450,577**
Additions for the year	56,709	168,606	**225,315**
Disposals	-	(21,155)	**(21,155)**
Depreciation charge	(28,372)	(140,313)	**(168,685)**
Carrying amount at 31 December 2014	**231,734**	**254,009**	**485,743**
Cost at 31 December 2014	267,631	527693	**795,324**
Accumulated depreciation	(35,897)	(273,684)	**(309,581)**
Carrying amount at 1 January 2015	**231,734**	**254,009**	**485,743**
Additions for the year	517,682	8,935	**526,617**
Transfers	(19,738)	-	**(19,738)**
Depreciation charge	(190,957)	(744)	**(191,701)**
Accumulated depreciation on disposal	19,738	-	**19,738**
Carrying amount at 31 December 2015	**558,459**	**262,200**	**820,659**
Cost at 31 December 2015	765,575	536,628	**1,302,203**
Accumulated depreciation	(207,116)	(274,428)	**(481,544)**
Carrying amount at 31 December 2015	**558,459**	**262,200**	**820,659**

12 Other assets

(in thousands of Kazakhstani Tenge)	2015	2014
Receivables on banking activity	56,266	42,008
Less: impairment provision	-	(1,226)
Total other financial assets	**56,266**	**40,782**
Prepayments for taxes excluding profit tax	94,970	151,824
Prepayments for services	47,991	44,516
Inventory and other materials	23,308	56,885
Prepayments for capital expenditures	4,189	158,555
Other	8,809	7,311
Total other assets	**235,533**	**459,873**

13 Customer accounts

Customer accounts include amounts on currents accounts and term deposits of individuals and presented as follows:

(in thousands of Kazakhstani Tenge)	2015	2014
Individuals		
Long-term deposits	227,722,502	201,770,514
Current accounts	2,388,575	2,057,563
Customer accounts	**230,111,077**	**203,828,077**
Deposits served as collateral on loans given	70,921,811	47,184,855
Total customer accounts	**301,032,888**	**251,012,932**

Customer accounts are classified as long-term deposits pursuant to their maturities. However, individuals are entitled to withdraw cash from accounts prior to maturity.

At 31 December 2015, customer accounts in the amount of Tenge 363,899 thousands (0.1%) represented accounts of ten major clients (31 December 2014: Tenge 294,022 thousands (0.1%)).

According to the terms of the Contract on house construction savings, the Bank depositors have the right to receive housing loan in the amount equal to a difference between contract amount and their accumulated deposits, estimated fees and state premium based on the decision of government, in the case if all requirements of signed contract of house construction savings are fulfilled.

Annually the government provides premiums on house construction savings of depositors from the government budget, including estimated fees not exceeding 20% of 200 monthly calculation indexes per one depositor to encourage house construction savings in Kazakhstan.

Recording and placement of amounts of government premium into account of depositors takes place only after its actual receipt from Committee on construction of housing and utilities and land resources management of the Ministry of National Economy.

The Bank does not have any obligations to depositors in case if Committee does not transfer the government premium on the Bank's account.

Refer to Note 24 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

14 Borrowed funds

(in thousands of Kazakhstani Tenge)	2015	2014
Ministry of Finance of the Republic of Kazakhstan	33,122,667	32,826,661
"Samruk Kazyna" National Welfare Fund" JSC	28,341,420	27,274,476
Total borrowed funds	**61,464,087**	**60,101,137**

In 2008, pursuant to the Republican Budget Programme "Crediting the Implementation of Housing Construction State Programme", the Bank received a loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of Tenge 23,560,000 thousand for the period of ten years and with the interest rate of 1% per annum to be paid once per six months. Principal debt under this loan will be repaid in 2018. The purpose of this loan is to finance the provision by the Bank of preliminary and interim housing credits to priority categories of population determined by state programme at the interest rate of 4% per annum.

In 2011, the Bank received a loan from "Samruk-Kazyna" National Welfare Fund" JSC in the amount of Tenge 19,040,000 thousand with the interest rate of 1% per annum. The principal debt amounts of loans received in 2011 are subject to repayment after maturity set for 30 November 2021, and interest is to be repaid once per six months. The intended use of these loans is the provision by the Bank of preliminary and interim housing loans to priority categories of population determined by state programme at the interest rate of 4% per annum.

In 2012, the Bank received a loan from republican budget in the amount of Tenge 12,200,000 thousand with the interest rate of 1% per annum for the implementation of "Programme for development of the regions till 2020" related to the development of housing construction ensuring housing affordability for wider population through the housing construction saving system. The intended use of this loan is the provision by the Bank of preliminary and interim housing loans to the participants of the "Programme for development of the regions till 2020", interest rates on which shall not exceed 9% and 8% per annum respectively. The principal debt amount of the loan received in 2012 is subject to repayment after maturity set for 1 July 2023, and interest is to be repaid once per six months. In accordance with the "Programme for development of the regions till 2020", in order to purchase housing using Bank credits received from republican budget, a participant of the Programme shall meet requirements set in the Programme. The Bank may use resources generated due to early repayment of loans, provided using the abovementioned resources, for granting loans under its own market programmes.

The Bank recorded the abovementioned loans on initial recognition at a market rate as of the tranche receipt dates. Income received was recorded on initial recognition within equity as additional paid-in capital.

15 Other liabilities

Other liabilities comprise the following:

(in thousands of Kazakhstani Tenge)	2015	2014
Deferred commission fee	2,340,072	1,998,359
Other accrued liabilities	133,472	101,876
Total other financial liabilities	**2,473,544**	**2,100,235**
Accrued employee benefits costs	407,346	383,770
Accrued expenses for administrative activities	272,959	249,037
Taxes payable other than income tax	201,559	19,318
Others	188,039	155,394
Total other liabilities	**3,543,447**	**2,907,754**

The fair value of each class of other financial liabilities is disclosed in Note 24.

16 Share capital

(in thousands of Kazakhstani Tenge except for number of shares)	Shares (thousands of units)	Ordinary shares	Total
At 1 January 2014	**7,830**	**78,300,000**	**78,300,000**
New shares issued	-	-	-
At 31 December 2014	**7,830**	**78,300,000**	**78,300,000**
New shares issued	-	-	-
At 31 December 2015	**7,830**	**78,300,000**	**78,300,000**

On 19 May 2015, on the shareholders meeting the Bank declared dividends for the total amount of 7,166,094 thousands Tenge for the results of the year ended 31 December 2014. Total amount of dividends was fully paid on 26 June 2015, 28 August 2015 and 10 December 2015.

On 29 May 2014 on the shareholders meeting the Bank declared dividends for the total amount of Tenge 1,799,177 thousands for the results of the year ended 31 December 2013. Total amount of dividends was fully paid on 22 August 2014.

17 Interest income and expenses

(in thousands of Kazakhstani Tenge)	2015	2014
Interest income		
Loans to customers	19,298,745	12,194,998
Debt investment securities available for sale	7,801,171	7,067,982
Due from other banks	5,740,761	5,180,929
Due from National Bank of the Republic of Kazakhstan	458,696	326,542
Trading securities	411,954	349,534
Investment securities held to maturity	133,900	-
Total interest income	**33,845,227**	**25,119,985**
Interest expense		
Customer accounts	(4,425,441)	(3,574,807)
Borrowed funds	(2,054,950)	(1,989,835)
Total interest expense	**(6,480,391)**	**(5,564,642)**
Net interest income	**27,364,836**	**19,555,343**

18 Fee and commission income and expenses

(in thousands of Kazakhstani Tenge)	2015	2014
Commission income		
Cash transaction	344,412	216,786
For services on opening deposits and opening and maintaining customers' bank accounts	324,512	342,010
Conversion operations	49,774	38,684
Agency services rewards	3,721	9,450
Others	72,566	66,977
Total commission income	**794,985**	**673,907**
Commission expense		
Agent commission	(814,955)	(620,056)
Settlement transactions	(5,646)	(2,669)
Transactions with securities	(4,071)	(7,696)
Others	(14,931)	(17,030)
Total commission expense	**(839,603)**	**(647,451)**
Net commission (expense) / income	**(44,618)**	**26,456**

19 Other operating expense

(in thousands of Kazakhstani Tenge)	2015	2014
Expenses in form of contributions into the Kazakhstan Fund of Deposits Insurance JSC	560,619	629,732
Other	233,374	58,969
Total other operating expense	**793,993**	**688,701**

20 Administrative and other general expenses

Administrative and other general expenses include:

(in thousands of Kazakhstani Tenge)	2015	2014
Salary and bonuses	4,372,362	3,637,998
Social tax contributions	463,142	395,308
Other payments	475,687	414,753
Staff costs	**5,311,191**	**4,448,059**
Depreciation	663,092	484,403
Advertising and marketing services	522,915	261,610
Rent expense	252,648	181,047
Communication services	247,737	135,656
Taxes and state duties	241,599	171,342
Security services	131,498	92,034
Expenses on construction contracts	115,263	39,098
Current repair expenses	114,219	176,099
Business trip expenses	103,763	101,856
Technical maintenance	90,075	64,505
Insurance	67,394	43,654
Professional services	64,186	28,333
Materials	56,161	49,654
Cash collection expense	37,309	26,456
Transportation expense	17,608	30,785
Other	483,277	380,098
Total administrative and other operating expenses	**8,519,935**	**6,714,689**

21 Income taxes

Income tax expense and benefit represented in profit and losses for the period includes the following components:

(in thousands of Kazakhstani Tenge)	2015	2014
Current income tax charge	2,293,519	1,031,852
Deferred income tax benefit	(347,575)	(39,134)
Income tax expense for the year	**1,945,944**	**992,718**

The income tax rate applicable to the majority of the Banks's income is 20% (2014: 20%).

The effective interest rate differs from statutory income tax rate. A reconciliation of income tax expense based on statutory rates with actual expenditures:

(in thousands of Kazakhstani Tenge)	2015	2014
Profit before tax	17,178,186	12,546,007
Statutory tax rate	20%	20%
Theoretical tax charge at statutory rate	**3,435,637**	**2,509,201**
Non-taxable income on state securities and securities at the highest and next to the highest listing categories	(1,630,470)	(1,483,588)
Other non-deductible expenses / (non-taxable income)	140,777	(32,895)
Income tax expense	**1,945,944**	**992,718**

21 Income taxes (continued)

Differences between IFRS and statutory taxation regulations in Kazakhstan lead to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The tax effect of the movements in these temporary differences is detailed below.

(in thousands of Kazakhstani Tenge)	1 January 2014	Credited/ (charged) to profit or loss	Credited/ (charged) directly to equity	31 December 2014	Credited/ (charged) to profit or loss	31 December 2015
Tax effect of deductible temporary differences						
Customer accounts	228,626	79,221	-	307,847	55,437	363,284
Loans and advances to customers	719,329	(327,504)		391,825	(15,358)	376,467
Other liabilities	481,104	53,659	-	534,763	71,227	605,990
Deferred tax assets	**1,429,059**	**(194,624)**	**-**	**1,234,435**	**111,306**	**1,345,741**
Tax effect of taxable temporary differences						
Borrowed funds	(2,085,756)	259,565	(15,251)	(1,841,442)	272,590	(1,568,852)
Premises and equipment and intangible assets	(131,684)	(40,091)	-	(171,775)	(36,446)	(208,221)
Other asssets	(24,008)	14,284	-	(9,724)	125	(9,599)
Deferred tax liabilities	**(2,241,448)**	**233,758**	**(15,251)**	**(2,022,941)**	**236,269**	**(1,786,672)**
Deferred tax liabilities	**(812,389)**	**39,134**	**(15,251)**	**(788,506)**	**347,575**	**(440,931)**

22 Financial risk management

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

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For commitments to provide loans, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25. The credit risk is mitigated by collateral and other credit enhancements.

The Bank structures the levels of credit risk it undertakes by placing limits on the aggregate amount of lending to one borrower, authority of Credit Committee of Bank's branches, volume of loans guaranteed by physical persons, maximum rate of non-performing loans in the loan portfolio.

In accordance with internal documents, limits are approved by Credit Committee of the Bank/Management Board of the Bank/Board of Directors of the Bank. Such risks are monitored on a regular basis, and the limits are reviewed at least once a year.

22 Financial risk management (continued)

The Bank established a number of credit committees which are responsible for approving credit limits for individual borrowers:

- Bank Credit Committee is a regular collegial body at the Central Office of the Bank with the main objectives of realization of the Bank's internal credit policy and making any credit decisions on lending of Bank's customers. The Committee meets on ad hoc basis but at least once a month;

- Branch Credit Committee branch is a regular collegial body at the branch of the Bank with the main objective of implementation of the Bank's credit policy and making any credit decisions on lending of Bank's customers within the established limits. The Committee meets on ad hoc basis but not more than once a day.

In order to monitor credit risk exposures, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure to customers with deteriorating creditworthiness are reported to, and reviewed by, the Board of Directors. Management monitors and controls overdue balances.

The Bank's credit department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 8, 9 и 10.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

In 2014 the Bank did not conduct foreign exchange transactions except for the purchase of foreign currency for fulfillment of liabilities under the administrative and economic contracts. As at 31 December 2014 Bank did not have a portfolio of financial instruments denominated foreign currency or the value of which depends on the foreign exchange rate. As at 31 December 2015 the Bank had correspondent accounts in other banks denominated in foreign currencies.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2015 and 2014:

(in thousands of Kazakhstani Tenge)	**At 31 December 2015**			**At 31 December 2014**		
	Monetary financial assets	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
US Dollars	331,642	18,265	313,377	-	-	-
Euros	10,401		10,401	-	-	-
Total	**342,043**	**18,265**	**323,778**	**-**	-	-

The above analysis includes only monetary assets and liabilities.

22 Financial risk management (continued)

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

	At 31 December 2015		At 31 December 2014	
(in thousands of Kazakhstani Tenge)	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 20%	62,675	62,675	-	-
US Dollar weakening by 20%	(62,675)	(62,675)	-	-
Euro strengthening by 20%	2,080	2,080	-	-
Euro weakening by 20%	(2,080)	(2,080)	-	-
Total	-	-	-	-

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

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

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates. As of 31 December 2015, the Bank has government investment securities for the amount of Tenge 95,851,349 thousand (2014: Tenge 116,770,260 thousand).

(in thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2015					
Total financial assets	34,547,509	15,238,945	33,498,409	385,674,939	468,959,801
Total financial liabilities	82,086, 552	24,640,842	26,092,758	232,150,367	364,970,519
Net interest sensitivity gap at 31 December 2015	**(47,539,043)**	**(9,401,897)**	**7,405,651**	**153,524,572**	**103,989,283**
31 December 2014					
Total financial assets	26,508,572	43,832,679	15,868,466	326,899,275	413,108,992
Total financial liabilities	70,926,340	22,056,042	22,145,915	201,631,406	316,759,703
Net interest sensitivity gap at 31 December 2014	**(44,417,768)**	**21,776,637**	**(6,277,449)**	**125,267,869**	**96,349,289**

22 Financial risk management (continued)

At 31 December 2015, if interest rates at that date had been 200 basis points lower (2014: 200 basis points lower) with all other variables held constant, profit for the year would have been Tenge 314,057 thousand (2014: Tenge 405,263 thousand) higher, mainly as a result of higher fair value of debt trading and other securities at fair value through profit or loss. Other components of equity would have been Tenge 7,464,373 thousand (2013: Tenge 10,353,140 thousand) higher, mainly as a result of an increase in the fair value of fixed rate financial assets classified as available for sale.

If interest rates had been 200 basis points higher (2014: 200 basis points higher), with all other variables held constant, profit would have been Tenge 289,868 thousand (2014: Tenge 367,380 thousand) lower, mainly as a result of lower fair value of debt trading and other securities at fair value through profit or loss. Other components of equity would have been Tenge 6,702,114 thousand (2014: Tenge 9,261,290 thousand) lower, mainly as a result of a decrease in the fair value of fixed rate financial assets classified as available for sale. The Bank monitors interest rates for its financial instruments. All financial instruments are denominated in Kazakhstani Tenge.

The table below summarises interest rates at 31 December 2015 and 31 December 2014:

(in % p.a.)	2015	2014
Assets		
Cash and cash equivalents	40.23%	11.80%
Due from other banks	11.61%	7.82%
Debt trading securities	8.04%	8.36%
Debt investment securities available for sale	4.98%	5.84%
Loans and advances to customers	7.09%	6.88%
Liabilities		
Customer accounts	2.00%	2.00%
Borrowings from the Government of Kazakhstan	1.00%	1.00%
Borrowings from Samruk Kazyna	1.00%	1.00%

Other price risk. In 2015 the Bank did not conduct operations with equity shares. There were no active operations and transactions that would indicate potential decrease in value.

The Bank is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Bank's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2014: no material impact).

22 Financial risk management (continued)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2015 is set out below:

(in thousands of Kazakhstani Tenge)	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	35,430,300	-	-	35,430,300
Trading securities	4,842,768	-	-	4,842,768
Due from other banks	29,145,901	-	-	29,145,901
Loans and advances to customers	279,152,971	769	-	276,153,740
Investment securities available for sale	121,249,958	2,080,869	-	123,330,827
Other financial assets	56,266	-	-	56,266
Total financial assets	**466,878,164**	**2,081,638**	**-**	**468,959,802**
Financial liabilities				
Customer accounts	300,981,044	7,699	44,145	301,032,888
Borrowed funds	61,464,087	-	-	61,464,087
Other financial liabilities	2,472,193	321	1,030	2,473,544
Total financial liabilities	**364,917,324**	**8,020**	**45,175**	**364,970,519**
Net position in on-balance sheet financial instruments	**101,960,840**	**2,073,618**	**(45,175)**	**103,989,283**
Credit related commitments	**25,758,557**	-	-	**25,758,557**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

22 Financial risk management (continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2014 is shown below:

(in thousands of Kazakhstani Tenge)	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	30,707,667	-	-	30,707,667
Due from other banks	5,110,424	-	-	5,110,424
Loans and advances to customers	37,654,713	-	-	37,654,713
Investment securities available for sale	200,322,949	899		200,323,848
Other financial assets	142,352,353	2,080,871	-	144,433,224
Financial assets	40,782	-	-	40,782
Total financial assets	**416,188,888**	**2,081,770**	**-**	**418,270,658**
Financial liabilities				
Customer accounts	250,975,585	33,797	3,550	251,012,932
Borrowed funds	60,101,137	-	-	60,101,137
Other financial liabilities	2,100,235	-	-	2,100,235
Total financial liabilities	**313,176,957**	**33,797**	**3,550**	**313,214,304**
Net position in on-balance sheet financial instruments	**103,011,931**	**2,047,973**	**(3,550)**	**105,056,354**
Credit related commitments	**20,460,366**	**-**	**-**	**20,460,366**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets (Note 9). The Bank did not have any such significant risk concentrations at 31 December 2015 and 31 December 2014.

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

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

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

- Current liquidity coefficient (k4), which is calculated as average volume of highly liquid Bank assets divided by average volume of demand liabilities. At 31 December 2015 this coefficient was 19.21 (2014: 23.07);

22 Financial risk management (continued)

- Acid-test coefficient (k4-1), which is calculated as average volume of highly liquid assets divided by average volume of term liabilities with the maturity of seven days. At 31 December 2015 this coefficient was 2.09 (2014: 2.71);

- Acid-test coefficient (k4-2), which is calculated as average volume of liquid assets with the maturity of one month, including highly liquid assets, divided by average volume of term liabilities with the remaining maturity up to one month. At 31 December 2015 this coefficient was 2.37 (2014: 3.12);

- Acid-test coefficient (k4-3), which is calculated as average volume of liquid assets with the maturity up to three months, including highly liquid assets, divided by average volume of term liabilities with the remaining maturity up to three months. At 31 December 2015 this coefficient was 2.20 (2014: 2.87).

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

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

The table below shows liabilities at 31 December 2015 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

Such undiscounted cash flows on financial liabilities and financial assets differ from the amounts included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

22 Financial risk management (continued)

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

The maturity analysis of financial instruments at 31 December 2015 is as follows:

(in thousands of Kazakhstani Tenge)	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	34,661,646	1,256,117	-	-	-	35,917,762
Trading securities	6,636,606	-	-	-	-	6,636,606
Due from other banks	-	7,657,024	14,405,397	9,817,613	-	31,880,034
Loans and advances to customers	7,628,856	13,662,401	17,586,644	196,840,538	145, 227,841	380,946,280
Investment securities available for sale	-	3,697,573	17,423,112	90,654,159	48,146,098	159,920,942
Other financial assets	56,266	-	-	-	-	56,266
Total assets	**48,983,374**	**26,273,115**	**49,415,153**	**297,312,310**	**193,373,939**	**615,357,890**
Liabilities						
Borrowed funds	-	108,347	-	43,108,493	29,123,379	72,340,218
Customer accounts	79,617,970	24,769,849	26,433,679	152,022,197	27,268,309	310,112,004
Other financial liabilities	2,473,544	-	-	-	-	2,473,544
Total potential future payments for financial obligations	**82,091,514**	**24,878,196**	**26,433,679**	**195,130,690**	**56,391,688**	**384,925,766**
Contingent liabilities						
Irrevocable loan commitments	2,575,856	12,879,279	10,303,423	-	-	25,758,557

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

22 Financial risk management (continued)

The maturity analysis of financial instruments at 31 December 2014 is as follows:

(in thousands of Kazakhstani Tenge)	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	30,707,667	-	-	-	-	30,707,667
Trading securities	5,165,032	-	-	-	-	5,165,032
Due from other banks	-	18,752,414	4,644,454	14,401,414	-	37,798,282
Loans and advances to customers	851,436	4,387,457	6,090,554	147,559,208	44,500,586	203,389,241
Investment securities available for sale	325,856	12,799,884	3,025,685	87,986,002	44,301,755	148,439,182
Other financial assets	40,782	-	-	-	-	40,782
Total assets	**37,090,773**	**35,939,755**	**13,760,693**	**249,946,624**	**88,802,341**	**425,540,186**
Liabilities						
Borrowed funds	-	346,000	346,000	44,279,920	28,162,054	73,133,974
Customer accounts	73,400,322	22,303,961	22,604,829	122,581,650	18,691,258	259,582,020
Other financial liabilities	2,100,235	-	-	-	-	2,100,235
Total potential future payments for financial obligations	**75,500,557**	**22,649,961**	**22,950,829**	**166,861,570**	**46,853,312**	**334,816,229**
Contingent liabilities						
Irrevocable loan commitments	2,455,244	12,276,220	5,728,902	-	-	20,460,366

22 Financial risk management (continued)

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

(in thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December 2015						
Financial assets	145,641,793	15,158,698	18,363,991	150,709,674	139,085,646	468,959,802
Financial liabilities	82,086,552	24,749,189	26,092,758	185,615,106	46,426,914	364,970,519
Net liquidity gap based on expected maturities	**63,555,241**	**(9,590,491)**	**(7,728,767)**	**(34,905,432)**	**92,658,732**	**103,989,283**
Accumulated liquidity gap based on expected maturities	**63,555,241**	**53,964,750**	**46,235,983**	**11,330,551**	**103,989,283**	
At 31 December 2014						
Financial assets	150,655,773	36,470,565	13,468,158	134,967,004	82,749,749	418,311,249
Financial liabilities	77,942,335	34,603,780	28,125,523	116,844,051	76,507,864	334,023,553
Net liquidity gap based on expected maturities	**72,713,438**	**1,866,786**	**(14,657,365)**	**18,122,952**	**6,241,885**	**84,287,696**
Accumulated liquidity gap based on expected maturities	**72,713,438**	**74,580,224**	**59,922,859**	**78,045,811**	**84,287,696**	

The entire portfolio of trading securities is classified within one to six months based on management's assessment of the portfolio's realisability.

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

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

23 Capital management

The Bank maintains an actively managed capital base to cover risk inherent in the business. The adequacy the Banks' capital is monitored using, among other measures, the ratios established by the competent authority in supervising the Bank.

23 Capital management (continued)

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 shares' value.

Capital adequacy ratio established by the competent authority.

NBRK requires the Bank to maintain capital adequacy ratio k 1-1 at a rate 5%, k 1-2 at rate of 6% and k 2 at 7.5% of the assets, contingent liabilities, potential claims and liabilities and operational risks in accordance with the regulations established by NBRK.

Capital adequacy ratios calculations

- Primary capital adequacy ratio k1 is calculated as main capital to the assets, contingent liabilities, potential claims and liabilities and operational risks in accordance with the regulations established by NBRK (2014: capital adequacy ratio k1-1 is calculated as tier 1 capital to total assets under approved NK RK rules);

- Tier 1 capital adequacy ratio k1-2 is calculated as tier 1 capital the assets, contingent liabilities, potential claims and liabilities and operational risks in accordance with the regulations established by NBRK;

- Capital adequacy ratio k2 is calculated as total regulatory capital to the assets, contingent liabilities, potential claims and liabilities and operational risks in accordance with the regulations established by NBRK.

As of 31 December 2015 and 2014, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

As of 31 December 2015 and 2014, the Bank's capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

(in thousands of Kazakhstani Tenge)	2015	2014
Tier 1 capital	106,389,346	95,815,924
Tier 2 capital	-	11,734,995
Total regulatory capital	**106,389,346**	**107,550,919**
Total assets under approved NK RK rules	-	423,095,370
Risk-weighted assets and contingent liabilities, potential claims and liabilities	258,550,330	199,011,964
Operational risk	6,839,129	2,917,034
Capital adequacy ratio k1-1	40.10%	22.65%
Capital adequacy ratio k1-2	40.10%	47.45%
Capital adequacy ratio k2	40.10%	53.26%

24 Fair value disclosures

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

24 Fair value disclosures (continued)

(a) Recurring fair value measurements

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

	31 December 2015			31 December 2014		
(in thousands of Kazakhstani Tenge)	Level 1	Level 2	Total	Level 1	Level 2	Total
ASSETS MEASURED AT FAIR VALUE						
FINANCIAL ASSETS						
Trading securities						
- Corporate bonds	-	4,842,768	4,842,768	-	5,110,424	5,110,424
Available-for-sale investments						
- Treasury bonds of Ministry Finance of the Republic of Kazakhstan	-	97,851,349	97,851,349	-	116,770,260	116,770,260
- Corporate bonds		18,319,760	18,319,760	-	20,197,545	20,197,545
- International financial organizations bonds	-	2,080,869	2,080,869	-	2,080,871	2,080,871
- Bonds of Second tier Banks of the Republic of Kazakhstan	-	1,489, 605	1,489, 605	-	1,495,576	1,495,576
- Bonds of Kazakhstani non-banking financial institutions	-	3,586,985	3,586,985	-	3,887,496	3,887,496
- Ordinary and preferred shares of the Second tier banks of the Republic of Kazakhstan	-	2,259	2,259	-	1,476	1,476
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**128,173,595**	**128,173,595**	**-**	**149,543,648**	**149,543,648**

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

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

	31 December 2015			31 December 2014		
(in thousands of Kazakhstani Tenge)	Level 2 Fair Value	Level 3 Fair Value	Carrying Value	Level 2 Fair Value	Level 3 Fair Value	Carrying Value
ASSETS						
Due from other banks	28,173,618	-	29,145,901	37,654,713	-	37,654,713
Loans and advances to customers	231,051,870	45,101,870	276,153,740	148,651,330	51,672,518	200,323,848
TOTAL	**259,225,488**	**45,101,870**	**305,299,641**	**186,306,043**	**51,672,518**	**237,978,561**

24 Fair value disclosures (continued)

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

(in thousands of Kazakhstani Tenge)	31 December 2015			31 December 2014		
	Level 2 Fair Value	Level 3 Fair Value	Carrying Value	Level 2 Fair Value	Level 3 Fair Value	Carrying Value
FINANCIAL LIABILITIES						
Customer accounts	301,032,888	-	301,032,888	251,012,932	-	251,012,932
Borrowed funds	53,292,067	-	61,464,087	60,101,137	-	60,101,137
TOTAL	**354,324,955**	**-**	**362,496,975**	**311,114,069**	**-**	**311,114,069**

The fair values in Level 2 and Level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

25 Contingencies and commitments

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

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made as at 31 December 2015 and 2014 for any of the contingent liabilities mentioned above, since it was not necessary.

Customer accounts compensation commitments. On 20 August 2015 the National Bank of the Republic of Kazakhstan announced that the Tenge would enter a free float regime. Prior to that date the National Bank had supported the Tenge in a corridor of between 170.00 to 198.00 to the US Dollar. The new regime resulted in a large devaluation of the Tenge and by close of business on 20 August the Tenge rate was 257.21 Tenge to the US Dollar. Following the devaluation of the Tenge, the President of the Republic of Kazakhstan instructed the Bank to prepare a proposal on compensation of individuals' deposits in Tenge placed with the Bank.

As at 31 December 2015 the Bank was in the process of developing together with its sole shareholder a compensation payment scheme for the depositors. On 8 February 2016 the Bank's management announced the broad rules and regulations of the compensation scheme.

In terms of the scheme, all depositors who had the housing construction savings agreement outstanding on 18 August 2015 will be entitled to compensation provided that they formally apply, sign additional agreements with the Bank by 1 June 2016 and retain their deposits until the date of the compensation payment. The payments to the depositors will be made from the funds of the state budget and partly from the Bank's own funds in 2016 and 2017.

Balances on the qualifying deposits opened with the Bank as of 18 August and maintained at 31 December 2015 amount to Tenge 171,190,533 thousand.

As at the date of the financial statements the amount payable by the Bank under the scheme cannot be reliably estimated. As at 31 December 2015, the Bank did not have a legal or constructive obligation to provide any compensation to depositors.

25 Contingencies and commitments (continued)

Accordingly as at 31 December 2015 the Bank did not recognize a provision for the compensation payment and disclosed the related obligation as a contingent liability.

Credit related commitments. Agreement on loan commitments represent Bank's contingent liability to provide loans to customers, when all conditions stipulated in the contract on housing construction savings will be achieved.

Financial and contingent liabilities of the Bank included:

(in thousands of Kazakhstani Tenge)	2015	2014
Loan commitments	25,758,557	20,460,366
Financial and contingent liabilities	**25,758,557**	**20,460,366**

Other commitments. In 2015 the Bank has signed the agreement on placement of deposit for the total amount of Tenge 2,908,000 thousand at 3% interest rate under the government program. During 2015 the Bank placed deposit for the amount of Tenge 1,569,374 thousand. As of 31 December 2015 the Bank has contractual obligation to place Tenge 1,388,626 thousand till 31 July 2016.

26 Presentation of financial instruments by measurement category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", Bank classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held for trading. All of the Bank's financial liabilities were carried at amortised cost.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2015:

(in thousands of Kazakhstani tenge)	Loans and receivables	Available-for-sale assets	Trading assets	Total
ASSETS				
Cash and cash equivalents	35,430,300	-	-	35,430,300
Trading securities	-	-	4,842,768	4,842,768
Due from other banks	29,145,901	-	-	29,145,901
Loans and advances to customers	276,153,740	-	-	276,153,740
Investment securities available for sale	-	123,330,827	-	123,330,827
Other financial assets	56,266	-	-	56,266
TOTAL FINANCIAL ASSETS	**340,786,207**	**123,330,827**	**4,842,768**	**468,959,802**

26 Presentation of financial instruments by measurement category (continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2014:

(in thousands of Kazakhstani tenge)	Loans and receivables	Available-for-sale assets	Trading assets	Total
ASSETS				
Cash and cash equivalents	30,707,667	-	-	30,707,667
Trading securities	-	-	5,110,424	5,110,424
Due from other banks	37,654,713	-	-	37,654,713
Loans and advances to customers	200,323,848	-	-	200,323,848
Investment securities available for sale	-	144,433,224	-	144,433,224
Other financial assets	40,782	-	-	40,782
TOTAL FINANCIAL ASSETS	**268,727,010**	**144,433,224**	**5,110,424**	**418,270,658**

At 31 December 2015 and 31 December 2014 all financial liabilities of the Bank were carried at amortized costs.

27 Related party transactions

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

At 31 December 2015, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	Immediate parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (contractual interest rate: 12%)	-	-	-	8,340,796
Due from other banks (contractual interest rate: 6.5%-16%)	-	7,421,261	-	1,010,667
Trading securities (contractual interest rate: 7.5%-8.5%)	-	2,631,487	-	2,211,281
Loans and advances to customers (contractual interest rate: 4%-10%)	-	-	15,756	306,146
Investment securities available for sale (contractual interest rate: 3%-9%)	-	1,617,316	-	118,140,779
Other assets		1,170	393	-
Borrowing funds (contractual interest rate: 1%)	-	-	-	61,464,087
Customer accounts (contractual interest rate: 2%-5.5%)	-	-	9	213,926
Deferred tax liability	-	-	-	440,931
Other liabilities	-	3,482	-	119,738

27 Related party transactions (continued)

The income and expense items with related parties for 2015 were as follows:

(in thousands of Kazakhstani Tenge)	Immediate parent company	Companies under common control	Key management personnel	Other related parties
Interest income	-	1,094,812	962	8,227,426
Interest expenses	-	-	-	(2,057,925)
Gains less losses from trading securities	-	(145,612)	-	(47,446)
Fee and commission income	-	-	-	3,721
Provision for impairment	-	-	(14)	(1, 352)
Administrative and other operating expenses		(6,982)	-	-
Other income	-	1,182	-	-
Other expenses	-	-	-	(560,619)

Aggregate amounts lent to and repaid by related parties during 2015 were:

(in thousands of Kazakhstani Tenge)	Other related parties
Amounts lent to related parties during the period	434,891
Amounts repaid by related parties during the period	39,810

At 31 December 2014, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani Tenge)	Immediate parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (contractual interest rate: 3.05%)	-	-	-	9,905,845
Due from other banks (contractual interest rate: 6.5%-12%)	-	11,111,222	-	1,557,847
Trading securities (contractual interest rate: 7.5%-8.5%)	-	2,777,065	-	2,333,359
Loans to customers (contractual interest rate: 4%-10%)	-	-	4,143	104,418
Investment securities available for sale (contractual interest rate: 3%-9%)	-	1,630,982	-	138,927,427
Borrowing funds (contractual interest rate: 1%)	-	-	-	60,101,137
Customer accounts (contractual interest rate: 2%-3%)	-	-	3,288	135,931
Deferred tax liability	-	-	-	788,506
Other liabilities	-	-	-	100,549

The income and expense items with related parties for 2014 were as follows:

(in thousands of Kazakhstani Tenge)	Immediate parent company	Companies under common control	Key management personnel	Other related parties
Interest income	-	330,265	245	7,381,389
Interest expenses	-	-	(60)	(1,992,307)
Gains less losses from securities available for sale	-	(137)	-	34
Fee and commission income				9,451
Provision for impairment	-	(1,162)	(3)	(163)
Other expenses	-	-	-	(629,732)

27 Related party transactions (continued)

Aggregate amounts lent to and repaid by related parties during 2014 were:

(in thousands of Kazakhstani Tenge)	Other related parties
Amounts lent to related parties during the period	203,764
Amounts repaid by related parties during the period	63,788

Key management compensation is presented below:

	2015		2014	
(in thousands of Kazakhstani Tenge)	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	141,170	-	170,886	-
- Short-term bonuses	7,083	-	13,686	-
- Benefits in-kind	1,227	-	1,311	-
- Long-term bonus scheme	55,500	55,500	71,260	108,196
Total	**204,980**	**55,500**	**257,143**	**108,196**

28 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent by the number of ordinary shares in issue during the year.

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

In thousands of Kazakhstani Tenge except for number of shares	Note	2015	2014
Profit/(loss) for the year attributable to ordinary shareholders		15,232,242	11,553,289
Number of ordinary shares in issue (thousands)	16	7,830	7,830
Basic and diluted earnings per ordinary share (expressed in Tenge per share)		1,945	1,476

29 Events after the end of the reporting period

In February 2016 Standard & Poor's Ratings Services lowered its long-term foreign and local currency sovereign credit ratings on the Republic of Kazakhstan to 'BBB' from 'BBB+'. At the same time, S&P lowered the short-term foreign and local currency ratings to 'A-3' from 'A-2' and the Kazakhstan national scale rating to 'kzAA' from 'kzAA+'. The outlook on the long-term ratings is negative.